

RESOLUTION _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF IRVINE AUTHORIZING THE ISSUANCE OF NOT TO EXCEED \$78,800,000 AGGREGATE PRINCIPAL AMOUNT OF CITY OF IRVINE LIMITED OBLIGATION IMPROVEMENT BONDS, REASSESSMENT DISTRICT NO. 04-20, APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE, A REIMBURSEMENT AGREEMENT, A PLACEMENT AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT, A REMARKETING AGREEMENT AND A PROTOCOL AGREEMENT AND THE PREPARATION OF AN OFFERING MEMORANDUM AND OTHER MATTERS RELATED THERETO

WHEREAS, the City of Irvine (the "City") has determined certain savings and efficiencies may be obtained by refunding the combined outstanding \$78,248,000 aggregate principal amount of Assessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A and the Assessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series B (collectively, the "Prior Bonds");

WHEREAS, the City Council, by a resolution entitled "A Resolution of the City Council of the City of Irvine Making Preliminary Determinations and Declaring Its Intention to Issue Refunding Bonds for Reassessment District No. 04-20, ordering a Reassessment Report Thereon and Appointing a Time and Place for a Public Hearing Relating Thereto", adopted on September 13, 2011 (the "Resolution of Intention"), has conducted reassessment and refunding proceedings under the Refunding Act of 1984 for 1915 Improvement Act Bonds, Division 11.5 (commencing with Section 9500) of the California Streets and Highways Code for the City's Reassessment District No. 04-20 (the "District") to which proceedings reference is hereby made for further particulars;

WHEREAS, there is on file with the Treasurer of the City a list of all reassessments within the District which remain unpaid (the "List of Unpaid Reassessments"), to which list reference is made for further particulars;

WHEREAS, the City desires to refund the Prior Bonds;

WHEREAS, in order to provide the moneys required to refund the Prior Bonds, the City desires to authorize the issuance of the City of Irvine Limited Obligation Improvement Bonds, Reassessment District No. 04-20 (the "Bonds"), in an aggregate principal amount not to exceed \$78,800,000.

WHEREAS, in order to provide for the authentication and delivery of the Bonds, to establish and declare the terms and conditions upon which the Bonds are to be issued and secured and to secure the payment of the principal thereof, premium, if any, and interest thereon, the City proposes to enter into an Indenture with The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") (such Indenture, in the

form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this resolution, being referred to herein as the “Indenture”);

WHEREAS, in order to provide a letter of credit to secure the payment of the principal of and interest on the Bonds, the City proposes to enter into a Reimbursement, Credit and Security Agreement with KBC Bank N.V., New York Branch (such Reimbursement, Credit and Security Agreement, in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this resolution, being referred to herein as the “Reimbursement Agreement”); and

WHEREAS, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Placement Agent (the “Placement Agent”) has submitted to the City a proposed form of an agreement to place the Bonds (the “Placement Agreement”);

WHEREAS, Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 (“Rule 15c2-12”) requires that, in order to be able to purchase or sell the Bonds, the Placement Agent must have reasonably determined that an obligated person has undertaken in a written agreement or contract for the benefit of the holders of the Bonds to provide disclosure of certain financial information and certain material events on an ongoing basis;

WHEREAS, in order to cause such requirement to be satisfied, the City desires to enter into a Continuing Disclosure Agreement (the “Continuing Disclosure Agreement”);

WHEREAS, there have been prepared and submitted to this meeting forms of:

- (a) the Indenture (attached hereto as Exhibit 1);
- (b) the Reimbursement Agreement (attached hereto as Exhibit 2);
- (c) the Placement Agreement (attached hereto as Exhibit 3);
- (d) the Continuing Disclosure Agreement(s) (attached hereto as Exhibit 4);
- (e) the Remarketing Agreement (attached hereto as Exhibit 5);
- (f) the Protocol Agreement (attached hereto as Exhibit 6); and
- (g) the Preliminary Offering Memorandum (attached hereto as Exhibit 7) to be used in connection with the offering and sale of the Bonds, which contains certain information about the City, the Indenture, the Bonds, the District and the proceedings relating thereto (such Preliminary Offering Memorandum in the form presented to this meeting, with such changes, insertions and omissions as are made pursuant to this resolution, being referred to herein as the “Preliminary Offering Memorandum”);

WHEREAS, the City desires to proceed to issue and sell the Bonds and to authorize the execution of such documents and the performance of such acts as may be necessary or desirable to effect the offering, sale and issuance of the Bonds;

NOW, THEREFORE, BE IT RESOLVED by the City Council the City of Irvine as follows:

SECTION 1: The reassessments now remaining unpaid are as shown on the List of Unpaid Reassessments, which list is hereby approved and incorporated herein by this reference. The total amount of the unpaid reassessments is not to exceed \$141,323,586. For a particular description of the lots, pieces and parcels of land bearing the respective reassessment numbers set forth in the List of Unpaid Reassessments, reference is hereby made to the reassessment and to the reassessment diagram, and any amendments thereto approved by the City Council, all as recorded in the office of the Superintendent of Streets of the City, after confirmation thereof by the City Council.

SECTION 2: Subject to the provisions of Section 3 hereof, the issuance of the Bonds, in the aggregate principal amount of not to exceed \$78,800,000, on the terms and conditions set forth in, and subject to the limitations specified in, the Indenture, is hereby authorized and approved. The Bonds shall be dated, shall bear interest at the rates, shall mature on the dates, shall be issued in the form, and shall be as otherwise provided in the Indenture, as the same shall be completed as provided in this resolution.

SECTION 3: The Indenture, in substantially the form submitted to this meeting and made a part hereof as though set forth herein, be and the same is hereby approved. The Mayor of the City, or such other member of the City Council as the Mayor may designate, the City Manager of the City and the Director of Administrative Services of the City (the "Authorized Officers") are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Indenture in the form submitted to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Indenture by such Authorized Officer; provided, however, that such changes, insertions and omissions shall not authorize an aggregate principal amount of Bonds in excess of \$78,800,000, shall not result in a final maturity date of the Bonds later than September 2, 2050 and shall not result in a true interest cost on the Bonds in excess of 5%.

SECTION 4: The Placement Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Placement Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or

approve, such requirement or approval to be conclusively evidenced by the execution of the Placement Agreement by such Authorized Officer.

SECTION 5: The Continuing Disclosure Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Continuing Disclosure Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Continuing Disclosure Agreement by such Authorized Officer.

SECTION 6: The Reimbursement Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, shall be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Reimbursement Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Reimbursement Agreement by such Authorized Officer.

SECTION 7. The Remarketing Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Remarketing Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Remarketing Agreement by such Authorized Officer.

SECTION 8. The Protocol Agreement, in substantially the form submitted to this meeting and made a part hereof as though set forth in full herein, be and the same is hereby approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to execute and deliver the Protocol Agreement in the form presented to this meeting, with such changes, insertions and omissions as the Authorized Officer executing the same may require or approve, such requirement or approval to be conclusively evidenced by the execution of the Protocol Agreement by such Authorized Officer.

SECTION 9: The Preliminary Offering Memorandum, in substantially the form presented to this meeting and made a part hereof as though set forth in full herein, with such changes therein as may be approved by an Authorized Officer, be and the same is hereby approved, and the use of the Preliminary Offering Memorandum in connection with the offering and sale of the Bonds is hereby authorized and approved. The Authorized Officers are, and each of them is, hereby authorized and directed, for and in the name of the City, to certify to the Placement Agent, that the Preliminary Offering

Memorandum has been “deemed final” for purposes of Rule 15c2-12 promulgated by the Securities and Exchange Commission.

SECTION 10: The preparation and delivery of a final Offering Memorandum (the “Offering Memorandum”), and its use in connection with the offering and sale of the Bonds, be and the same is hereby authorized and approved. The Offering Memorandum shall be in substantially the form of the Preliminary Offering Memorandum with such changes, insertions and omissions as may be approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Authorized Officers are, and each of them is, hereby authorized and directed to execute the final Offering Memorandum, and any amendment or supplement thereto, for and in the name of the City.

SECTION 11: The Authorized Officers are, and each of them hereby is, authorized and directed to execute and deliver any and all documents and instruments and to do and cause to be done any and all acts and things necessary or proper for carrying out the issuance of the Bonds and the transactions contemplated by the Indenture, the Placement Agreement, the Continuing Disclosure Agreement, the Reimbursement Agreement, the Remarketing Agreement, the Letter Agreement, the Protocol Agreement, the Offering Memorandum and this resolution.

SECTION 12: All actions heretofore taken by the officers and employees of the City with respect to the District, the reassessments, the refunding of the Prior Bonds or the issuance and sale of the Bonds, or in connection with or related to any of the agreements or documents referenced herein, are hereby approved, confirmed and ratified.

SECTION 13: This resolution shall take effect immediately upon its adoption.

SECTION 14: The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED by the City Council of the City of Irvine at a regular meeting held on the 8th day of November, 2011.

MAYOR OF THE CITY IRVINE

ATTEST:

CITY CLERK OF THE CITY OF IRVINE

STATE OF CALIFORNIA)
COUNTY OF ORANGE) SS
CITY OF IRVINE)

I, SHARIE APODACA, City Clerk of the City of Irvine, HEREBY DO CERTIFY that the foregoing resolution was duly adopted at a regular meeting of the City Council of the City of Irvine, held on the 8th day of November, 2011, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

CITY CLERK OF THE CITY OF IRVINE

INDENTURE

by and between the

CITY OF IRVINE

and

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

Dated as of December 1, 2011

RELATING TO
\$ _____
CITY OF IRVINE
REASSESSMENT DISTRICT NO. 04-20
LIMITED OBLIGATION IMPROVEMENT BONDS,
ADJUSTABLE RATE SERIES

EXHIBIT 1

INDENTURE

THIS INDENTURE (this “Indenture”) is made and entered into as of December 1, 2011, by and between the CITY OF IRVINE, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California and its Charter (the “City”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under and by virtue of the laws of the United States of America, as Trustee (the “Trustee”).

WITNESSETH:

WHEREAS, on September 13, 2011, the City Council of the City passed and adopted Resolution No. ____ (the “Resolution of Intention”) resolving its intention to form Reassessment District No. 04-20 (the “Reassessment District”) and to issue bonds to represent unpaid assessments therein pursuant to the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code), the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code), Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code and the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code (collectively, the “Act”) and reference to the Resolution of Intention, as amended by Resolution No. ____ (the “Resolution Confirming Reassessment”) adopted by the City Council of the City on November 8, 2011 confirming and adopting the reassessment and continuation of a portion of the original assessment is hereby expressly made for further particulars;

WHEREAS, in order to provide a portion of the moneys required to refund certain outstanding bonds of Assessment District No. 04-20 (the “Prior District”), the City Council of the City, under the provisions of the Act, on November 8, 2011, adopted Resolution No. ____ (the “Resolution of Issuance”), which, among other matters, authorized the issuance of improvement bonds of the City designated “City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A” (the “Series A Bonds”) upon the security of the unpaid assessments and provided that said issuance would be in accordance with the Act and this Indenture, and authorized the execution hereof;

WHEREAS, in order to provide additional portions of the moneys required to finance additional improvements, the City desires to provide for the issuance of additional adjustable rate improvement bonds upon the security of the unpaid assessments;

WHEREAS, in order to provide additional portions of the moneys required to finance additional improvements, the City desires to provide for the issuance of fixed rate improvement bonds upon the security of a portion of the unpaid assessments;

WHEREAS, in order to provide, in connection with the conversion of adjustable rate bonds to a fixed interest rate, a source of funds to fund a reserve fund, pay costs of issuance and fund capitalized interest, the City desires to provide for issuance of additional fixed rate improvement bonds;

WHEREAS, it is in the public interest and for the benefit of the City and the owners of the Bonds that the City enter into this Indenture to provide for the issuance of the Bonds, the

disbursement of proceeds of the Bonds, (capitalized terms undefined herein shall have the meanings ascribed thereto in Section 1.01 hereof) the disposition of the assessments securing the Bonds and the Banks and the administration and payment of the Bonds; and

WHEREAS, the City has determined that all things necessary to cause the Bonds, when authenticated by the Trustee and issued as provided in the Act and this Indenture, to be legal, valid and binding and limited obligations in accordance with their terms, and all things necessary to cause the creation, authorization, execution and delivery of this Indenture and the creation, authorization, execution and issuance of the Bonds, subject to the terms hereof, have in all respects been duly authorized;

NOW, THEREFORE, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

ARTICLE I DEFINITIONS; EQUAL SECURITY

Section 1.01 Definitions.

Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Indenture, of any Supplemental Indenture and of any certificate, opinion or other document herein or therein mentioned, have the meanings herein specified.

“Act” means, collectively, the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code), as amended; the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code), as amended; Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code and the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code), as amended.

“Additional Adjustable Series Bonds” means a Series of Bonds, other than the Series A Bonds, initially issued in an Adjustable Rate Mode hereunder in accordance with the provisions of Section 3.07 and Section 3.08.

“Additional Bonds” means Additional Adjustable Series Bonds, Additional Fixed Funding Series Bonds and Additional Fixed Conversion Series Bonds.

“Additional Fixed Conversion Series Bonds” means a Series of Bonds bearing a fixed interest rate issued hereunder in accordance with the provisions of Section 3.05 and Section 3.06.

“Additional Fixed Funding Series Bonds” means a Series of Bonds bearing a fixed interest rate issued hereunder in accordance with the provisions of Section 3.09 and Section 3.10.

“Adjustable Rate Assessments” means the Assessments on the parcels of real property in the Reassessment District, other than parcels of real property in the Reassessment District designated by the City, pursuant to Section 7.01(e), to be represented by a Set of Fixed Rate Bonds.

“Adjustable Rate Bonds” means Adjustable Series Bonds in any Mode other than the Fixed Rate Mode.

“Adjustable Rate Mode” means the Daily Mode, the Weekly Mode, the Monthly Mode, the Semi-Annual Mode, the Extended Rate Mode and the VIP Mode.

“Adjustable Series Bonds” means the Series A Bonds and any Additional Adjustable Series Bonds.

“Adjusted Interest Rate” means, with respect to the interest rate to be borne by an Adjustable Series Bond during any Adjustment Period, the interest rate per annum determined on the applicable Rate Determination Date in accordance with Section 2.03 or 2.04.

“Adjustment Period” means the period of time that any Adjusted Interest Rate remains in effect, which period:

(a) with respect to an Adjustable Series Bond in the Daily Mode, shall be the period consisting of one day;

(b) with respect to a VIP Bond, shall be the period from and including the Rate Determination Date for such Bond with respect to such Adjustment Period to and including the day preceding the following Rate Determination Date for such Adjustable Series Bond as established by the City pursuant to Section 2.03(a); provided, however, that the day after the last day of any such Adjustment Period shall be a Business Day and each such Adjustment Period shall be at least one day, but not longer than 270 days;

(c) with respect to an Adjustable Series Bond in a Weekly Mode, initially shall be the period from and including the first day that such Adjustable Series Bond becomes subject to the Weekly Mode to and including the first following Tuesday and thereafter commencing on each Wednesday to and including Tuesday of the following week;

(d) with respect to an Adjustable Series Bond in the Monthly Mode, initially shall be the period from and including the first day that such Adjustable Series Bond becomes subject to the Monthly Mode to but not including the first day of the following calendar month and thereafter shall be the period from and including the first day of each calendar month to but not including the first day of the following calendar month;

(e) with respect to an Adjustable Series Bond in the Semi-Annual Mode, initially shall be the period from and including the first day that such Adjustable Series Bond becomes subject to the Semi-Annual Mode to but not including the next March 2 or September 2, whichever first occurs, and thereafter shall be the period from and including such March 2 or September 2, as applicable, to but not including the next succeeding March 2 or September 2, whichever first occurs;

(f) with respect to an Adjustable Series Bond in the Extended Rate Mode, initially shall be a period (which shall be at least one year in duration or integral multiples of six months in excess of one year) from and including the first day that such Adjustable Series Bond becomes subject to the Extended Rate Mode to but not including a subsequent March 2 or September 2

and thereafter may be the period from and including such March 2 or September 2, as applicable, to but not including a future March 2 or September 2, as established by the City pursuant to Section 2.03(b), and which is at least one year in duration;

(g) with respect to an Adjustable Series Bond in the Fixed Rate Mode, shall be the period from and including the Conversion Date for such Adjustable Series Bond to but not including the Maturity Date.

No Adjustment Period shall extend beyond the day preceding the Maturity Date.

“Alternate Letter of Credit” means a letter of credit or other security or liquidity device issued in accordance with Section 5.04 which shall have a term of not less than one year or the remaining term of the Bonds, if less than one year, and shall have substantially similar material terms as the Letter of Credit.

“Alternate Rate” means, on any Rate Determination Date, the rate per annum specified in the Index and in effect on such Rate Determination Date. If no Indexing Agent any longer publishes an Index satisfying the requirements set forth in the definition thereof, the Alternate Rate for an Adjustment Period shall be the rate per annum specified in the most recently published Index for a comparable Adjustment Period.

“Assessments” means the reassessments levied within the Reassessment District by the Council under the proceedings taken pursuant to the Resolution of Intention and the Resolution Confirming Reassessments including the portion representing security for the Series A Bonds and the continuation of a portion of the original assessment of the Prior District representing security for Additional Bonds.

“Auditor” means the auditor/controller of the County, or such other official of the County who is responsible for preparing property tax bills.

“Authorized Denominations” means (a) with respect to the VIP Mode, \$100,000 and any integral multiple of \$5,000 in excess thereof, (b) with respect to Fixed Rate Bonds, \$5,000 and any integral multiple thereof, or as defined by Supplemental Indenture [e.g., \$100,000 for private placements] (c) with respect to the Daily Mode, the Weekly Mode, the Monthly Mode, the Semi-Annual Mode and the Extended Rate Mode, \$100,000 and any integral multiple of \$1,000 in excess thereof.

“Authorized Representative” means, with respect to the City, the City Manager, the Assistant City Manager, the Director of Administrative Services, the Manager of Fiscal Services, or any other Person designated as an Authorized Representative of the City in a Written Certificate of City filed with the Trustee.

“Bank” means (i) KBC Bank, N.V., New York Branch and its successors and assigns, or (ii) the issuer of an Alternate Letter of Credit.

“Bank Bonds” means any Adjustable Rate Bonds registered in the name of the Bank pursuant to Section 5.03(c).

“Bank Rate” means the rate borne by Bank Bonds as provided in the Reimbursement Agreement.

“Beneficial Owners” means those individuals, partnerships, corporations or other entities for whom the Participants have caused the Depository to hold Book-Entry Bonds.

“Bond Counsel” means a firm of nationally recognized bond counsel selected by the City.

“Bond Year” means each twelve-month period beginning on September 3 in each year and extending to the next succeeding September 2, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on September 2, 2012.

“Bonds” means the City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds issued hereunder, and includes the Series A Bonds issued hereunder and any Additional Bonds issued hereunder.

“Book-Entry Bonds” means Bonds of a Series registered in the name of the nominee of DTC, or any successor securities depository for such Series of Bonds, as the registered owner thereof pursuant to the terms and provisions of Section 2.15.

“Business Day” means any day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California, in New York, New York or in any state where the Office of the Trustee, the Office of the Paying Agent or the office of the Bank at which drafts are required to be presented under the Letter of Credit, is located are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed.

“Capitalized Payments Account” means the account within the Redemption Fund by that name established and held by the Trustee pursuant to Section 6.02.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to a Series of Book-Entry Bonds.

“Change in Mode” means any change pursuant to Section 2.08 or 2.09 from one Mode to another Mode.

“City” means the City of Irvine, and any successor thereto.

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

“Closing Date” means the date upon which the Series A Bonds are delivered to the Original Purchaser, being _____, 2011.

“Code” means the Internal Revenue Code of 1986.

“Continuing Costs Account” means the account within the Redemption Fund by that name established and held by the Trustee pursuant to Section 6.07.

“Continuing Costs of the Adjustable Rate Bonds” means the Continuing Costs of the Adjustable Rate Bonds, including the fees, costs and indemnifications due the Trustee, the Paying Agent, the Remarketing Agent or the City and allocable to the Adjustable Rate Bonds and all amounts due to the Bank from time to time under the Reimbursement Agreement, other than amounts due to the Bank to reimburse the Bank, with interest as provided in the Reimbursement Agreement, for draws honored under the Letter of Credit.

“Continuing Costs of the Bonds” means the Continuing Costs of the Adjustable Rate Bonds and the Continuing Costs of the Fixed Rate Bonds.

“Continuing Costs of the Fixed Rate Bonds” means the Continuing Costs of the Fixed Rate Bonds, including the fees, costs and indemnifications due the Trustee, the Paying Agent or the City and allocable to the Fixed Rate Bonds.

“Conversion Date” means, with respect to an Adjustable Series Bond, the date on which such Adjustable Series Bond begins to bear interest at a Fixed Interest Rate.

“Conversion Request” means a written notice delivered to the City pursuant to the Protocol Agreement requesting the conversion of a specified principal amount of Adjustable Rate Bonds to Fixed Rate Bonds.

“Cost of Issuance” means, with respect to a Series of Bonds, all items of expense directly or indirectly payable by or reimbursable to the City relating to the authorization, issuance, sale and delivery of such Bonds, including but not limited to printing expenses, rating agency fees, filing and recording fees, initial fees, expenses and charges of the Bank and its counsel, initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants, and other professionals, fees and charges for preparation, execution and safekeeping of such Bonds and any other cost, charge or fee in connection with the original issuance of such Bonds.

“Cost of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03.

“Council” means the City Council, as the legislative body of the City.

“County” means the County of Orange, State of California.

“Daily Mode” means the Mode in which the duration of each Adjustment Period is determined in accordance with clause (a) of the definition of Adjustment Period.

“Depository” means the securities depository acting as securities depository for any Series of Book-Entry Bonds pursuant to Section 2.15.

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

“Expiration Date” means the stated expiration date of the Letter of Credit, as it may be extended from time to time as provided in the Letter of Credit.

“Extended Rate Mode” means the Mode in which the duration of the Adjustment Period is determined in accordance with clause (f) of the definition of Adjustment Period.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified opinion of Bond Counsel to the effect that such action is permitted under the Act and this Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of Federal income taxation or the exemption of interest on the Bonds from personal income taxation under the laws of the State of California (subject to the inclusion of exceptions substantially to the effect of those contained in the opinion delivered upon original issuance of the Series A Bonds).

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

“Fiscal Year” means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period hereafter selected and designated as the official fiscal year period of the City designated in a Written Certificate of the City delivered to the Trustee.

“Fitch” means Fitch, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City and approved by the Bank (who shall not be under any liability by reason of such approval).

“Fixed Interest Rate” means, with respect to an Adjustable Series Bond, the rate to be borne by such Adjustable Series Bond on and after the Conversion Date therefor, which rate shall be determined in accordance with Section 2.09.

“Fixed Rate Bonds” means the Additional Fixed Funding Series Bonds, the Additional Fixed Conversion Series Bonds and the Fixed Rate Converted Bonds.

“Fixed Rate Converted Bond” means an Adjustable Series Bond which bears interest at a Fixed Interest Rate.

“Fixed Rate Mode” means the Mode in which the duration of the Adjustment Period is determined in accordance with clause (g) of the definition of Adjustment Period.

“Improvement Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.04.

“Indenture” means this Indenture, as originally executed or as it may from time to time be amended or supplemented by any Supplemental Indenture.

“Index” means the index, published by the Indexing Agent based upon yield evaluations at par of bonds, the interest on which is excluded from gross income for purposes of federal income taxation, of not less than five “high grade” component issuers selected by the Indexing Agent which shall include, without limitation, issuers of general obligation bonds. The specific issuers included among the component issuers may be changed from time to time by the Indexing Agent in its discretion. The bonds on which the Index is based shall not include any bonds the interest on which is subject to a “minimum tax” or similar tax under the Code, unless all tax-exempt bonds are subject to such tax. With respect to Adjustable Series Bonds in the Daily Mode, the Weekly Mode, the Monthly Mode or the VIP Mode with an Adjustment Period of 30 days or less, the yield evaluation period for the Index shall be a 30-day yield evaluation. With respect to Adjustable Series Bonds in the Semi-Annual Mode or the VIP Mode with an Adjustment Period of greater than 30 days but less than or equal to 180 days, the yield evaluation period for the Index shall be a 180-day yield evaluation. With respect to Adjustable Series Bonds in the Extended Rate Mode or the VIP Mode with an Adjustment Period greater than 180 days, the yield evaluation period for the Index shall be a one-year yield evaluation.

“Indexing Agent” means Kenny Information Systems, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors and assigns, except that if such corporation shall be dissolved or liquidated or shall no longer publish the indices referred to in the definition of Index, then the term “Indexing Agent” shall be deemed to refer to any other entity publishing similar indices selected by the City and approved by the Bank and the Remarketing Agent (neither of whom shall be under any liability by reason of such approval).

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Kenny Information Services’ “Called Bond Service”, 55 Broad Street, 28th Floor, New York, New York 10004; Moody’s “Investors Service Municipal and Government,” 5250 77 Center Drive, Suite 150, Charlotte, North Carolina, 28217, Attention: Municipal News Reports; Standard & Poor’s Corporation “Called Bond Record,” 25 Broadway, 3rd Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such services providing information with respect to called bonds as the City may designate in a Written Certificate of the City delivered to the Trustee.

“Interest Payment Date” means (a) with respect to each Adjustable Series Bond in the VIP Mode, the fifth day of the next succeeding Adjustment Period for such Adjustable Series Bond, (b) with respect to each Adjustable Series Bond in the Daily Mode, the Weekly Mode and the Monthly Mode, the fifth Business Day of each calendar month, (c) with respect to each Adjustable Series Bond in the Semi-Annual Mode, the Extended Rate Mode and the Fixed Rate Mode, each March 2 and September 2, commencing on the March 2 or September 2 immediately following the date on which such Adjustable Series Bond is converted to the Semi-Annual Mode, Extended Rate Mode or Fixed Rate Mode, (d) with respect to each Additional Fixed Conversion Series Bond or Additional Fixed Funding Series Bond, each March 2 and September

2, commencing on the March 2 or September 2 specified in the Supplemental Indenture pursuant to which such Additional Fixed Conversion Series Bond or Additional Fixed Funding Series Bond is issued and (e) with respect to each Bank Bond, the first Business Day of each calendar month and the dates of any remarketing of such Bank Bond to a new purchaser thereof and the date such Bank Bonds are redeemed. “Interest Payment Date” shall also mean any Mandatory Purchase Date.

“**Letter of Credit**” means the irrevocable, direct pay letter of credit issued on a several but not joint basis by the Bank contemporaneously with the original delivery of the Series A Bonds, and any irrevocable, direct pay letter of credit issued in relation to any Additional Adjustable Rate Bonds, except that upon the issuance of any Alternate Letter of Credit in accordance with Section 5.04 such term shall mean such Alternate Letter of Credit. Any letter of credit provided in relation to any Additional Adjustable Rate Bonds shall be provided by an entity which is acceptable to the City. If there exists more than one Letter of Credit, draws with respect to a particular Series of Adjustable Rate Bonds shall be made in strict compliance with the terms of the Letter of Credit relating to such Series of Adjustable Rate Bonds.

“**Letter of Credit Account**” means the account within the Redemption Fund by that name established and held by the Trustee pursuant to Section 6.04.

“**Letter of Credit Interest Amount**” means the amount of the Letter of Credit which may be drawn upon to pay interest on the Adjustable Rate Bonds, which (a) during the VIP Mode, the Daily Mode, the Weekly Mode and the Monthly Mode shall be an amount equal to the interest to accrue on the Outstanding Adjustable Series Bonds in such respective Modes over a 52-day period calculated at the Maximum Rate on the basis of a 365-day year for the actual number of days elapsed, and (b) during the Semi-Annual Mode and the Extended Rate Mode shall be an amount equal to the interest to accrue on the Outstanding Adjustable Series Bonds in such respective Modes over a 201-day period calculated at the Maximum Rate on the basis of a 360-day year composed of twelve 30-day months.

“**Mandatory Purchase Date**” means (a) with respect to VIP Bonds, the next succeeding Rate Determination Date for such VIP Bonds and, with respect to Adjustable Series Bonds in the Extended Rate Mode, the first day of the next succeeding Adjustment Period for such Adjustable Series Bonds, (b) the date of any Change in Mode, (c) any Substitution Date, (d) the fifth Business Day prior to the Expiration Date, and (e) the fifth Business Day following the Trustee’s receipt of a written notice from the Bank that either (i) an event of default (as defined in the Reimbursement Agreement) has occurred and directing the Trustee to give notice of the mandatory purchase of Adjustable Rate Bonds in accordance with Section 5.02, or (ii) when the amount of the Letter of Credit has been reduced by a drawing thereunder to pay interest on the Adjustable Rate Bonds, that the Bank will not reinstate the amount of the Letter of Credit by an amount equal to the amount so drawn.

“**Maturity Date**” means September 2, 2050.

“**Maximum Rate**” means 12% per annum.

“Mode” means the VIP Mode, the Daily Mode, the Weekly Mode, the Monthly Mode, the Semi-Annual Mode, the Extended Rate Mode or the Fixed Rate Mode.

“Monthly Mode” means the Mode in which the duration of the Adjustment Period is determined in accordance with clause (d) of the definition of Adjustment Period.

“Moody’s” means Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and assigns, except that if such corporation shall no longer perform the function of a securities rating agency for any reason, the term “Moody’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the City and specified to the Trustee in writing.

“Nominee” means, with respect to a Series of Book-Entry Bonds, the nominee of the Depository for such Series of Book-Entry Bonds, which may be the Depository, as determined from time to time pursuant to Section 2.15.

“Notice Parties” means the City, the Trustee, the Remarketing Agent, the Paying Agent and the Bank.

“Notice of Change in Mode” means the notice required to be delivered by the City to the other Notice Parties prior to any Change in Mode pursuant to Sections 2.07 and 2.08.

“Office” means, with respect to the Trustee and Paying Agent, the principal corporate trust office of the Trustee in Los Angeles, California, or such other office as may be specified to the other Notice Parties by the Trustee in writing except that with respect to presentation of Bonds for payment or for registration of transfer and exchange such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

“Original Purchaser” means, Merrill Lynch, Pierce, Fenner & Smith Incorporated, as the original purchaser of the Series A Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 12.11) all Bonds theretofore, or thereupon being, authenticated and delivered by the Paying Agent under this Indenture except:

(a) Bonds theretofore canceled by the Paying Agent or surrendered to the Paying Agent for cancellation;

(b) Bonds with respect to which all liability of the City shall have been discharged in accordance with Section 11.02, including Bonds (or portions of Bonds) disqualified under Section 12.11; and

(c) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Paying Agent pursuant to this Indenture.

Notwithstanding the foregoing, Bank Bonds shall remain Outstanding until the Bank is paid all amounts due on such Bonds.

“Owner” means, with respect to a Bond, the Person in whose name such Bond is registered on the Registration Books.

“Participants” means those broker-dealers, banks and other financial institutions from time to time for which the Depository holds Book-Entry Bonds as securities depository.

“Paying Agent” means (a) with respect to Adjustable Rate Bonds, The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, acting through the Office of the Paying Agent, or any successor thereto as Paying Agent, appointed as provided herein, and (b) with respect to all other Bonds, the Trustee.

“Permitted Investments” means the following, which at the time of investment are determined by the City to be legal investments under the laws of the State of California for the funds to be invested therein:

- (a) Federal Securities;
- (b) any of the following direct or indirect obligations of the following agencies of the United States of America: (i) direct obligations of the Export-Import Bank; (ii) certificates of beneficial ownership issued by the Farmers Home Administration; (iii) participation certificates issued by the General Services Administration; (iv) mortgage-backed bonds or pass-through obligations issued and guaranteed by the Government National Mortgage Association, the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation or the Federal Housing Administration; (v) project notes issued by the United States Department of Housing and Urban Development; and (vi) public housing notes and bonds guaranteed by the United States of America;
- (c) interest-bearing demand or time deposits (including certificates of deposit) or deposit accounts in federal or state chartered savings and loan associations or in federal or State of California banks (including the Trustee and its affiliates), provided that (i) the unsecured short-term obligations of such commercial bank or savings and loan association shall be rated A1 or better by Fitch, or (ii) such demand or time deposits shall be fully insured by the Federal Deposit Insurance Corporation;
- (d) commercial paper rated at the time of purchase in the highest short-term rating category by Fitch, issued by corporations which are organized and operating within the United States of America, and which matures not more than 180 days following the date of investment therein;
- (e) bankers acceptances, consisting of bills of exchange or time drafts drawn on and accepted by a commercial bank which may include the Trustee and its affiliates, which mature not more than 270 days following the date of investment therein;

(f) obligations the interest on which is excludable from gross income pursuant to Section 103 of the Code and which are rated A or better by Fitch;

(g) obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by Fitch;

(h) money market funds which are rated Am or better by Fitch, including those for which the Trustee or an affiliate receives compensation with respect to such money market fund;

(i) any investment agreement with a provider whose long-term rating is in the highest two categories by Standard & Poors and Fitch, or Moody's, with respect to any investment agreement in which amounts held in a fund or account securing Adjustable Rate Bonds are invested, the Bank, prior to the time of initial investment; and

(j) the Local Agency Investment Fund established pursuant to Section 16429.1 of the California Government Code to the extent the Trustee may deposit and withdraw funds directly.

“Person” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Prepayment Account” means the account within the Redemption Fund by that name established and held by the Trustee pursuant to Section 6.03.

“Prior Bonds” means, collectively, the \$55,000,000 City of Irvine Assessment District No. 04-20 Limited Obligation Bonds, Adjustable Rate Series A and the \$60,000,000 City of Irvine Assessment District No. 04-20 Limited Obligation Bonds, Adjustable Rate Series B.

“Prior District” means City of Irvine Assessment District No. 04-20.

“Principal Payment Date” means, with respect to a Bond, the date on which the principal thereof becomes due and payable in accordance with the terms thereof and hereof, whether as a result of the maturity thereof or as a result of mandatory sinking fund redemption.

“Project” means the improvements to be constructed and acquired described in the Engineer's Report for the Prior District.

“Protocol Agreement” means the Protocol Agreement, dated as of December 1, 2011, by and between the City and The Irvine Company LLC, as originally executed or as it may from time to time be amended.

“Purchase Date” means (a) during the Daily Mode, any Business Day, and (b) during the Monthly Mode, the Semi-Annual Mode and the Weekly Mode, the first day of the next succeeding Adjustment Period.

“Purchase Price” means (a) with respect to any Adjustable Rate Bonds to be purchased on any Purchase Date, an amount equal to 100% of the principal amount of such Adjustable Rate

Bonds, plus, in the case of any purchase of Adjustable Rate Bonds in the Daily Mode or the Weekly Mode, accrued interest, if any, to such Purchase Date; provided, however, that if such Purchase Date is after a Record Date and on or prior to the next succeeding Interest Payment Date, such accrued interest shall include only the interest accrued from such Record Date to such Purchase Date, and (b) with respect to any Adjustable Rate Bonds purchased on a Mandatory Purchase Date, an amount equal to 100% of the principal amount of such Adjustable Rate Bonds, plus, in the case of any VIP Bonds and any Adjustable Rate Bonds purchased on a Mandatory Purchase Date described in clause (c), (d) or (e) of the definition thereof, accrued interest, if any, to such Mandatory Purchase Date.

“Qualified Bank” means a state or national bank or trust company or savings and loan association or a foreign bank with a domestic branch or agency which is organized and in good standing under the laws of the United States or any state thereof or any foreign country, which has a capital and surplus of \$50,000,000 or more and which has a short term debt rating of the highest ranking or of the highest letter and numerical rating as provided by Moody’s or by Fitch.

“Rate Determination Date” means, with respect to any Adjusted Interest Rate for any Adjustment Period, the date on which such Adjusted Interest Rate shall be determined, which, (a) in the case of the VIP Mode, shall be the first day of such Adjustment Period, (b) in the case of the Daily Mode shall be each Business Day, (c) in the case of the Weekly Mode, shall be each Tuesday or, if Tuesday is not a Business Day, the next succeeding day, or if such day is not a Business Day, then the Business Day next preceding such Tuesday, (d) in the case of the Monthly Mode, the Semi-Annual Mode or the Extended Rate Mode, shall be the Business Day prior to the first day of such Adjustment Period and (e) in the case of the Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day but no more than ten Business Days prior to the first day of such Adjustment Period.

“Rebate Fund” means the fund by that name established and held by the Trustee pursuant to Section 6.08.

“Reassessment District” means the area designated Reassessment District No. 04-20, formed by the City under the Act.

“Rebate Requirement” has the meaning ascribed thereto in the Tax Certificate.

“Record Date” means (a) with respect to VIP Bonds, the day prior to each Interest Payment Date, (b) with respect to Adjustable Series Bonds in the Daily Mode, the Weekly Mode or the Monthly Mode, the last day of the calendar month preceding each Interest Payment Date, (c) with respect to Adjustable Rate Bonds in the Semi-Annual Mode, or the Extended Rate Mode, the 15th day of the calendar month preceding each Interest Payment Date, whether or not such day is a Business Day, (d) with respect to Fixed Rate Bonds, the 15th day of the calendar month preceding each Interest Payment Date, whether or not such day is a Business Day, and (f) any date established by the Trustee pursuant to Section 2.02(c) as a Record Date for the payment of defaulted interest on the Bonds, if any.

“Redemption Date” means the date fixed for redemption of Bonds subject to redemption in any notice of redemption given in accordance with the terms hereof.

“Redemption Price” means the aggregate amount of principal of and premium, if any, on the Bonds upon the redemption thereof pursuant hereto.

“Registration Books” means the records maintained by the Trustee for the registration of ownership and registration of transfer of the Bonds pursuant to Section 2.11.

“Reimbursement Agreement” means the Reimbursement, Credit and Security Agreement, dated as of November 1, 2011, by and between the Bank and the City, as originally executed or as it may from time to time be amended, or, if an Alternate Letter of Credit has been issued, the reimbursement agreement or corresponding agreement, if any, pursuant to which such Alternate Letter of Credit is issued.

“Related Additional Bonds” means, with respect to a group of Fixed Rate Converted Bonds, the Additional Fixed Conversion Series Bonds which are being issued in connection with the conversion of such group of Fixed Rate Converted Bonds and which are designated by the City pursuant to Section 7.01(e) to represent the same parcels as such Additional Fixed Conversion Series Bonds.

“Related Fixed Rate Converted Bonds” means, with respect to any Additional Fixed Conversion Series Bonds, the group of Fixed Rate Converted Bonds in connection with the conversion of which such Additional Fixed Conversion Series Bonds are being issued and which are designated by the City pursuant to Section 7.01(e) to represent the same parcels as such group of Fixed Rate Converted Bonds.

“Remarketing Agent” means Merrill Lynch, Pierce, Fenner & Smith Incorporated, or any other investment banking firm which may at any time be substituted in its place as provided in Section 9.08 or Section 9.09.

“Remarketing Agreement” means the Remarketing Agreement, dated as of November 1, 2011, by and between the City and the Remarketing Agent, as originally executed or as it may from time to time be amended, or any similar agreement between the City and any successor Remarketing Agent.

“Representation Letter” means the representation letter from the City to DTC, or any successor securities depository for any Series of Book-Entry Bonds, in which the City makes certain representations with respect to issues of its of securities for deposit by DTC or such successor depository.

“Reserve Account” means with respect to each Set of Fixed Rate Bonds, the account within the Reserve Fund established and held by the Trustee pursuant to Section 6.06 for such Set of Fixed Rate Bonds.

“Reserve Facility” means a policy of insurance or surety bond issued by an insurance company, obligations insured by which have a rating by Moody’s and Fitch of “A” or better, or an irrevocable letter of credit, line of credit or similar arrangement issued by a Qualified Bank, to satisfy all or a portion of the Reserve Requirement for a Reserve Account.

“Reserve Fund” means the fund by that name established and held by the Trustee pursuant to Section 6.06.

“Reserve Requirement” shall be as defined in any Supplemental Indenture.

“Resolution Confirming Assessments” means Resolution No. _____ adopted by the Council on November 8, 2011.

“Resolution of Intention” means Resolution No. _____ adopted by the Council on September 13, 2011.

“Resolution of Issuance” means Resolution No. _____ adopted by the Council on November 8, 2011 authorizing the issuance of the Series A Bonds.

“Seasoned Funds” means (a) moneys derived from drawings under the Letter of Credit, (b) moneys received by the Trustee and held in a special subaccount established within funds and accounts created under this Indenture for a period of at least 124 days and not commingled with any moneys so held for less than said period and during and prior to which period no petition in bankruptcy was filed by or against the City under the United States Bankruptcy Code, the Trustee shall be entitled to rely upon certificates of the City, regarding the filing of any such petition in bankruptcy, which certificates the City agrees to provide to the Trustee from time to time, upon reasonable request therefor, or (c) investment income derived from the investment of moneys described in clause (a), (b) or (c).

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, NY 10041-0099, Attention: Call Notification Department, Fax (212) 855-7232; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the City may designate in a Written Certificate of the City delivered to the Trustee.

“Semi-Annual Mode” means the Mode in which the duration of each Adjustment Period is determined in accordance with clause (e) of the definition of Adjustment Period.

“Series” means the initial series of Bonds executed, authenticated and delivered on the date of initial issuance of the Bonds and identified pursuant to this Indenture as the Series A Bonds, and any Additional Bonds issued pursuant to a Supplemental Indenture and identified as a separate Series of Bonds.

“Series A Bonds” means the City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A, initially issued hereunder.

“Set” means (a) with respect to Additional Fixed Funding Series Bonds, the Additional Fixed Funding Series Bonds of a particular Series, and (b) with respect to Fixed Rate Converted Bonds and Additional Fixed Conversion Series Bonds, the Fixed Rate Converted Bonds designated by the City pursuant to Section 7.01(e) to constitute a group for purposes hereof and the Related Additional Bonds, if any.

“Substitution Date” means the date upon which an Alternate Letter of Credit is substituted for the Letter of Credit then in effect.

“Supplemental Indenture” means any indenture amendatory of or supplemental to this Indenture, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Certificate” means the Tax Certificate executed by the City at the time of issuance of the Series A Bonds and the Tax Certificate executed by the City at the time of issuance of any Additional Bonds relating to the requirements of Section 148 of the Code, as originally executed and as it may from time to time be amended in accordance with the provisions thereof.

“Tender Deadline” means (a) during the Daily Mode, 10:00 A.M. New York time on any Business Day, (b) during the Weekly Mode, at 4:00 P.M. New York time on the Business Day five days prior to the Purchase Date stated in the Tender Notice, (c) during the Monthly Mode, at the close of business on the fifth Business Day preceding the applicable Purchase Date, and (d) during the Semi-Annual Mode, at the close of business on the first Business Day which is at least 15 calendar days preceding the applicable Purchase Date.

“Tender Notice” means a written notice or, with respect to Adjustable Rate Bonds in the Daily Mode, telephonic notice, immediately confirmed in writing, (a) that states the Bond number, the principal amount of such Adjustable Rate Bond and the principal amount of such Adjustable Rate Bond to be purchased pursuant to Section 5.01, (b) that states the Purchase Date on which such Adjustable Rate Bond is to be purchased, and (c) that irrevocably demands such purchase.

“Treasurer” means the Treasurer of the City, or a designee thereof.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association organized and existing under the laws of the United States of America, acting through the Office of the Trustee, or any successor thereto as Trustee hereunder, appointed as provided herein.

“VIP Bond” means any Adjustable Rate Bond while in the VIP Mode.

“VIP Interest Disbursement Fund” means the fund by that name established and held by the Trustee pursuant to Section 6.05.

“VIP Interest Disbursement Fund Requirement” means, on any date, an amount equal to the interest that would have accrued at the Maximum Rate, calculated on the basis of a 365-day year for the actual number of days elapsed, during a period of 35 days ending on such date on the aggregate principal amount of Adjustable Series Bonds then in an Adjustable Rate Mode.

“VIP Mode” means the Mode in which the duration of each Adjustment Period is determined in accordance with clause (b) of the definition of Adjustment Period and each such Adjustment Period is equal to or less than 270 days.

“VIP Rate” means the Adjusted Interest Rate for a VIP Bond for the applicable Adjustment Period determined pursuant to Section 2.03.

“Weekly Mode” means the Mode in which the duration of each Adjustment Period is determined in accordance with clause (c) of the definition of Adjustment Period.

“Written Certificate” and **“Written Request”** of the City mean, respectively, a written certificate or written request signed in the name of the City by its Authorized Representative. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Section 1.02 Equal Security.

In consideration of the acceptance of Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the City, the Trustee and the Owners from time to time of all Bonds authorized, executed, issued and delivered hereunder and then Outstanding to secure all amounts owing to the Bank and the full and final payment of the principal of, premium, if any, and interest on all Bonds which may from time to time be authorized, executed, issued and delivered hereunder and the Continuing Costs of the Bonds, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the City shall be for the equal and proportionate benefit, protection and security of the Bank and all Owners of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, sale, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II THE BONDS

Section 2.01 Authorization of Bonds.

The City hereby authorizes the issuance of the Bonds under and subject to the terms of this Indenture, the Act and other applicable laws of the State of California. The Bonds may consist of one or more Series of varying denominations, dates, maturities, interest rates and other provisions, subject to the provisions and conditions contained herein. The Bonds shall be designated generally as the “City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds”, each Series thereof to bear such additional designation as may be necessary or appropriate to distinguish such Series from every other Series of Bonds. The aggregate principal amount of Bonds that may be issued and Outstanding under this Indenture shall not exceed \$141,323,586, except as may be otherwise provided in Section 2.14.

Section 2.02 Terms of Series A Bonds.

(a) The Series A Bonds, which shall be Adjustable Series Bonds, shall be designated “City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A”, and shall, so long as such Bonds are Adjustable Rate Bonds, be

payable, first, from proceeds of draws made under the Letter of Credit pursuant to subsections (a), (b) and (c) of Section 5.04 and, second, from Adjustable Rate Assessments as provided herein. The aggregate principal amount of Series A Bonds that may be issued and Outstanding under this Indenture shall not exceed \$_____, except as may be otherwise provided in Section 2.14. The Series A Bonds shall be dated the Closing Date, shall be issued in the aggregate principal amount of \$_____, shall mature on September 2, 2050 and shall initially be in the Daily Mode.

(b) The Series A Bonds shall initially be in substantially the form set forth in Exhibit A hereto, with appropriate or necessary insertions, omissions and variations as permitted or required hereby. Upon any Change in Mode, a new form of Series A Bonds shall be prepared which contains the terms of the Series A Bonds applicable in the new Mode; provided, however, upon any Change in Mode to a Fixed Rate Mode, the form of Series A Bonds subject to such Change in Mode shall not include the designation “Adjustable Rate”.

Section 2.03 Terms of Adjustable Series Bonds Generally.

(a) The Adjustable Series Bonds shall be issued in the form of fully registered Bonds in Authorized Denominations. The principal of, premium, if any, and interest on the Adjustable Series Bonds shall be payable in lawful money of the United States of America. Except as otherwise provided in the Representation Letter, the interest on the Adjustable Series Bonds shall be payable on the Interest Payment Dates by check mailed on the Interest Payment Date by the Paying Agent to the respective Owners thereof at their addresses as they appear on the applicable Record Date in the Registration Books, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of Adjustable Series Bonds, upon the written request of such Owner to the Paying Agent, received at least ten days prior to a Record Date, specifying the account or accounts to which such payment shall be made, payment of interest shall be made by wire transfer of immediately available funds on the following Interest Payment Date. Any such request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Paying Agent. Notwithstanding the foregoing, except as otherwise provided in a Representation Letter, with respect to Adjustable Series Bonds in the VIP Mode, interest on the Adjustable Series Bonds shall be payable only upon surrender thereof at the Office of the Paying Agent. The principal of and premium, if any, on each Adjustable Series Bond shall be payable on each Principal Payment Date, or on redemption prior thereto, upon surrender thereof at the Office of the Paying Agent.

(b) Each Adjustable Series Bond shall bear interest from the Interest Payment Date immediately preceding the date of authentication thereof, unless such date of authentication is, with respect to Adjustable Series Bonds in the Semi-Annual Mode, the Extended Rate Mode or the Fixed Rate Mode, after a Record Date and on or before the next succeeding Interest Payment Date, in which event any such Adjustable Series Bond shall bear interest from and including such Interest Payment Date, or unless such date of authentication is prior to the initial Record Date for such Adjustable Series Bond, in which event any such Adjustable Series Bond shall bear interest from the date of original authentication and delivery of the Series of Adjustable Series Bonds of which such Adjustable Series Bond is a part, until the entire principal amount of such Adjustable Series Bond is paid. Interest on any Adjustable Series Bond which is not punctually paid or duly provided for on any Interest Payment Date shall be payable to the Person

in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special Record Date to be established by the Paying Agent for the payment of such defaulted interest to be fixed by the Paying Agent, notice of which shall be given to such Owner not less than ten days prior to such special Record Date.

(c) The interest on the Adjustable Series Bonds shall become due and payable on the Interest Payment Dates in each year to and including the Maturity Date, or on redemption prior thereto. The principal of the Adjustable Series Bonds shall become due and payable on the Maturity Date, or on redemption prior thereto; provided, however, that from and after the Conversion Date for a group of Adjustable Series Bonds, the principal of the serial Fixed Rate Converted Bonds of such group shall become due and payable on the respective serial maturity dates therefor, or on redemption prior thereto.

(d) Interest on Adjustable Series Bonds in the Daily Mode, the Weekly Mode, the Monthly Mode or the VIP Mode shall be calculated on the basis of a 365/366-day year for the actual number of days elapsed. Interest on Adjustable Series Bonds in the Semi-Annual Mode, the Extended Rate Mode or the Fixed Rate Mode shall be calculated on the basis of a 360-day year composed of twelve 30-day months. For Adjustable Series Bonds in the Daily Mode, the Weekly Mode, or the Monthly Mode, payment shall be made on each Interest Payment Date for unpaid interest accrued from and including the first day of the preceding calendar month, through and including the last day of the preceding calendar month, except that payment shall be made on the initial Interest Payment Date for the Adjustable Series Bonds of a Series for unpaid interest accrued from and including the date of initial delivery of such Series of Adjustable Series Bonds. For Adjustable Series Bonds in the VIP Mode, the Semi-Annual Mode, the Extended Rate Mode or the Fixed Rate Mode, payment shall be made on each Interest Payment Date for unpaid interest accrued to but not including such Interest Payment Date. Notwithstanding any provision of this Indenture to the contrary, at no time may the rate of interest on any Adjustable Series Bond (except Bank Bonds) exceed the Maximum Rate.

(e) Additional Adjustable Series Bonds shall initially be in the Mode specified in the Supplemental Indenture pursuant to which such Additional Adjustable Series Bonds are issued. Adjustable Rate Bonds may be changed to any other Mode at the times and in the manner hereinafter provided. Upon such Change in Mode, such Adjustable Series Bonds shall cease to bear interest at the rate then in effect and shall bear interest at the rate as provided in the Notice of Change in Mode. Subsequent to such Change in Mode (unless such Change in Mode was to a Fixed Rate Mode), such Adjustable Series Bonds may again be changed to a different Mode at the times and in the manner hereinafter provided. A Fixed Rate Mode shall be in effect until the Maturity Date, or redemption prior to the Maturity Date, and Adjustable Series Bonds in a Fixed Rate Mode may not be changed to any other Mode. Prior to a Change in Mode, the City must deliver to the Trustee a Favorable Opinion of Bond Counsel with respect to such Change in Mode. Notwithstanding the foregoing, Bank Bonds shall bear interest at the Bank Rate. The determination by the Remarketing Agent of each Adjusted Interest Rate, if in accordance with the provisions hereof, shall be conclusive and binding upon the City, the Remarketing Agent, the Paying Agent, the Trustee, the Bank and the Owners.

Section 2.04 **Determination of Adjusted Interest Rates and Adjustment Periods for VIP Bonds and Adjustable Series Bonds in the Extended Rate Mode.**

(a) The VIP Rates and Adjustment Periods for the VIP Bonds shall be determined in accordance with the following procedure.

(i) The City, in consultation with the Remarketing Agent, shall, prior to the effective date of a Change in Mode to the VIP Mode, specify the Adjustment Period or Periods and the principal amount of Adjustable Series Bonds to become subject to each such Adjustment Period. The City may, subject to clause (b) of the definition of Adjustment Period and subject to paragraph (ii) of this subsection (a) at or before 9:00 A.M. on the Rate Determination Date for each Adjustment Period for a VIP Bond specify a different Adjustment Period or a different principal amount of VIP Bonds for such Adjustment Period than that in existence on the date preceding such Rate Determination Date. The City, prior to the effective date of a Change in Mode to the VIP Mode, and on each Rate Determination Date for a VIP Bond, shall notify the Trustee, the Remarketing Agent, the Paying Agent and the Bank of the Adjustment Periods and principal amount of VIP Bonds for each Adjustment Period by telephone, telecopier, telex, telegram or other telecommunications device and shall confirm such notice in writing as soon as practicable thereafter.

The VIP Rate for each Adjustment Period for VIP Bonds shall be the rate of interest per annum determined by the Remarketing Agent on and as of the Rate Determination Date for such Adjustment Period as the minimum rate of interest which, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the VIP Bonds on the applicable Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any.

During any VIP Mode, the Remarketing Agent shall establish the VIP Rate for each Adjustment Period by 12:30 P.M. New York time on the Rate Determination Date for such Adjustment Period. The Remarketing Agent shall make the VIP Rate for any Adjustment Period available by telephone to any Owner, Notice Party or prospective purchaser requesting such information.

(ii) In the case of each VIP Bond which has been remarketed by the Remarketing Agent pursuant to Section 5.03, such VIP Bond shall, commencing with the applicable Rate Determination Date, have the Adjustment Period established by the City and bear interest at the VIP Rate established for such Adjustment Period by the Remarketing Agent.

(iii) Upon notice of a Mandatory Purchase Date, no Adjustment Period shall be established by the City which would, with respect to VIP Bonds subject to purchase in connection therewith, extend beyond the Mandatory Purchase Date so established.

(iv) The determination of each VIP Rate and Adjustment Period for VIP Bonds in accordance with this Section shall be conclusive and binding upon the Remarketing Agent, the Trustee, the Paying Agent, the Bank, the City and the Owners.

(b) The Adjusted Interest Rates and Adjustment Periods for Adjustable Series Bonds in the Extended Rate Mode shall be determined in accordance with the following procedure.

(i) The City, in consultation with the Remarketing Agent, shall, prior to the effective date of a Change in Mode to the Extended Rate Mode, specify the Adjustment Period for the Adjustable Series Bonds to become subject to such Extended Rate Mode. The City may, subject to clause (f) of the definition of Adjustment Period and subject to paragraph (ii) of this subsection (b) at or before 5:00 P.M. on the Rate Determination Date for Adjustable Series Bonds in the Extended Rate Mode specify a different Adjustment Period than that in existence on such Rate Determination Date. The City, prior to the effective date of a Change in Mode to the Extended Rate Mode, and on each Rate Determination Date during the Extended Rate Mode, shall notify the Trustee, the Remarketing Agent, the Paying Agent and the Bank of the Adjustment Period by telephone, telecopier, telex, telegram or other telecommunications device and shall confirm such notice in writing as soon as practicable thereafter.

The Adjusted Interest Rate for each Adjustment Period for Adjustable Series Bonds in the Extended Rate Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the Rate Determination Date for such Adjustment Period as the minimum rate of interest which, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of the Adjustable Series Bonds in the Extended Rate Mode on the applicable Rate Determination Date at a price equal to the principal amount thereof, plus accrued interest, if any.

During any Extended Rate Mode, the Remarketing Agent shall establish the Adjusted Interest Rate for each Adjustment Period by 5:00 P.M. on the Rate Determination Date for such Adjustment Period. The Remarketing Agent shall make the Adjustment Period and the Adjusted Interest Rate available by telephone to any Owner, Notice Party or prospective purchaser requesting such information.

(ii) In the case of Adjustable Series Bonds in the Extended Rate Mode which have been remarketed by the Remarketing Agent pursuant to Section 5.03, such Adjustable Series Bonds shall, commencing with the first day of the applicable Adjustment Period, have the Adjustment Period established by the City and bear interest at the Adjusted Interest Rate established by the Remarketing Agent.

(iii) Upon notice of a Mandatory Purchase Date, no Adjustment Period shall be established by the City which would, with respect to Adjustable Series Bonds in the Extended Rate Mode subject to purchase in connection therewith, extend beyond the Mandatory Purchase Date so established.

(iv) The determination of the Adjustment Periods and Adjusted Interest Rates for Adjustable Series Bonds in the Extended Rate Mode in accordance with this Section shall be conclusive and binding upon the Remarketing Agent, the Trustee, the Paying Agent, the Bank, the City and the Owners.

Section 2.05 **Determination of Adjusted Interest Rate During Daily, Weekly, Monthly, Semi-Annual or Fixed Rate Mode.**

The Adjusted Interest Rate for any Adjustable Series Bond in the Daily Mode, the Weekly Mode, the Monthly Mode, the Semi-Annual Mode or the Fixed Rate Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the Rate Determination Date for such Adjustment Period as the minimum rate of interest which, in the opinion of the Remarketing Agent, would, under then existing market conditions, result in the sale of such Adjustable Series Bond on the applicable Rate Determination Date at a price equal to the principal amount thereof plus accrued interest, if any. On each Rate Determination Date, the Remarketing Agent shall notify the Trustee, the Paying Agent and the City of the Adjusted Interest Rate by telephone, telecopier, telex, telegram or other telecommunications device and shall confirm such notice in writing to the Trustee, the Paying Agent and the City as soon as practicable thereafter.

During the Daily Mode, the Remarketing Agent shall establish the Adjusted Interest Rate by 10:00 A.M. New York time on each Rate Determination Date. The Adjusted Interest Rate for any day during the Daily Mode which is not a Business Day shall be the Adjusted Interest Rate established on the immediately preceding Rate Determination Date. The Remarketing Agent shall make the Adjusted Interest Rate for any Daily Mode Adjustment Period available by telephone to any Owner, Notice Party or prospective purchaser requesting such information.

During the Weekly Mode, the Remarketing Agent shall establish the Adjusted Interest Rate by 10:00 A.M. New York time on each Rate Determination Date. The Remarketing Agent shall make the Adjusted Interest Rate for any Weekly Mode Adjustment Period available by telephone to any Owner, Notice Party or prospective purchaser requesting such information.

No later than 10:00 A.M. New York time on each Rate Determination Date for the Monthly Mode, Semi-Annual Mode, or Fixed Rate Mode, the Remarketing Agent shall establish the Adjusted Interest Rate for the Adjustable Series Bonds, if any, in each such Mode, provided, however, that, with respect to the Fixed Rate Mode, the Remarketing Agent shall establish an Adjusted Interest Rate for each maturity of the Adjustable Series Bonds being converted to the Fixed Rate Mode. The Remarketing Agent shall make the Adjusted Interest Rate available by telephone to any Owner, Notice Party or prospective purchaser requesting such information.

Upon notice of a Mandatory Purchase Date, no Adjustment Period shall be established by the City which would, with respect to Bonds subject to purchase in connection therewith, extend beyond the Mandatory Purchase Date so established.

Section 2.06 **Alternate Rate for Interest Calculation.**

In the event (a) the Remarketing Agent fails to determine the Adjusted Interest Rate for a Mode, or (b) the method of determining the Adjusted Interest Rate for such Mode shall be held to be unenforceable by a court of law of competent jurisdiction, the Adjustable Series Bonds subject to such Mode shall thereupon, until such time as the Remarketing Agent again makes such determination or until there is delivered a written opinion of Bond Counsel to the effect that

the method of determining such rate is enforceable, bear interest from the last date on which interest was legally paid, at the Alternate Rate for the Mode in effect.

Section 2.07 **Interest on Bank Bonds.**

Notwithstanding anything to the contrary contained herein, each Bank Bond shall bear interest on the outstanding principal amount thereof at the Bank Rate for each day from and including the date such Bond becomes a Bank Bond to, but not including, the date such Bond is paid in full or is remarketed, payable on each Interest Payment Date. Bank Bonds shall not bear interest at the Bank Rate after such Bonds have been remarketed unless such Bonds shall again become Bank Bonds. No Bonds other than Bank Bonds shall bear interest at the Bank Rate.

Section 2.08 **Changes in Mode.**

Subject to the provisions of this Section, the City may effect a Change in Mode (other than a Change in Mode to a Fixed Rate Mode, which Change in Mode is governed by the provisions of Section 2.09) with respect to all or a portion of the Adjustable Rate Bonds by delivering to the Trustee, with copies to the other Notice Parties, not less than 40 days prior to the proposed Change in Mode, a Notice of Change in Mode stating (a) the election to change the Mode to which such Adjustable Rate Bonds are then subject (for purposes of this Section, the "Current Mode") to a different Mode (for purposes of this Section, the "New Mode"), the type of which shall be specified, (b) the date as of which the New Mode shall take effect which, in any case where the Current Mode is the VIP Mode, the Daily Mode or the Weekly Mode, shall be the first day of a calendar month and, in any case where the Current Mode is the Monthly Mode, Semi-Annual Mode or Extended Rate Mode, shall be the day following the current Adjustment Period, (c) the date on which such Adjustable Rate Bonds are required to be purchased pursuant to Section 5.02, which shall be the date as of which the New Mode shall take effect, and (d) a form of notice of mandatory purchase satisfying the requirements of Section 5.02. Such notice shall be accompanied by a letter of Bond Counsel that it expects to be able to deliver a Favorable Opinion of Bond Counsel with respect to the Change in Mode on the date the New Mode shall take effect.

Not less than 15 days prior to a proposed Change in Mode, and in reliance upon a Notice of Change in Mode, the Trustee shall give written notice, the form of which shall be prepared by the City (and provided to the Trustee at least 30 days prior to such proposed Change in Mode) and approved by the Trustee, to the Owners of the Adjustable Rate Bonds proposed to be subject to such Change in Mode and the Bank of the Change in Mode and the mandatory purchase of all such Adjustable Rate Bonds as provided in Section 5.02. In addition to the information required to be included therein pursuant to Section 5.02(b), such notice shall state (a) the New Mode to which such Adjustable Rate Bonds are to be subject, (b) the effective date of the New Mode, (c) the rights of the Owners to tender such Adjustable Rate Bonds for purchase prior to the effectiveness of the New Mode, and (d) the procedures for such a tender.

The New Mode shall take effect only if the following conditions are satisfied by 9:00 A.M. on the date of the proposed Change in Mode: (a) the Trustee and the Bank have received a Favorable Opinion of Bond Counsel, dated the date the New Mode is to take effect, with respect to the Change in Mode, (b) the interest portion of the Letter of Credit is in an amount equal to or

greater than the Letter of Credit Interest Amount for the applicable Mode or Modes, if applicable, (c) the Bank shall have consented to such Change in Mode, (d) if the New Mode is the VIP Mode, the balance in the VIP Interest Disbursement Fund is an amount equal to or greater than the VIP Interest Disbursement Fund Requirement and (e) the Trustee and the Bank have received evidence that Moody's and Fitch will not reduce or withdraw their respective ratings on the Bonds due to such Change in Mode. If such conditions are satisfied, then New Mode shall take effect on the date of the proposed Change in Mode. If such conditions are not satisfied, then (a) all Adjustable Rate Bonds proposed to be subject to such Change in Mode shall be purchased on such date in accordance with Section 5.02, (b) all Adjustable Rate Bonds proposed to be subject to such Change in Mode shall continue to be subject to the Current Mode for such Adjustable Rate Bonds and, if the Current Mode is the VIP Mode, the initial Adjustment Period for all such Adjustable Rate Bonds shall extend from and including the date on which the New Mode was to have taken effect to but not including the next succeeding Business Day and, if the Current Mode is the Extended Rate Mode, the initial Adjustment Period for such Adjustable Rate Bonds shall extend from and including the date on which the New Mode was to take effect to but not including the March 2 or September 2 immediately following the second anniversary of such date, and (c) the Trustee shall, within five Business Days after the date of the proposed Change in Mode, send notice to the Notice Parties stating that the conditions to such Change in Mode have not all been satisfied and informing them of the consequences thereof, as described in this paragraph.

Notwithstanding any other provision hereof, no Change in Mode shall be permitted at any time if the Adjustment Period then applicable to the Adjustable Rate Bonds proposed to be subject to such Change in Mode extends through the day preceding the Maturity Date or the Expiration Date.

Section 2.09 Change In Mode to a Fixed Rate Mode.

(a) Subject to the provisions of this Section (unless the City shall have given the notice accompanied by the items specified in subsection (b) of this Section), a portion of the Adjustable Rate Bonds shall become Fixed Rate Converted Bonds in accordance with, and if and to the extent required by, the following procedure. Upon receipt by the City of a Conversion Request, the City shall, within a reasonable period of time, notify the Remarketing Agent, the Trustee and the Bank of the aggregate principal amount of Adjustable Rate Bonds to be converted to Fixed Rate Converted Bonds. The City shall thereupon select the Conversion Date, provided that the date so selected shall be a Business Day and, in the case of a conversion of any VIP Bonds, a day which is a Mandatory Purchase Date for such VIP Bonds, taking into account the process necessary to remarket such Adjustable Rate Bonds as Fixed Rate Converted Bonds. The Remarketing Agent or the City shall give written notice of the Conversion Date so selected to the Trustee and the Bank at least 20 days prior to such Conversion Date.

Not less than 15 days prior to such Conversion Date, and in reliance upon such written notice, the Trustee shall give notice to the Owners of the Adjustable Rate Bonds proposed to be subject to such conversion and the Bank of such conversion and the mandatory purchase of all such Adjustable Rate Bonds as provided in Section 5.02. In addition to the information required to be included therein pursuant to Section 5.02(b), such notice shall state (a) the Conversion

Date, (b) the rights of the Owners to tender such Adjustable Rate Bonds for purchase prior to the Conversion Date, and (c) the procedures for such a tender.

On the Conversion Date so selected, such Adjustable Rate Bonds shall be remarketed by the Remarketing Agent as Fixed Rate Converted Bonds unless the City provides notification to the Remarketing Agent that the Adjustable Rate Bonds will be remarketed by private placement or direct negotiation. Upon receipt of said notification, the Remarketing Agent shall be relieved of all further duties and obligations in relation to that Series of Fixed Rate Converted Bonds pursuant to this Indenture and the Remarketing Agreement. The Remarketing Agent, in consultation with the City, shall establish the types (serial or term) and a schedule of mandatory redemptions for such serial and term Fixed Rate Converted Bonds designated by the City, pursuant to Section 7.01(e), to constitute a group, and for the Related Additional Bonds, if any, so as to achieve, as nearly as practicable, equal annual installments of Assessments, and interest thereon, on the parcels of real property designated by the City, pursuant to Section 7.01(e) to be represented by such group of Fixed Rate Converted Bonds, and the Related Additional Bonds, if any; provided, however, that each Principal Payment Date shall be a September 2, the first occurring Principal Payment Date shall be no earlier than the first September 2 following the Fiscal Year in which the Assessments for such group of Fixed Rate Bonds are first included in the County assessment roll and the final Principal Payment Date therefor shall be not later than September 2, 2050. The Fixed Interest Rates for such Fixed Rate Converted Bonds shall be determined in accordance with Section 2.04, taking into account the maturity dates and mandatory redemption dates therefor.

(b) On the Conversion Date selected by the City pursuant to subsection (a) of this Section, the interest rate on the Adjustable Rate Bonds to become Fixed Rate Converted Bonds will, without any further action by the City, the Trustee, the Paying Agent or any other Person, be fixed to maturity so long as each of the following conditions is satisfied: (i) either (1) the City has entered into a binding bond purchase agreement for the purchase of the Fixed Rate Converted Bonds, (2) the Remarketing Agent shall have received binding commitments (other than as may be funded by draws under the Letter of Credit) on or before the Business Day preceding such Conversion Date to purchase all such Fixed Rate Converted Bonds on such Conversion Date at a price at least equal to the purchase price required to be paid in respect of such Fixed Rate Converted Bonds, or (3) on or before the Business Day preceding such Conversion Date, the Remarketing Agent and the City shall have entered into a written agreement acceptable to them for a firm commitment to purchase such Fixed Rate Converted Bonds on such Conversion Date, (ii) the City shall have followed the procedures required to be followed by the City in connection with the fixing of the interest rates on the Adjustable Rate Bonds, as described in this Section, (iii) the credit enhancement, if any, for such Fixed Rate Converted Bonds shall have been obtained on or prior to the Conversion Date, (iv) provision shall have been made on or prior to the Business Day preceding such Conversion Date for the timely payment in full of all amounts due or to become due under the Reimbursement Agreement with respect to the Adjustable Rate Bonds being converted, (v) the City shall have designated the parcels of real property which are to be represented by such Fixed Rate Converted Bonds and the Related Additional Bonds, if any, pursuant to Section 7.01(e), (vi) the Trustee shall be in possession of sufficient moneys to pay the expenses of remarketing the Fixed Rate Converted Bonds and the costs of issuance of the Related Additional Bonds, if any, and to deposit an amount equal to the Reserve Requirement for such Fixed Rate Converted Bonds and

the Related Additional Bonds, if any, into the Reserve Account established for such Fixed Rate Converted Bonds and the Related Additional Bonds, if any, pursuant to Section 6.06, and (vii) a Favorable Opinion of Bond Counsel, dated the Conversion Date, addressed to the Trustee and the Remarketing Agent shall be delivered to the Trustee. Said expenses of remarketing and costs of issuance shall be paid from the following sources in the following order of priority: first, from moneys, if any, transferred from the VIP Interest Disbursement Fund pursuant to Section 6.05; second, from proceeds of the sale of Related Additional Bonds; and, third, from moneys paid to the City pursuant to the Protocol Agreement.

The Remarketing Agent shall give written notice to the City not later than one Business Day prior to the Conversion Date of the interest rates to be borne by the Fixed Rate Converted Bonds proposed to be remarketed on said date.

Notwithstanding satisfaction of the foregoing conditions, if the City shall have given written notice to the Trustee, the Remarketing Agent, and the Bank on or before the Business Day preceding such Conversion Date, that the City is dissatisfied with the Fixed Interest Rate or the creditworthiness or value of the parcels of real property to be represented by such Fixed Rate Converted Bonds, accompanied by a written opinion of Bond Counsel addressed to said parties that the failure of such Adjustable Rate Bonds to become Fixed Rate Converted Bonds will not adversely affect the exclusion from gross income of interest on the Bonds for purposes of Federal income taxation, then such Adjustable Rate Bonds will not become Fixed Rate Converted Bonds. In such event, or if any of the foregoing conditions are not met, the Remarketing Agent shall continue its efforts to convert such Adjustable Rate Bonds to Fixed Rate Converted Bonds in accordance herewith until such Adjustable Rate Bonds are successfully converted or until it is no longer reasonable to continue such efforts. Pending successful completion of the conversion, all such Adjustable Rate Bonds shall be changed to a VIP Mode with Adjustment Period(s) to be determined by the Remarketing Agent on the Conversion Date and such VIP Bonds shall be remarketed by the Remarketing Agent; provided, however, that the Remarketing Agent may not set Adjustment Periods greater than 30 days in length.

(c) From and after the date on which Adjustable Rate Bonds become Fixed Rate Converted Bonds, the following events shall occur: (i) the stated amount of the Letter of Credit shall be reduced in accordance with the Reimbursement Agreement and shall no longer constitute a source of payment of the principal of and interest on such Fixed Rate Converted Bonds, (ii) payment of the Fixed Rate Converted Bonds shall only be secured by the Assessments on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Fixed Rate Converted Bonds and by any credit enhancement obtained with respect to such Fixed Rate Converted Bonds, (iii) the payment of Adjustable Rate Bonds shall no longer be secured by the Assessments on the parcels of real property so designated, (iv) the Trustee shall establish a Redemption Account, a Prepayment Subaccount and a Reserve Account for each group of Fixed Rate Converted Bonds and the Related Additional Bonds, if any, as required by Article VI, (v) a pro rata share of the VIP Disbursement Requirement shall be transferred in accordance with Section 6.05, if applicable, (vi) the Fixed Rate Converted Bonds of each group shall be of the types (serial or term) and subject to mandatory redemption as established by the Remarketing Agent pursuant to subsection (a) of this Section, (vii) the Fixed Rate Converted Bonds shall not be convertible to any other Mode, and (viii) a pro rata share of

the amount on deposit in the Capitalized Payments Accounts, if any, shall be transferred in accordance with Section 6.02(b).

Section 2.10 **Transfer and Exchange of Bonds.**

Any 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 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Paying Agent. Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and shall deliver a new Bond or Bonds of the same maturity, Series and, if applicable, same Mode, for a like aggregate principal amount, in any Authorized Denomination. The Paying Agent shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the City.

The Bonds may be exchanged at the Office of the Paying Agent for a like aggregate principal amount of Bonds of the same maturity, Series and, if applicable, Mode, of other Authorized Denominations. The Paying Agent shall require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the City.

The Paying Agent shall not be obligated to make any transfer or exchange of Bonds pursuant to this Section during the 15 day period preceding the selection of Bonds of the same Series and, if applicable, Mode for redemption, or with respect to any Bonds selected for redemption.

Section 2.11 **Registration Books.**

The Paying Agent will keep or cause to be kept, at the Office of the Paying Agent, sufficient records for the registration and transfer of ownership of the Bonds, which shall be open to inspection during regular business hours and upon 24 hours notice by the City; 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 such records, the ownership of the Bonds as hereinbefore provided.

Section 2.12 **Execution of Bonds.**

The Bonds shall be executed in the name and on behalf of the City with the manual or facsimile signature of the Treasurer or Deputy Treasurer attested by the manual or facsimile signature of the City Clerk. The City's seal or a facsimile thereof may be reproduced, imprinted or impressed on the Bonds. The Bonds shall then be delivered to the Paying Agent for authentication by it; provided, however, that only the Trustee shall authenticate Bonds upon original issuance and pursuant to Section 2.14. In case any of the officers who shall have signed or attested any of the Bonds shall cease to be such officer or officers of the City before the Bonds so signed or attested shall have been authenticated or delivered by the Paying Agent, or issued by

the City, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the City as though those who signed and attested the same had continued to be such officers of the City, and also any Bonds may be signed and attested on behalf of the City by such Persons as at the actual date of execution of such Bonds shall be the proper officers of the City although at the nominal date of such Bonds any such Person shall not have been such officer of the City.

Section 2.13 Authentication of Bonds.

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

Section 2.14 Temporary Bonds.

The Bonds may be issued in temporary form exchangeable for definitive Bonds when ready for delivery. Any temporary Bonds may be printed, lithographed or typewritten, shall be of such authorized denominations as may be determined by the City, shall be in fully registered form without coupons and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the City and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the City issues temporary Bonds it will execute and deliver definitive Bonds as promptly thereafter as practicable, and thereupon the temporary Bonds may be surrendered, for cancellation, at the Office of the Trustee and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of the same maturity, Series and, if applicable, Mode of Authorized Denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.15 Bonds Mutilated, Lost, Destroyed, or Stolen.

If any Bond shall become mutilated, the City, at the expense of the Owner of said Bond, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, but only upon surrender to the Paying Agent of the Bond so mutilated. Every mutilated Bond so surrendered to the Paying Agent shall be canceled by it and delivered to, or upon the order of the City. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Paying Agent and, if such evidence and indemnity satisfactory to the Paying Agent shall be given, the City, at the expense of the Owner, shall execute, and the Paying Agent shall thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in replacement for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall be about to mature, instead of issuing a replacement Bond, the Paying Agent may pay the same without surrender thereof). The City may require payment by the Owner of a sum not exceeding the actual cost of preparing each replacement Bond issued under this Section and of the expenses which may be

incurred by the City and the Paying Agent. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the City whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.16 **Book-Entry System.**

(a) Prior to the issuance of a Series of Bonds, the City may provide that such Series of Bonds shall be initially issued as Book-Entry Bonds, and in such event the Bonds of such Series for each maturity shall be in the form of a separate single fully registered Bond (which may be typewritten). The Series A Bonds shall initially be issued as Book-Entry Bonds.

(b) Upon initial execution and delivery, the ownership of each Book-Entry Bond shall be registered in the Registration Books in the name of the Nominee, as nominee of the Depository. Payment of principal of, premium, if any, or interest on any Book-Entry Bonds registered in the name of the Nominee shall be made on the payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of the Nominee. Such payments shall be made to the Nominee at the address which is, on the regular Record Date or special record date, as the case may be, shown for the Nominee in the Registration Books.

(c) With respect to Book-Entry Bonds, the City, the Bank, the Trustee and the Paying Agent shall have no responsibility or obligation to any Participant or to any person on behalf of which such a Participant holds an interest in such Book-Entry Bonds. Without limiting the immediately preceding sentence, the City, the Bank, the Trustee and the Paying Agent shall have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee, or any Participant with respect to any ownership interest in Book-Entry Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Registration Books, of any notice with respect to Book-Entry Bonds, including any notice of prepayment, (iii) the selection by the Depository and its Participants of the beneficial interests in Book-Entry Bonds to be redeemed in the event Bonds are redeemed in part, (iv) the payment to any Participant or any other person, other than an Owner as shown in the Registration Books, of any amount with respect to principal of, premium, if any, or interest on Book-Entry Bonds, or (v) any consent given or other action taken by the Depository as Owner.

(d) The City, the Bank, the Trustee and the Paying Agent may treat and consider the person in whose name each Book-Entry Bond is registered in the Registration Books as the absolute Owner of such Book-Entry Bond for the purpose of payment of principal of, premium, if any, and interest on such Bond, for the purpose of selecting any Bonds, or portions thereof to be redeemed, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, for the purpose of obtaining any consent or other action to be taken by Owners and for all other purposes whatsoever and the City, the Bank, the Trustee and the Paying Agent shall not be affected by any notice to the contrary.

(e) In the event of a redemption necessitating a reduction in aggregate principal amount of Book-Entry Bonds Outstanding, or a redemption of part of the Book-Entry Bonds Outstanding, the Depository, in its discretion, (i) may request the Paying Agent to execute and deliver a new Book-Entry Bond, or (ii) if DTC is the sole owner of the Book-Entry Bonds, shall make an appropriate notation on the Book-Entry Bond indicating the date and amounts of such reduction in principal except in the case of final maturity, in which case the Book-Entry Bond must be presented to the Paying Agent prior to payment.

(f) The Paying Agent shall pay all principal of, premium, if any, and interest on the Bonds only to or “upon the order of” (as that term is used in the Uniform Commercial Code as adopted in the State) the respective Owner, as shown in the Registration Books, or his respective attorney duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations with respect to payment of principal of, premium, if any, and interest on the Book-Entry Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Registration Books, shall receive a Book-Entry Bond evidencing the obligation to make payments of principal of, premium, if any, and interest on the Book-Entry Bonds. Upon delivery by the Depository to the Owners, the City, the Trustee and the Paying Agent of written notice to the effect that the Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Indenture shall refer to such nominee of the Depository.

(g) In order to qualify the Book-Entry Bonds for the Depository’s book-entry system, the City shall execute and deliver to the Depository a Representation Letter. The execution and delivery of a Representation Letter shall not in any way impose upon the City, the Trustee or the Paying Agent any obligation whatsoever with respect to persons having interests in such Book-Entry Bonds other than the Owners, as shown on the Registration Books. Such Representation Letter may provide the time, form, content, and manner of transmission, of notices to the Depository. In addition to the execution and delivery of a Representation Letter by the City, the City, the Trustee and the Paying Agent shall take such other actions, not inconsistent with this Indenture, as are reasonably necessary to qualify Book-Entry Bonds for the Depository’s book-entry program.

(h) In the event the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain certificated Bonds and that such Bonds should therefore be made available and notifies, in writing, the Depository, the Trustee and the Paying Agent of such determination, the Depository will notify the Participants of the availability through the Depository of certificated Bonds. In such event, the Paying Agent shall transfer and exchange certificated Bonds as requested by the Depository and any other Owners in appropriate amounts. In the event (i) the Depository determines not to continue to act as Securities Depository for Book-Entry Bonds, or (ii) the Depository shall no longer so act and gives notice to the Trustee and the Paying Agent of such determination, then the City will discontinue the book-entry system with the Depository. If the City determines to replace the Depository with another qualified Securities Depository, the City shall prepare or direct the preparation of a new single, separate, fully registered Bond for each maturity date of such Book-Entry Bonds, registered in the name of such successor or substitute qualified Securities Depository or its nominee. If the City fails to identify another qualified Securities Depository to replace the Depository, then the Bonds shall no longer be restricted to being registered in such bond register in the name of the

Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging such bonds shall designate, in accordance with the provisions of Sections 2.09 and 2.14. Whenever the Depository requests the City to do so, the City will cooperate with the Depository in taking appropriate action after reasonable notice (i) to make available one or more separate Bonds evidencing the Book-Entry Bonds to any Participant having Book-Entry Bonds credited to its account with the Depository, and (ii) to arrange for another Securities Depository to maintain custody of bonds evidencing the Book-Entry Bonds.

(i) Notwithstanding any other provision of this Indenture to the contrary and if DTC is the sole Owner of the Bonds, so long as any Book-Entry Bond is registered in the name of the Nominee, all payments with respect to principal of, premium, if any, and interest on such Book-Entry Bond and all notices with respect to such Book-Entry Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed in writing by the Depository.

(j) In connection with any notice or other communication to be provided to Owners pursuant to this Indenture by the City, the Trustee or the Paying Agent, at the direction of the City, with respect to any consent or other action to be taken by Owners, the City, the Trustee or the Paying Agent, as the case may be, shall establish a record date for such consent or other action and give the Depository notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to the Depository shall be given only when DTC is the sole Owner of the Book-Entry Bonds.

(k) Notwithstanding the foregoing, in the event any Book-Entry Bond is tendered but not remarketed, with the result that such Bond becomes a Bank Bond, at the request of the Bank, the City, the Trustee and the Paying Agent shall take all such actions as shall be necessary to remove such Book-Entry Bond from the book-entry system of DTC and to register such tendered but not remarketed Bond in the name of the Bank. At such time as all Bank Bonds have been remarketed such that no Bank Bonds remain outstanding and the Letter of Credit has been reinstated, the City, the Trustee and the Paying Agent shall take all such actions as shall be necessary to return the Bonds, if so removed from the book-entry system of DTC, to the full book-entry system of DTC.

Section 2.17 Refunding of Bonds.

The Bonds may be refunded by the City under Divisions 11 or 11.5 of the California Streets and Highways Code and Chapter 5.08 of Division 7 of Title 2 of the City of Irvine Municipal Code upon the conditions set forth in proceedings therefor, all as determined by the Council.

ARTICLE III
ISSUANCE OF SERIES A BONDS; APPLICATION OF PROCEEDS;
ADDITIONAL BONDS

Section 3.01 **Issuance of Series A Bonds.**

Concurrent with the execution of this Indenture, the City shall execute and the Paying Agent shall authenticate the Series A Bonds and deliver the Series A Bonds to the Original Purchaser in the aggregate principal amount of \$_____.

Section 3.02 **Application of Proceeds of the Series A Bonds.**

On the Closing Date, the proceeds of the sale of the Series A Bonds shall be paid to the Trustee and transferred or deposited by the Trustee as follows:

(a) The Trustee shall deposit the amount of \$_____ in the Cost of Issuance Fund.

(b) The Trustee shall transfer the amount of \$_____ to the trustee for the Prior Bonds to be applied in accordance with the indenture for the Prior Bonds to reimburse the Prior Bonds letter of credit bank.

Section 3.03 **Costs of Issuance Fund.**

There is hereby established a separate fund to be known as the “Costs of Issuance Fund”, which shall be held by the Trustee in trust. On the Closing Date there shall be deposited in the Costs of Issuance Fund the amount specified in Section 3.02(a). Additionally, in connection with the issuance of a Series of Additional Bonds, there shall be deposited in the Costs of Issuance Fund the amount, if any, specified in the Supplemental Indenture pursuant to which such Additional Bonds are issued.

The moneys in the Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance or as set forth in Section 8.05. On _____, and on such other date or dates as may be specified in any Supplemental Indenture, all amounts remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee for deposit to the Improvement Fund or to such other fund or account as is specified by the City.

Section 3.04 **Improvement Fund.**

There is hereby established a separate fund to be known as the “Improvement Fund”, which shall be held by the Trustee in trust. On the Closing Date there shall be deposited in the Improvement Fund the amount specified in any Supplemental Indenture. Additionally, in connection with the issuance of a Series of Additional Adjustable Series Bonds or Additional Fixed Funding Series Bonds, there shall be deposited in a subaccount of the Improvement Fund, the amount specified in the Supplemental Indenture pursuant to which such Bonds are issued.

The moneys in the Improvement Fund shall be used and withdrawn by the Trustee from time to time to pay the costs of the Project or as set forth in Section 8.05. The moneys in the

Improvement Fund shall be withdrawn by the Trustee upon submission of a Written Request of the City stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment constitutes a cost of the Project and is a proper charge against the Improvement Fund, and (e) that such amounts have not been the subject of a prior disbursement from the Improvement Fund, in each case together with a statement or invoice for each amount requested thereunder. Each such written request of the City shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts.

Upon the filing of a Written Certificate of the City (i) stating that the Project has been completed and that all costs of the Project have been paid or are not required to be paid from the Improvement Fund, or (ii) stating that the Project has been substantially completed and that all remaining costs of the Project have been determined and specifying the amount to be retained therefor, the Trustee shall transfer and apply the amount, if any, remaining in the Improvement Fund (less any such retention) as directed in said Written Certificate, which directions shall be prepared in accordance with the provisions of Sections 10427 and 10427.1 of the Act, and the Improvement Fund shall be closed.

Section 3.05 **Issuance of Additional Fixed Conversion Series Bonds.**

In connection with the conversion of each group of Adjustable Rate Bonds to Fixed Rate Converted Bonds pursuant to Section 2.08, the City may, subject to the requirements of the Act, by Supplemental Indenture establish a Series of Additional Fixed Conversion Series Bonds, and the City may issue and the Trustee may authenticate and deliver Additional Fixed Conversion Series Bonds of any Series so established, in such principal amount as shall be determined by the City in said Supplemental Indenture, but only upon compliance by the City with the provisions of Section 3.06, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of any such additional Series of Additional Fixed Conversion Series Bonds:

- (a) The City shall not be in default under this Indenture.
- (b) The Additional Fixed Conversion Series Bonds of such additional Series shall have the same Interest Payment Dates and Principal Payment Dates as the Related Fixed Rate Bonds.
- (c) The Additional Fixed Conversion Series Bonds of such additional Series of each maturity date shall bear interest at the same rate as the Related Fixed Rate Bonds maturing on such date.
- (d) The City shall have designated, pursuant to Section 7.01(e), the parcels of real property to be represented by such additional Series of Additional Fixed Conversion Series Bonds, which parcels of real property shall be the same parcels of real property designated by the City to be represented by the Related Fixed Rate Bonds.
- (e) The sum of the aggregate principal amount of the Additional Fixed Conversion Series Bonds of such additional Series, plus the aggregate principal amount of the Related Fixed Rate Bonds, shall not exceed the unpaid principal amount of the Assessments on the parcels of

real property designated by the City, pursuant to Section 7.01(e), to be represented by such additional Series of Additional Fixed Conversion Series Bonds and the Related Fixed Rate Bonds.

(f) The proceeds of the Additional Fixed Conversion Series Bonds of such additional Series shall be applied only to one or more of the following: (i) funding all or a portion of the Reserve Account established, pursuant to Section 6.06, for such additional Series of Additional Fixed Conversion Series Bonds and the Related Fixed Rate Bonds, (ii) paying all or a portion of the Cost of Issuance of such additional Series of Additional Fixed Conversion Series Bonds, (iii) paying all or a portion of the costs of the conversion and remarketing of the Related Fixed Rate Bonds, and (iv) funding interest payable on such additional Series of Additional Fixed Conversion Series Bonds, and the Related Fixed Rate Bonds through the date on which it is anticipated that collections of Assessments on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Additional Fixed Conversion Series Bonds and the Related Fixed Rate Bonds will be available for payment of such interest.

(g) The Reserve Account established, pursuant to Section 6.06, for such additional Series of Additional Fixed Conversion Series Bonds and the Related Fixed Rate Bonds shall have been funded in an amount at least equal to the Reserve Requirement for such additional Series of Additional Fixed Conversion Series Bonds and Related Fixed Rate Bonds.

(h) The Additional Fixed Conversion Series Bonds of such additional Series shall be subject to redemption at the same times, under the same circumstances and in the same manner as the Related Fixed Rate Bonds.

(i) Such additional Series of Additional Fixed Conversion Series Bonds and the Related Fixed Rate Bonds shall have, as nearly as practicable, equal combined annual debt service.

(j) The aggregate principal amount of Bonds issued hereunder shall not exceed any limitation imposed by law or by this Indenture.

(k) Each additional Series of Additional Fixed Conversion Series Bonds, and the Related Fixed Rate Bonds, shall be secured by and payable from the Assessments on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such additional Series of Additional Fixed Rate Conversion Series Bonds and such Related Fixed Rate Bonds, as provided herein. Each additional Series of Additional Fixed Conversion Series Bonds, and the Related Fixed Rate Bonds, are not secured by or payable by the Letter of Credit.

Section 3.06 **Proceedings for the Issuance of Additional Fixed Conversion Series Bonds.**

Whenever the City shall determine to issue an additional Series of Additional Fixed Conversion Series Bonds, the City shall execute a Supplemental Indenture providing for the issuance of such additional Series of Additional Fixed Conversion Series Bonds, specifying the maximum principal amount of Additional Fixed Conversion Series Bonds of such Series and prescribing the terms and conditions of such additional Series of Additional Fixed Conversion Series Bonds.

Such Supplemental Indenture shall prescribe the form or forms of Bonds of such additional Series and, subject to the provisions of Section 3.05, shall provide for the distinctive designation, dating, maturity dates, interest rates, redemption provisions, principal payment dates, mandatory sinking fund redemption dates and methods and places of payment of principal and interest. The City may by such Supplemental Indenture prescribe any other provisions respecting the Additional Fixed Conversion Series Bonds of such Series not inconsistent with the terms of this Indenture.

Before such additional Series of Additional Fixed Conversion Series Bonds shall be issued and delivered, the City shall file the following documents with the Trustee and the Bank:

(a) A Favorable Opinion of Bond Counsel and a written opinion of Bond Counsel setting forth (i) that such Bond Counsel has examined the Supplemental Indenture and found it to be in compliance with the requirements of this Indenture, (ii) that the execution and delivery of the additional Series of Additional Fixed Conversion Series Bonds has been duly authorized by the City, and (iii) that said additional Series of Additional Fixed Conversion Series Bonds, when duly executed by the City and authenticated and delivered by the Trustee, will be valid and binding limited obligations of the City, payable from Assessments or the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Additional Fixed Conversion Series Bonds and the Related Fixed Rate Bonds, as provided herein.

(b) A Written Certificate of the City certifying that the requirement of Section 3.05(a) has been met.

(c) A Written Certificate of the City certifying that the requirement of Section 3.05(d) and (e) has been met.

(d) Said Supplemental Indenture, duly executed.

Upon the delivery to the Trustee of the foregoing instruments, the Trustee shall authenticate and deliver said additional Series of Additional Fixed Conversion Series Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the Written Request of, the City, when such additional Series of Additional Fixed Conversion Series Bonds shall have been presented to it for that purpose.

Section 3.07 Issuance of Additional Adjustable Series Bonds.

The City may, subject to the requirements of the Act by Supplemental Indenture establish one or more Series of Additional Adjustable Series Bonds, and the City may issue and the Trustee may authenticate and deliver Additional Adjustable Series Bonds, in such principal amount as shall be determined by the City in said Supplemental Indenture, but only upon compliance by the City with the provisions of Section 3.08, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of such additional Series of Additional Adjustable Series Bonds:

(a) The City shall not be in default under this Indenture.

(b) The sum of the aggregate principal amount of the Additional Adjustable Series Bonds of such additional Series, plus the aggregate principal amount of Adjustable Rate Bonds Outstanding immediately prior to the issuance of such Additional Adjustable Series Bonds of such additional Series shall not exceed the unpaid principal amount of the Adjustable Rate Assessments.

(c) The proceeds of the Additional Adjustable Series Bonds of such Series shall be applied only to one or more of the following: (i) paying all or a portion of the Cost of Issuance of such Additional Adjustable Series Bonds, (ii) funding interest payable on such Additional Adjustable Series Bonds of such Series through the date on which it is anticipated that collections of Assessments will be available for payment of such interest, and (iii) paying for the costs of the Project.

(d) The aggregate principal amount of Bonds issued hereunder shall not exceed any limitation imposed by law or by this Indenture.

(e) The amount available under the Letter of Credit to pay principal of the Adjustable Rate Bonds (or to pay the principal portion of the Purchase Price of the Adjustable Rate Bonds) shall have been increased to an amount not less than the sum of the aggregate principal amount of the Additional Adjustable Series Bonds of such additional Series, plus the aggregate principal amount of Adjustable Rate Bonds Outstanding immediately prior to the issuance of such Additional Adjustable Series Bonds of such additional Series, and the amount available under the Letter of Credit to pay interest on the Adjustable Rate Bonds shall have been increased to an amount not less than the Letter of Credit Interest Amount (calculated based on the sum of the aggregate principal amount of the Additional Adjustable Series Bonds of each additional Series, plus the aggregate principal of Adjustable Rate Bonds Outstanding immediately prior to the issuance of such Adjustable Series Bonds of such Series).

(f) Additional Adjustable Series Bonds in an Adjustable Rate Mode shall be secured by and payable from the proceeds of draws made under the Letter of Credit pursuant to subsections (a) – (d) of Section 5.04 and from the Adjustable Rate Assessments, as provided herein, on a parity with all Adjustable Rate Bonds previously issued.

Section 3.08 **Proceedings for the Issuance of Additional Adjustable Series Bonds.**

Whenever the City shall determine to issue a Series of Additional Adjustable Series Bonds, the City shall execute a Supplemental Indenture providing for the issuance of such Series of Additional Adjustable Series Bonds, specifying the maximum principal amount of Additional Adjustable Series Bonds of such Series and prescribing the terms and conditions of such Additional Adjustable Series Bonds.

Such Supplemental Indenture shall prescribe the form or forms of Additional Adjustable Series Bonds of such additional Series and, subject to the provisions of Section 3.07, shall provide for the distinctive designation, dating, maturity dates, Modes (which shall not be the Fixed Rate Mode), principal payment dates, mandatory sinking fund redemption dates and methods and places of payment of principal and interest. The City may by such Supplemental

Indenture prescribe any other provisions respecting the Additional Adjustable Series Bonds of such Series not inconsistent with the terms of this Indenture.

Before such Additional Adjustable Series Bonds shall be issued and delivered, the City shall file the following documents with the Trustee and the Bank:

(a) A Favorable Opinion of Bond Counsel and a written opinion of Bond Counsel setting forth (i) that such Bond Counsel has examined the Supplemental Indenture and found it to be in compliance with the requirements of this Indenture, (ii) that the execution and delivery of the Series of Additional Adjustable Series Bonds has been duly authorized by the City, and (iii) that said additional Series of Additional Adjustable Series Bonds, when duly executed by the City and authenticated and delivered by the Trustee, will be valid and binding limited obligations of the City, payable from Adjustable Rate Assessments, as provided herein.

(b) A Written Certificate of the City certifying that the requirement of Section 3.07(a) has been met.

(c) A Written Certificate of the City certifying that the requirement of Section 3.07(b) has been met.

(d) Said Supplemental Indenture, duly executed.

Upon the delivery to the Trustee of the foregoing instruments, the Trustee shall authenticate and deliver said Additional Adjustable Series Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the Written Request of, the City, when such Additional Adjustable Series Bonds shall have been presented to it for that purpose.

Section 3.09 Issuance of Additional Fixed Funding Series Bonds.

The City may, subject to the requirements of the Act by Supplemental Indenture establish one or more Series of Additional Fixed Funding Series Bonds, and the City may issue and the Trustee may authenticate and deliver Additional Fixed Funding Series Bonds, in such principal amount as shall be determined by the City in said Supplemental Indenture, but only upon compliance by the City with the provisions of Section 3.10, and subject to the following specific conditions, which are hereby made conditions precedent to the issuance of such Additional Fixed Funding Series Bonds:

(a) The City shall not be in default under this Indenture.

(b) The City shall have designated, pursuant to Section 7.01(e), the parcels of real property to be represented by the Additional Fixed Rate Funding Bonds of such additional Series, and the aggregate principal amount of the Additional Fixed Funding Series Bonds of such additional Series shall not exceed the unpaid principal amount of the Assessments on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Additional Fixed Funding Series Bonds of such additional Series.

(c) The proceeds of the Additional Fixed Funding Series Bonds of such additional Series shall be applied only to one or more of the following: (i) funding all or a portion of the

Reserve Account established, pursuant to Section 6.06, for such additional Series of Additional Fixed Funding Series Bonds, (ii) paying all or a portion of the Cost of Issuance of such additional Series of Additional Fixed Funding Series Bonds, (iii) funding interest payable on such additional Series of Additional Fixed Funding Series Bonds through the date on which it is anticipated that collections of Assessments on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Additional Fixed Funding Series of Bonds, will be available for payment of such interest, and (iv) paying for the costs of the Project.

(d) The Reserve Account established, pursuant to Section 6.06, for such Additional Fixed Funding Series Bonds shall have been funded in an amount at least equal to the Reserve Requirement for such Additional Fixed Funding Series Bonds.

(e) The aggregate principal amount of Bonds issued hereunder shall not exceed any limitation imposed by law or by this Indenture.

(f) Each Series of Additional Fixed Funding Series Bonds shall be secured by and payable from the Assessments on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Series of Additional Fixed Funding Series Bonds, as provided herein. Each Series of Additional Fixed Funding Series Bonds are not secured by or payable by the Letter of Credit.

Section 3.10 **Proceedings for the Issuance of Additional Fixed Funding Series Bonds.**

Whenever the City shall determine to issue Additional Fixed Funding Series Bonds, the City shall execute a Supplemental Indenture providing for the issuance of such Series of Additional Fixed Funding Series Bonds, specifying the maximum principal amount of Additional Fixed Funding Series Bonds of such Series and prescribing the terms and conditions of such Additional Fixed Funding Series Bonds.

Such Supplemental Indenture shall prescribe the form or forms of Additional Fixed Funding Series Bonds of such additional Series and, subject to the provisions of Section 3.09, shall provide for the distinctive designation, dating, maturity dates, interest rates, redemption provisions, principal payment dates, mandatory sinking fund redemption dates and methods and places of payment of principal and interest. The City may by such Supplemental Indenture prescribe any other provisions respecting the Additional Fixed Funding Series Bonds of such Series not inconsistent with the terms of this Indenture.

Before such Additional Fixed Funding Series Bonds shall be issued and delivered, the City shall file the following documents with the Trustee:

(a) A Favorable Opinion of Bond Counsel and a written opinion of Bond Counsel setting forth (i) that such Bond Counsel has examined the Supplemental Indenture and found it to be in compliance with the requirements of this Indenture, (ii) that the execution and delivery of the Series of Additional Fixed Funding Series Bonds has been duly authorized by the City, and (iii) that said Series of Additional Fixed Funding Series Bonds, when duly executed by the City and authenticated and delivered by the Trustee, will be valid and binding limited obligations of the City, payable from Assessments on the parcels of real property designated by the City,

pursuant to Section 7.01(e), to be represented by such Additional Fixed Funding Series Bonds, as provided herein.

(b) A Written Certificate of the City certifying that the requirement of Section 3.09(a) has been met.

(c) A Written Certificate of the City certifying that the requirement of Section 3.09(b) has been met.

(d) Said Supplemental Indenture, duly executed.

Upon the delivery to the Trustee of the foregoing instruments, the Trustee shall authenticate and deliver said Additional Fixed Funding Series Bonds, in the aggregate principal amount specified in such Supplemental Indenture, to, or upon the Written Request of, the City, when such Additional Fixed Funding Series Bonds shall have been presented to it for that purpose.

Section 3.11 Limitations on Additional Bonds.

So long as any of the Bonds remain Outstanding, the City will not issue any Series of Bonds or obligations payable from Assessments, except pursuant to Section 2.16 or Sections 3.05, 3.06, 3.07, 3.08, 3.09 and 3.10.

**ARTICLE IV
REDEMPTION OF BONDS**

Section 4.01 Optional Redemption.

(a) Adjustable Rate Bonds in the VIP Mode are not subject to optional redemption.

(b) The Adjustable Rate Bonds, other than VIP Bonds, are subject to optional redemption by the City, in whole, or in part in Authorized Denominations, on any Interest Payment Date, at a Redemption Price equal to 100% of the principal amount thereof to be redeemed plus accrued and unpaid interest to such Redemption Date, if any, without premium, paid from draws upon the Letter of Credit. If such redemption is in part, Bank Bonds shall be redeemed first, and all other such Adjustable Rate Bonds shall be redeemed by lot in such manner as shall be determined by the Trustee.

(c) The Fixed Rate Converted Bonds are subject to optional redemption by the City, in whole, or in part in Authorized Denominations, on any Business Day, upon expiration of the applicable call protection period described below, at the Redemption Prices (expressed as percentages of the principal amount of the Fixed Rate Converted Bonds to be redeemed) set forth below, declining by 1/2% on every second Interest Payment Date after the initial redemption date until the redemption price equals 100%, plus accrued interest to the Redemption Date:

<u>Years Remaining to Maturity as of Conversion Date</u>	<u>Initial Redemption Dates (anniversary of Conversion Date)</u>	<u>Initial Redemption Prices</u>
Equal to or greater than 17	8th anniversary	102.0%
Equal to or greater than 14 but less than 17	6th anniversary	101.5
Equal to or greater than 11 but less than 14	4th anniversary	101.0
Equal to or greater than 7 but less than 11	2nd Anniversary	100.5
Less than 7 years	1st Anniversary	100.0

(d) Additional Fixed Conversion Series Bonds shall be subject to optional redemption by the City as specified in the Supplemental Indenture pursuant to which such Additional Fixed Rate Conversion Series Bonds are issued.

(e) Additional Fixed Funding Series Bonds shall be subject to optional redemption by the City as specified in the Supplemental Indenture pursuant to which such Additional Fixed Funding Series Bonds are issued.

Section 4.02 Mandatory Redemption from Assessment Prepayments.

(a) Adjustable Rate Bonds in the VIP Mode are subject to mandatory redemption from prepaid Adjustable Rate Assessments in whole, or in part in Authorized Denominations, on any Mandatory Purchase Date, at a Redemption Price equal to 100% of the principal amount thereof to be redeemed plus accrued and unpaid interest to such Redemption Date, if any, without premium, paid from draws made on the Letter of Credit. If such redemption is in part, Bank Bonds shall be selected for redemption by the Trustee prior to selecting any other Bonds, and thereafter Bonds in the VIP Mode shall be selected for redemption based on the termination dates of the then current Adjustment Periods for such VIP Bonds, with the VIP Bonds with the earliest such termination dates being called first and by lot among VIP Bonds with the same Adjustment Period termination date; provided that the VIP Bonds with an Adjustment Period terminating less than 30 days after the date the Trustee is to mail notice of such redemption shall not be called for redemption.

(b) The Adjustable Rate Bonds, other than VIP Bonds, are subject to mandatory redemption from prepaid Adjustable Rate Assessments in whole, or in part in Authorized Denominations, (i) when such Adjustable Rate Bonds are in the Daily Mode, the Weekly Mode or the Monthly Mode, on the first Business Day of any calendar month, and (ii) when such Adjustable Rate Bonds are in the Semi-Annual Mode or the Extended Rate Mode, on any Interest Payment date, at a Redemption Price equal to 100% of the principal amount thereof to be redeemed plus accrued and unpaid interest to such Redemption Date, if any, without premium, paid from draws made on the Letter of Credit. If such redemption is in part, Bank Bonds shall be redeemed first, and other Adjustable Rate Bonds shall be redeemed by lot in such manner as shall be determined by the Trustee.

(c) Each group of Fixed Rate Converted Bonds is subject to mandatory redemption from prepaid Assessments attributable to the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such group of Fixed Rate Converted Bonds, in whole, or in part in Authorized Denominations, on any Interest Payment Date (i) prior to the Initial Redemption Date therefor, as set forth below, at a Redemption Price (expressed as a percentage of the principal amount of such Fixed Rate Converted Bonds to be redeemed) equal to the Initial Redemption Price therefor, as set forth below, plus 1/2%, plus accrued interest to the Redemption Date, and (ii) on and after the Initial Redemption Date therefor, as specified below, at the Redemption Prices (expressed as percentages of the principal amount of such Fixed Rate Bonds to be redeemed) set forth below, declining by 1/2% on every second Interest Payment Date after such Initial Redemption Date until the Redemption Price equals 100%, plus accrued interest to the Redemption Date:

<u>Years Remaining to Maturity as of Conversion Date</u>	<u>Initial Redemption Dates (anniversary of Conversion Date)</u>	<u>Initial Redemption Prices</u>
Equal to or greater than 17	8th anniversary	102.0%
Equal to or greater than 14 but less than 17	6th anniversary	101.5
Equal to or greater than 11 but less than 14	4th anniversary	101.0
Equal to or greater than 7 but less than 11	2nd Anniversary	100.5
Less than 7 years	1st Anniversary	100.0

(d) Each Series of Additional Fixed Conversion Series Bonds shall be subject to mandatory redemption from prepaid Assessments attributable to the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Series of Additional Fixed Conversion Series Bonds, as specified in the Supplemental Indenture pursuant to which such Series of Additional Fixed Conversion Series Bonds is issued.

(e) Each Series of Additional Fixed Funding Series Bonds shall be subject to mandatory redemption from prepaid Assessments attributable to the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Series of Additional Fixed Funding Series Bonds, as specified in the Supplemental Indenture pursuant to which such Series of Additional Fixed Conversion Series Bonds is issued.

(f) In the event that Adjustable Rate Bonds are to be redeemed pursuant to this Section 4.02, the prepaid Adjustable Rate Assessments shall be applied to Adjustable Rate Bonds in the following Modes in the following order of priority until such prepayments or proceeds are depleted: first, Bank Bonds, second Adjustable Rate Bonds in the Daily Mode, second, Adjustable Rate Bonds in the Weekly Mode, third, Adjustable Rate Bonds in the Monthly Mode, fourth, Adjustable Rate Bonds in the Semi-Annual Mode, fifth, Adjustable Rate Bonds in the Extended Rate Mode, and sixth, Adjustable Rate Bonds in the VIP Mode.

Section 4.03 **Mandatory Sinking Fund Redemption.**

(a) The Adjustable Rate Bonds (other than Bank Bonds) are not subject to mandatory sinking fund redemption. Except as otherwise provided in the Reimbursement Agreement, if any Bank Bonds are purchased and held by the Bank more than 60 days, then the Outstanding Bank Bonds shall be subject to mandatory sinking fund redemption over a term of approximately five years in 58 approximately equal monthly mandatory sinking fund redemptions commencing on the first Business Day of the third calendar month after the calendar month in which the Bank purchased such Bank Bonds, and on the first Business Day of each calendar month thereafter until the principal of such Bank Bonds has been paid in full, and on the 58th such monthly mandatory sinking fund redemption date, the entire Outstanding principal amount of such Bank Bonds shall be due and payable in full; provided, however, that (i) each mandatory sinking fund redemption of Bank Bonds shall be adjusted to an integral multiple of \$5,000, (ii) the final mandatory sinking fund redemption shall be in the principal amount of \$100,000 or an integral multiple of \$5,000 in excess of \$100,000, and (iii) such mandatory sinking fund redemptions shall otherwise be scheduled in the Bank's discretion to provide approximately level aggregate monthly principal payments during the course of such five-year term. The Trustee shall not be responsible for determining debt service levels pursuant to this Section 4.03(a).

(b) Each group of Fixed Rate Converted Bonds shall be subject to mandatory sinking fund redemption in accordance with the schedule of mandatory redemptions established pursuant to Section 2.08 (a) in connection with the conversion of Adjustable Rate Bonds to Fixed Interest Rates. If some but not all of the Fixed Rate Converted Bonds of a group are redeemed pursuant to Section 4.01(c), the principal amount of such Fixed Rate Converted Bonds to be redeemed pursuant to this Section on any subsequent September 2 shall be reduced by \$5,000 or an integral multiple thereof, as designated by the City in a Written Certificate of the City filed with the Trustee; provided, however, that the aggregate amount of such reductions shall not exceed the aggregate amount of such Fixed Rate Converted Bonds redeemed pursuant to Section 4.01(c). If some but not all of the Fixed Rate Converted Bonds of a group are redeemed pursuant to Section 4.02(c), the principal amount of such Fixed Rate Converted Bonds to be subsequently redeemed pursuant to this Section shall be reduced by the aggregate principal amount of such Fixed Rate Converted Bonds so redeemed pursuant to Section 4.02(c), among redemption dates as nearly as practicable on a pro rata basis in amounts of \$5,000 or integral multiples thereof.

(c) Each Series of Additional Fixed Conversion Series Bonds shall be subject to mandatory sinking fund redemption if so specified, and in the manner so specified, in the Supplemental Indenture pursuant to which such Series of Additional Fixed Conversion Series Bonds is issued.

(d) Each Series of Additional Fixed Funding Series Bonds shall be subject to mandatory sinking fund redemption if so specified, and in the manner so specified, in the Supplemental Indenture pursuant to which such Series of Additional Fixed Funding Series Bonds is issued.

Section 4.04 Notice of Redemption.

The Trustee on behalf and as an administrative expense of the District shall mail (by first class mail) notice of any redemption to the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and by means acceptable to such services to the Securities Depositories and to one or more Information Services, at least 10 but not more than 60 days prior to the Redemption Date. Conditional and revocable notices of redemption are authorized. Additionally, if Adjustable Rate Bonds are to be redeemed, the Trustee on behalf and as an administrative expense of the District shall mail (by first class mail) notice of such redemption to the Remarketing Agent, the Paying Agent and the Bank at least 10 but not more than 60 days prior to the Redemption Date. Such notice shall state the date of the notice, the redemption date, the redemption place and the Redemption Price and shall designate the CUSIP numbers, the Bond numbers (except in the event of redemption of all of the Bonds of a maturity or maturities in whole) and the maturity or maturities of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Office of the Paying Agent for redemption at the Redemption Price, giving notice also that further interest on such Bonds will not accrue from and after the Redemption Date. Neither the failure to receive any notice so mailed, nor any defect in such notice, shall affect the sufficiency of the proceedings for the redemption of the Bonds or the cessation of accrual of interest thereon from and after the Redemption Date.

The Trustee shall give notice of redemption of any Bonds to be redeemed as provided herein, upon receipt of notice from the City, which notice shall be given to the Trustee at least 15 days prior to the Redemption Date (unless the Trustee shall agree to a shorter period).

Section 4.05 Selection of Bonds for Redemption.

Whenever provision is made in this Indenture for the redemption of less than all of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds not previously called for redemption (a) with respect to any redemption pursuant to Section 4.01(c), among maturities as directed in a Written Request of the City, (b) with respect to any redemption pursuant to Section 4.02(c), among maturities on a pro rata basis as nearly as practicable, (c) with respect to any redemption of Additional Fixed Conversion Series Bonds or Additional Fixed Funding Series Bonds, among maturities as provided in the Supplemental Indenture pursuant to which such Additional Fixed Conversion Series Bonds or Additional Fixed Funding Series Bonds, respectively, are issued, and by lot among Bonds with the same maturity in such manner as shall be determined by the Trustee. For purposes of such selection each Bond shall be deemed to be comprised of separate denominations equal to the minimum Authorized Denomination for such Bond and such separate denominations shall be treated as separate Bonds which may be separately redeemed.

Section 4.06 Partial Redemption of Bonds.

Upon surrender of any Bonds redeemed in part only, the City shall execute and the Paying Agent shall authenticate and deliver to the Owner thereof, as an administrative expense of the District, a new Bond or Bonds of Authorized Denominations equal in aggregate principal amount to the unredeemed portion of the Bonds surrendered.

Section 4.07 **Effect of Notice of Redemption.**

Notice having been mailed as aforesaid, and moneys for the redemption (including the interest to the applicable Redemption Date and including any applicable premium), having been deposited in the Prepayment Account, the Bonds shall become due and payable on said date, and, upon presentation and surrender thereof at the Office of the Paying Agent, said Bonds shall be paid at the Redemption Price thereof, together with interest accrued and unpaid to said date.

If, on said Redemption Date, moneys for the redemption of all the Bonds to be redeemed, together with interest to said date, shall be held by the Paying Agent so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as aforesaid and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable. All moneys held by or on behalf of the Paying Agent for the redemption of Bonds shall be held in trust for the account of the Owners of the Bonds so to be redeemed.

All Bonds paid at maturity or redeemed prior to maturity pursuant to the provisions hereof shall be canceled upon surrender thereof and the Trustee shall deliver a certificate of destruction to the City.

ARTICLE V
PURCHASE OF ADJUSTABLE RATE BONDS

Section 5.01 **Tender for Purchase Upon Election of Owner.**

(a) Any Owner of an Adjustable Rate Bond in the Daily Mode, the Weekly Mode, the Monthly Mode, the Semi-Annual Mode or the Extended Rate Mode may demand that such Adjustable Rate Bond, or any portion thereof (so long as the principal amount purchased, and the principal amount not purchased, are each in an Authorized Denomination), be purchased on any Purchase Date at a price equal to the principal amount thereof plus accrued but unpaid interest, if any, to the Purchase Date. Unless otherwise provided in a Representation Letter, such demand for purchase shall be made as follows: (i) delivery to the Remarketing Agent at its principal office in New York, New York, to the Paying Agent at its Office and to the Trustee at its Office, no later than the applicable Tender Deadline of an applicable Tender Notice, and (ii) subject to the provisions of subsection (c) of this Section, delivery of such Adjustable Rate Bond duly endorsed in blank for transfer at the Office of the Paying Agent at or prior to 11:45 A.M. New York time (or 11:45 A.M. New York time with respect to Adjustable Rate Bonds in the Daily Mode) on the Purchase Date specified in the Tender Notice.

If for any reason a vacancy exists in the office of Remarketing Agent, a Tender Notice delivered to the Paying Agent only shall be sufficient for purposes of this Section and the Paying Agent shall give the notice required by subsection (b) of this Section.

(b) Immediately upon receipt by the Remarketing Agent of a Tender Notice delivered pursuant to subsection (a) of this Section or such notice of demand for purchase as is required by a Representation Letter, the Remarketing Agent shall notify the other Notice Parties of such receipt and the contents thereof by telephone, immediately confirmed in writing. Upon delivery pursuant to the terms of subsection (a) of this Section of the Adjustable Rate Bond which is the

subject of such purchase, the Paying Agent shall hold such Adjustable Rate Bond pending delivery in accordance with the terms of this Indenture.

(c) Any Tender Notice by any Owner shall be irrevocable. If such Owner is required but fails to deliver the Adjustable Rate Bond referred to in such notice to the Paying Agent, such Adjustable Rate Bond shall nonetheless be deemed to have been tendered and, upon provision for payment of the Purchase Price therefor from the funds specified in Section 5.03, no interest shall accrue on such Adjustable Rate Bond for the benefit of such Owner from and after the Purchase Date and such Owner shall have no rights hereunder as the Owner of such Adjustable Rate Bond except the right to receive the Purchase Price of such Adjustable Rate Bond.

Section 5.02 **Mandatory Purchase on Mandatory Purchase Dates.**

(a) Each Adjustable Rate Bond shall be subject to mandatory purchase on each Mandatory Purchase Date at the applicable Purchase Price. Subject to the provisions of subsection (c) of this Section and unless otherwise provided in a Representation Letter, all Adjustable Rate Bonds required to be purchased in accordance with this Section shall be tendered for purchase by delivery to the Paying Agent at its Office on or prior to the Mandatory Purchase Date and shall be purchased with the funds described in Section 5.03.

(b) Notice of each mandatory purchase required by subsection (a) of this Section, other than a purchase of a VIP Bond pursuant to clause (a) of the definition of Mandatory Purchase Date (as to which no notice is required), shall be given by the Paying Agent by first-class mail, postage prepaid to the Owners not less than 10 days prior to the Mandatory Purchase Date (except for VIP Bonds with Adjustment Periods shorter than 10 days) or, in the case of a mandatory purchase pursuant to clause (e) of the definition of Mandatory Purchase Date, as soon as practicable (but in no event less than five days) after the Trustee's receipt of the written notice from the Bank described therein (with copies thereof to be given to the other Notice Parties). Each such notice shall state (i) the Mandatory Purchase Date, (ii) if such Adjustable Rate Bond is required to be tendered pursuant to this Section, that each Adjustable Rate Bond shall be tendered for purchase by delivery of such Adjustable Rate Bond to the Paying Agent at its Office on or prior to the Mandatory Purchase Date and that any Adjustable Rate Bond not so tendered for purchase as required shall be deemed to have been so tendered and, upon provision for payment of the Purchase Price therefor from the funds specified in Section 5.03, shall be deemed to have been purchased on the Mandatory Purchase Date after which no interest shall accrue thereon for the benefit of the Owner required to so tender such Adjustable Rate Bond and such Owner shall have no rights under this Indenture as the Owner of such Adjustable Rate Bond except the right to receive the Purchase Price thereof, and (iii) that all Adjustable Rate Bonds subject to such mandatory purchase shall be purchased on the applicable Mandatory Purchase Date at the applicable Purchase Price.

(c) Any Adjustable Rate Bond subject to mandatory purchase in accordance with this Section which is not tendered for purchase as required by subsection (a) of this Section shall nonetheless be deemed to have been so tendered and, upon provision for payment of the Purchase Price therefor from the funds specified in Section 5.03, shall be deemed to have been purchased on the Mandatory Purchase Date after which no interest shall accrue on such Adjustable Rate Bond for the benefit of the Owner required to tender such Adjustable Rate Bond

from and after such Mandatory Purchase Date and such Owner shall have no rights hereunder as the Owner of such Adjustable Rate Bond except the right to receive the Purchase Price thereof.

Section 5.03 Tender and Purchase of Adjustable Rate Bonds.

(a) The Remarketing Agent shall use its best efforts to remarket Adjustable Rate Bonds to be purchased pursuant to Section 5.01 or Section 5.02 (other than on a Mandatory Purchase Date described in clauses (d) and (e) of the definition thereof) at a price of par plus accrued and unpaid interest, if any. The City shall not directly or indirectly purchase any Adjustable Rate Bonds so long as the Letter of Credit is in effect and the Bank is not in default on the Letter of Credit.

Adjustable Rate Bonds subject to purchase pursuant to Section 5.01 or Section 5.02 (other than Adjustable Rate Bonds to be purchased pursuant to Section 5.02 on a Mandatory Purchase Date described in clause (d) or (e) of the definition thereof) shall be purchased from the Owners thereof at the Purchase Price which shall be payable solely from the following sources in the following order: (i) immediately available funds on deposit in the Remarketing Proceeds Account, and (ii) immediately available funds on deposit in the Letter of Credit Purchase Account; provided, however, that, with respect to VIP Bonds, the portion of the Purchase Price representing accrued interest shall be payable from the VIP Interest Disbursement Fund.

(b) On each Purchase Date and each Mandatory Purchase Date, the Remarketing Agent (i) unless otherwise provided in a Representation Letter, at or prior to 11:00 A.M. New York time, will deliver to the Paying Agent instructions for registration of the Adjustable Rate Bonds remarketed in accordance with subsection (c) of this Section, (ii) at or prior to 11:00 A.M. New York time, will give telephonic notice, immediately confirmed in writing, to the Paying Agent, the Trustee and the Bank, specifying the aggregate principal amount of Adjustable Rate Bonds not remarketed which must be purchased by the Bank on such date, if any, and the amount of proceeds from the remarketing that will be delivered by the Remarketing Agent to the Paying Agent on such date, if any, and (iii) at or prior to 11:45 A.M. New York time, will cause to be delivered to the Paying Agent in immediately available funds the proceeds of the remarketing, if any; provided, however, that if the Adjustable Rate Bonds are registered in the name of the Depository or its nominee, the Remarketing Agent may apply such remarketing proceeds to the appropriate accounts of the Depository to effect payment of the Purchase Price of Adjustable Rate Bonds in accordance with the procedures established by the Depository. If such notice from the Remarketing Agent indicates that Adjustable Rate Bonds are required to be purchased from the proceeds of a drawing under the Letter of Credit, the Paying Agent shall give telephonic notice to the City at or prior to 11:30 A.M. on such date specifying the information set forth in the preceding sentence. The aggregate amount of Adjustable Rate Bonds specified in such direction to be purchased from the proceeds of a drawing under the Letter of Credit shall not be reduced by any subsequent direction.

(c) Unless otherwise provided in a Representation Letter, on each Purchase Date and Mandatory Purchase Date, all Adjustable Rate Bonds which (i) have been remarketed shall be registered as directed by the Remarketing Agent, or (ii) are required to be purchased by the Bank shall be immediately registered in the name of the Bank or its nominee. The Paying Agent shall make such Adjustable Rate Bonds available at its Office. In the absence of any instructions from

the Bank, Bank Bonds will be held by the Paying Agent. The Paying Agent shall not release remarketed Bank Bonds held by it until the Letter of Credit has been reinstated in accordance with the terms thereof as a result of such remarketing and receipt by the Paying Agent of written confirmation from the Bank that such reinstatement has occurred.

(d) The Paying Agent shall pay from the funds specified in subsection (a) of this Section, the Purchase Price for each Adjustable Rate Bond at or prior to 4:00 P.M. on the Purchase Date or Mandatory Purchase Date, as the case may be, and, if such Adjustable Rate Bond is not registered in the name of the Depository or its nominee, only after receipt of such Adjustable Rate Bond, properly endorsed either in blank or to the Paying Agent. Payment of the Purchase Price of any Adjustable Rate Bond tendered for purchase or otherwise purchased pursuant to a Representation Letter shall be made in immediately available funds or in such manner as such Owner and the Paying Agent shall agree.

(e) Unless the Bank notifies the Remarketing Agent that an event of default is continuing under the Reimbursement Agreement, notwithstanding any provision contained in this Article, all Bank Bonds, except Adjustable Rate Bonds registered in the name of, or on behalf of, the Bank or its nominee as a result of a mandatory purchase of such Adjustable Rate Bonds on a Mandatory Purchase Date described in clause (d) or (e) of the definition thereof shall be deemed tendered to the Remarketing Agent on each Business Day without the need for any Tender Notice or delivery of such Adjustable Rate Bonds. Unless the Bank notifies the Remarketing Agent that an event of default is continuing under the Reimbursement Agreement, the Remarketing Agent shall remarket such Bank Bonds on each Business Day in accordance with this Indenture and the Remarketing Agreement. The Remarketing Agent shall immediately notify the Bank by telephone when Bank Bonds have been remarketed in accordance with this Indenture and the Remarketing Agreement.

Section 5.04 Letter of Credit; Alternate Letter of Credit.

(a) During the Daily Mode, the Weekly Mode, the Monthly Mode, the Semi-Annual Mode and the Extended Rate Mode, the Trustee shall, by 2:00 P.M. New York time on the Business Day preceding each Interest Payment Date, Redemption Date and the Maturity Date, by telex, telecopy or telegraphic demand, draw on the Letter of Credit in accordance with the terms thereof so as to receive thereunder by 12:00 P.M. (Noon) on said Interest Payment Date, Redemption Date and the Maturity Date, as the case may be, an amount, in immediately available funds, equal to the amount of interest payable on the Adjustable Rate Bonds in such Modes on such Interest Payment Date, Redemption Date or the Maturity Date. The proceeds of such draws under this subsection (a) shall be deposited in the Letter of Credit Account.

(b) While the Letter of Credit is in effect, during the VIP Mode, the Trustee shall, by 2:00 P.M. New York time on the last Business Day of each calendar month and on the Business Day preceding each Redemption Date and the Maturity Date, by telex, telecopy or telegraphic demand, draw on the Letter of Credit in accordance with the terms thereof so as to receive thereunder by 2:00 P.M. New York time on the first Business Day of the next calendar month or on said Redemption Date or the Maturity Date, as the case may be, an amount equal to the amount of interest accrued or to accrue on such VIP Bonds during such calendar month, whether or not paid or due and payable, or the amount of interest accrued on such VIP Bonds during the

current calendar month to such Redemption Date or the Maturity Date. While the Letter of Credit is in effect, during the VIP Mode, the Trustee shall, by 2:00 P.M. New York time, on the Business Day preceding each Interest Payment Date, by telex, telecopy or telegraphic demand, draw on the Letter of Credit in accordance with the terms thereof so as to receive thereunder by 12:00 P.M. (Noon) on said Interest Payment Date, an amount equal to the amount of interest accrued on such VIP Bonds during the current calendar month to such Interest Payment Date. The proceeds of such draws shall be deposited in the VIP Interest Disbursement Fund.

(c) While the Letter of Credit is in effect, during the Daily Mode, the Weekly Mode, the Monthly Mode, the Semi-Annual Mode and the Extended Rate Mode, by 2:00 P.M. New York time on the Business Day preceding each Redemption Date and the Maturity Date, the Trustee shall by telex, telecopy or telegraphic demand, draw on the Letter of Credit in accordance with the terms thereof so as to receive thereunder by 12:00 P.M. (Noon) on such Redemption Date and the Maturity Date, an amount, in immediately available funds, sufficient to enable the Trustee to pay principal then payable on the Adjustable Rate Bonds in such Modes, whether at maturity, redemption or purchase thereof, in connection therewith. The proceeds of such draw shall be deposited in the Letter of Credit Account.

(d) While the Letter of Credit is in effect, on each Purchase Date and Mandatory Purchase Date the Trustee shall by telex, telecopy or telegraphic demand given before 11:30 A.M., draw on the Letter of Credit in accordance with the terms thereof so as to receive thereunder by 2:00 P.M. New York time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of Adjustable Rate Bonds on such date and amounts withdrawn from the VIP Interest Disbursement Fund pursuant to Section 6.05, to enable the Paying Agent to pay the Purchase Price in connection therewith; provided, however, that if the Trustee shall not have received the notice from the Remarketing Agent required by Section 5.03(b)(ii) by the time specified therein, the Trustee shall assume that no Adjustable Rate Bonds have been remarketed. The proceeds of such draw shall immediately be transferred to the Paying Agent, who shall deposit said proceeds in the Letter of Credit Purchase Account.

(e) Notwithstanding the foregoing, the Trustee shall not draw on the Letter of Credit with respect to any payments due or made in connection with Bank Bonds or Bonds owned by the City.

(f) If at any time there shall have been delivered to the Trustee (i) an Alternate Letter of Credit in substitution for the Letter of Credit then in effect, (ii) a Favorable Opinion of Bond Counsel, and (iii) written evidence of the provision for purchase from the Bank of all Bank Bonds, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts due it under the Reimbursement Agreement on or before the effective date of such Alternate Letter of Credit, then the Trustee shall accept such Alternate Letter of Credit on the Substitution Date and, immediately thereafter, shall surrender the Letter of Credit then in effect to the Bank; provided, however, that no surrender of the Letter of Credit shall take place unless and until the Bank has honored the draw upon the Letter of Credit to mandatorily purchase the Adjustable Rate Bonds. The City shall give the Trustee and the Bank written notice of the proposed substitution of an Alternate Letter of Credit for the Letter of Credit then in effect

no less than 30 days prior to the proposed Substitution Date. Conditional and revocable notices are hereby authorized.

(g) The Trustee shall not sell, assign or otherwise transfer the Letter of Credit, except to a successor Trustee hereunder and in accordance with the terms of the Letter of Credit and this Indenture. The Trustee shall not require any indemnification from the City as a precondition of submitting a drawing on the Letter of Credit.

Section 5.05 **No Sales After Certain Defaults.**

The Remarketing Agent shall not remarket Adjustable Rate Bonds pursuant to Sections 5.01, 5.02 or 5.03 if there shall have occurred and be continuing an Event of Default, under Section 8.01(a), (b), (d) or (e).

Section 5.06 **Purchase Fund.**

(a) The Paying Agent, as agent of the Trustee, shall establish and maintain a special fund designated the "Purchase Fund". The Paying Agent shall further establish a separate account within the Purchase Fund designated the "Letter of Credit Purchase Account" and a separate account within the Purchase Fund designated the "Remarketing Proceeds Account".

(b) Upon receipt of the proceeds of a remarketing of Adjustable Rate Bonds on a Purchase Date or Mandatory Purchase Date, the Paying Agent shall deposit such proceeds in the Remarketing Proceeds Account for application to the Purchase Price of the Bonds in accordance with Section 5.03. Notwithstanding the foregoing, upon the receipt of the proceeds of a remarketing of Bank Bonds, the Paying Agent shall immediately pay such proceeds to the Bank to the extent of any amount owing to the Bank.

(c) Upon receipt from the Trustee of the immediately available funds transferred to the Paying Agent pursuant to subsection (d) of Section 5.04, the Paying Agent shall deposit such money in the Letter of Credit Purchase Account for application to the Purchase Price of the Adjustable Rate Bonds to the extent that the monies on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in the Letter of Credit Purchase Account and not needed with respect to any Purchase Date or Mandatory Purchase Date for the payment of the Purchase Price for any Adjustable Rate Bonds shall be immediately returned to the Bank.

(d) Amounts held in the Letter of Credit Purchase Account and the Remarketing Proceeds Account by the Paying Agent shall be held uninvested.

ARTICLE VI
SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS

Section 6.01 **Pledges.**

Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the proceeds of draws made under the Letter of Credit pursuant to subsections (a), (b) and (c) of Section 5.04 and any other amounts held in the Letter of Credit Account are hereby pledged to secure the payment of the

principal of and interest on the Adjustable Rate Bonds in accordance with their terms, the provisions of this Indenture and the Act. Said pledge shall constitute a first lien on such assets.

Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Adjustable Rate Assessments (including prepayments thereof), together with interest thereon and any penalties received with respect thereto, and any and all other amounts (including proceeds of the sale of the Adjustable Series Bonds) held in any fund or account established pursuant to this Indenture for the Adjustable Rate Bonds (other than any Rebate Account established therefor and the Adjustable Rate Bonds Continuing Costs Subaccount) are hereby pledged by the City to secure the payment of the principal of, premium, if any, and interest on the Adjustable Rate Bonds and the City's obligations under the Reimbursement Agreement to reimburse the Bank, with interest as provided therein, for draws honored under the Letter of Credit, in accordance with the terms of the Adjustable Rate Bonds and the provisions of this Indenture, the Reimbursement Agreement and the Act. Said pledge shall constitute a first lien on and security interest in such assets. All amounts for the Continuing Costs of the Adjustable Rate Bonds, all additional assessments levied therefor and all other amounts held in the Adjustable Rate Bonds Continuing Costs Subaccount are hereby pledged by the City to secure the payment of the City's obligations to the Bank under the Reimbursement Agreement constituting Continuing Costs of the Adjustable Rate Bonds. Said pledge shall constitute a first lien on and security interest in such assets.

Subject only to the provisions of this Indenture permitting the application thereof for the purposes and on the terms and conditions set forth herein, all of the Assessments (including prepayments thereof) on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by a Set of Fixed Rate Bonds, together with interest thereon and any penalties received with respect thereto, and any and all other amounts (including proceeds of the sale of such Set of Fixed Rate Bonds) held in any fund or account established pursuant to this Indenture for such Set of Fixed Rate Bonds (other than any Rebate Account and the Fixed Rate Bonds Continuing Costs Subaccount) are hereby pledged by the City to secure the payment of the principal of, premium, if any, and interest on such Set of Fixed Rate Bonds, in accordance with the terms of such Set of Fixed Rate Bonds and the provisions of this Indenture and the Act. Said pledge shall constitute a first lien on and security interest in such assets.

The Assessments, and any reassessments which may be issued thereon or in lieu thereof, together with interest thereon, shall remain and constitute a trust fund for the redemption and payment of the Bonds and the interest thereon, the payment of the Continuing Costs of the Bonds and the payment of the City's obligations under the Reimbursement Agreement.

Section 6.02 Redemption Fund.

(a) The Trustee shall establish, maintain and hold in trust a special fund designated the "Redemption Fund". Within the Redemption Fund, the Trustee shall establish and maintain a separate account designated the "Capitalized Payments Account." Within the Redemption Fund, the Trustee shall also establish and maintain a special account designated the "Adjustable Rate Redemption Account" and a special account designated the "Redemption Account" for each Set of Fixed Rate Bonds. Except as otherwise provided herein, the Trustee shall deposit in the Adjustable Rate Redemption Account all Adjustable Rate Assessments (including prepayments

thereof), together with interest thereon and any penalties received with respect thereto, and any other amounts required to be deposited therein by this Indenture or the Act. Except as otherwise provided herein, the Trustee shall deposit in the Redemption Account established for each Set of Fixed Rate Bonds, all Assessments (including prepayments thereof) on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Set of Fixed Rate Bonds, together with interest thereon and any penalties received with respect thereto, and any other amounts required to be deposited therein by this Indenture or the Act.

(b) When a Letter of Credit is in effect, on each day on which amounts representing draws on the Letter of Credit pursuant to Section 5.04 are paid by the Bank or thereafter as amounts become available, the Trustee shall withdraw and apply amounts in the Adjustable Rate Redemption Account, if any, to reimburse the Bank for such draws. In the event that deposits of the Adjustable Rate Assessments in an amount sufficient to reimburse the Bank for draws on the Letter of Credit have not been received by the Trustee for any reason in order for it to make timely payment in accordance with Reimbursement Agreement, the Trustee shall immediately notify the Bank in writing of such insufficiency in the manner set forth in Section 12.08. If the Bank fails to honor any such draw on the Letter of Credit, the Trustee shall withdraw from the Adjustable Rate Redemption Account for payment to the Owners of the Adjustable Rate Bonds the debt service then due and payable on the Adjustable Rate Bonds.

Notwithstanding the foregoing, so long as amounts are available in the Capitalized Payments Account, on each day on which amounts representing draws on the Letter of Credit pursuant to Section 5.04(a) or 5.04 (b) are paid by the Bank, the Trustee shall withdraw and apply amounts in the Capitalized Payments Account to reimburse the Bank for such draws. If the Bank fails to honor any such properly presented draw on the Letter of Credit, the Trustee shall withdraw from the Capitalized Payments Account for payment to the Owners of the Adjustable Rate Bonds the interest then due and payable on the Adjustable Rate Bonds. Additionally, the moneys in the Capitalized Payments Account shall be used and withdrawn by the Trustee from time to time to pay the Continuing Costs of the Adjustable Rate Bonds upon submission of a Written Request of the City stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment constitutes a Continuing Cost of the Adjustable Rate Bonds and is a proper charge against the Capitalized Payments Account, and (e) that such amounts have not been the subject of a prior disbursement from the Capitalized Payments Account or the Adjustable Rate Bonds Continuing Costs Subaccount; in each case together with a statement or invoice for each amount requested thereunder.

On the Conversion Date for each group of Fixed Rate Converted Bonds, the Trustee shall transfer a pro rata share of the amount on deposit in the Capitalized Payments Account, first, to the Reserve Account established for such group of Fixed Rate Converted Bonds and the Related Additional Bonds, if any, to the extent necessary to cause the amount on deposit therein to be equal to the Reserve Requirement therefor and, second, to the Redemption Account established for such group of Fixed Rate Converted Bonds and the Related Additional Bonds, if any. Such pro rata share shall be in the same proportion to the total amount on deposit in the Capitalized Payments Account as the principal amount of the Adjustable Rate Bonds to be converted to Fixed Rate Converted Bonds is to the total principal amount of Adjustable Rate Bonds Outstanding as of the close of business on the day prior to such Conversion Date.

Upon the prepayment of any Adjustable Rate Assessment, the Trustee shall transfer a pro rata share of the amount on deposit in the Capitalized Payments Account, if any, to the Adjustable Rate Prepayment Subaccount to be utilized, together with said prepayment and any moneys transferred from the VIP Interest Disbursement Fund for the redemption of Adjustable Rate Bonds. Such pro rata share shall be in the same proportion to the total amount on deposit in the Capitalized Payments Account as the principal amount of the Assessment being prepaid is to the total Assessments levied within the Reassessment District.

Upon the prepayment of any Assessment on a parcel of real property designated by the City, pursuant to Section 7.01(e), to be represented by a Set of Fixed Rate Bonds, the Trustee shall transfer a pro rata share of the amount on deposit in the Capitalized Payments Account if any, to the Prepayment Subaccount established for such set of Fixed Rate Bonds, to be utilized, together with said prepayment and any moneys transferred from the Reserve Account established for such Set of Fixed Rate Bonds, if any, for the redemption of Fixed Rate Bonds of such Set. Such pro rata share shall be in the same proportion to the total amount on deposit in the Capitalized Payments Account as the principal amount of the Assessment being prepaid is to the total Assessments levied within the Reassessment District.

Lastly, upon the refunding of any Adjustable Rate Assessments which would otherwise be converted to Additional Fixed Conversion Series Bonds, the Trustee shall transfer a pro rata share of the amount on deposit in the Capitalized Payments Account, if any, to the Trustee for such refunding issue to be utilized, together with moneys transferred from the VIP Interest Disbursement Fund and the proceeds of the refunding bonds, for the payment of costs of issuance or other uses in such refunding. Such pro rata share shall be in the same proportion to the total amount of the Adjustable Rate Assessments being refunded is to the total Assessment levied within the Reassessment District.

(c) On or before each Interest Payment Date, the Trustee shall withdraw from the Redemption Account established for each Set of Fixed Rate Bonds for payment to the Owners of Fixed Rate Bonds of such Set the principal of and interest then due and payable on such Fixed Rate Bonds. Five Business Days prior to each Interest Payment Date, the Trustee shall determine if the amounts then on deposit in the Redemption Account established for each Set of Fixed Rate Bonds are sufficient to pay the principal, if any, of and interest due on Fixed Rate Bonds of such Set, on such Interest Payment Date. In the event that amounts in the Redemption Account established for a Set of Fixed Rate Bonds are insufficient for such purpose, the Trustee, on or before such Interest Payment Date, shall withdraw from the Reserve Account established for such Set of Fixed Rate Bonds, to the extent of any funds therein the amount of such insufficiency, and shall transfer any amounts so withdrawn to such Redemption Account. Amounts so withdrawn from the Reserve Account established for a Set of Fixed Rate Bonds and deposited in the Redemption Account established for such Set of Fixed Rate Bonds shall be applied to the payment of the Fixed Rate Bonds of such Set. If, after the foregoing transfer, there are insufficient funds in such Redemption Account to pay principal, if any, and interest on the Fixed Rate Bonds, the Trustee shall apply the available funds first to the payment of interest on such Fixed Rate Bonds, then to the payment of principal of such Fixed Rate Bonds.

Section 6.03 Prepayment Account.

The Trustee shall establish and maintain a special account within the Redemption Fund designated the “Prepayment Account”. Within the Prepayment Account, the Trustee shall establish and maintain a special account designated the “Adjustable Rate Prepayment Subaccount” and a special account designated the “Prepayment Subaccount” for each Set of Fixed Rate Bonds. The Trustee shall deposit in the Adjustable Rate Prepayment Account the proceeds of the prepayment of any Adjustable Rate Assessment. The Trustee shall deposit in the Prepayment Subaccount established for a Set of Fixed Rate Bonds, the proceeds of the prepayment of any Assessment on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Set of Fixed Rate Bonds. The Trustee shall deposit in the Adjustable Rate Prepayment Account amounts received from the City in connection with the City’s exercise of its rights to optionally redeem Adjustable Rate Bonds pursuant to Section 4.01. The Trustee shall deposit in the Prepayment Subaccount established for a Set of Fixed Rate Bonds amounts received from the City in connection with the City’s exercise of its rights to optionally redeem Fixed Rate Bonds of such Set pursuant to Section 4.01(c), or the corresponding provisions of the Supplemental Indenture pursuant to which such Fixed Rate Bonds are issued.

While a Letter of Credit is in effect, amounts in the Adjustable Rate Prepayment Subaccount shall be disbursed therefrom to reimburse the Bank for draws in the Letter of Credit used to pay the principal of Adjustable Rate Bonds redeemed pursuant to Section 4.01(b), 4.02(a) or 4.02(b).

Amounts in the Prepayment Subaccount established for a Set of Fixed Rate Bonds shall be disbursed therefrom for the payment of the Redemption Price of Fixed Rate Bonds of such Set redeemed pursuant to Section 4.01(c) or Section 4.02(c) and the corresponding provisions of the Supplemental Indenture pursuant to which such Fixed Rate Bonds are issued.

Section 6.04 Letter of Credit Account.

The Trustee shall establish and maintain a special account within the Redemption Fund designated the “Letter of Credit Account,” in which the City shall have no right, title or interest and the moneys in which shall be held exclusively for the Owners of the Adjustable Rate Bonds and the Bank and paid over in accordance with the provision hereof. The Trustee shall deposit the proceeds of draws on the Letter of Credit made pursuant to 5.04 (a) and (c) in the Letter of Credit Account. When the Letter of Credit is in effect, money in the Letter of Credit Account shall be withdrawn by the Trustee on each Interest Payment Date (except during the VIP Mode), each Principal Payment Date and each Redemption Date and used to pay the interest on and principal of the Adjustable Rate Bonds, whether at maturity or redemption. In the event that deposits of the Adjustable Rate Assessments in an amount sufficient to reimburse the Bank for draws on the Letter of Credit have not been received by the Trustee for any reason in order for it to make timely payment in accordance with Reimbursement Agreement, the Trustee shall immediately notify the Bank in writing of such insufficiency in the manner set forth in Section 12.08.

Section 6.05 **VIP Interest Disbursement Fund.**

The Trustee shall establish, maintain and hold in trust a special fund designated the “VIP Interest Disbursement Fund”, in which the City shall have no right, title or interest and the moneys in which shall be held exclusively for the Owners of the Adjustable Rate Bonds and the Bank and paid over in accordance with the provisions hereof. In the event that the Bonds, in whole or in part, are converted to the VIP Mode, amounts derived from Seasoned Funds shall be deposited in the VIP Interest Disbursement Fund in the amount of the VIP Interest Disbursement Fund Requirement. The Trustee shall deposit in the VIP Interest Disbursement Fund the proceeds of all draws made on the Letter of Credit pursuant to Section 5.04(b). When Adjustable Rate Bonds are in the VIP Mode, the Trustee shall apply amounts on deposit in the VIP Interest Disbursement Fund on each Interest Payment Date to the payment of interest due and payable on such VIP Bonds.

On the first Business Day of each calendar month, the Trustee shall transfer from the VIP Interest Disbursement Fund any amount in excess of the sum of (i) the VIP Interest Disbursement Fund Requirement, plus (ii) the amount of all draws on the Letter of Credit pursuant to Section 5.04(b) to pay accrued, but not yet paid, interest on the VIP Bonds, as follows: (a) until the Improvement Fund is closed pursuant to Section 3.04, to the Improvement Fund, and (b) thereafter, to the Adjustable Rate Redemption Account. On the Conversion Date for each group of Fixed Rate Converted Bonds, the Trustee shall transfer a pro rata share of the VIP Interest Disbursement Requirement (calculated as of the close of business on the day prior to such Conversion Date), first, to pay the expenses of remarketing the Fixed Rate Converted Bonds and the costs of issuance of the Related Additional Bonds, if any, second, to the Reserve Account established for such group of Fixed Rate Converted Bonds and the Related Additional Bonds, if any, to the extent necessary to cause the amount on deposit therein to be equal to the Reserve Requirement therefor and, third, to the Redemption Account established for such group of Fixed Rate Converted Bonds and the Related Additional Bonds, if any. Such pro rata share shall be in the same proportion to the total VIP Interest Disbursement Requirement as the principal amount of the Adjustable Rate Bonds to be converted to Fixed Rate Converted Bonds is to the total principal amount of Adjustable Rate Bonds Outstanding as of the close of business on the day prior to such Conversion Date. In addition, upon the prepayment of any Adjustable Rate Assessment, the Trustee shall transfer a pro rata share of the amount on deposit in the VIP Interest Disbursement Fund, if any, to the Adjustable Rate Prepayment Subaccount to be utilized, together with said prepayment and any moneys transferred from the Capitalized Payments Account, if any, for the redemption of Adjustable Rate Bonds. Such pro rata share shall be in the same proportion to the total amount on deposit in the VIP Interest Disbursement Fund as the principal amount of the Adjustable Rate Assessment being prepaid is to the total Adjustable Rate Assessments levied within the Reassessment District. Lastly, upon the refunding of any Adjustable Rate Assessments which would otherwise be converted to Additional Fixed Conversion Series Bonds, the Trustee shall transfer a pro rata share of the amount on deposit in the VIP Interest Disbursement Fund, if any, to the Trustee for such refunding issue to be utilized, together with moneys transferred from the Capitalized Payments Account and the proceeds of the refunding bonds, for the payment of costs of issuance or other uses in such refunding. Such pro rata share shall be in the same proportion to the total amount of the Adjustable Rate Assessments being refunded is to the total Assessment levied within the Reassessment District.

Section 6.06 **Reserve Fund.**

(a) The Trustee shall establish, maintain and hold in trust a special fund designated the “Reserve Fund”. Within the Reserve Fund, the Trustee shall establish and maintain a special account designated the “Reserve Account” for each Set of Fixed Rate Bonds. In addition, there shall be deposited in the Reserve Account established for a Set of Fixed Rate Bonds the amount specified in the Supplemental Indenture pursuant to which Additional Fixed Conversion Series Bonds or Additional Fixed Funding Series bonds are issued; provided, however, in lieu of such deposit there may be deposited in such Reserve Account a Reserve Facility in an amount at least equal to such Reserve Requirement. Additional deposits shall be made as provided in the Act.

The City shall cause each Reserve Account established for a Set of Fixed Rate Bonds to be administered in accordance with Part 16 of the Act; provided that any proceeds from redemption or sale of parcels of real property designated by the City, pursuant to Section 7.01(e), to represent a Set of Fixed Rate Bonds, shall be deposited in the Reserve Account established for such Set of Fixed Rate Bonds, to the extent that payment of delinquent Assessments on such parcels and interest thereon was made therefrom.

(b) Except as otherwise provided in this Section and Section 2.07, all amounts deposited in the Reserve Account established for a Set of Fixed Rate Bonds shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Redemption Account established for such Set of Fixed Rate Bonds in the event of any deficiency at any time in such Redemption Account of the amount then required for payment of the principal of, premium, if any, and interest on the Fixed Rate Bonds of such Set or, in accordance with the provisions of this Section, for the purpose of redeeming Fixed Rate Bonds of such Set from such Reserve Account or such Redemption Account, respectively.

(c) Transfers shall be made from the Reserve Account established for a Set of Fixed Rate Bonds to the Redemption Account established for such Set of Fixed Rate Bonds in the event of a deficiency in such Redemption Account in accordance with Section 6.02(c).

(d) Whenever an Assessment on any parcel of real property designated by the City, pursuant to Section 7.01(e), to be represented by a Set of Fixed Rate Bonds is prepaid, in whole or in part, as provided in the Act, the Trustee, pursuant to a Written Request of the City, shall transfer from the Reserve Account established for such Set of Fixed Rate Bonds to the Prepayment Subaccount established for such Set of Fixed Rate Bonds an amount, specified in such Written Request, equal to the product of the ratio of the amount, at the time of such prepayment of the Assessment, or portion thereof, so prepaid to the amount, at the time of such prepayment, of all unpaid Assessments on all parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Set of Fixed Rate Bonds times the initial Reserve Requirement for such Set of Fixed Rate Bonds provided, however, that no such transfer shall be made if such Reserve Account is funded with a Reserve Facility.

(e) So long as no Event of Default shall have occurred and be continuing, any amount in the Reserve Account established for a Set of Fixed Rate Bonds in excess of the Reserve Requirement for such Set of Fixed Rate Bonds on February 15 and August 15 of each year shall

be withdrawn from such Reserve Account by the Trustee and deposited in the Redemption Account established for such Set of Fixed Rate Bonds.

(f) Whenever the balance in the Reserve Account established for a Set of Fixed Rate Bonds is sufficient to retire all the Outstanding Fixed Rate Bonds of such Set, whether by advance retirement or otherwise, and such Reserve Account is not funded with a Reserve Facility, collection of the principal and interest on the Assessments on the parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Set of Fixed Rate Bonds shall be discontinued and such Reserve Account shall be liquidated by the Trustee in retirement of the Outstanding Fixed Rate Bonds of such Set, as directed by a Written Request of the City. In the event that the balance in such Reserve Account at the time of liquidation exceeds the amount required to retire all Outstanding Bonds of such Set, the excess shall, after payment of amounts due to the Trustee, be transferred to the City to be used in accordance with the Act.

Section 6.07 **Continuing Costs Account.**

The Trustee shall establish and maintain a special account within the Redemption Fund designated the “Continuing Costs Account”. Within the Continuing Costs Account, the Trustee shall establish and maintain a special account designated the “Adjustable Rate Bonds Continuing Costs Subaccount” and a special account designated the “Fixed Rate Bonds Continuing Costs Subaccount”. The Trustee shall deposit in the Adjustable Rate Bonds Continuing Costs Subaccount amounts collected for payment of Continuing Costs of the Adjustable Rate Bonds. The Trustee shall deposit in the Fixed Rate Bonds Continuing Costs Subaccount amounts collected for payment of Continuing Costs of the Fixed Rate Bonds.

The moneys in the Continuing Costs Account shall be used and withdrawn by the Trustee from time to time to pay the Continuing Costs of the Adjustable Rate Bonds and the Continuing Costs of the Fixed Rate Bonds upon submission of a Written Request of the City stating (a) the Person to whom payment is to be made, (b) the amount to be paid, (c) the purpose for which the obligation was incurred, (d) that such payment constitutes a Continuing Cost of the Adjustable Rate Bonds or a Continuing Cost of the Fixed Rate Bonds, or both, as appropriate, and is a proper charge against the Continuing Costs Account, (e) the portion, if any, of such amount to be paid from the Adjustable Rate Bonds Continuing Costs Subaccount and the portion, if any, of such amount to be paid from the Fixed Rate Bonds Continuing Costs Subaccount, and (f) that such amounts have not been the subject of a prior disbursement from the Continuing Costs Account or the Capitalized Payments Account; in each case together with a statement or invoice for each amount requested thereunder.

Section 6.08 **Rebate Fund.**

(a) The Trustee shall establish and maintain a special fund designated the “Rebate Fund”. Within the Rebate Fund, the Trustee shall establish and maintain a special account designated the “Series A Rebate Account.” If required pursuant to the terms of a Supplemental Indenture, within the Rebate Fund, the Trustee shall establish and maintain a special account designated the “Rebate Account” for each additional Series of Bonds. There shall be deposited in the Series A Rebate Account such amounts as are required to be deposited therein pursuant to

the Tax Certificate, as specified in a Written Request of the City. All money at any time deposited in the Series A Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement, for payment to the United States of America. Notwithstanding defeasance of the Series A Bonds pursuant to Article XI hereof or anything to the contrary contained herein, all amounts required to be deposited into or on deposit in the Series A Rebate Account shall be governed exclusively by this Section and by the Tax Certificate (which is incorporated herein by reference). The Trustee shall be deemed conclusively to have complied with such provisions if it follows the written directions of the City, and shall have no liability or responsibility to enforce compliance by the City with the terms of the Tax Certificate. The Trustee may conclusively rely upon the City's determinations, calculations and certifications required by the Tax Certificate. The Trustee shall have no responsibility to independently make any calculation or determination or to review the City's calculations.

(b) Any funds remaining in the Series A Rebate Account after payment in full of all of the Series A Bonds and after payment of any amounts described in this Section, shall be withdrawn by the Trustee and shall be transferred to the City to be expended for any lawful purpose of the City.

Section 6.09 Investment of Moneys.

Except as otherwise provided herein, all moneys in any of the funds or accounts (other than the Letter of Credit Account, the Letter of Credit Purchase Account, the Remarketing Proceeds Account and the VIP Interest Disbursement Fund) established pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments, as directed in writing by the City or its designee, two Business Days prior to the making of such investment; provided, however, that any Seasoned Funds which are required to pay the Redemption Price of any Adjustable Rate Bonds for which notice of redemption has been given hereof shall be invested only in Federal Securities described in clause (a) of the definition thereof which mature not later than 30 days from the date of purchase or on the applicable Redemption Date, whichever first occurs. Moneys in the Letter of Credit Account, the Letter of Credit Purchase Account and the Remarketing Proceeds Account shall be held uninvested and not commingled with any other funds held hereunder. Moneys in the VIP Interest Disbursement Fund shall be invested by the Trustee, as directed in writing by the City or its designee, two Business Days prior to the making of such investment, either in a money market fund which is rated in the highest rating category by Moody's and Fitch or in Federal Securities which mature not later than 30 days from the date of purchase or on such earlier date as such moneys will be required for the purposes specified in this Indenture. In the absence of such direction, the Trustee shall invest such moneys in such a money market fund. Moneys in all funds and accounts (other than the Letter of Credit Account, the Letter of Credit Purchase Account, the Remarketing Proceeds Account and the VIP Interest Disbursement Fund) shall be invested in Permitted Investments maturing not later than the date on which the City estimates that such moneys will be required for the purposes specified in this Indenture. Absent timely written direction from the City, the Trustee shall invest such moneys in Permitted Investments described in clause (h) of the definition thereof.

Subject to the provisions of Section 7.10, all interest, profits and other income received from the investment of moneys in subaccounts within any fund or account established for the

Adjustable Rate Bonds pursuant to this Indenture shall, prior to the date on which the Improvement Fund is closed pursuant to Section 3.04, be deposited in the Improvement Fund and shall, thereafter, be deposited in the Adjustable Rate Redemption Account; provided, however, that all interest or gain from the investment of amounts in the Reserve Fund shall be retained therein and, provided further, that before any such deposit shall be made, such interest, profits and other income shall be available for the payment of any rebate that may be owed under the Code, as specified in a Written Request of the City delivered to the Trustee. Subject to the provisions of Section 7.10, all interest, profits and other income received from the investment of moneys in any fund or account established for such Set of Fixed Rate Bonds pursuant to this Indenture shall, prior to the date on which the Improvement Fund is closed pursuant to Section 3.04, be deposited in the Improvement Fund and shall, thereafter, be deposited in the Redemption Account established for such Set of Fixed Rate Bonds, provided, however, that all interest or gain from the investment of amounts in the Reserve Account established for a Set of Fixed Rate Bonds shall be retained therein and, provided further, that before any such deposit shall be made, such interest, profits and other income shall be available for the payment of any rebate that may be owed under the Code, as specified in a Written Request of the City delivered to the Trustee.

Permitted Investments acquired as an investment of moneys in any fund or account established under this Indenture shall be credited to such fund or account. All investments of amounts deposited in any fund or account created by or pursuant to this Indenture shall be acquired, disposed of, and valued at fair market value.

The Trustee may act as principal or agent in the making or disposing of any investment. Upon the Written Request of the City or its designee, the Trustee shall sell or present for redemption any Permitted Investments so purchased whenever it shall be necessary to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund or account to which such Permitted Investments is credited, and the Trustee shall not be liable or responsible for any loss resulting from any investment made or sold pursuant to this Section. For purposes of investment, the Trustee may commingle any of the moneys held by it hereunder, except money derived from draws under the Letter of Credit, remarketing proceeds or Seasoned Funds, which shall not be commingled with any other funds under any circumstances.

The Trustee shall be entitled to rely conclusively upon the Written Request of the City directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State of California, and shall not be required to make further investigation with respect thereto. With respect to any legal requirement embodied in any of the above types of investments (e.g., the existence, validity and perfection of security interests in collateral), the Trustee may conclusively rely on an opinion of counsel or a Written Certificate of the City, that such requirement has been satisfied.

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

Section 6.10 **Certain Payments Made by Trustee.**

Notwithstanding anything to the contrary contained herein, if any payment is to be made by the Trustee to any entity designated by the City by funds transfer, whether under this Article VI, or elsewhere in this Indenture, the City agrees to enter into an agreement, substantially in the form of Exhibit C hereto, concerning funds transfer instructions. Until the City executes such an agreement, the Trustee shall not be required to make any payment under this Indenture to the City or its designee by funds transfer.

ARTICLE VII
COLLECTION AND APPLICATION OF
ASSESSMENTS; PARTICULAR COVENANTS

Section 7.01 **Collection and Application of Assessments.**

(a) The City shall comply with all requirements of the Act and this Indenture to assure the timely collection of the Assessments, and interest thereon, including, without limitation, the enforcement of delinquent Assessments. Any funds received by the City in and for the Reassessment District, including, but not limited to, collections of Assessments (including prepayments thereof), and interest thereon, collections of delinquent Assessments, and interest and penalties received with respect thereto, through foreclosure proceedings or otherwise, and collections of amounts for the Continuing Costs of the Adjustable Rate Bonds (other than such of said amounts as are payable to the City) and the Continuing Costs of the Fixed Rate Bonds, shall as soon as practicable be transmitted directly to the Trustee, without deduction, to be deposited into the funds and accounts herein specified.

(b) The City or, at the City's direction, the Trustee, as agent of the City, shall collect Adjustable Rate Assessments, together with interest thereon, through direct billing of the owners of the parcels of real property on which Adjustable Rate Assessments are levied, and such Adjustable Rate Assessments, and interest thereon, shall be payable at the end of the pay period and are delinquent thereafter; provided, however, that during the VIP Mode, interest on Adjustable Rate Assessments equal to the amount of interest accrued on VIP Bonds during a calendar month shall be payable on the first Business Day of the following calendar month or, if applicable, on the Redemption Date or Mandatory Date immediately preceding such first Business Day, and are delinquent thereafter. Any such delinquent Adjustable Rate Assessments shall have the same priority and shall bear the same proportionate penalties after delinquency as do general taxes on real property and shall bear interest at the rate or rates provided in the Reimbursement Agreement with respect to sums payable under the Reimbursement Agreement from such Adjustable Rate Assessments. Interest on Adjustable Rate Assessments shall be in an amount sufficient to pay interest on Adjustable Rate Bonds and to pay interest accruing under the Reimbursement Agreement at the rate or rates provided in the Reimbursement Agreement with respect to sums payable under the Reimbursement Agreement from such Adjustable Rate Assessments, as and when due, or at such times as such amounts are otherwise required to be paid pursuant hereto. In addition, the City or, at the City's direction, the Trustee, as agent of the City, and subject to limitations contained in the report for the Reassessment District and in Section 8663 of the Act, shall collect amounts sufficient to pay the Continuing Costs of the Adjustable Rate Bonds through direct billing of the owners of the parcels of real property on

which Adjustable Rate Assessments are levied. If the City directs the Trustee, as agent of the City, to collect the Adjustable Rate Assessments, and the interest thereon, and amounts to pay the Continuing Costs of the Adjustable Rate Bonds through direct billing, the City shall provide the Trustee with sufficient direction as to the manner of effecting collection and all necessary information to accomplish such billing, including the names and address of the owners to be so billed and, if more than one owner is to be so billed, the portion to be billed to each such owner, and the City shall pay the cost thereof.

Not later than one Business Day prior to each date on which on which Adjustable Rate Assessments, or interest thereon, or Continuing Costs of the Adjustable Rate Bonds are due, the City or, at the City's direction, the Trustee, provided that if the Trustee is required so to act, the City shall provide sufficient direction as to the manner of effecting collection, including all necessary information, and shall pay the cost thereof, shall notify the owners of the parcels of real property on which on which Adjustable Rate Assessments are levied of the amounts becoming due and that the same are required to be received from such owners on or before such due date.

(c) The Assessments on parcels of real property designated by the City, pursuant to Section 7.01(e), to represent each Set of Fixed Rate Bonds, and interest thereon, shall be payable and be collected in the same manner at the same time and in the same installments as the general taxes on real property are payable, and have the same priority, become delinquent at the same time and in the same proportionate amounts and bear the same proportionate penalties and interest after delinquency as do the general taxes on real property. The Assessments on parcels of real property designated by the City, pursuant to Section 7.01(e), to represent a Set of Fixed Rate Bonds, together with the interest thereon, shall be payable in annual series corresponding in number to the number of series of the Fixed Rate Bonds of such Set. An annual proportion of each Assessment on parcels of real property designated by the City, pursuant to Section 7.01(e), to represent a Set of Fixed Rate Bonds, together with interest thereon, shall be payable in each year preceding the date of maturity of each of the several series of Fixed Rate Bonds of such Set in an amount sufficient to pay the Fixed Rate Bonds of such Set, and interest thereon, when due. In addition, the City shall, in accordance with and subject to the limitations contained in the report for the Reassessment District and in Section 8682 and Section 8682.1 of the Act, cause to be included in the annual assessment roll of the parcels of real property designated by the City, pursuant to Section 7.01(e), to represent Fixed Rate Bonds, an amount estimated to be sufficient to pay the Continuing Costs of the Fixed Rate Bonds for the following annual period.

The City shall, before the final date on which the Auditor will accept the transmission of the Assessments for the parcels of real property designated by the City, pursuant to Section 7.01(e), to represent Fixed Rate Bonds, for inclusion on the next tax roll, prepare or cause to be prepared, and shall transmit to the Auditor, such data as the Auditor requires to include the installments of such Assessments, together with interest thereon, and the Continuing Costs of the Fixed Rate Bonds on the next secured tax roll of the County.

Upon receipt of any Assessments for the parcels of real property designated by the City, pursuant to Section 7.01(e), to represent a Set of Fixed Rate Bonds, or interest or penalties thereon, or prepayments of such Assessments or amounts collected with respect to such parcels for the Continuing Costs of the Fixed Rate Bonds, the City shall, as soon as practicable, transfer

the same to the Trustee, together with a Written Certificate of the City that identifies the Set of Fixed Rate Bonds to which such amounts relate and identifies which portion, if any, of the amounts so transferred constitute Assessments, or interest or penalties thereon, or prepayments of Assessments or amounts collected for the Continuing Costs of the Fixed Rate Bonds.

(d) Any Assessment on any parcel of property may be prepaid at any time by paying in whole or part, the unpaid amount thereof less, if available, (i) the amount transferred to the Adjustable Rate Redemption Account or the Redemption Account established for a Set of Fixed Rate Bonds, as applicable from the Capitalized Payments Account pursuant to Section 4.02(b), (ii) the amount transferred to the Adjustable Rate Redemption Account or the Redemption Account established for a Set of Fixed Rate Bonds, as applicable, from the VIP Interest Disbursement Fund pursuant to Section 6.05, (iii) the amount transferred to the Redemption Account established for a Set of Fixed Rate Bonds from the Reserve Account established for a Set of Fixed Rate Bonds pursuant to Section 6.02(c), if any, and (iv) if the Assessment is paid in whole, a credit for the amount of the unpaid Assessment for authorized, but unissued, Bonds if any, together with the redemption premium, if any, set forth in Section 4.02(a) or 4.02(c), as applicable, and interest on such prepaid Assessment (if not collected in an Assessment installment) to the earliest Redemption Date for which notice of redemption may be given in accordance herewith.

(e) Upon the conversion of Adjustable Rate Bonds to Fixed Rate Converted Bonds, and the issuance of any Additional Fixed Conversion Series Bonds in connection therewith, the City shall in a Written Certificate of the City delivered to the Trustee, designate (i) by CUSIP numbers, what portion (which may be all) of such Fixed Rate Converted Bonds constitutes a group for purposes hereof, (ii) by Series identification, what portion (which may be all) of such Additional Fixed Conversion Series Bonds constitutes Related Additional Bonds for such group of Fixed Rate Converted Bonds, and (iii) by assessor's parcel numbers or other legal descriptions, the parcels of real property within the Reassessment District which shall be represented by such group of Fixed Rate Converted Bonds and Related Additional Bonds, if any. From and after such designation, said group of Fixed Rate Converted Bonds and said Related Additional Bonds, if any, shall be payable solely from and secured solely by the Assessments (including prepayments thereof) on said designated parcels, together with interest and any penalties thereon, and any other amounts held in any fund or account established for such group of Fixed Rate Converted Bonds and Related Additional Bonds, as provided herein.

Upon the issuance of any Series of Additional Fixed Funding Series Bonds, the City shall in a Written Certificate of the City delivered to the Trustee, designate by assessor's parcel numbers or other legal descriptions, the parcels of real property within the Reassessment District which shall be represented by such Series of Additional Fixed Funding Series Bonds. From and after such designation, said Series of Additional Fixed Funding Series Bonds shall be payable solely from and secured solely by the Assessments (including prepayments thereof) on said designated parcels, together with interest and any penalties thereon, and any other amounts held in any fund or account established for such Series of Additional Fixed Funding Series Bonds, as provided herein.

The Adjustable Rate Bonds shall represent the parcels of real property within the Reassessment District that have not been designated pursuant to this subsection to be represented

by any Set of Fixed Rate Bonds. The Adjustable Rate Bonds shall be payable solely from and secured solely by, first, proceeds of draws made under the Letter of Credit pursuant to subsections (a), (b) and (c) of Section 5.04 and, second, from the Assessments (including prepayments thereof) on such parcels that have not been so designated, together with interest and any penalties thereon, amounts collected for the Continuing Costs of the Adjustable Bonds and any other amounts held in any fund or account established hereunder and available for payment of the Adjustable Rate Bonds, as provided herein.

Section 7.02 Foreclosure.

The City hereby covenants that it will within 60 days of a delinquency in the payment of Adjustable Rate Assessments, or interest thereon, or amounts to pay the Continuing Costs of the Adjustable Rate Bonds, forthwith undertake and diligently prosecute foreclosure proceedings in the manner prescribed in Section 8830 *et seq.* of the Act to collect such delinquent amounts. Upon the redemption or sale of the real property responsible for such delinquencies, the City shall apply the net proceeds thereof to: (a) forthwith remit to the Bank any moneys received on account thereof, up to the amount due to the Bank as an Owner of Bank Bonds or pursuant to the Reimbursement Agreement, and (b) the balance, if any, shall be disbursed as set forth in the judgment of foreclosure or as required by law.

The City hereby covenants that it will within 150 days of a delinquency in the payment of Assessments on parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by a Set of Fixed Rates Bonds, or interest thereon, or amounts to pay the Continuing Costs of the Fixed Rate Bonds, forthwith undertake and diligently prosecute foreclosure proceedings in the manner prescribed in Section 8830 *et seq.* of the Act to collect such delinquent amounts; provided, however, that if the amount collected is greater than 92.5% of the installment of the Assessment on parcels of real property designated by the City, pursuant to Section 7.01(e) to be represented by such Set of Fixed Rate Bonds, and interest thereon, and amounts to pay the Continuing Costs of the Fixed Rate Bonds to be collected, the City shall not be required to undertake such foreclosure proceedings, unless it is determined that any single property owner is delinquent in excess of \$25,000 in the payment of such amounts, in which case it shall diligently institute, prosecute and pursue such foreclosure proceedings against such property owner as set forth herein. Upon the redemption or sale of the real property responsible for such delinquencies, the City shall apply the net proceeds thereof to: (a) deposit to the Reserve Account established for such Set of Fixed Rate Bonds the amount of any delinquency advanced therefrom pursuant to Section 6.02(c), and (b) the balance, if any, shall be disbursed as set forth in the judgment of foreclosure or as required by law.

Section 7.03 No Advances from Available Funds.

The City shall not be obligated to advance available funds of the City to cure any deficiency which may occur in the Adjustable Rate Redemption Account or any Redemption Account established for a Set of Fixed Rate Bonds; provided, however, that said determination shall not prevent the City, in its sole discretion, from so advancing such funds.

Section 7.04 Punctual Payment.

The City shall punctually pay or cause to be paid the principal, premium, if any, and interest to become due in respect of all the Bonds, in strict conformity, with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Assessments and other assets pledged for such payment as provided in this Indenture and received by the City or the Trustee.

Section 7.05 Extension of Payment of Bonds.

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

Section 7.06 Against Encumbrances.

Except as provided herein or in the Reimbursement Agreement, the City shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Assessments and other assets pledged under this Indenture while any of the Bonds are Outstanding.

Section 7.07 Power to Issue Bonds and Make Pledge.

The City is duly authorized pursuant to the Act to issue the Bonds and to enter into this Indenture and to pledge the Assessments and other assets purported to be pledged under this Indenture in the manner and to the extent provided in this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding obligations of the City in accordance with their terms, and the City and the Trustee (subject to the provisions of Articles VIII and IX) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge of Assessments and other assets and all the rights of the Bond Owners and the Bank under this Indenture against all claims and demands of all Persons whomsoever.

Section 7.08 Accounting Records and Financial Statements.

The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds, the Assessments and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the City and the Bank, during regular business hours and upon 24 hours' notice and under reasonable circumstances as agreed to by the Trustee. The Trustee shall deliver to the City and the Bank a monthly accounting of the funds, accounts and subaccounts (including deposits thereto and disbursements therefrom) it holds under this

Indenture; provided, however, that the Trustee shall not be obligated to deliver such accounting for any fund or account that has a balance of zero.

Section 7.09 **Waiver of Laws.**

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

Section 7.10 **Tax Covenants.**

(a) The City shall not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Series A Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, the City shall comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Series A Bonds.

(b) In the event that at any time the City is of the opinion that for purposes of this Section it is necessary or helpful to restrict or limit the yield on the investment of any moneys held by the Trustee in any of the funds or accounts established hereunder, the City shall so instruct the Trustee in writing, and the Trustee shall act in accordance with such instructions.

(c) Notwithstanding any provisions of this Section, if the City shall provide to the Trustee an opinion of Bond Counsel to the effect that any specified action required under this Section is no longer required or that some further or different action is required to maintain the exclusion from federal income tax of interest on the Series A Bonds, the Trustee may conclusively rely on such opinion in complying with the requirements of this Section and of the Tax Certificate, and the covenants hereunder shall be deemed to be modified to that extent.

Section 7.11 **Further Assurances**

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

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS

Section 8.01 **Events of Default.**

The following events shall be Events of Default:

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

redemption or otherwise; provided, however, that any such failure with respect to Adjustable Rate Bonds shall not constitute an Event of Default with respect to any Fixed Rate Bonds and, provided, further, that any such failure with respect to Fixed Rate Bonds of a Set shall not constitute an Event of Default with respect to Adjustable Rate Bonds or with respect other Fixed Rate Bonds of any other Set.

(b) Failure to pay any installment of interest on any Bonds when and as the same shall become due and payable; provided, however, that any such failure with respect to Adjustable Rate Bonds shall not constitute an Event of Default with respect to any Fixed Rate Bonds and, provided, further, that any such failure with respect to Fixed Rate Bonds of a Set shall not constitute an Event of Default with respect to Adjustable Rate Bonds or with respect to Fixed Rate Bonds of any other Set.

(c) Failure by the City to observe and perform any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such failure shall have continued for a period of 60 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the City by the Trustee or, subject to Section 12.07, the Owners of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; provided, however, if in the reasonable opinion of the City the failure stated in the notice can be corrected, but not within such 60 day period, such failure shall not constitute an Event of Default if corrective action is instituted by the City within such 60 day period and the City shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

(d) With respect only to Adjustable Rate Bonds, receipt by the Trustee of notice from the Bank that an event of default under the Reimbursement Agreement shall have occurred and be continuing.

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

Section 8.02 No Acceleration; Foreclosure.

The principal of the Bonds shall not be subject to acceleration hereunder. If any Event of Default with respect to Adjustable Rate Bonds shall occur under Section 8.01(a) or Section 8.01(b), then, and in each and every such case during the continuance of such Event of Default, if the City has not done so, the Trustee may or, at the direction of the Bank shall, commence foreclosure against any parcels of real property in the Reassessment District with delinquent Adjustable Rate Assessments, or delinquent payments of interest thereon, or delinquent payments of amounts for the Continuing Costs of the Adjustable Rate Bonds, as provided in Section 8830 et. seq. of the Act. If any Event of Default with respect to Fixed Rate Bonds of a Set shall occur under Section 8.01(a) or Section 8.01(b), then, and in each and every such case during the continuance of such Event of Default, if the City has not done so, the Trustee may or, at the direction of the Owners of not less than a majority in aggregate principal amount of the Fixed Rate Bonds of such a Set at the time Outstanding, shall, commence foreclosure against any parcels of real property designated by the City, pursuant to Section 7.01(e), to be represented by such Set of Fixed Rate Bonds with delinquent Assessments, or delinquent payments of interest

thereon, or delinquent payments of amounts for the Continuing Costs of the Fixed Rate Bonds, as provided in Section 8830 *et seq.* of the Act.

Section 8.03 Other Remedies.

The Trustee shall have the following rights:

(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 Indenture and in the 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 by the Act;

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

(c) upon the happening of any Event of Default, 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 8.04 Bank's Right Regarding Remedies.

Anything to the contrary contained herein notwithstanding, so long as the Bank is not in default under the Letter of Credit, the Trustee shall not exercise any of the foregoing remedies with respect to Adjustable Rate Bonds without the prior written consent of the Bank, and shall, upon the Bank's offer to the Trustee of reasonable security and indemnity against costs, expenses and liabilities to be incurred by it, exercise such rights in accordance with and at the direction of the Bank.

Section 8.05 Application of Assessments and Other Funds After Default.

If an Event of Default shall occur and be continuing, all Assessments (including any penalties, costs, fees and other charges accruing under the Act) securing the Bonds to which such Event of Default relates and any moneys in the funds and accounts established hereunder for the Bonds representing the parcels on which such Assessments are levied (other than the Rebate Fund, the Letter of Credit Purchase Account, the Remarketing Proceeds Account and the Continuing Costs Account) shall, subject to the provisions of the Act, be applied by the Trustee as follows and in the following order:

(a) To the payment of reasonable fees, charges and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Indenture; provided, however, that moneys in the Letter of Credit Account and VIP Interest Disbursement Fund shall not be utilized for such Trustee fees, charges and expenses.

(b) To the payment of the principal of and interest then due with respect to the Bonds representing the parcels on which such Assessments are levied (upon presentation of the Bonds to be paid, and stamping thereon of the payment if only partially paid, or surrender thereof if fully paid) subject to the provisions of this Indenture, as follows:

First: To the payment to the Persons entitled thereto of all installments of interest then due in the order of the maturity of such installments, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the Persons entitled thereto, without any discrimination or preference; and

Second: To the payment to the Persons entitled thereto of the unpaid principal of any Bonds representing the parcels on which such Assessments are levied which shall have become due, whether at maturity or by call for redemption, with interest on the overdue principal at the rate borne by the respective Bonds representing the parcels on which such Assessments are levied on the date of maturity or redemption, and, if the amount available shall not be sufficient to pay in full all the Bonds representing the parcels on which such Assessments are levied, together with such interest then to the payment thereof ratably, according to the amounts of principal due on such date to the Persons entitled thereto, without any discrimination or preference.

(c) If such Assessments are levied on parcels represented by Adjustable Rate Bonds, to the Bank to the extent that amounts are owed to the Bank on account of draws under the Letter of Credit or otherwise under the Reimbursement Agreement.

(d) Any remaining funds shall be transferred by the Trustee to the Adjustable Rate Redemption Account or to the Redemption Account, as applicable, established for the Fixed Rate Bonds representing the parcels on which such Assessments are levied, as applicable.

Section 8.06 Bond Owners' Direction of Proceedings.

Anything in this Indenture to the contrary notwithstanding, but subject to the provisions of Section 8.04 and 12.07, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Trustee, and upon indemnification of the Trustee to its reasonable satisfaction, to direct the method of conducting all remedial proceedings taken by the Trustee hereunder, provided that such direction shall not be otherwise than in accordance with law and the provisions of this Indenture, and that the Trustee shall have the right to decline to follow any such direction which in the opinion of the Trustee would be unjustly prejudicial to Bond Owners not parties to such direction.

Section 8.07 Limitation on Bond Owners' Right to Sue.

No Owner of any Bonds shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Indenture, the Act or any other applicable law with respect to such Bonds, unless (a) such Owner shall have given to the Trustee written notice of the occurrence of an Event of Default, (b) the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name, (c) such Owner or said Owners shall have tendered to the Trustee indemnity against the costs, expenses and liabilities to be incurred in compliance with such request, and (d) the Trustee shall have refused or omitted to comply with such request for a

period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Bonds of any remedy hereunder or under law; it being understood and intended that no one or more Owners of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Indenture or the rights of any other Owners of Bonds, or to enforce any right under the Bonds, this Indenture, the Act or other applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Owners of the Outstanding Bonds, subject to the provisions of this Indenture.

Section 8.08 **Absolute Obligation of City.**

Nothing in Section 8.07 or in any other provision of this Indenture or in the Bonds contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the principal of and interest on the Bonds to the respective Owners of the Bonds at their respective dates of maturity, or upon call for redemption, as herein provided, but only out of the Assessments and other assets herein pledged therefor and received by the City or the Trustee, or affect or impair the right of such Owners, which is also absolute and unconditional, to enforce such payment by virtue of the contract embodied in the Bonds.

Section 8.09 **Termination of Proceedings.**

In case any proceedings taken by the Trustee or any one or more Bond Owners on account of any Event of Default shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Trustee or the Bond Owners, then in every such case the City, the Bank, the Trustee and the Bond Owners, subject to any determination in such proceedings, shall be restored to their former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of the City, the Bank, the Trustee and the Bond Owners shall continue as though no such proceedings had been taken.

Section 8.10 **Remedies Not Exclusive.**

No remedy herein conferred upon or reserved to the Trustee, the Bank or to the Owners of the Bonds is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 8.11 **No Waiver of Default.**

No delay or omission of the Trustee, the Bank or of any Owner of the Bonds to exercise any right or power arising upon the occurrence of any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy given by this Indenture to the Trustee, the Bank or to the Owners of the Bonds may be exercised from time to time and as often as may be deemed expedient.

**ARTICLE IX
TRUSTEE; PAYING AGENT;
REMARKETING AGENT**

Section 9.01 **Duties and Liabilities of Trustee.**

(a) Duties of Trustee Generally. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Indenture. The Trustee shall, during the existence of any Event of Default which has not been cured, exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

(b) Removal of Trustee. The City may upon 30 days' prior written notice to the Trustee and the Bank remove the Trustee at any time unless an Event of Default shall have occurred and then be continuing and shall remove the Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Owners of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Trustee and thereupon shall, with the written consent of the Bank (when the Letter of Credit is in effect or the Bank is owed any amounts under the Reimbursement Agreement and so long as the Bank is not in default of its obligation to honor draws on the Letter of Credit presented in strict compliance with the terms thereof), appoint a successor Trustee by an instrument in writing.

(c) Resignation of Trustee. The Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the City, to the Bank, to the Remarketing Agent and to the Bond Owners notice of such resignation at the respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the City shall, with the written consent of the Bank (when the Letter of Credit is in effect or the Bank is owed any amounts under the Reimbursement Agreement and so long as the Bank is not in default of its obligation to honor draws on the Letter of Credit presented in strict compliance with the terms thereof), promptly appoint a successor Trustee by an instrument in writing. The Trustee shall not be relieved of its duties until such successor Trustee has accepted appointment.

(d) Appointment of Successor Trustee. Any removal or resignation of the Trustee and appointment of a successor Trustee shall become effective upon acceptance of appointment by the successor Trustee and the transfer to such successor Trustee of the Letter of Credit in accordance with the terms thereof regarding transfer; provided, however, that under any circumstances the successor Trustee shall be qualified as provided in subsection (e) of this Section. If no qualified successor Trustee shall have been appointed and have accepted appointment within 45 days following giving notice of removal or notice of resignation as

aforesaid, the resigning Trustee, the Bank or any Bond Owner (on behalf of himself and all other Bond Owners) may petition any court of competent jurisdiction for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the City and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and after payment by the City of all unpaid fees and expenses of the predecessor Trustee, such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the City or the request of the successor Trustee or the Bank, such predecessor Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Trustee all the right, title and interest of such predecessor Trustee in and to any property held by it under this Indenture and shall pay over, transfer, assign and deliver to the successor Trustee any money or other property subject to the trusts and conditions herein set forth. Upon request of the successor Trustee, the City shall execute and deliver any and all instruments as may be reasonably required for more fully and certainly vesting in and confirming to such successor Trustee all such moneys, estates, properties, rights, powers, trusts, duties and obligations. Upon acceptance of appointment by a successor Trustee as provided in this subsection, the City shall mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then maintains a rating on the Bonds, to the Bond Owners at the addresses shown on the Registration Books, to the Bank and to the Remarketing Agent. If the City fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the City.

(e) Qualifications of Trustee. The Trustee shall be a trust company, national banking association, corporation or bank having the powers of a trust company, having (or if such corporation, bank or trust company is a member of a bank holding company system, its parent bank holding company shall have) a combined capital and surplus of at least one hundred million dollars (\$100,000,000), and subject to supervision or examination by federal or state agency. If such corporation, national banking association, bank or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such corporation, national banking association, 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.

In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 9.02 Merger or Consolidation.

Any bank, national banking association or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank, national banking association or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank, national banking association or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under subsection (e) of Section 9.01 shall be the successor to such Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 9.03 Liability of Trustee.

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the City, and the Trustee shall not assume responsibility for the correctness of the same, or make any representations as to the validity or sufficiency of this Indenture or of the Bonds or shall incur any responsibility in respect thereof other than as expressly stated herein in connection with the respective duties or obligations herein or in the Bonds assigned to or imposed upon it. The Trustee shall, however, be responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee makes no representations as to the validity or sufficiency of this Indenture or of any Bonds, or in respect of the security afforded by this Indenture and the Trustee shall incur no responsibility in respect thereof. The Trustee shall be under no responsibility or duty with respect to: (i) the issuance of the Bonds for value; (ii) the application of the proceeds thereof except to the extent that such proceeds are received by it in its capacity as Trustee; or (iii) the application of any moneys paid to the City or others in accordance with this Indenture except as the application of any moneys paid to it in its capacity as Trustee; or (iv) interest on any moneys received by it that, as a result of the absence of instructions from the City, or as a result of inadequate or incomplete instructions from the City, regarding the disposition of such moneys, have not been deposited by the Trustee in a fund or account established hereunder. The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee shall not be liable for any action taken or omitted by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture. The Trustee and its officers and employees may become the Owner of Bonds with the same rights it would have if it were not Trustee, and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Bond Owners, whether or not such committee shall represent the Owners of a majority in aggregate principal amount of the Bonds then Outstanding.

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

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time,

method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture.

(d) No personal recourse may be taken, directly or indirectly, against any officer, director, agent or employee of the Trustee with respect to the obligations of the Trustee under this Indenture or any certificate or other writing delivered in connection therewith.

(e) In the event the Trustee receives inconsistent or conflicting requests and indemnity from two or more groups of Bond Owners, each representing less than a majority of the aggregate principal amount of Bonds then outstanding, the Trustee, in its sole discretion, may determine what action, if any, shall be taken. The Trustee shall not be liable with respect to any such action taken or omitted to be taken by it in good faith.

(f) Except for information provided by the Trustee concerning the Trustee, the Trustee shall have no responsibility for any information in any offering memorandum or other disclosure material distributed with respect to the Bonds, and the Trustee shall have no responsibility for compliance with any state or federal securities laws in connection with the Bonds.

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

(h) No provision of the Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder.

(i) Before taking any action under Article VIII or this Article at the request of the Bond Owners, the Trustee may require that a satisfactory indemnity bond be furnished by the Bond Owners for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any action so taken.

(j) The Trustee shall not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of enforced delay (“unavoidable delay”) in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, Acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources of energy, material or supplies in the open market, litigation or arbitration involving a party or others relating to zoning or other governmental action or inaction pertaining to the project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such cause or any similar event and/or occurrences beyond the control of the Trustee.

Section 9.04 Right to Rely on Documents.

The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the 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; provided, however, the Trustee shall in no event delay any payment with respect to the Bonds in anticipation of any such opinion.

Whenever in the administration of the trusts imposed upon it by this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the City, and such Written Certificate shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable. The Trustee may rely upon a facsimile transmission with regard to any instruction for any transfer, disbursement or investment of funds held by the Trustee. The City shall confirm such transmission promptly in writing by mail.

Section 9.05 Preservation and Inspection of Documents.

All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during business hours and upon 24 hours' notice to the inspection of the City, the Owners, the Bank and their agents and representatives duly authorized in writing.

Section 9.06 Compensation and Indemnification.

The City shall pay to the Trustee from time to time all reasonable compensation for all services rendered under this Indenture, and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Indenture. The City further agrees, to the extent permitted by law, to indemnify, defend and save the Trustee harmless against any liabilities which it may incur in the exercise and performance of its powers and duties hereunder and under any related documents, including the enforcement of any remedies and the defense of any suit, and which are not due to its negligence or its willful misconduct. Without limiting the generality of the foregoing, in performing its duties under the Continuing Disclosure Agreement and any other related agreements, the Trustee shall be entitled to all of the rights, protection and immunities accorded to it as Trustee under this Indenture. The Trustee's immunities and protection from liability and its right to payment of compensation and indemnification in connection with performance of its duties and functions under this Indenture shall survive the Trustee's resignation or removal and the final payment of the Bonds. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages. The

Trustee shall not be required to give any bond or surety with respect to the execution of its trusts, powers, rights or duties under this Indenture. The Trustee's immunities and protection from liability and its rights to indemnification in connection with the performance of its duties and functions under this Indenture shall extend to the Trustee's officers, directors, employees and agents.

Section 9.07 Appointment of Paying Agent.

The City hereby appoints the Paying Agent to authenticate and deliver the Adjustable Rate Bonds as provided herein and to hold all Adjustable Rate Bonds delivered to it pursuant to this Indenture in trust for the benefit of the respective Owners who shall have so delivered such Adjustable Rate Bonds until monies representing the Purchase Price of such Adjustable Rate Bonds shall have been delivered to or for the account of or to the order of such Owners, to hold all money delivered to it for the purchase of Adjustable Rate Bonds in trust for the benefit of the person or entity which shall have so delivered such money until the Adjustable Rate Bonds purchased with such money shall have been delivered to or for the account of such person or entity.

The Paying Agent shall be indemnified and protected from liability in the same manner and to the same extent as the Trustee.

The Paying Agent may at any time resign and be discharged of the duties and obligations set forth in this Indenture by giving at least 60 days' notice to the Bank, the City, the Remarketing Agent and the Trustee. The Paying Agent may be removed at any time, at the direction of the City, with notice to the Bank, by an instrument filed with the Paying Agent and the Trustee. The resignation or removal of the Paying Agent shall become effective only upon the acceptance of the appointment by the successor Paying Agent or the assumption of all duties and responsibilities of the Paying Agent by the Trustee. Any successor Paying Agent shall be a trust company or bank having the powers of a trust company doing business and having an office in New York, New York, and shall be appointed by the Authorized Representative, with the consent of the Trustee and, when a Letter of Credit is in effect or the Bank is owed any amounts under the Reimbursement Agreement and so long as the Bank is not in default of its obligation to honor draws on the Letter of Credit presented in strict compliance with the terms thereof, the consent of the Bank, in the same manner provided in Section 9.01 for appointment of a successor Trustee.

Section 9.08 Appointment of Remarketing Agent.

The City hereby appoints the Remarketing Agent to remarket Bonds pursuant to this Indenture, and to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the Bank, the City, the Trustee and the Paying Agent at all reasonable times, and to give telegraphic or telephonic notice, promptly confirmed by a written notice, to the Trustee (who shall then promptly notify the Bank and the Paying Agent), specifying (a) the principal amount of such Adjustable Rate Bonds, if any, remarketed by it as provided in this Indenture, and (b) the interest rates on the remarketed Adjustable Rate Bonds as determined pursuant to and in accordance herewith.

The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least 60 days' notice to the Bank, the City, the Trustee and the Paying Agent. The Remarketing Agent may be removed at any time, at the direction of the City, by an instrument filed with the Remarketing Agent, the Trustee and the Paying Agent. Any successor Remarketing Agent shall be selected by the Authorized Representative and shall be a member of the National Association of Securities Dealers, Inc. or shall be subject to supervision by the Comptroller of the Currency or a member of the Federal Reserve System, shall have a capitalization of at least \$15,000,000, and shall be authorized by law to perform all the duties set forth in this Indenture. When a Letter of Credit is in effect or the Bank is owed any amounts under the Reimbursement Agreement and so long as the Bank is not in default of its obligation to honor draws on the Letter of Credit presented in strict compliance with the terms thereof, the Authorized Representative shall obtain the Bank's written consent to the appointment of such successor Remarketing Agent, which consent shall not be unreasonably withheld. The City's delivery to the Trustee of a certificate setting forth the effective date of the appointment of a successor Remarketing Agent and the name of such successor shall be conclusive evidence that (a) if applicable, the predecessor Remarketing Agent has been removed in accordance with the provisions of this Indenture and (b) such successor has been appointed and is qualified to act as Remarketing Agent under the terms of this Indenture.

Section 9.09 **Successor Remarketing Agent by Merger.**

If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all of its assets to, another corporation, the resulting, surviving or transferee corporation without any further act shall be the successor Remarketing Agent, but only if such successor meets the eligibility requirements of Section 9.08.

ARTICLE X
MODIFICATION OR AMENDMENT

Section 10.01 **Amendments Permitted.**

(a) This Indenture and the rights and obligations of the City, the Owners of the Bonds and the Trustee may be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Bonds then Outstanding but, when a Letter of Credit is in effect or the Bank is owed any amounts under the Reimbursement Agreement, with the written consent of the Bank, which shall have been filed with the Trustee; provided, however, that, notwithstanding the foregoing, this Indenture and the rights and obligations of the City, the Trustee and the Owners of Adjustable Rate Bonds, but only as such rights and obligations relate solely to Adjustable Rate Bonds, may be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all Adjustable Rate Bonds then Outstanding and, when a Letter of Credit is in effect or the Bank is owed any amounts under the Reimbursement Agreement, the written consent of the Bank, which shall have been filed with the Trustee, and, provided, further, that, notwithstanding the foregoing, this Indenture and the rights and obligations of the City, the Trustee and the Owners of Fixed Rate Bonds of a Set, but only as such rights and obligations relate solely to Fixed Rate

Bonds of such Set may be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into with the written consent of the Owners of a majority in aggregate principal amount of all of the Fixed Rate Bonds of such Set then Outstanding. No such modification or amendment shall (i) extend the fixed maturity of any Bonds, or reduce the amount of principal thereof, or reduce the interest rate borne thereby, or extend the time of payment, without the consent of the Owner of each Bond so affected, or (ii) reduce the aforesaid percentage of Bonds the consent of the Owners of which is required to effect any such modification or amendment, or (iii) permit the creation of any lien on the Assessments and other assets pledged under this Indenture prior to or on a parity with the lien created by this Indenture or deprive the Owners of the Bonds of the lien created by this Indenture on such Assessments and other assets (except as expressly provided in this Indenture), without the consent of the Owners of all of the Bonds then Outstanding. It shall not be necessary for the consent of the Bond Owners to approve the particular form of any Supplemental Indenture, but it shall be sufficient if such consent shall approve the substance thereof. Promptly after the execution by the City and the Trustee of any Supplemental Indenture pursuant to this subsection (a), the Trustee shall mail a copy of such executed Supplemental Indenture to the Bank and a notice (the form of which shall be furnished to the Trustee by the City), by first class mail postage prepaid, setting forth in general terms the substance of such Supplemental Indenture, to the Owners of the Bonds at the respective addresses shown on the Registration Books. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such Supplemental Indenture.

(b) This Indenture and the rights and obligations of the City, the Trustee and the Owners of the Bonds may also be modified or amended from time to time and at any time by a Supplemental Indenture, which the City and the Trustee may enter into without the consent of any Bond Owners but, when a Letter of Credit is in effect or any amounts are owing to the Bank under the Reimbursement Agreement, only with the written consent of the Bank, for any one or more of the following purposes:

(i) to add to the covenants and agreements of the City in this Indenture contained, other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the City;

(ii) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in this Indenture;

(iii) to provide for the issuance of additional Series of Bonds, and to provide the terms and conditions under which such additional Series of Bonds may be issued, subject to and in accordance with the provisions of Article III; provided, however that if the additional Series of Bonds to be issued is a Series of Additional Fixed Conversion Series Bonds, the consent of the Bank shall not be required nor shall the consent of the Bank be required if the additional Series of Bonds are Additional Fixed Funding Series Bonds that will not be secured by the Assessments on any parcels that are currently developed investment property owned by TIC and the following requirements are satisfied: (A) either (x) the total

assessed value of the parcels of real property subject to the Adjustable Rate Assessments following the issuance of such Bonds is equal to or exceeds two times the amount of Outstanding Adjustable Rate Bonds or (y) the appraised value of the parcels of real property subject to the Adjustable Rate Assessments following the issuance of such Bonds is equal to or exceeds two times the amount of Outstanding Adjustable Rate Bonds and (B) such modification or amendment does not reduce such Adjustable Rate Assessments or materially adversely affect the interests of the Bank with respect to such Adjustable Rate Assessments;

(iv) to modify, amend or supplement this Indenture in such manner as to permit the qualification hereof under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(v) to modify, amend or supplement this Indenture in such manner as to cause interest on the Bonds to be excludable from gross income for purposes of federal income taxation by the United States of America; and

(vi) in any other respect whatsoever as the City may deem necessary or desirable, provided that such modification or amendment does not materially adversely affect the interests of the Bond Owners hereunder, as provided in a Certificate of the City filed with the Bank and the Trustee.

(c) This Indenture and the rights and obligations of the City, the Trustee and the Owners of Fixed Rate Converted Bonds, but only as such rights and obligations relate solely to such Fixed Rate Converted Bonds, may also be modified or amended, as of the Conversion Date for such Fixed Rate Converted Bonds, by a Supplemental Indenture which the City and the Trustee may enter into without the consent of any Bond Owners or the Bank, but only if such Fixed Rate Converted Bonds have been remarketed by the Remarketing Agent or any private placement or direct negotiation pursuant to Section 2.09 with such modified or amended rights and obligations.

(d) The Trustee shall not be required to enter into or consent to any Supplemental Indenture which might adversely affect the rights, obligations, powers, privileges, indemnities, immunities provided the Trustee herein.

(e) A copy of each executed Supplemental Indenture pursuant to this Article shall be delivered to the Bank promptly after execution thereof.

Section 10.02 Effect of Supplemental Indenture.

Upon the execution of any Supplemental Indenture pursuant to this Article, this Indenture shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations under this Indenture of the City, the Bank, the Trustee and all Owners of Bonds Outstanding shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any such

Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 10.03 Endorsement of Bonds; Preparation of New Bonds.

Bonds delivered after the execution of any Supplemental Indenture pursuant to this Article may, and if the City so determines shall, bear a notation by endorsement or otherwise in form approved by the City and the Trustee as to any modification or amendment provided for in such Supplemental Indenture, and, in that case, upon demand of the Owner of any Bonds Outstanding at the time of such execution and presentation of his Bonds for the purpose at the Office of the Trustee a suitable notation shall be made on such Bonds. If the Supplemental Indenture shall so provide, new Bonds so modified as to conform, in the opinion of the City and the Trustee, to any modification or amendment contained in such Supplemental Indenture, shall be prepared and executed by the City and authenticated by the Trustee, and upon demand of the Owners of any Bonds then Outstanding shall be exchanged at the Office of the Trustee, without cost to any Bond Owner, for Bonds then Outstanding, upon surrender for cancellation of such Bonds, in equal aggregate principal amount of the same interest rate and maturity.

Section 10.04 Amendment of Particular Bonds.

The provisions of this Article shall not prevent any Bond Owner from accepting any amendment as to the particular Bonds held by such Owner.

**ARTICLE XI
DEFEASANCE**

Section 11.01 Discharge of Indenture.

The Bonds, in whole or in part, may be paid by the City in any of the following ways:

- (a) by paying or causing to be paid the principal of and interest and premium (if any) on the Bonds, as and when the same become due and payable;
- (b) by depositing with the Trustee, in trust (pursuant to an escrow agreement or otherwise), at or before maturity, money or securities in the necessary amount (as provided in Section 11.03) to pay or redeem all Bonds then Outstanding; or
- (c) by delivering to the Trustee, for cancellation by it, all of the Bonds then Outstanding.

If the City shall also pay or cause to be paid or provide for the payment of all other sums payable hereunder by the City including without limitation any compensation due and owing the Trustee hereunder and all sums payable or which may become payable under the Reimbursement Agreement, as verified by the Bank to the Trustee in writing, then and in that case, at the election of the City (evidenced by a Written Certificate of the City, filed with the Trustee, signifying the intention of the City to discharge all such indebtedness and this Indenture), and notwithstanding that any Bonds shall not have been surrendered for payment, this Indenture and the pledge of Assessments and other assets made under this Indenture and all covenants, agreements and other

obligations of the City under this Indenture shall cease, terminate, become void and be completely discharged and satisfied. In such event, upon the Written Request of the City, and upon receipt of a Written Certificate of an Authorized Representative of the City and an opinion of Bond Counsel acceptable to the Trustee, each to the effect that all conditions precedent herein provided for relating to the discharge and satisfaction of the obligations of the City have been satisfied, the Trustee 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 or desirable to evidence such discharge and satisfaction, and the Trustee shall pay over, transfer, assign or deliver all moneys or securities or other property held by it pursuant to this Indenture, which are not required for the payment or redemption of Bonds not theretofore surrendered for such payment or redemption, to the City.

Section 11.02 Discharge of Liability on Bonds.

Upon the deposit with the Trustee, in trust, at or before maturity, of money or securities in the necessary amount (as provided in Section 11.03) to pay or redeem any or all Outstanding Bonds (whether upon or prior to the maturity or the redemption date of such Bonds), provided that, if such Bonds are to be redeemed prior to maturity, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, then all liability of the City in respect of such Bonds shall cease, terminate and be completely discharged, and the Owners thereof shall thereafter be entitled only to payment out of such money or securities deposited with the Trustee as aforesaid for their payment, subject, however, to the provisions of Section 11.04.

Notwithstanding the foregoing, no Adjustable Rate Bonds or any part thereof shall be deemed to have been paid and discharged within the meaning of this Article unless such Adjustable Rate Bonds are to be redeemed on or prior to the next date, if any, on which the interest rate payable on such Adjustable Rate Bonds may change to a different rate and unless such Adjustable Rate Bonds are not subject to optional or mandatory tender for purchase on or prior to such redemption date.

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

Section 11.03 Deposit of Money or Securities with Trustee.

Whenever in this Indenture it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities in the necessary amount to pay or redeem any Bonds, the money or securities so to be deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Indenture and shall be--

(a) Lawful money of the United States of America, in an amount equal to the principal amount of such Bonds and all unpaid interest thereon to maturity, except that, in the case of 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 Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held

shall be the principal amount of such Bonds, premium, if any, and all unpaid interest thereon to the redemption date; or

(b) Non-callable Federal Securities the principal of and interest on which when due, in the opinion or report of an independent accountant selected by the City, will provide money sufficient to pay the principal of, premium, if any, and all unpaid interest to maturity, or to the redemption date, as the case may be, on the Bonds to be paid or redeemed, as such principal, premium, if any, and interest become due, provided that in the case of Bonds which are to be redeemed prior to the maturity thereof, notice of such redemption shall have been given as provided in Article IV or provision satisfactory to the Trustee shall have been made for the giving of such notice; provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Indenture or by Written Request of the City) to apply such funds to the payment of such principal and interest with respect to such Bonds.

Section 11.04 Payment of Bonds After Discharge of Indenture.

Notwithstanding any provisions of this Indenture, any moneys held by the Trustee in trust for the payment of the principal of, premium, if any, or interest on, any Bonds and remaining unclaimed for two years after the date of deposit of such moneys shall, to the extent permitted by law, be repaid to the City free from the trusts created by this Indenture and all liability of the Trustee with respect to such moneys shall thereupon cease; provided, however, that before the repayment of such moneys to the City as aforesaid, the Trustee shall (at the cost of the City) first mail, by first class mail postage prepaid, to the Owners of Bonds which have not yet been paid, at the respective addresses shown on the Registration Books, a notice, in such form as may be deemed appropriate by the Trustee with respect to the 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.

**ARTICLE XII
MISCELLANEOUS**

Section 12.01 Limited Obligation.

All obligations of the City under the Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from the Assessments and the other assets pledged therefor hereunder. All obligations of the City under the Adjustable Rate Bonds shall not be general obligations of the City, but shall be limited obligations, payable solely from, first, proceeds of draws made under the Letter of Credit pursuant to subsections (a), (b) and (c) of Section 5.04 and, second, from the Adjustable Rate Assessments and the other assets pledged therefor hereunder. All obligations of the City under the Fixed Rate Bonds of a Set shall not be general obligations of the City, but shall be limited obligations, payable solely from the Assessments levied on the parcels of real property designated by the City, pursuant to Section 7.01(e) to be represented by such Set of Fixed Rate Bonds and the other assets pledged therefor hereunder. Neither the faith and credit nor the taxing power of the City or the State of California, or any political subdivision thereof, is pledged to the payment of the Bonds. Notwithstanding any other provision of this Indenture, the City is not obligated to advance available funds from the City treasury to cure any deficiency in the Redemption Fund.

Section 12.02 **Successor Is Deemed Included in All References to Predecessor.**

Whenever in this Indenture the City, the Trustee, the Paying Agent, the Bank or the Remarketing Agent is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Indenture contained by or on behalf of the City or the Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 12.03 **Limitation of Rights to Parties and Bond Owners.**

Nothing in this Indenture or in the Bonds expressed or implied is intended or shall be construed to give to any Person other than the Trustee, the City, the Paying Agent, the Bank, the Remarketing Agent and the Owners of the Bonds, any legal or equitable right, remedy or claim under or in respect of this Indenture or any covenant, condition or provision therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Trustee, the City, the Paying Agent, the Bank, the Remarketing Agent and the Owners of the Bonds.

Section 12.04 **Waiver of Notice; Requirement of Mailed Notice.**

Whenever in this Indenture the giving of notice by mail or otherwise is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver. Whenever in this Indenture any notice shall be required to be given by mail, such requirement shall be satisfied by the deposit of such notice in the United States mail, postage prepaid, by first class mail.

Section 12.05 **Destruction of Bonds.**

Whenever in this Indenture provision is made for the cancellation by the Trustee and the delivery to the City of any Bonds, the Trustee shall, upon the Written Request of the City, in lieu of such cancellation and delivery, destroy such Bonds (in the presence of an officer of the City, if the City shall so require) as may be allowed by law, and deliver a certificate of such destruction to the City.

Section 12.06 **Severability of Invalid Provisions.**

If any one or more of the provisions contained in this Indenture or in the Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Indenture and such invalidity, illegality or unenforceability shall not affect any other provision of this Indenture, and this Indenture shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The City hereby declares that it would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Indenture may be held illegal, invalid or unenforceable.

Section 12.07 Bank Deemed Owner; References to Bank.

Notwithstanding anything contained herein to the contrary, so long as the Bank is not in default of its obligation to honor draws under the Letter of Credit, the Bank shall at all times be deemed to be the sole and exclusive Owner of the Outstanding Adjustable Rate Bonds, for the purpose of all approvals, consents, waivers, institution of any action and the direction of all remedies. Notwithstanding any provisions contained herein to the contrary, after the expiration or termination of the Letter of Credit and after all obligations owed to the Bank pursuant to the Reimbursement Agreement have been paid in full or discharged, all references to the Bank contained herein shall be null and void and of no further force and effect.

Section 12.08 Notices.

All notices or communications herein required or permitted to be given to any Notice Party shall be in writing and sent or delivered to the addresses set forth below, or to such other address as may be provided to the other parties hereinafter listed in writing from time to time, namely:

- | | |
|---|--|
| If to the City: | City of Irvine
One Civic Center Plaza
Irvine, California 92606-5208
Attention: Manager of Fiscal Services |
| If to the Trustee or the
Paying Agent: | The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017-4104
Attention: Greg Chenail |
| If to the Remarketing Agent: | Merrill Lynch, Pierce, Fenner & Smith Incorporated
333 South Hope Street, Suite 2310
Los Angeles, California 90071
Attn: _____ |
| If to the Bank: | KBC Bank, N.V.
1177 Avenue of the Americas
New York, NY 10036
Attn: Kevin Wood |

A copy of each notice given pursuant to this Section shall be given to Moody's and Fitch and shall be mailed to Moody's Investors Service, Inc., Attention: Public Finance Department Structured Financing Group, 99 Church Street, New York, New York 10007 and to Fitch Ratings Group, Attention: _____.

Each such notice or communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if personally served or delivered, upon delivery, (b) if given by electronic communication, whether by telex, telegram or telecopier, upon the sender's receipt of an appropriate answer back or other written acknowledgment, (c) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72

hours after such notice is deposited with the United States mail, (d) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 12.09 Additional Notices to Moody's and Fitch.

For so long as any of the Bonds shall be rated by Moody's and Fitch and without limitation on any other notice requirement contained in this Indenture (including any notice requirement applicable to Moody's and Fitch), the Trustee shall mail to Moody's and Fitch a notice of each of the following events, promptly upon becoming aware thereof.

(a) The removal, resignation or replacement of the Trustee or the Remarketing Agent or any of their respective successors;

(b) Any change in this Indenture, the Letter of Credit, the Reimbursement Agreement or the Remarketing Agreement (including any expiration, extension, substitution or termination of the Letter of Credit);

(c) Conversion of any or all of the Bonds to another Mode;

(d) Redemption, defeasance or mandatory purchases of all or a portion of the Adjustable Rate Bonds; or

(e) The issuance of Additional Adjustable Series Bonds.

Section 12.10 Evidence of Rights of Bond Owners.

Any request, consent or other instrument required or permitted by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Bond Owners in Person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, or of the holding by any Person of Bonds transferable by delivery, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and the City if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to him the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

The ownership of Bonds shall be proved by the Registration Books.

Any request, consent, or other instrument or writing of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of every Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the City in accordance therewith or reliance thereon.

Section 12.11 Disqualified Bonds.

In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are known by the Trustee to be owned or held by or for the account of the City, or by any other obligor on the Bonds, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination unless the City, other obligor on the Bonds or any person directly or indirectly controlling or controlled by, under direct or indirect control with the City or any other obligor on the Bonds owns 100% of the Bonds. Bonds so owned which have been pledged may be regarded as Outstanding for the purposes of this Section if the pledgee shall establish to the satisfaction of the Trustee the pledgee's right to vote such Bonds and that the pledgee is not a Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, the City or any other obligor on the Bonds. In case of a dispute as to such right any decision by the Trustee taken upon the advice of counsel shall be full protection to the Trustee. Upon request of the Trustee, the City shall specify to the Trustee those Bonds disqualified pursuant to this Section.

Section 12.12 Money Held for Particular Bonds.

The money held by the Trustee for the payment of the interest, principal or premium due on any date with respect to particular Bonds (or portions of Bonds in the case of Bonds redeemed in part only) shall, on and after such date and pending such payment, be set aside on its books and held in trust by it for the Owners of the Bonds entitled thereto, subject, however, to the provisions of Section 11.04 but without any liability for interest thereon.

Section 12.13 Funds and Accounts.

Any fund or account required by this Indenture to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee, either as a fund or an account, and may, for the purposes of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account; but all such records with respect to all such funds and accounts shall at all times be maintained in accordance with industry standards to the extent practicable, and with due regard for the requirements of Section 6.08 and for the protection of the security of the Bonds and the rights of every Owner thereof and the Bank. The Trustee may establish such funds and accounts as it deems necessary or appropriate to perform its obligations hereunder.

Section 12.14 Payment on Non-Business Days.

In the event any payment is required to be made hereunder on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Section 12.15 **Waiver of Personal Liability.**

No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the principal of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance thereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by this Indenture.

Section 12.16 **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 Indenture; the words “herein,” “hereof” “hereby,” “hereunder” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 12.17 **Conflict with Act.**

In the event of any conflict between any provision of this Indenture and any provision of the Act, the provision of the Act shall prevail over the provision of this Indenture.

Section 12.18 **Conclusive Evidence of Regularity**

Bonds issued pursuant to this Indenture shall constitute evidence of the regularity of all proceedings under the Act relative to their issuance and the levy of the Assessments.

Section 12.19 **Execution in Several Counterparts.**

This Indenture may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the City and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 12.20 **New York Time.**

Unless otherwise expressly stated, all times referred to in this Indenture shall be New York time.

Section 12.21 **Governing Law.**

This Indenture shall be governed by and construed in accordance with the internal laws of the State of California.

IN WITNESS WHEREOF, the City has caused this Indenture to be signed in its name by its officer thereunto duly authorized, and the Trustee, in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

CITY OF IRVINE

By: _____

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

By: _____

EXHIBIT A
FORM OF SERIES A BOND

No. R-1

\$ _____

CITY OF IRVINE
REASSESSMENT DISTRICT NO. 04-20
LIMITED OBLIGATION IMPROVEMENT BOND,
ADJUSTABLE RATE SERIES A

INTEREST RATE	MATURITY DATE	DATED DATE	CUSIP NUMBER
As described herein	September 2, _____	_____, 2011	_____

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: _____ MILLION DOLLARS

Under and by virtue of the Municipal Improvement Act of 1913 (Division 12 of the California Streets and Highways Code), as amended, the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code) as amended, and Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code (collectively, the "Act"), the City of Irvine, County of Orange, State of California (the "City"), will, out of the redemption fund for the payment of the bonds issued upon the unpaid portion of assessments more fully described in proceedings taken pursuant to Resolution No. ____ adopted by the City Council of the City on September 13, 2011, pay to the Registered Owner identified above, on the Maturity Date identified above or on any earlier redemption date, the Principal Amount identified above and to pay interest thereon at the Rate of Interest as provided in this Bond.

This Bond shall not be entitled to any benefit under the Act, the Resolution authorizing the issuance of the bonds, adopted by the City Council of the City on November 8, 2011 (the "Resolution of Issuance") or the Indenture, dated as of November 1, 2011 (the "Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), executed pursuant to the Resolution of Issuance, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been dated and signed by The Bank of New York Mellon Trust Company, N.A., as Paying Agent (the "Paying Agent"), in Los Angeles, California or such other place as designated by the Trustee (the "Office of the Paying Agent"). Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

This Bond is one of several annual series of Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A (the "Bonds") of like date, maturity, interest rate, tenor and effect, but differing in amounts, issued by the City under the Act and the Indenture for the purpose of providing means for paying for the construction of improvements as more particularly described in said proceedings, and is secured by first, proceeds of draws made under the Letter of Credit and, second, from the moneys in the redemption fund (as may be limited by the Indenture) and by the unpaid portion of the Assessments made for the payment of said refunding and, including principal and interest, is payable exclusively out of said fund.

Reference is hereby made to the Indenture and all agreements supplemental thereto for a description of the rights thereunder of the Owners of the Bonds, of the nature and extent of the Assessments, of the rights, duties and immunities of the Trustee and the Paying Agent and of the rights and obligations of the City thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the City and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds shall initially bear interest in the Daily Mode. The interest rate on the Bonds, when in the Daily Mode, will be the rate of interest per annum determined by Financial Services Incorporated (together with any successor thereto, the "Remarketing Agent") on and as of each Business Day, for such day, as the minimum rate of interest which, in the opinion of the Remarketing Agent would, under then existing marketing conditions, result in the sale of the Bonds on such day at a price equal to the principal amount thereof plus accrued interest, if any; provided, however, that Bank Bonds shall bear interest at a rate prescribed by the Reimbursement Agreement. The rate of interest on the Bonds shall on no day exceed 12% per annum. During the Daily Mode, the Remarketing Agent shall establish the interest rate on the Bonds by 10:00 A.M. (New York time) on each Business Day. The interest rate for any day during the Daily Mode which is not a Business Day shall be the rate established on the immediately preceding Business Day. "Business Day" means any day other than (a) a Saturday, Sunday or legal holiday, (b) a day on which banking institutions in the State of California or in any state where the Office of the Trustee, the Office of the Paying Agent or the office of the Bank at which drawings are required to be presented under the Letter of Credit, is located are required or authorized by law (including executive order) to close, or (c) a day on which the New York Stock Exchange is closed. The Remarketing Agent will make the interest rate for any day available by telephone to the registered owner of any Bond (an "Owner") requesting such information. When the Bonds are in the Daily Mode, interest will be calculated on the basis of a 365/366-day year for the actual number of days elapsed.

Interest will accrue on the unpaid portion of the principal of this Bond from the Interest Payment Date immediately preceding the date of authentication of this Bond, unless this Bond is authenticated prior to the initial Record Date, in which case this Bond shall bear interest from the date of the original authentication and delivery of this Bond, until the entire principal amount of this Bond is paid.

The principal of, premium, if any, and interest on the Bonds shall be payable in lawful money of the United States of America. Except as otherwise provided in the Representation Letter, the interest on the Bonds shall be payable, during the Daily Mode, on the fifth Business Day of each month (the "Interest Payment Dates"), for unpaid interest accrued from and including the first day of the preceding calendar month, through and including the last day of the preceding calendar month, except that payment shall be made on the initial Interest Payment Date for unpaid interest accrued from and including the date of initial delivery of the Bonds, by check mailed on the Interest Payment Date by the Paying Agent to the respective Owners thereof at their addresses as they appear on the last day of the preceding calendar month (the "Record Date") in the registration books for the Bonds required to be kept by the Paying Agent. In the case of an Owner of \$1,000,000 or more in aggregate principal amount of Bonds, upon the written request of such Owner to the Paying Agent, received at least ten days prior to a Record Date, specifying the account or accounts to which such

payment shall be made, payment of interest shall be made by wire transfer of immediately available funds on the following Interest Payment Date. Any such request shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Paying Agent. The principal of each Bond shall be payable on the maturity date, or earlier redemption, upon surrender thereof at the Office of the Paying Agent. If any payment on the Bonds is due on a non-Business Day, it will be made on the next succeeding Business Day with the same effect as if made on such non-Business Day.

During the Daily Mode, the Bonds shall be issued in registered form without coupons in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof (said denominations being "Authorized Denominations" for Bonds in the Daily Mode).

The interest rate determination method may be changed (a "Change in Mode"), at the election of the City, from the Daily Mode to the VIP Mode, the Weekly Mode, the Monthly Mode, the Semi-Annual Mode, the Extended Rate Mode or the Fixed Rate Mode, all as described in the Indenture. A Change in Mode from the Daily Mode to any other Mode shall take effect only on the first day of a calendar month. All Bonds shall be purchased, at a purchase price equal to 100% of the principal amount thereof, on the effective date of a Change in Mode (a "Mandatory Purchase Date"). Not less than 15 days prior to the date of a proposed Change in Mode, the Trustee shall give written notice to the Owners, which notice shall describe the Change in Mode and the mandatory purchase of the Bonds in connection therewith. Bonds which are subject to mandatory purchase must be tendered to the Paying Agent for purchase on the Mandatory Purchase Date. Any Bond subject to mandatory purchase which is not tendered for purchase as required, shall nonetheless be deemed to have been so tendered and, upon provision for payment of the purchase price therefor, shall be deemed to have been purchased on the Mandatory Purchase Date after which no interest shall accrue on such Bond for the benefit of the Owner required to tender such Bond from and after such Mandatory Purchase Date and such Owner shall have no rights under the Indenture as the Owner of such Bond except the right to receive the purchase price thereof.

The Bonds initially have the benefit of a Letter of Credit issued by KBC Bank, N.V., New York Branch. Such Letter of Credit entitles the Trustee to draw an amount sufficient to pay the principal amount of the Bonds and not less than 52 days' interest accrued on the Bonds at a rate of 12% per annum. The Trustee will draw on the Letter of Credit to pay the principal of and interest on the Bonds, when due, whether at maturity or upon earlier redemption, and to pay the purchase price thereof. The Letter of Credit expires by its terms on December 31, 2014 (unless extended pursuant to the terms of the Reimbursement Agreement) and may be terminated prior thereto upon the occurrence of certain events. An alternate letter of credit or other credit facility may be substituted for the Letter of Credit, as provided in the Indenture. The date five Business Days prior to the date on which the Letter of Credit expires or is terminated or on which an alternate letter of credit is substituted for the Letter of Credit is a Mandatory Purchase Date. A letter of credit or other credit facility meeting the requirements of the Indenture and in effect at the relevant time is referred to as a "Letter of Credit" and the issuer of the Letter of Credit is referred to as the "Bank."

The Bonds in the Daily Mode are subject to optional redemption by the City, in whole, or in part in Authorized Denominations, on any Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued and unpaid interest to such

redemption date, if any, without premium. If such redemption is in part, Bank Bonds shall be redeemed first, and all other Bonds in the Daily Mode shall be redeemed by lot in such manner as shall be determined by the Trustee.

The Bonds in the Daily Mode are subject to mandatory redemption from prepaid Assessments, in whole, or in part in Authorized Denominations, on the first Business Day of any calendar month, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued and unpaid interest to such redemption date, if any, without premium. If such redemption is in part, Bank Bonds shall be redeemed first, and other Bonds in the Daily Mode shall be redeemed by lot in such manner as shall be determined by the Trustee.

The Trustee on behalf and at the expense of the City shall mail (by first class mail) notice of any redemption to the respective owners of any Bonds designated for redemption, at their respective addresses appearing on the registration books maintained by the Trustee, at least 10 but not more than 60 days prior to the redemption date. Neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon from and after the Redemption Date.

If, on the Redemption Date, moneys for the redemption of all the Bonds to be redeemed, together with interest to said date, shall be held by the Paying Agent so as to be available therefor on such date, and, if notice of redemption thereof shall have been mailed as provided in the Indenture and not canceled, then, from and after said date, interest on said Bonds shall cease to accrue and become payable.

During the Daily Mode, any Owner of a Bond may demand that such Bond, or any portion thereof (so long as the principal amount purchased, and the principal amount not purchased, are each in Authorized Denominations), be purchased on any Business Day at a price equal to the principal amount thereof plus accrued interest, if any, to the purchase date. Unless otherwise provided in a Representation Letter, such demand for purchase shall be made as follows: (i) delivery to the Remarketing Agent at its principal office in New York, New York, no later than 10:00 A.M. (New York time), and to the Paying Agent at the Office of the Paying Agent, of a Tender Notice, and (ii) delivery of such Bond duly endorsed in blank for transfer at the Office of the Paying Agent at or prior to 11:45 A.M. (New York time) on such date. "Tender Notice" means a written notice or telephonic notice, immediately confirmed in writing, (i) that states the Bond number, the principal amount of such Bond and the principal amount of such Bond to be purchased, (ii) that states the date on which such Bond is to be purchased, and (iii) that irrevocably demands such purchase. Any Tender Notice by any Owner shall be irrevocable. If such Owner is required to but fails to deliver the Bond referred to in such notice to the Paying Agent, such Bond shall nonetheless be deemed to have been tendered and, upon provision for payment of the purchase price therefor, no interest shall accrue on such Bond for the benefit of such Owner from and after the purchase date and such Owner shall have no rights under the Indenture as the Owner of such Bond except the right to receive the purchase price of such Bond. Notwithstanding the foregoing, the Owners shall have no right to demand purchase of Bonds from the third Business Day prior to any Mandatory Purchase Date until after such Mandatory Purchase Date.

Any 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 Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form acceptable to the Paying Agent. Whenever any Bond or Bonds shall be surrendered for transfer, the City shall execute and the Paying Agent shall authenticate and shall deliver a new Bond or Bonds for a like aggregate principal amount, in any Authorized Denomination. The Paying Agent shall require the Bond Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer.

The Bonds may be exchanged at the Office of the Paying Agent for a like aggregate principal amount of Bonds of the same maturity of other Authorized Denominations. The Paying Agent shall require the payment by the Bond Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange.

The Paying Agent shall not be obligated to make any transfer or exchange of Bonds during the 15 day period preceding the selection of Bonds for redemption, or with respect to any Bonds selected for redemption.

The Indenture and the rights and obligations of the City and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or the amount of principal thereof without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) permit the creation of any lien on the Assessments and other assets pledged under the Indenture, or deprive the Bonds Owners of the lien created under the Indenture on the Assessments and such other assets, without the consent of the Owners of all outstanding Bonds.

The Bonds are Limited Obligation Bonds because, under the Indenture, the City is not obligated to advance funds from the City treasury to cure any deficiency which may occur in the redemption fund for the Bonds; provided, however, the City is not prevented, in its sole discretion, from so advancing funds.

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

IN WITNESS WHEREOF, said City has caused the Bond to be signed in its name and on its behalf by the manual signatures of its Treasurer and City Clerk, and has caused its corporate seal to be affixed manually hereon all as of the Dated Date identified above.

CITY OF IRVINE

By: _____
Treasurer

(S E A L)

Attest:

By: _____
City Clerk

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture and registered on the Registration Books.

Date:

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

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto whose address and social security or other tax identifying number is _____, the within-mentioned Bond and hereby irrevocably constitute(s) and appoint(s) _____ attorney, to transfer the same on the registration books of the Paying Agent with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

TABLE OF CONTENTS

	<u>Page</u>
ARTICLE I DEFINITIONS; EQUAL SECURITY	2
Section 1.01 Definitions.....	2
Section 1.02 Equal Security.....	17
ARTICLE II THE BONDS.....	17
Section 2.01 Authorization of Bonds.....	17
Section 2.02 Terms of Series A Bonds.....	17
Section 2.03 Terms of Adjustable Series Bonds Generally.....	18
Section 2.04 Determination of Adjusted Interest Rates and Adjustment Periods for VIP Bonds and Adjustable Series Bonds in the Extended Rate Mode. 20	20
Section 2.05 Determination of Adjusted Interest Rate During Daily, Weekly, Monthly, Semi-Annual or Fixed Rate Mode.	22
Section 2.06 Alternate Rate for Interest Calculation.	22
Section 2.07 Interest on Bank Bonds.....	23
Section 2.08 Changes in Mode.	23
Section 2.09 Change In Mode to a Fixed Rate Mode.....	24
Section 2.10 Transfer and Exchange of Bonds.....	27
Section 2.11 Registration Books.....	27
Section 2.12 Execution of Bonds.....	27
Section 2.13 Authentication of Bonds.	28
Section 2.14 Temporary Bonds.....	28
Section 2.15 Bonds Mutilated, Lost, Destroyed, or Stolen.....	28
Section 2.16 Book-Entry System.	29
Section 2.17 Refunding of Bonds.	31
ARTICLE III ISSUANCE OF SERIES A BONDS; APPLICATION OF PROCEEDS; ADDITIONAL BONDS	32
Section 3.01 Issuance of Series A Bonds.....	32
Section 3.02 Application of Proceeds of the Series A Bonds.....	32
Section 3.03 Costs of Issuance Fund.	32
Section 3.04 Improvement Fund.....	32
Section 3.05 Issuance of Additional Fixed Conversion Series Bonds.....	33
Section 3.06 Proceedings for the Issuance of Additional Fixed Conversion Series Bonds. 34	34
Section 3.07 Issuance of Additional Adjustable Series Bonds.....	35
Section 3.08 Proceedings for the Issuance of Additional Adjustable Series Bonds. 36	36
Section 3.09 Issuance of Additional Fixed Funding Series Bonds.....	37
Section 3.10 Proceedings for the Issuance of Additional Fixed Funding Series Bonds. 38	38
Section 3.11 Limitations on Additional Bonds.....	39

	<u>Page</u>
ARTICLE IV REDEMPTION OF BONDS	39
Section 4.01 Optional Redemption.....	39
Section 4.02 Mandatory Redemption from Assessment Prepayments.....	40
Section 4.03 Mandatory Sinking Fund Redemption.....	42
Section 4.04 Notice of Redemption.....	43
Section 4.05 Selection of Bonds for Redemption.....	43
Section 4.06 Partial Redemption of Bonds.....	43
Section 4.07 Effect of Notice of Redemption.....	44
ARTICLE V PURCHASE OF ADJUSTABLE RATE BONDS	44
Section 5.01 Tender for Purchase Upon Election of Owner.....	44
Section 5.02 Mandatory Purchase on Mandatory Purchase Dates.....	45
Section 5.03 Tender and Purchase of Adjustable Rate Bonds.....	46
Section 5.04 Letter of Credit; Alternate Letter of Credit.....	47
Section 5.05 No Sales After Certain Defaults.....	49
Section 5.06 Purchase Fund.....	49
ARTICLE VI SECURITY FOR BONDS; FLOW OF FUNDS; INVESTMENTS	49
Section 6.01 Pledges.....	49
Section 6.02 Redemption Fund.....	50
Section 6.03 Prepayment Account.....	53
Section 6.04 Letter of Credit Account.....	53
Section 6.05 VIP Interest Disbursement Fund.....	54
Section 6.06 Reserve Fund.....	55
Section 6.07 Continuing Costs Account.....	56
Section 6.08 Rebate Fund.....	56
Section 6.09 Investment of Moneys.....	57
Section 6.10 Certain Payments Made by Trustee.....	59
ARTICLE VII COLLECTION AND APPLICATION OF ASSESSMENTS;	
PARTICULAR COVENANTS	59
Section 7.01 Collection and Application of Assessments.....	59
Section 7.02 Foreclosure.....	62
Section 7.03 No Advances from Available Funds.....	62
Section 7.04 Punctual Payment.....	63
Section 7.05 Extension of Payment of Bonds.....	63
Section 7.06 Against Encumbrances.....	63
Section 7.07 Power to Issue Bonds and Make Pledge.....	63
Section 7.08 Accounting Records and Financial Statements.....	63
Section 7.09 Waiver of Laws.....	64
Section 7.10 Tax Covenants.....	64
Section 7.11 Further Assurances.....	64
ARTICLE VIII EVENTS OF DEFAULT AND REMEDIES OF BOND OWNERS	64
Section 8.01 Events of Default.....	64
Section 8.02 No Acceleration; Foreclosure.....	65

	<u>Page</u>
Section 8.03 Other Remedies.....	66
Section 8.04 Bank’s Right Regarding Remedies.....	66
Section 8.05 Application of Assessments and Other Funds After Default.....	66
Section 8.06 Bond Owners’ Direction of Proceedings.....	67
Section 8.07 Limitation on Bond Owners’ Right to Sue.....	67
Section 8.08 Absolute Obligation of City.....	68
Section 8.09 Termination of Proceedings.....	68
Section 8.10 Remedies Not Exclusive.....	68
Section 8.11 No Waiver of Default.....	68
 ARTICLE IX TRUSTEE; PAYING AGENT; REMARKETING AGENT	 69
Section 9.01 Duties and Liabilities of Trustee.....	69
Section 9.02 Merger or Consolidation.....	71
Section 9.03 Liability of Trustee.....	71
Section 9.04 Right to Rely on Documents.....	73
Section 9.05 Preservation and Inspection of Documents.....	73
Section 9.06 Compensation and Indemnification.....	73
Section 9.07 Appointment of Paying Agent.....	74
Section 9.08 Appointment of Remarketing Agent.....	74
Section 9.09 Successor Remarketing Agent by Merger.....	75
 ARTICLE X MODIFICATION OR AMENDMENT	 75
Section 10.01 Amendments Permitted.....	75
Section 10.02 Effect of Supplemental Indenture.....	77
Section 10.03 Endorsement of Bonds; Preparation of New Bonds.....	78
Section 10.04 Amendment of Particular Bonds.....	78
 ARTICLE XI DEFEASANCE	 78
Section 11.01 Discharge of Indenture.....	78
Section 11.02 Discharge of Liability on Bonds.....	79
Section 11.03 Deposit of Money or Securities with Trustee.....	79
Section 11.04 Payment of Bonds After Discharge of Indenture.....	80
 ARTICLE XII MISCELLANEOUS.....	 80
Section 12.01 Limited Obligation.....	80
Section 12.02 Successor Is Deemed Included in All References to Predecessor.....	81
Section 12.03 Limitation of Rights to Parties and Bond Owners.....	81
Section 12.04 Waiver of Notice; Requirement of Mailed Notice.....	81
Section 12.05 Destruction of Bonds.....	81
Section 12.06 Severability of Invalid Provisions.....	81
Section 12.07 Bank Deemed Owner; References to Bank.....	82
Section 12.08 Notices.....	82
Section 12.09 Additional Notices to Moody’s and Fitch.....	83
Section 12.10 Evidence of Rights of Bond Owners.....	83
Section 12.11 Disqualified Bonds.....	84
Section 12.12 Money Held for Particular Bonds.....	84

	<u>Page</u>
Section 12.13 Funds and Accounts.....	84
Section 12.14 Payment on Non-Business Days.....	84
Section 12.15 Waiver of Personal Liability.....	85
Section 12.16 Interpretation.....	85
Section 12.17 Conflict with Act.....	85
Section 12.18 Conclusive Evidence of Regularity	85
Section 12.19 Execution in Several Counterparts.....	85
Section 12.20 New York Time.	85
Section 12.21 Governing Law.	86

REIMBURSEMENT, CREDIT AND SECURITY AGREEMENT

Dated as of December 1, 2011

Between

CITY OF IRVINE

(City)

and

KBC BANK N.V., NEW YORK BRANCH

(Bank)

City of Irvine
Reassessment District No. 04-20
Limited Obligation Improvement Bonds,
Adjustable Rate Series A

EXHIBIT 2

Table of Contents

	Page
Recitals.....	1
ARTICLE I DEFINITIONS	2
Section 1.01 Definitions.....	2
Section 1.02 Rules of Construction; Time of Day.....	5
ARTICLE II LETTER OF CREDIT AND REIMBURSEMENT.....	5
Section 2.01 Issuance of Letter of Credit.....	5
Section 2.02 Reimbursement and Other Payments.....	6
Section 2.03 Transfer; Reduction; Reinstatement	10
Section 2.04 Obligations Absolute	10
Section 2.05 Indemnification	10
Section 2.06 Liability of Bank.....	11
ARTICLE III SECURITY; BANK BONDS	12
Section 3.01 Security and Subrogation Under Bond Documents	12
Section 3.02 Security	13
Section 3.03 Purchase of Bank Bonds.....	13
Section 3.04 Remarketing of Bank Bonds.....	13
Section 3.05 Interest Accrual on Bank Bonds	13
Section 3.06 Term Repayment of Bank Bonds.....	14
Section 3.07 Bank Bond Payments.....	14
Section 3.08 Bank Bond CUSIP and Rating.....	14
ARTICLE IV CONDITIONS PRECEDENT.....	14
Section 4.01 Documentation.....	14
Section 4.02 Other Conditions.....	16
ARTICLE V REPRESENTATIONS AND WARRANTIES.....	16
Section 5.01 Existence.....	16
Section 5.02 Power and Authorization	16
Section 5.03 No Legal Bar.....	17
Section 5.04 Consents.....	17
Section 5.05 Litigation.....	17
Section 5.06 Enforceability.....	17
Section 5.07 Changes in Law.....	17
Section 5.08 Disclosure of Information.....	17
Section 5.09 Reassessment District, Pledge and Liens.....	18
Section 5.10 Representations in Other Documents.....	18
ARTICLE VI GENERAL COVENANTS.....	18
Section 6.01 Maintenance of Existence.....	19
Section 6.02 Compliance with this Agreement and Bond Documents.....	19
Section 6.03 Laws, Permits and Obligations	19

Section 6.04	Use of Proceeds.....	19
Section 6.05	Accounting Records and Financial Statements.....	19
Section 6.06	Visitation and Examination.....	19
Section 6.07	Maintenance of Tax-Exempt Status of Bonds	19
Section 6.08	Enforcement of TIC Agreements.....	20
Section 6.09	Agreement to Market Fixed Rate Bonds	20
Section 6.10	Collection and Payment of Assessments and Additional Assessments	20
Section 6.11	Punctual Payment.....	20
Section 6.12	No Other Encumbrances.....	20
Section 6.13	Consents Under Bond Documents	20
Section 6.14	No Change in Bond Documents	21
Section 6.15	Limitation on Optional Calls	21
Section 6.16	Conversions; Limitation.....	21
Section 6.17	Application of Letter of Credit Proceeds	21
Section 6.18	Further Assurances.....	22
Section 6.19	Notice of Event of Default, Litigation or Adverse Change	22
ARTICLE VII DEFAULTS AND REMEDIES		22
Section 7.01	Defaults	22
Section 7.02	Remedies.....	23
Section 7.03	Waivers; Consents	24
Section 7.04	No Waiver; Remedies Cumulative	24
Section 7.05	Waiver of Laws.....	24
Section 7.06	Absolute Obligation of City.....	24
ARTICLE VIII MISCELLANEOUS		25
Section 8.01	Notices	25
Section 8.02	Successors and Assigns.....	26
Section 8.03	Survival of Representations, Warranties and Covenants.....	26
Section 8.04	Counterparts.....	26
Section 8.05	Costs, Expenses and Taxes	27
Section 8.06	Amendments	27
Section 8.07	Severability; Interest Limitation	27
Section 8.08	Complete Agreement	27
Section 8.09	Conflicts.....	28
Section 8.10	Waiver of Jury Trial and Certain Damages	28
Section 8.11	Governing Law	28
Section 8.12	Table of Contents and Headings.....	28
Section 8.13	Participations.....	28
Section 8.14	Limited Obligation; No Personal Liability	29
EXECUTION.....		30
EXHIBIT A - Form of Letter of Credit		A-1

REIMBURSEMENT, CREDIT AND SECURITY AGREEMENT

THIS REIMBURSEMENT, CREDIT AND SECURITY AGREEMENT dated as of December 1, 2011 (this "Agreement") between CITY OF IRVINE, a California charter city and municipal corporation (the "City"), and KBC BANK N.V., a Belgian banking corporation acting by and through its New York Branch (the "Bank").

A. The City has heretofore issued (i) \$55,000,000 original aggregate principal amount of its City of Irvine Assessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A (the "2004 Series A Bonds") and (ii) \$60,000,000 original aggregate principal amount of its City of Irvine Assessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series B (the "2004 Series B Bonds" and together with the 2004 Series A Bonds, the "Prior Bonds"). The proceeds from the Prior Bonds were used (i) to fund a portion of the costs of certain public improvements and acquisitions to facilitate development of and to serve the property within Assessment District No. 04-20 formed by the City (the "Prior District"), including streets, traffic signals, drainage/water facilities, a fire station and utility improvements and bike, equestrian and pedestrian trails, and (ii) to pay capitalized interest, administration and remarketing costs and costs of issuance of the Prior Bonds.

B. The City is issuing \$[78,605,000] aggregate principal amount of its City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A (the "Bonds") pursuant to an Indenture dated as of December 1, 2011 (as may be supplemented or amended from time to time, the "Indenture") between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The proceeds of the Bonds will be used to finance (i) the current refunding of the outstanding Prior Bonds and (ii) the costs of issuance of the Bonds. As used herein, "Adjustable Rate Bonds" means the Bonds other than any Bonds that have been converted to bear interest at a Fixed Interest Rate (as defined in the Indenture). The Adjustable Rate Bonds will be secured by unpaid assessments on all Adjustable Rate Parcels (hereinafter defined) within Reassessment District No. 04-20 formed by the City (the "Reassessment District").

C. The Reassessment District is within the boundaries of the City, is comprised of property within the Portola Springs development area, and consists of approximately 323 net developable acres of land. The Irvine Company LLC, a Delaware limited liability company ("TIC"), and affiliates of TIC are currently the only owners of assessable parcels of land within the Reassessment District on which the unpaid assessments will secure the Bonds.

D. In order to secure the payment of the Adjustable Rate Bonds and to facilitate the issuance, sale and remarketing of the Adjustable Rate Bonds and thereby achieve interest cost savings, the City has requested the Bank to issue its Irrevocable Letter of Credit No. XXXXX (including any amendments thereto and any substitute letter of credit therefor issued pursuant to the terms hereof, the "Letter of Credit") to the Trustee for the account of the City authorizing the Trustee to make one or more draws on the Bank up to an aggregate of \$[79,948,822.47] (as reduced and reinstated from time to time, the "Letter of Credit Amount"), of which \$[78,605,000.00] is in respect of principal of the Adjustable Rate Bonds and \$[1,343,822.47] is in respect of interest on the Adjustable Rate Bonds.

E. The purpose of the Letter of Credit is to provide for payment of the principal of and interest on the Adjustable Rate Bonds and for the payment of the purchase price of Adjustable Rate Bonds which have been tendered for purchase pursuant to the terms of the Indenture to the extent remarketing proceeds are not available therefor in accordance with the provisions of the Indenture.

F. The Bank is willing to issue the Letter of Credit upon the terms and conditions hereinafter provided.

NOW, THEREFORE, in consideration of the foregoing and the undertakings herein set forth and intending to be legally bound, the City and the Bank hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.01 Definitions. In this Agreement (unless the context otherwise requires) the following terms have the meanings specified in the foregoing recitals:

Adjustable Rate Bonds	Letter of Credit Amount
Agreement	Prior Bonds
Bank	Prior District
Bonds	Reassessment District
City	TIC
Indenture	Trustee
Letter of Credit	

In addition, the following terms shall have the meanings specified in this Article, unless the context otherwise requires:

“Act” means, collectively, the Municipal Bond Improvement Act of 1913 (Division 12 of the California Streets and Highways Code), as amended; the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code), as amended; Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code and the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code), as amended.

“Additional Assessments” shall have the meaning ascribed to such term in Section 5.09.

“Adjustable Rate Bond Assessments” means the Assessments upon the Adjustable Rate Parcels.

“Adjustable Rate Parcels” means the parcels of land within the Reassessment District other than any such parcels which, from time to time, are designated by the City pursuant to the Indenture as parcels upon which the Assessments shall secure Fixed Rate Bonds.

“Alternate Letter of Credit” means an Alternate Letter of Credit, as defined in the Indenture, delivered to the Trustee in substitution for the Letter of Credit as security for the payment of the principal of and interest on the Adjustable Rate Bonds.

“Assessments” shall have the meaning ascribed to such term in the Indenture.

“Authorized Representative” means the City Manager or the Treasurer of the City or any other Person designated as an Authorized Representative of the City, in a written certificate of an Authorized Representative of the City filed with the Trustee, to make the certifications or take the other actions indicated by the context.

“Bank Bonds” shall have the meaning ascribed to such term in Section 3.03.

“Base Rate” means for any day the greater of:

(a) the sum of (i) the rate of interest announced by the Bank from time to time as its prime commercial rate, or equivalent, as in effect on such day for U.S. dollar loans to borrowers located in the United States, with any change in the Base Rate resulting from a change in said prime commercial rate to be effective as of the date of the relevant change in such prime commercial rate and (i) 100 basis points (1.00%);

(b) the sum of (i) the rate determined by the Bank to be the prevailing rate per annum (rounded upward, if necessary, to the next higher 1/100 of 1%) at approximately 10:00 a.m. (or as soon thereafter as is practicable) on such day (or, if such day is not a Business Day, on the immediately preceding Business Day) for the purchase at face value of overnight federal funds in the secondary market in an amount comparable to the principal amount owed to the Bank for which such rate is being determined, plus (ii) 200 basis points (2.00%); and

(c) 7.00% per annum.

“Bond Documents” means the Bonds, the Indenture, the Bond Purchase Agreement, the Remarketing Agreement and the Protocol Agreement.

“Bond Purchase Agreement” means the Bond Purchase Agreement dated November __, 2011 between Merrill Lynch, Pierce, Fenner & Smith Incorporated and the City relating to the original issuance and sale of the Bonds.

“Business Day” means any day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which banking institutions in Los Angeles, California or New York, New York or in any other city where either the principal corporate trust office of the Trustee, the corporate trust office of the Paying Agent designated for payment and tender of Adjustable Rate Bonds or the office of the Bank at which drafts are required to be presented under the Letter of Credit, is located are required or authorized by law (including executive order) to close, or (iii) a day on which the New York Stock Exchange, Inc. is closed.

“Closing Date” means December __, 2011, the date of execution and delivery of this Agreement.

“Code” means the Internal Revenue Code of 1986, as amended, and the rules and regulations thereunder.

“Continuing Costs of the Adjustable Rate Bonds” shall have the meaning ascribed to such term in the Indenture.

“Default” means an event which with the passage of time or giving of notice or both would become an Event of Default.

“Default Rate” means the fluctuating per annum rate of interest equal to the Base Rate plus two percent (2%) per annum.

“Event of Default” shall have the meaning ascribed to such term in Section 7.01.

“Fixed Rate Bonds” means Bonds that bear interest at a Fixed Interest Rate (as defined in the Indenture).

“Interest Component” shall have the meaning ascribed to such term in the Letter of Credit.

“Interest Draw Certificate” shall have the meaning ascribed to such term in the Letter of Credit.

“[Limited Offering Memorandum]” means the City’s [Limited Offering Memorandum] dated November __, 2011 relating to the offering for sale of the Bonds.

“Material Adverse Effect” means any material adverse effect on the ability of the City to bill and collect Adjustable Rate Bond Assessments and Additional Assessments and remit payments to the Trustee and the Bank as contemplated by this Agreement and the Indenture or to meet or perform its obligations under this Agreement or the Indenture on a timely basis.

“Offering Document” means the [Limited Offering Memorandum] and any other official statement, offering memorandum, placement memorandum or similar document relating to any remarketing of the Bonds.

“Outstanding” when applied to the Bonds shall have the meaning ascribed to such term in the Indenture.

“Participating Banks” shall have the meaning ascribed to such term in Section 8.13.

“Participation Agreements” shall have the meaning ascribed to such term in Section 8.13.

“Paying Agent” shall have the meaning ascribed to such term in the Indenture.

“Person” means any individual, for-profit or non-profit corporation, partnership, joint venture, association, joint-stock company, estate, trust, unincorporated organization, governmental body or any agency or political subdivision thereof, or other legal entity.

“Principal Component” shall have the meaning ascribed to such term in the Letter of Credit.

“Protocol Agreement” means the Protocol Agreement dated as of December 1, 2011 between the City and TIC with respect to the Reassessment District, as the same may be amended or supplemented from time to time.

“Redemption Draw Certificate” shall have the meaning ascribed to such term in the Letter of Credit.

“Remarketing Agent” means Merrill Lynch, Pierce, Fenner & Smith Incorporated in its capacity as Remarketing Agent, as defined in the Indenture, for the Bonds, and any successor Remarketing Agent for the Bonds.

“Remarketing Agreement” means the Remarketing Agreement dated as of December 1, 2011 between the City and the Remarketing Agent relating to the Bonds, and any replacement remarketing agreement with the original or any successor Remarketing Agent.

“State” means the State of California.

“Tender Draw Certificate” shall have the meaning ascribed to such term in the Letter of Credit.

“Unremarketed Tendered Bonds” means Adjustable Rate Bonds which (a) have been delivered for purchase pursuant to the provisions of such Bonds and the Indenture and (b) have not been successfully remarketed by the Remarketing Agent.

Section 1.02 Rules of Construction; Time of Day. In this Agreement, unless otherwise indicated, (i) defined terms may be used in the singular or the plural and the use of any gender includes all genders, (ii) the words “hereof”, “herein”, “hereto”, “hereby” and “hereunder” refer to this entire Agreement, and (iii) all references to particular Articles or Sections are references to the Articles or Sections of this Agreement. References to any time of the day in this Agreement shall refer to eastern standard time or eastern daylight saving time, as in effect in New York, New York on such day.

ARTICLE II LETTER OF CREDIT AND REIMBURSEMENT

Section 2.01 Issuance of Letter of Credit. The City hereby requests the Bank to issue the Letter of Credit to the Trustee for the City’s account. Subject to the conditions precedent hereinafter set forth, the Bank will issue to the Trustee pursuant to the foregoing request of the City, on the Closing Date, the Letter of Credit substantially in the form attached hereto as Exhibit A, appropriately completed. The initial Letter of Credit Amount shall be \$[79,948,822.47] (with a Principal Component of \$[78,605,000.00] and an Interest Component of \$[1,343,822.47]). The Interest Component of the Letter of Credit Amount has been established on the basis of [52] days interest on the Adjustable Rate Bonds and a 365-day year, at an assumed maximum interest rate of [12]% per annum. The Letter of Credit shall expire at 5:00 p.m. on December 31, 2014 or, if

such day is not a Business Day, on the next succeeding Business Day, unless the Bank, at its option, upon written request of the City, by one or more amendments delivered to the Trustee, extends the Letter of Credit as provided in the first paragraph thereof, in which case the Letter of Credit shall expire as set forth in such amendments, it being understood that the Bank shall have no obligation to grant any such extensions. The Letter of Credit is subject to prior automatic termination as provided in paragraph 8 thereof.

Section 2.02 Reimbursement and Other Payments.

(a) Reimbursement Payments. The City shall pay or cause to be paid to the Bank, with interest as provided in Section 2.02(b), the following:

(1) a sum equal to each amount drawn under the Letter of Credit by an Interest Draw Certificate, on the same Business Day that such draw is honored;

(2) a sum equal to each amount drawn against the Interest Component of the Letter of Credit Amount by a Tender Draw Certificate, on or before the first to occur of (i) the fifth Business Day of the first calendar month following the calendar month in which such draw is honored, (ii) the date on which the Adjustable Rate Bonds purchased with the proceeds of such Tender Draw Certificate are remarketed by the Remarketing Agent, or (iii) the date on which the Adjustable Rate Bonds purchased with the proceeds of such Tender Draw Certificate are redeemed or otherwise paid in full;

(3) a sum equal to each amount drawn against the Principal Component of the Letter of Credit Amount by a Tender Draw Certificate, on or before the first to occur of (i) the date on which the Adjustable Rate Bonds purchased with the proceeds of such Tender Draw Certificate are remarketed by the Remarketing Agent or (ii) the date on which the Adjustable Rate Bonds purchased with the proceeds of such Tender Draw Certificate are redeemed or otherwise paid in full; provided that, if such sum has not become due and payable as aforesaid, or has not otherwise been paid in full, on or before the 60th day following the Business Day on which such draw is honored, then the outstanding balance of such sum shall be payable in 58 approximately equal consecutive monthly installments (as stipulated by the Bank) commencing on the first Business Day of the third calendar month following the calendar month in which such draw is honored and on the first Business Day of each calendar month thereafter, and, on the first Business Day of the 60th calendar month following the calendar month in which such draw is honored, the entire unpaid balance of such sum and all unpaid accrued interest thereon shall be due and payable in full; and

(4) a sum equal to each amount drawn under the Letter of Credit by a Redemption Draw Certificate, on the same Business Day that such draw is honored.

(b) Interest on Draws. All sums payable to the Bank under Section 2.02(a) shall bear interest, from the date the corresponding draw is honored under the Letter of Credit until such sums are paid in full (it being understood and agreed that any such sum received by the Bank after 3:00 p.m. New York time on a Business Day shall bear interest as if it was paid at 9:00 a.m. New York time on the next following Business Day), at a fluctuating rate per annum

(computed for the actual number of days elapsed, based on a 360-day year) equal to the Default Rate for any sum payable under (1)Section 2.02(a)(1) or (4) and equal to the Base Rate for any sum payable under Section 2.02(a)(2) or (3) provided that (i) any sum payable to the Bank under Section 2.02(a)(3) which is outstanding in excess of 90 days shall thereafter bear interest at a fluctuating rate per annum (computed for the actual number of days elapsed, based on a 360-day year) equal to the Base Rate plus 1%, and (ii) if any sum payable to the Bank under Section 2.02(a) or interest thereon is not paid on or before the date the same is due, or if any Event of Default has occurred and is continuing, then all such sums shall bear interest at a fluctuating rate per annum (computed for the actual number of days elapsed, based on a 360-day year) equal to the Default Rate (both before and after judgment). Interest accruing pursuant to this Section 2.02(b) during each calendar month shall be due and payable on the fifth Business Day of the next calendar month and on the date the respective sum is paid. Except as the Bank may otherwise elect, all payments by or on behalf of the City under Section 2.02(a), including all amounts credited to such payments pursuant to Section 2.02(c), shall be applied first to the payment of interest due and payable by the City under this Section 2.02(b) and then to the reduction of the principal balance of sums due and payable by the City under Section 2.02(a).

(c) Credits for payments on Bank Bonds. Amounts received by the Bank as payment of principal of and/or interest on Bank Bonds purchased pursuant to Section 3.03 shall be credited against the payments due under Sections 2.02(a)(2), 2.02(a)(3) and 2.02(b) with respect to the Tender Draw Certificates honored by the Bank to purchase such Bank Bonds.

(d) Commitment Fees. On February 15, 2012 and quarterly on each February 15, May 15, August 15 and November 15 thereafter so long as any credit remains available to the Trustee under the Letter of Credit and on the date of termination of the Letter of Credit, the City shall pay to the Bank a Letter of Credit commitment fee computed at the rate of one hundred twenty-five basis points (1.25%) per annum on the average daily Letter of Credit Amount during the preceding quarterly period ending on such date (or portion thereof in the case of the first such payment and in the case of a termination of the Letter of Credit on a day other than a February 15, May 15, August 15 or November 15); provided that, for purposes of computing such average daily Letter of Credit Amount, there shall be added to the Letter of Credit Amount for each day the aggregate amount of any Interest Draw Certificates theretofore honored by the Bank in respect of which the Bank may thereafter be required to reinstate the Letter of Credit pursuant to the terms thereof. Computations of Letter of Credit commitment fees under this Section shall be for the actual number of days in the applicable period, based on a 360-day year.

(e) Transaction and Transfer Charges. The City shall pay to the Bank, all reasonable transaction charges that the Bank may make for draws under the Letter of Credit (as of the date hereof, the transaction charge for each such draw shall be \$200). Such transaction charges shall be payable upon submission to the City by the Bank of the Bank's bill therefor. In addition, the City shall pay to the Bank on demand any and all reasonable out-of-pocket charges and expenses which the Bank may pay or incur relative to the Letter of Credit. The City shall pay to the Bank upon each transfer of the Letter of Credit in accordance with its terms to a successor Trustee a transfer fee equal to \$1,000, together with any and all reasonable out-of-pocket costs and expenses of the Bank incurred in connection with such transfer.

(f) Increased Costs. If after the date of this Agreement any enactment, promulgation or adoption of or change in any applicable foreign or domestic law, regulation or rule or in the interpretation or administration thereof by any court, administrative or governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank or any Participating Bank (or any controlling affiliate) with any guideline, request or directive issued after the date hereof (whether or not having the force of law) of any such authority, central bank or comparable agency, shall either (i) impose, modify or deem applicable any reserve, special deposit, insurance assessment or similar requirement (including without limitation a guideline, request or directive which affects the manner in which the Bank or any Participating Bank allocates capital resources to its commitments and/or risks, including its obligations and/or risks under this Agreement, the Letter of Credit, any Bank Bonds or any Participation Agreement), (ii) affect the amount of capital required or expected to be maintained by the Bank or any Participating Bank (or any controlling affiliate), (iii) subject the Bank or any Participating Bank (or any controlling affiliate) to any tax, levy, impost, duty, deduction, withholding or other charge or change the basis of taxation of the Bank or any Participating Bank (other than a change in a rate of tax based on overall net income of the Bank or such Participating Bank), or (iv) impose on the Bank or any Participating Bank any other condition regarding this Agreement, the Letter of Credit, any Bank Bonds or any Participation Agreement, and the result of any event referred to in clause (i), (ii), (iii) or (iv) of this sentence shall be to increase the direct or indirect cost to the Bank or any Participating Bank of issuing, funding or maintaining the Letter of Credit or the obligations, extensions of credit and/or risks of the Bank or any Participating Bank under this Agreement, any Bank Bonds or any Participation Agreement or to reduce the amounts receivable by the Bank or any Participating Bank hereunder, under any Bank Bonds or under any Participation Agreement or to reduce the rate of return to or on the capital of the Bank or any Participating Bank or any controlling affiliate (taking into account the policies of the Bank, any Participating Bank or any controlling affiliate with respect to capital adequacy) in connection with this Agreement, any Bank Bonds or any Participation Agreement (which increase in cost, reduction in amounts receivable or reduction in rate of return shall be determined by the Bank's or the Participating Bank's reasonable allocation of such cost increase, reduction in amounts receivable or reduction in rate of return resulting from such event), then within 30 days after demand by the Bank (on behalf of itself or any Participating Bank), the City shall pay to the Bank or the applicable Participating Bank, from time to time as specified by the Bank or the applicable Participating Bank, additional amounts that in the aggregate shall be sufficient to compensate the Bank or such Participating Bank for such increased cost, reduction in amounts receivable or reduction in rate of return. A certificate as to such increased cost, reduction in amounts receivable by the Bank or any Participating Bank or reduction in rate of return submitted by the Bank or the applicable Participating Bank to the City containing an explanation of such increased cost, reduction in amounts receivable or reduction in rate of return and the manner of calculation thereof shall, in absence of manifest error, be conclusive and binding for all purposes. Any amounts paid by the City to the Bank pursuant to this Section 2.02(f) or Section 2.02(g) which are subsequently recovered by the Bank, or with respect to which the Bank is reimbursed, from any taxing or other governmental agency shall be repaid to the City by the Bank within 30 days after the officers of the Bank responsible for administering this Agreement acquire actual knowledge of such recovery or reimbursement.

(g) No Deductions. The City shall not deduct or withhold Taxes (as defined below) from payments required to be made under this Agreement or any Bank Bonds if and to the extent that, pursuant to applicable provisions of an income tax treaty between the United States and the country under the laws of which the Bank is organized, the Code or any other applicable law, the City is permitted to make such payments free of any such deduction or withholding. Upon written request of the City, the Bank shall provide the City with the form prescribed by the Internal Revenue Service certifying the exemption of the Bank under current law from United States withholding taxes with respect to all payments made by the City under this Agreement. Except as otherwise permitted above in this Section 2.02(g), all payments by the City to the Bank under this Agreement or any Bank Bonds shall be made free and clear of and without deduction for any present or future taxes or other amounts for or on account of levies, imposts, duties, deductions, withholdings or other charges of whatsoever nature (including, without limitation, interest, additions to tax and penalties thereon), imposed, levied, collected, withheld or assessed by any governmental authority (collectively, "Taxes"). If the City shall be required to withhold or deduct Taxes (excluding any taxes based on income of the Bank and franchise and similar taxes imposed by the jurisdiction under which it is organized or in which the Bank's office at the address set forth in Section 8.01 is located or any political subdivision thereof) from any sum payable to the Bank hereunder or under any Bank Bonds, (i) the sum payable to the Bank shall be increased as may be necessary so that the Bank receives an amount equal to the sum it would have received had no such withholdings or deductions been made, (ii) the City shall make such necessary withholdings and deductions, and (iii) the City shall pay the full amount withheld or deducted to the relevant authority according to applicable law so that the Bank shall not be required to make any deduction or payment of such Taxes.

(h) General Interest Accrual. Except as otherwise provided in Section 2.02(b), all payments to the Bank under this Agreement (including without limitation all payments becoming due under Sections 2.02(d), (e), (f) and (g)) shall be accompanied by interest thereon, from the date such payments become due until they are paid in full, at a fluctuating rate per annum (computed for the actual number of days elapsed, based on a 360-day year) equal to the Base Rate; provided that if and so long as any Event of Default has occurred and is continuing, all amounts payable pursuant to this Agreement shall bear interest at a fluctuating rate per annum (computed for the actual number of days elapsed, based on a 360-day year) equal to the Default Rate (both before and after judgment).

(i) Place and Manner of Payment. All payments by the City to the Bank under this Agreement shall be made in lawful currency of the United States by wire transfer to KBC Bank N.V., New York Branch, 1177 Avenue of the Americas, New York, New York 10036, ABA No. [026008248], Reference: City of Irvine Reassessment District No. 04-20. All payments under Sections 2.02(a), (b), (c), (d), (e), (f), (g) and (h) shall be made in immediately available funds as aforesaid or as the Bank may otherwise stipulate by written notice to the City.

(j) Evidence of Debt. The Bank shall maintain in accordance with its usual practice a record or records evidencing the reimbursement obligations of the City resulting from each draw under the Letter of Credit and the amounts of principal, interest and fees payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such record or records shall be conclusive evidence of the existence and amounts of the obligations of the City therein recorded absent manifest error.

Section 2.03 Transfer; Reduction; Reinstatement.

(a) Transfer. The Letter of Credit may be transferred to a successor Trustee in accordance with the provisions set forth in paragraph 9 of the Letter of Credit.

(b) Reduction. The Letter of Credit Amount and the Principal Component and Interest Component thereof shall be automatically reduced as specified in paragraph 5 of the Letter of Credit. With respect to any reduction of the Letter of Credit Amount pursuant to the terms of the Letter of Credit as a result of Adjustable Rate Bonds being converted to Fixed Rate Bonds or ceasing to be Outstanding, the Bank shall have the right, at its option, to require the Trustee to promptly surrender the outstanding Letter of Credit to the Bank and to accept in substitution therefor a substitute letter of credit in the form of Exhibit A attached hereto, appropriately completed and dated the date of such substitution, for an amount equal to the Letter of Credit Amount as so reduced, but otherwise having terms identical to the outstanding Letter of Credit.

(c) Reinstatement. In the event of a draw under the Letter of Credit with an Interest Draw Certificate, the Interest Component of the Letter of Credit Amount shall, as provided in paragraph 6 of the Letter of Credit and subject to the conditions therein set forth, be automatically reinstated by an amount equal to the amount of such draw. In the event of a draw under the Letter of Credit with a Tender Draw Certificate, the Principal Component and the Interest Component of the Letter of Credit Amount shall be reinstated with respect to such draw if, as and to the extent that paragraph 7 of the Letter of Credit provides for such reinstatement and subject to any conditions and limitations to such reinstatement set forth in paragraph 7 of the Letter of Credit.

Section 2.04 Obligations Absolute. The obligations of the City under this Article shall be absolute, unconditional and irrevocable, shall be performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including without limitation the following circumstances: (i) any lack of validity or enforceability of the Letter of Credit, the Bond Documents or any other agreement or document relating thereto; (ii) any amendment or waiver of or any consent to or departure from the Letter of Credit, the Bond Documents or any document relating thereto; (iii) the existence of any claim, set-off, defense or other right which the City may have at any time against the Trustee (or any Person for whom the Trustee may be acting), the Paying Agent (or any Person for whom the Paying Agent may be acting), the Remarketing Agent, the Bank, any Participating Bank or any other Person, whether in connection with this Agreement, the transactions described herein or any unrelated transaction; or (iv) any of the circumstances contemplated in clauses (1) through (7), inclusive, of Section 2.06(a).

Section 2.05 Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, to the fullest extent permitted by applicable law, but subject to the limitations set forth in Section 8.14, the City hereby indemnifies and holds harmless the Bank and the Participating Banks (and their directors, officers, employees and agents) from and against any and all claims, damages, losses, liabilities, costs or expenses (including reasonable attorneys' fees for counsel of the Bank's or the applicable Participating Bank's choice) whatsoever which the Bank or any Participating

Bank may incur (or which may be claimed against the Bank or any Participating Bank by any Person whatsoever) by reason of or in connection with (a) the issuance or a transfer of, or payment or failure to pay under, the Letter of Credit, (b) any inaccuracy or breach by the City of any representation, warranty, covenant, term or condition in, or the occurrence of any default by the City under this Agreement or the Bond Documents, including all reasonable fees or expenses resulting from the settlement or defense of any claims or liabilities arising as a result of any such breach or default, (c) any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in any Offering Document or the omission or alleged omission to state in any Offering Document a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading, (d) the issuance, sale or remarketing of the Bonds, (e) the use of the proceeds of the Bonds, (f) any failure of the City to pay, perform or comply with any of the provisions of this Agreement or any Bond Document, (g) any Event of Default or (h) involvement of the Bank or any Participating Bank in any legal suit, investigation, proceeding, inquiry or action as a consequence, direct or indirect, of the Bank's issuance of the Letter of Credit, its entering into this Agreement or action taken thereunder, hereunder or under any of the Bond Documents, or any other event or transaction contemplated by any of the foregoing; provided the City shall not be required to indemnify the Bank or any Participating Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of the Bank in determining whether documents presented under the Letter of Credit complied with the terms of the Letter of Credit or (ii) the Bank's willful failure to pay under the Letter of Credit after the presentation to it by the Trustee of drawing documents strictly complying with the terms and conditions of the Letter of Credit, unless the Bank in good faith believes that it is prohibited by law or other legal authority from making such payment, or (iii) any untrue statement of a material fact contained in or incorporated by reference in any description of the Bank furnished by the Bank for inclusion in an Offering Document or any omission to state in any such description of the Bank a material fact necessary to make such statements, in light of the circumstances under which they were made, not misleading. Nothing in this Section is intended to limit the City's reimbursement and interest payment obligations contained in Sections 2.02(a) and 2.02(b). The obligations of the City under this Section shall survive the termination of this Agreement.

Section 2.06 Liability of Bank.

(a) As between the City and the Bank, the City assumes all risks of the acts or omissions of the Trustee with respect to the Trustee's use of the Letter of Credit. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (1) the use which may be made by the Trustee of the Letter of Credit or for any acts or omissions of the Trustee or the Paying Agent in connection therewith; (2) the form, validity, sufficiency, accuracy or genuineness of any documents (including without limitation any documents presented under the Letter of Credit), or of any statement therein or endorsement thereon, even if any such documents, statements or endorsements should in fact prove to be in any or all respects invalid, insufficient, fraudulent, forged, inaccurate or untrue; (3) the payment by the Bank against presentation of documents which do not comply with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to the Letter of Credit; or any other failure by the Trustee to comply fully with conditions required in order to effect a draw under the Letter of Credit; (4) the validity or sufficiency of any instrument transferring or

assigning or purporting to transfer or assign the Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason; (5) errors, omissions, interruptions, losses or delays in transmission or delivery of any messages by mail, telex, telecopier, private delivery service, telephone or otherwise; (6) any loss or delay in the transmission or otherwise of any document required in order to make a draw under the Letter of Credit; (7) any failure by the Trustee to submit manually executed drawing documents or other documents under the Letter of Credit following the submission of such documents by telecopier; or (8) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit; except only that the City shall have a claim against the Bank, and the Bank shall be liable to the City, to the extent, but only to the extent, of any direct, as opposed to special, exemplary, consequential or punitive, damages suffered by the City which the City proves were caused by (i) the willful misconduct or gross negligence of the Bank in determining whether documents presented under the Letter of Credit complied with the terms of the Letter of Credit or (ii) the Bank's willful failure to pay under the Letter of Credit after the presentation to it by the Trustee of drawing documents strictly complying with the terms and conditions of the Letter of Credit, unless the Bank in good faith believes that it is prohibited by law or other legal authority from making such payment. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary; provided that if the Bank shall receive timely written notification from the Trustee that documents conforming to the terms of the Letter of Credit presented to the Bank are not to be honored, the Bank agrees that it will not honor such documents.

(b) Except for the Bank's obligations under the Letter of Credit, the Bank shall have no liability to the City or any other Person as a result of any reduction of the credit rating of the Bank or any deterioration in the Bank's financial condition. No reduction of the Bank's credit rating or deterioration in the Bank's financial condition shall reduce or in any way diminish the obligations of the City to the Bank under this Agreement, including without limitation the City's obligations to pay Letter of Credit commitment fees to the Bank and to reimburse the Bank, with interest, for draws under the Letter of Credit.

ARTICLE III SECURITY; BANK BONDS

Section 3.01 Security and Subrogation Under Bond Documents. The City and the Bank intend that (i) the obligations of the City under this Agreement shall have the benefit and security of the Indenture, as provided in the Indenture, and (ii) in the event of one or more draws under the Letter of Credit and the application of the proceeds thereof to the payment of principal of and/or interest on Adjustable Rate Bonds, the Bank will be subrogated pro tanto to the rights of the Trustee and the holders of the Adjustable Rate Bonds in and to all funds and security held by the Trustee under the Indenture for the payment of the principal of and interest on the Adjustable Rate Bonds, including without limitation all Adjustable Rate Bond Assessments and any and all bond proceeds funds, escrow funds, revenue funds, debt service funds and redemption funds and securities and other instruments comprising investments thereof pledged or held as security for the payment of Adjustable Rate Bonds. In addition, the Bank shall have any and all other subrogation rights available to the Bank at law or in equity.

Section 3.02 Security. The pledge and security interest granted for the benefit of the Bank pursuant to the Indenture is hereby incorporated herein by this reference, and shall extend to and secure all obligations of the City to the Bank hereunder, notwithstanding any termination or discharge of the Indenture and shall survive until all sums owing hereunder are paid in full.

Section 3.03 Purchase of Bank Bonds. Upon the funding of each Tender Draw Certificate presented under the Letter of Credit, the Bank shall be deemed to have purchased the Unremarketed Tendered Bonds purchased with the proceeds of such Tender Draw Certificate, and such Bonds shall thereupon be “Bank Bonds” owned by the Bank evidencing and securing the obligations of the City under Section 2.02(a)(2) and (3) and Section 2.02(b) to reimburse the Bank, with interest, for the amount drawn under the Letter of Credit by such Tender Draw Certificate. All Bank Bonds shall be registered in the name of the Bank and shall be held in trust by the Paying Agent for the benefit of the Bank (or, if such Bonds are registered to The Depository Trust Company or its successor as security depository for such Bonds, registered to the beneficial ownership of the Bank on the internal records of the Remarketing Agent, the Paying Agent and/or another participant of The Depository Trust Company satisfactory to the Bank) as provided in Section 5.03(c) of the Indenture; provided that, in the case of any such Bonds held by the Paying Agent in certificated form, upon the written request of the Bank, such Bonds shall be promptly delivered by the Paying Agent to the Bank or its designee.

Section 3.04 Remarketing of Bank Bonds. The Bank hereby authorizes the Remarketing Agent to remarket Adjustable Rate Bonds purchased by the Bank pursuant to Section 3.03 on behalf of the Bank pursuant to Section 5.03 of the Indenture at a price equal to the principal amount of such Bonds plus accrued interest; provided that the Remarketing Agent shall not remarket Adjustable Rate Bonds purchased at the direction of the Bank given pursuant to Section 7.02(b). Prior to 11:00 a.m. on any Business Day on which Bank Bonds are Outstanding, the Remarketing Agent may deliver a notice (the “Remarketing Notice”) to the Bank and the Paying Agent stating that it has located a purchaser (the “Purchaser”) for some or all of such Bonds and that such Purchaser desires to purchase on such Business Day a minimum of \$100,000 of such Bonds or any multiple of \$5,000 in excess thereof (provided that the aggregate principal amount of any Bank Bonds not being purchased on such Business Day shall be in an authorized denomination) at a price of par plus interest accrued to but excluding such Business Day. The Bank shall sell any remarketed Bank Bonds to any Purchaser and shall deliver such Bonds to the Paying Agent (if held by the Bank in certificated form) and authorize the Paying Agent to deliver such Bonds to or for the benefit of the Purchaser (or, if such Bonds are registered to The Depository Trust Company or its successor as security depository for such Bonds, authorize the Paying Agent and the Remarketing Agent to cause the transfer of the beneficial ownership of such Bonds to the Purchaser) on such Business Day against receipt of the purchase price therefor in immediately available funds paid to the Bank. Any sale of a Bank Bond (or portion thereof) pursuant to this Section shall be without recourse to the Bank and without representation or warranty of any kind, except as required by law.

Section 3.05 Interest Accrual on Bank Bonds. Bank Bonds shall bear interest while they are Bank Bonds at a rate equal to the interest rate set forth in Section 2.02(b) applicable to the sum payable under Section 2.02(a)(3) drawn against the Principal Component of the Letter of Credit by a Tender Draw Certificate applied to purchase such Bank Bonds. In addition, unpaid accrued interest on Adjustable Rate Bonds as of the date they become Bank Bonds in respect of

which purchase price was paid to the seller of such Bonds from amounts drawn on the Letter of Credit shall be paid to the Bank if it is the record holder of such Bonds as of the record date for the payment of such interest. Also, the amounts drawn with one or more Tender Draw Certificates to pay the purchase price of Adjustable Rate Bonds corresponding to interest on such Bonds shall bear interest as provided in Section 2.02(b), which shall be payable as provided in such Section.

Section 3.06 Term Repayment of Bank Bonds. If any Bank Bonds are purchased and held by the Bank more than 60 days, then the outstanding principal of such Bank Bonds shall be payable in full in mandatory sinking fund redemption installments over a term of approximately five years in 58 approximately equal monthly mandatory sinking fund redemption installments, commencing on the first Business Day of the third calendar month after the calendar month in which the Bank purchased such Bank Bonds, and on the first Business Day of each calendar month thereafter until the principal of such Bank Bonds has been paid in full, and on the 58th such monthly mandatory sinking fund redemption installment payment date the entire outstanding principal balance of such Bank Bonds shall be due and payable in full; provided that (i) each mandatory sinking fund redemption installment of principal of the Bank Bonds shall be adjusted to an integral multiple of \$5,000, (ii) the final mandatory sinking fund redemption installment shall in the principal amount of \$100,000 or an integral multiple of \$5,000 in excess of \$100,000, and (iii) such mandatory sinking fund redemption installments shall otherwise be scheduled in the Bank's discretion to provide approximately level aggregate monthly principal payments during the course of such five-year term.

Section 3.07 Bank Bond Payments. All payments to the Bank on Bank Bonds shall be made by wire transfer to KBC Bank N.V., New York Branch, 1177 Avenue of the Americas, New York, New York 10036, ABA No. [026008248], Reference: City of Irvine Reassessment District No. 04-20, in lawful money of the United States of America and in funds immediately available on or prior to 3:00 p.m. on the date such payment is due. Any such payments received after 3:00 p.m. on any day will be deemed to have been received on the next succeeding Business Day. If any payment on a Bank Bond becomes due and payable on a day other than a Business Day, unless sooner paid such payment shall be extended to the next succeeding Business Day and interest thereon shall be payable at the then applicable rate during such extension.

Section 3.08 Bank Bond CUSIP and Rating. The City will cause a CUSIP number (separate from the CUSIP number applicable to the Bonds generally) to be issued not later than the Closing Date and applicable to any Bank Bonds that may be outstanding from time to time.

ARTICLE IV CONDITIONS PRECEDENT

Each of the following are conditions precedent to the Bank's issuance of the Letter of Credit:

Section 4.01 Documentation. The Bank shall have received each of the following in form and substance satisfactory to the Bank:

(a) Executed copies of this Agreement, the Indenture, the Bond Purchase Agreement, the Remarketing Agreement, the Protocol Agreement and all documentation delivered in connection therewith;

(b) Certified copies of all proceedings taken by the City authorizing the formation of the Reassessment District, the levy of the Assessments, the issuance of the Bonds and the execution, delivery and performance of this Agreement and the Bond Documents;

(c) A certificate of an Authorized Representative of the City as of the Closing Date stating that (i) the representations and warranties contained in Article V are true and correct and (ii) no Default or Event of Default has occurred and is continuing;

(d) A certificate of an authorized representative of TIC as of the Closing Date stating that (i) the representations and warranties of TIC contained in the Protocol Agreement are true and correct and (ii) covering such matters with respect to the Reassessment District and the Prior District as the Bank may reasonably request;

(e) An opinion of the City Attorney to the City to the effect that (1) the City is a duly created and validly existing municipal corporation under the Constitution and laws of the State, constituting a charter law city of the State with all requisite power and authority to execute, deliver and perform its obligations under this Agreement and the Bond Documents, (2) except as set forth in such opinion, the City has obtained from the governmental authorities, boards, agencies, courts, officers and commissions having jurisdiction over it all approvals, consents, authorizations, certifications, reviews and other orders that are necessary for the execution, delivery and performance by the City of this Agreement and the Bond Documents, (3) the execution and delivery by the City of this Agreement and the Bond Documents have been duly authorized by all requisite action of the City Council of the City and all conditions precedent to the execution and delivery by the City of this Agreement and the Bond Documents have been fulfilled, (4) this Agreement and the Bond Documents have been duly executed and delivered by the City and constitute legal, valid and binding obligations of the City enforceable against the City in accordance with their terms, except to the extent that the enforceability thereof may be limited by applicable bankruptcy, insolvency or other laws affecting the rights of creditors generally and by the application of general principles of equity, (5) the execution, delivery and performance by the City of this Agreement and the Bond Documents will not violate, conflict with or constitute a default under any law, rule, regulation, order or judgment applicable to the City, (6) to the knowledge of such counsel, the City is not in any material way in breach of or in default under this Agreement or the Bond Documents, and no event has occurred and is continuing which, with the passage of time or the giving of notice or both, would constitute an event of default under any such instrument or contract, and (7) there is no pending or, to the knowledge of such counsel, threatened action, suit, proceeding, inquiry or investigation before or by any court, governmental agency or arbitrator against or involving the City, the Prior District or the Reassessment District which, in any case, might materially adversely affect the validity or enforceability of this Agreement or the Bond Documents;

(f) Opinions of Rutan & Tucker, LLP, Costa Mesa, California, City Attorney and Bond Counsel, covering such matters as to the City and the Bond Documents and this Agreement as the Bank may reasonably request;

(g) An opinion of O’Neil LLP, Irvine, California, counsel to TIC, with respect to the Protocol Agreement and covering such other matters as to TIC as the Bank may reasonably request;

(h) An appraisal report of Gary L. Vogt & Associates and reports of MuniFinancial, Temecula, California and Wildan Associates, Anaheim, California (1) setting forth, for the Adjustable Rate Parcels, (i) the owner, acreage, assessed valuation and fair market value thereof, (ii) the Assessments thereon, (iii) the amount and nature of any overlapping assessment thereon, and (iv) if improved, a description of the improvements thereon, and (2) showing that, for the Adjustable Rate Parcels, the ratio of the fair market value to the sum of the Assessments and any overlapping assessments thereon is at least 3 to 1;

(i) Evidence that a separate CUSIP number has been issued for any Bank Bonds that may be outstanding from time to time; and

(j) Such other documents, instruments, certificates, opinions, approvals and assurances customary in this type of financing as the Bank or its counsel may reasonably request.

Section 4.02 Other Conditions. On the Closing Date, (i) the representations and warranties set forth in Article V and in any and all documents delivered to the Bank in connection herewith shall be true and correct in all material respects and (ii) no Default or Event of Default shall have occurring and be continuing.

ARTICLE V REPRESENTATIONS AND WARRANTIES

The City represents and warrants as follows:

Section 5.01 Existence. The City is a municipal corporation, constituting a charter law city and a political subdivision of the State, duly organized, validly existing under and by virtue of the Constitution and laws of the State and the City’s Charter.

Section 5.02 Power and Authorization. The City has all requisite power and authority (i) to execute, deliver and perform its obligations under this Agreement and the Bond Documents and (ii) to issue and sell the Bonds in the manner and for the purposes contemplated by the Indenture and this Agreement. The City has taken all necessary action to form the Reassessment District, to levy the Assessments, to authorize the issuance and sale of the Bonds and to authorize the execution, delivery and performance of this Agreement and the Bond Documents. The City is duly authorized pursuant to the Act to pledge and assign the Assessments, the Additional Assessments and other assets purported to be pledged and assigned under the Indenture in the manner and to the extent provided in the Indenture. The City and the Trustee (subject to the provisions of Article VIII of the Indenture) shall at all times, to the extent permitted by law, defend, preserve and protect such pledge and assignment of the Assessments, the Additional Assessments and other assets and all the rights of the owners of the Adjustable Rate Bonds under the Indenture, and the Bank under the Indenture and this Agreement, against all claims and demands of all Persons whomsoever.

Section 5.03 No Legal Bar. The City is not in default under any of the provisions of the laws of the State which would affect its existence or its powers referred to in Section 5.02. The formation of the Reassessment District, the levy of the Assessments and the Additional Assessments, the execution, delivery and performance by the City of this Agreement, the issuance and the sale of the Bonds in the manner and for the purposes contemplated by this Agreement and the Indenture, and the execution, delivery and performance by the City of all other Bond Documents do not and will not constitute a default under, or violate or conflict with, any provision of any applicable law or regulation or of any order, writ, judgment or decree of any court, arbitrator or governmental authority, or any contract to which the City is a party or is bound or to which the Reassessment District is subject.

Section 5.04 Consents. The City has obtained all consents, permits, licenses and approvals of, and has made all registrations and declarations with, any governmental authorities, legislative bodies, boards, agencies or commissions required under law which would constitute conditions precedent to the formation of the Reassessment District, the levy of the Assessments and the Additional Assessments, the authorization, issuance or sale of the Bonds (except as may be required under the Blue Sky or securities laws of any state) or the execution and delivery of this Agreement, the Indenture or any other Bond Document or the absence of which would materially adversely affect the performance by the City of its obligations under this Agreement, the Indenture and the other Bond Documents.

Section 5.05 Litigation. Except as disclosed in the [Limited Offering Memorandum], there is no action, suit, inquiry, investigation or proceeding to which the City is a party at law or in equity, before or by any court, government agency, public board or body and which is pending or, to the best knowledge of the City, threatened, affecting the existence of the City or the titles of its representatives to their respective offices, or affecting or seeking to prohibit, restrain or enjoin the execution or delivery of this Agreement or in any way contesting or affecting the validity or enforceability of this Agreement or any of the Bond Documents, or contesting the exclusion from gross income for federal income tax purposes of interest on the Bonds, or contesting the powers of the City, in connection with any of the transactions contemplated by this Agreement, the Indenture and the other Bond Documents, the result of which could, if decided adversely to the City, have a Material Adverse Effect.

Section 5.06 Enforceability. This Agreement, the Indenture, the Series A Bond Purchase Agreement, the Bond Purchase Agreement, the Remarketing Agreement and the Protocol Agreement have each been duly executed and delivered by the City and constitute, and, when executed by the City and authenticated (where required) and delivered by the Trustee, the Bonds will constitute, legal, valid and binding obligations of the City, enforceable against the City in accordance with their terms (except as such enforceability may be limited by bankruptcy, moratorium or other similar laws affecting creditors' rights generally and provided that the application of equitable remedies is subject to the application of equitable principles).

Section 5.07 Changes in Law. There is not pending any change of law which, if enacted or adopted, could have a Material Adverse Effect.

Section 5.08 Disclosure of Information. The information relating to the City contained in the [Limited Offering Memorandum] and supplied in writing by the City for inclusion therein,

including any exhibits, appendices or attachments thereto, as such statements may be amended or supplemented from time to time, is true and correct and does not contain an untrue statement of a material fact or omit to state a material fact necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

Section 5.09 Reassessment District, Pledge and Liens. The Reassessment District is duly formed and validly existing, and the Assessments have been duly and validly levied on all Adjustable Rate Parcels in the Reassessment District. The Adjustable Rate Bonds and the obligations owing to the Bank pursuant to this Agreement, the Indenture and any Bank Bonds purchased by the Bank from time to time are and will be secured by a pledge under the Indenture of (i) the Adjustable Rate Bond Assessments (including all payments, prepayments, interest, penalties and other amounts receivable or received by the Trustee or the City from time to time in respect of Adjustable Rate Bond Assessments), (ii) amounts for the Continuing Costs of the Adjustable Rate Bonds (including all payments, prepayments, interest, penalties and other amounts which are receivable or received from time to time by the Trustee or the City in respect of the Continuing Costs of the Adjustable Rate Bonds) and all Additional Assessments therefor, and (iii) all other amounts held from time to time in any fund or account established under the Indenture (except any such fund or account established solely for Fixed Rate Bonds). The Adjustable Rate Bond Assessments constitute valid and enforceable first liens against the Adjustable Rate Parcels (including all present and future improvements thereon comprising part of such parcels) coequal with the liens securing real property taxes thereon. The City has the authority to levy additional assessments on the Adjustable Rate Parcels for amounts to pay the Continuing Costs of the Adjustable Rate Bonds (the “Additional Assessments”), and the Additional Assessments will constitute valid and enforceable first liens on the Adjustable Rate Parcels coequal with the liens for the Adjustable Rate Bond Assessments and the liens securing real property taxes thereon. The Indenture validly and enforceably pledges, in Section 6.01 thereof, the Adjustable Rate Bond Assessments and the Additional Assessments to the payment of all amounts due under the Adjustable Rate Bonds and this Agreement and such pledge constitutes a first lien and charge against the Adjustable Rate Bond Assessments and the Additional Assessments.

Section 5.10 Representations in Other Documents. The City hereby makes to and for the benefit of the Bank each of the representations and warranties of the City contained in the Bond Documents and the other documents delivered by the City in connection therewith, and each such representation and warranty shall be deemed to be reaffirmed by the City at the time of each draw on the Letter of Credit.

ARTICLE VI GENERAL COVENANTS

So long as any amount is available under the Letter of Credit, the Letter of Credit has not been terminated as provided by its terms or any amount is owing to the Bank hereunder or under any Bond Document, the City covenants that, except to the extent the Bank shall otherwise consent in writing, each of the following covenants shall be performed and complied with by the City:

Section 6.01 Maintenance of Existence. The City will maintain its existence as a municipal corporation constituting a chartered city of the State under the Constitution and laws of the State.

Section 6.02 Compliance with this Agreement and Bond Documents. The City will observe and perform each term, covenant, condition and agreement on its part to be performed or observed under this Agreement and the Bond Documents.

Section 6.03 Laws, Permits and Obligations. The City will comply with all valid acts, rules, regulations, orders and directions of any legislative, executive, administrative or judicial body applicable to this Agreement or any of the Bond Documents, violations of which could have a material adverse effect on the rights of the Bank or the Trustee under this Agreement or any of the Bond Documents or the City's ability to perform its obligations under this Agreement or any of the Bond Documents.

Section 6.04 Use of Proceeds. The City will use or cause to be used the proceeds of the sale of the Bonds to finance the refunding of the Prior Bonds in accordance with the provisions of the Indenture and in accordance with the statements pertaining thereto in the [Limited Offering Memorandum].

Section 6.05 Accounting Records and Financial Statements. The City will cause the Trustee at all times to keep, or cause to be kept, proper books and account, prepared in accordance with trust industry standards, in which complete and accurate entries shall be made of all transactions relating to the proceeds of the Bonds, the Assessments, the Additional Assessments and all funds and accounts established pursuant to the Indenture. Such books and account shall be available for inspection by the Bank, during regular business hours and upon 72 hours notice and under reasonable circumstances as agreed to by the Trustee. The City will furnish, or cause the Trustee to furnish, to the Bank as soon as available but in no event later than 31 days after the end of each calendar month, a financial statement in detail reasonably satisfactory to the Bank with respect to the receipts of amounts in respect of Adjustable Rate Bond Assessments and Additional Assessments and deposits to, disbursements from and balances of the funds, accounts and subaccounts established under the Indenture.

Section 6.06 Visitation and Examination. Except to the extent prohibited by law, the City will permit any person designated by the Bank to visit any of the offices of the City to examine the books and financial records, including without limitation minutes of meetings at the City Council, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the City with its principal officials, all at such reasonable times and as often as the Bank may reasonably request, to the extent such information and material relate to the transactions contemplated by this Agreement and the Bond Documents.

Section 6.07 Maintenance of Tax-Exempt Status of Bonds. The City will not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State personal income taxes.

Section 6.08 Enforcement of TIC Agreements. The City will take such action to enforce the Protocol Agreement and other agreements of the City with TIC relating to the Reassessment District and the parcels of land therein as the Bank may reasonably direct.

Section 6.09 Agreement to Market Fixed Rate Bonds. Prior to any conversion of Adjustable Rate Bonds to Fixed Rate Bonds, unless the City has notified the Remarketing Agent and the Bank that such Adjustable Rate Bonds will be remarketed by private placement or direct negotiation, the City will enter into an agreement with Merrill Lynch, Pierce, Fenner & Smith Incorporated or another national firm for the sale of such Bonds upon conversion to Fixed Rate Bonds on a “subject to sale” basis; provided that, in the event of a failure to remarket such Bonds, such conversion shall not take place and such Bonds shall remain outstanding as Adjustable Rate Bonds.

Section 6.10 Collection and Payment of Assessments and Additional Assessments. The City will collect and deposit with the Trustee, or cause the Trustee to collect, for payment to the Bank when due the Adjustable Rate Bond Assessments. The City will levy the Additional Assessments, and will collect and deposit with the Trustee, or cause the Trustee to collect, the Additional Assessments for payment when due of the Continuing Costs of the Adjustable Rate Bonds (including, without limitation, amounts payable by the City to the Bank hereunder in respect of fees, costs and indemnification). In the event of a delinquency in the payment of Adjustable Rate Bond Assessments or Additional Assessments, the City will diligently proceed by foreclosure proceedings to collect the same in accordance with the Indenture.

Section 6.11 Punctual Payment. The City will punctually pay or cause to be paid the principal, interest and other amounts becoming due from time to time in respect of this Agreement and the Adjustable Rate Bonds, in strict conformity with the terms of this Agreement, the Adjustable Rate Bonds and the Indenture, according to the true intent and meaning thereof, but only out of the Adjustable Rate Bond Assessments, the Additional Assessments and other assets pledged for such payment as provided in the Indenture and received by the City or the Trustee. If and as necessary to pay all fees, costs, indemnification and other amounts due to the Bank from time to time under this Agreement (other than amounts due to the Bank to reimburse it, with interest, pursuant to this Agreement for amounts drawn under the Letter of Credit), the City will deliver a Written Request (as defined in the Indenture) to the Trustee to provide for the payment of such fees, costs, indemnification and other amounts from the Capitalized Payments Account and/or the Continuing Costs Account established under the Indenture.

Section 6.12 No Other Encumbrances. Except for the pledge and lien created by the Indenture, so long as any of the Adjustable Rate Bonds are Outstanding or the City has any obligations under this Agreement, the City will not create, or permit to be created or exist, any pledge, lien, charge or other encumbrance upon the Adjustable Rate Bond Assessments, the funds and accounts established under Indenture with respect to the Adjustable Rate Bonds or the City’s obligations under this Agreement, or any other assets pledged or assigned under the Indenture as security for the Adjustable Rate Bonds or the City’s obligations under this Agreement.

Section 6.13 Consents Under Bond Documents. The City will obtain the consent of the Bank whenever the City is required to obtain the consent of the Trustee under the Indenture,

unless such consent relates solely to (a) Fixed Rate Bonds theretofore issued and Outstanding and the subject of such consent does not adversely affect the rights or interests of the Bank, (b) a conversion of Adjustable Rate Bonds to Fixed Rate Bonds or (c) the issuance of Additional Fixed Funding Series Bonds (as defined in the Indenture) that satisfy the requirements of Section 10.01(b)(iii) of the Indenture.

Section 6.14 No Change in Bond Documents. The City shall not, without the prior written consent of the Bank: (a) issue any Additional Bonds (as defined in the Indenture); or (b) (i) cancel, terminate, amend, supplement, modify or waive any of the provisions of the Indenture, the Protocol Agreement or any of the other Bond Documents or (ii) consent to any such cancellation, termination, amendment, supplement, modification or waiver, unless such issuance or such cancellation, termination, amendment, supplement, modification or waiver relates solely to (A) Fixed Rate Bonds theretofore issued and Outstanding and the subject thereof does not adversely affect the rights or interests of the Bank, (B) a conversion of Adjustable Rate Bonds to Fixed Rate Bonds or (C) the issuance of Additional Fixed Funding Series Bonds that satisfy the requirements of Section 10.01(b)(iii) of the Indenture.

Section 6.15 Limitation on Optional Calls. The City will not exercise its rights under the Bond Documents to call any Adjustable Rate Bonds for any optional redemption thereof, unless the City first demonstrates to the reasonable satisfaction of the Bank that at the time of such redemption the Bank will be fully reimbursed for all draws on the Letter of Credit in connection with such redemption.

Section 6.16 Conversions; Limitation. Subject to certain limitations contained therein, the Indenture and the Protocol Agreement require that, in connection with any Qualified Conveyance (as defined in the Protocol Agreement) of Adjustable Rate Parcels by TIC, within nine months of the completion of such Qualified Conveyance, either (i) Adjustable Rate Bonds in an amount equal to or exceeding the Assessments on such parcels shall be converted to Fixed Rate Bonds, (ii) Additional Fixed Funding Series Bonds secured by Assessments on such parcels and satisfying the requirements of Section 10.01(b)(iii) of the Indenture shall be issued or (iii) Assessments on such parcels shall be prepaid and the prepayment shall be applied to redeem Adjustable Rate Bonds in an amount equal to the Assessments on such parcels. Prior to such conversion, redemption, issuance or prepayment, the Assessments and Continuing Costs of the Adjustable Rate Bonds with respect to such parcels shall be payable by TIC on behalf of the Person purchasing such parcels. Assuming proper and timely notice from TIC to the City, the City will, as and to the extent permitted by the Act, and required by the Indenture and the Protocol Agreement, exercise its right to convert Adjustable Rate Bonds to Fixed Rate Bonds with respect to any and all Qualified Conveyances of parcels of land in the Reassessment District by TIC (or by an affiliate of TIC). The City shall not convert Bonds to any mode other than the Daily Mode, the Weekly Mode, the Monthly Mode or the Fixed Rate Mode (as defined in the Indenture).

Section 6.17 Application of Letter of Credit Proceeds. The City will cause the Trustee and the Paying Agent to apply the proceeds of any and all draws under the Letter of Credit in accordance with the certifications of the Trustee contained in the respective Interest Draw Certificates, Tender Draw Certificates and Redemption Draw Certificates.

Section 6.18 Further Assurances. The City will execute and deliver from time to time such further instruments and take such further actions as may be reasonably required by the Bank to carry out the purposes and provisions of this Agreement and the Bond Documents and to assure the Bank of its rights and benefits under this Agreement and the Bond Documents, including, without limitation, the subrogation and security rights in favor of the Bank contemplated by Article III.

Section 6.19 Notice of Event of Default, Litigation or Adverse Change. Promptly after acquiring knowledge thereof, the City will notify the Bank in writing of (i) the occurrence of any Event of Default hereunder, (ii) any pending or threatened litigation with respect to the City, the Reassessment District or the collection of the Adjustable Rate Bond Assessments, the existence of which causes the representation set forth in Section 5.05 to be untrue or inaccurate in any material respect, (iii) the filing of any action or the placement on the ballot of any initiative or referendum which could lead to the diminution or reallocation of the Adjustable Rate Bond Assessments or any portion thereof, and (iv) any other event which, in the reasonable judgment of the City, is likely to have a Material Adverse Effect.

ARTICLE VII DEFAULTS AND REMEDIES

Section 7.01 Defaults. Each of the following shall constitute an event of default hereunder (“Event of Default”):

(a) Failure by the City to make or cause to be made to the Bank when due under this Agreement any payment as (i) reimbursement for a draw under the Letter of Credit, (ii) a Letter of Credit commitment fee or other fee, or (iii) interest on any such draw, commitment fee or other fee;

(b) Failure by the City to make any other payment to the Bank under this Agreement within 10 days of the date when it is due;

(c) Default in the payment when due of any principal of or interest on any Adjustable Rate Bond (except to the extent that such failure is solely attributable to a default by the Bank in payment of a draw request presented under the Letter of Credit in strict compliance with the terms thereof);

(d) Failure by the City to perform or comply with any of the terms or conditions contained in Section 6.01, 6.04, 6.12, 6.14, 6.16 or 6.17;

(e) Failure by the City (or TIC with respect to the Protocol Agreement) to perform or comply with any of the other terms or conditions contained in this Agreement or with any of the terms and conditions contained in the Bond Documents and continuance of such failure for 30 days after the earlier of written notice from the Bank to the City (and TIC with respect to the Protocol Agreement), or such longer period to which the Bank in its sole discretion may agree in the case of a failure not curable by the exercise of due diligence within such 30-day period, provided that the City (or TIC with respect to its obligations under the Protocol

Agreement) shall have commenced to cure such failure within such 30-day period and shall complete such cure as quickly as reasonably possible with the exercise of due diligence;

(f) Any of the representations or warranties of the City or TIC set forth in this Agreement or the Bond Documents or in the other documents furnished to the Bank pursuant to the terms hereof proves to have been false or misleading in any material respect;

(g) Any material provision of this Agreement or the Bond Documents shall at any time for any reason cease to be valid and binding on the City or TIC, as applicable, or shall be declared to be null and void, or shall be violative of any applicable law relating to a maximum amount of interest permitted to be contracted for, charged or received, or the validity or enforceability thereof shall be contested by the City or TIC or any governmental agency, court or authority, or the City or TIC, as applicable, shall deny that it has any or further liability or obligation under this Agreement or any of the Bond Documents to which it is a party;

(h) The occurrence of an Event of Default as defined in the Indenture (without regard to any waiver of such Event of Default by any Person other than the Bank); or

(i) The City or TIC shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of the City or TIC or of property of the City or TIC or (ii) admit in writing the inability of the City or TIC to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against the City or TIC in any bankruptcy, reorganization or insolvency proceeding, or take corporate action for the purpose of effecting any of the foregoing, or (vi) have instituted against it, without its application, approval or consent, a proceeding in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the City or TIC an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up or liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the City or TIC or of all or any substantial part of the assets of the City or TIC or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the City or TIC in good faith, the same shall (A) result in the entry of an order for relief or any such adjudication or appointment or (B) remain undismissed and undischarged for a period of 60 days.

Section 7.02 Remedies. Upon or after the occurrence of any Event of Default, the Bank may, at its sole option and without prior notice, demand or presentment, and to the extent permitted by applicable law, do any or all of the following:

(a) Notify the Trustee that such Event of Default has occurred and direct the Trustee in the exercise of remedies under and pursuant to the Bond Documents;

(b) Notify the Trustee that such Event of Default has occurred and direct the Trustee to call the Adjustable Rate Bonds for mandatory purchase pursuant to the Indenture;

(c) By mandamus, suit, action or proceeding, compel the City and its members, officers, agents and employees to perform each and every term, provision, covenant and agreement contained in this Agreement, in the Indenture and in the Adjustable Rate Bonds, and require the carrying out of any or all such terms, provisions, covenants and agreements of the City and the fulfillment of all duties imposed upon by it by the Act;

(d) By suit, action or proceeding in equity, enjoin any acts or things which are unlawful or the violation of any rights of the Bank or the Trustee;

(e) By suit, action or proceeding in any court of competent jurisdiction, require the City and its members, officers, agents and employees to account as if the City and they were the trustees of an express trust; and

(f) Exercise, or cause to be exercised, any and all such remedies as it may have under this Agreement, the Bond Documents or any other document or at law or in equity.

Section 7.03 Waivers; Consents. No waiver of, or consent with respect to, any provision of this Agreement or the Bond Documents by the Bank shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which it was given.

Section 7.04 No Waiver; Remedies Cumulative. No failure on the part of the Bank to exercise, and no delay in exercising, any right hereunder or under the Bond Documents shall operate as a waiver thereof; and no single or partial exercise by the Bank of any right hereunder or under the Bond Documents shall preclude any other or further exercise thereof or the exercise of any other right. To the extent permitted by applicable law, the remedies herein and in the Bond Documents provided are cumulative and not exclusive of any remedies available under any other document or at law or in equity.

Section 7.05 Waiver of Laws. The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the covenants and agreements contained in this Agreement, the Indenture or the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City to the extent permitted by law.

Section 7.06 Absolute Obligation of City. Nothing in this Agreement, the Indenture or the Bonds contained shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the City's obligations under this Agreement and to pay the principal of and interest on any and all Bank Bonds at their dates of maturity, or upon call for redemption, as herein and in the Indenture provided, but only out of the Assessments, the Additional Assessments and other assets herein pledged therefor and received by the City or the Trustee, or affect or impair the rights of the Bank, which are also absolute and unconditional, to enforce such payment of Bank Bonds by virtue of the contract embodied therein.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Notices. All notices and other communications provided for hereunder shall be in writing and sent by United States certified or registered mail, return receipt requested, or by telegraph, telex, telecopier or private delivery service, addressed as follows:

If to the Bank:

KBC Bank N.V.
1177 Avenue of the Americas
New York, NY 10036
Attention: Kevin Wood
Vice President
Telephone: (212) 541-0729
Telecopier: (212) 258 9404

with a copy to:

KBC Bank N.V.
1177 Avenue of the Americas
New York, NY 10036
Attention: Loan Administration
Telephone: (212) 541-0660
Telecopier: (212) 956-5581

If to the City:

City of Irvine
One Civic Center Plaza
Irvine, CA 92606-5208
Attention: Manager of Fiscal Services
Telephone: (949) 724-6027
Telecopier: (949) 724-6030

If to TIC:

The Irvine Company LLC
550 Newport Center Drive
Newport Beach, CA 92660
Attention: Chief Financial Officer
Telephone: (949) 720-2331
Telecopier: (949) 720-2657

If to the Trustee or the Paying Agent:

The Bank of New York Mellon Trust Company, N.A.
700 S. Flower Street, Suite 500
Los Angeles, CA 90017-4104
Attention: Greg Chenail
Assistant Vice President
Telephone: (213) 630-6229
Telecopier: (213) 630-6215

If to the Remarketing Agent:

Merrill Lynch, Peirce, Fenner & Smith Incorporated
333 South Hope Street, Suite 2310
Los Angeles, California 90071
Attention: _____
Telephone: _____
Telecopier: _____

All notices to the Bank shall refer to this Agreement and the Bonds and the number of the Letter of Credit. The Bank, the City, TIC, the Trustee, the Paying Agent or the Remarketing Agent may change the address to which notices to it are to be sent by written notice given to the other persons listed in this Section. All notices shall, when mailed as aforesaid, be effective on the date indicated on the return receipt, and all notices given by other means shall be effective when received. Whenever in this Agreement the giving of notice is required, the giving of such notice may be waived in writing by the Person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 8.02 Successors and Assigns. This Agreement shall inure to the benefit of and shall be binding upon the parties hereto and their respective successors and assigns; provided that this Agreement shall also inure to the benefit of the Participating Banks as provided herein. The City may not assign its rights under this Agreement without the prior written consent of the Bank. The City and the Bank intend that, except as set forth in the first sentence of this Section, no other Person shall have any claim or interest under this Agreement or right of action hereon or hereunder.

Section 8.03 Survival of Representations, Warranties and Covenants. All representations, warranties and covenants made by the City herein and in any document delivered pursuant hereto shall survive the delivery of this Agreement and the Letter of Credit and any advances under the Letter of Credit.

Section 8.04 Counterparts. The execution and delivery hereof by the City and the Bank shall constitute a contract between them for the uses and purposes herein set forth, and this Agreement may be executed in any number of counterparts, with each executed counterpart constituting an original and all counterparts together constituting one agreement.

Section 8.05 Costs, Expenses and Taxes. The City agrees to pay on demand all out-of-pocket costs and expenses of the Bank in connection with the preparation, execution, delivery and administration of this Agreement, the Letter of Credit, the Bond Documents, the Participation Agreements and any other documents that may be delivered in connection with this Agreement, the Letter of Credit or the Bond Documents, the Participation Agreements or any amendments or supplements thereto, including without limitation the reasonable fees and expenses of counsel for the Bank with respect thereto and with respect to advising the Bank as to its rights and responsibilities under this Agreement, the Letter of Credit, the Bond Documents, the Participation Agreements and such other documents, and all costs and expenses, including without limitation reasonable counsel fees and expenses, if any, in connection with the enforcement of this Agreement, the Letter of Credit, the Bond Documents, the Participation Agreements and such other documents. In addition, the City shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution and delivery of this Agreement, the Letter of Credit, the Bond Documents, the Participation Agreements and such other documents, and shall indemnify and hold the Bank and the Participating Banks harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

Section 8.06 Amendments. This Agreement may be amended by an instrument in writing executed and delivered by the City and the Bank.

Section 8.07 Severability; Interest Limitation. If any provision hereof is found by a court of competent jurisdiction to be prohibited or unenforceable in any jurisdiction, it shall be ineffective as to such jurisdiction only to the extent of such prohibition or unenforceability, and such prohibition or unenforceability shall not invalidate the balance of such provision as to such jurisdiction to the extent it is not prohibited or unenforceable, nor invalidate such provision in any other jurisdiction, nor invalidate the other provisions hereof, all of which shall be liberally construed in order to effect the provisions of this Agreement. Notwithstanding anything to the contrary herein contained, the total liability of the City for payment of interest pursuant hereto shall not exceed the maximum amount, if any, of such interest permitted by applicable law to be contracted for, charged or received, and if any payments by the City to the Bank include interest in excess of such a maximum amount, the Bank shall apply such excess to the reduction of the unpaid principal amount or other sums due from the City pursuant hereto, or if none is due, such excess shall be refunded to the City; provided that, to the extent permitted by applicable law, in the event the interest is not collected, is applied to principal or is refunded pursuant to this sentence and interest thereafter payable pursuant hereto shall be less than such maximum amount, then such interest thereafter so payable shall be increased up to such maximum amount to the extent necessary to recover the amount of interest, if any, theretofore uncollected, applied to principal or refunded pursuant to this sentence. Any such application or refund shall not cure or waive any Event of Default. In determining whether or not any interest payable under this Agreement exceeds the highest rate permitted by law, any non-principal payment (except payments specifically stated in this Agreement to be "interest") shall be deemed, to the extent permitted by applicable law, to be an expense, fee, premium or penalty rather than interest.

Section 8.08 Complete Agreement. Taken together with the Indenture and the other instruments and documents delivered in compliance herewith, this Agreement is a complete

memorandum of the agreement of the City and the Bank. Waivers or modifications of any provision hereof must be in writing signed by the party to be charged with the effect thereof.

Section 8.09 Conflicts. Insofar as possible the provisions of this Agreement shall be deemed complementary to the terms of the Indenture, but in the event of conflict the terms hereof shall control to the extent such are enforceable under applicable law.

Section 8.10 Waiver of Jury Trial and Certain Damages. **THE CITY AND THE BANK HEREBY WAIVE, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, (A) ANY RIGHT TO TRIAL BY JURY IN ANY ACTION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE LETTER OF CREDIT OR THE BOND DOCUMENTS AND (B) ANY RIGHT TO CLAIM OR RECOVER IN ANY ACTION ARISING UNDER OR IN CONNECTION WITH THIS AGREEMENT, THE LETTER OF CREDIT OR THE BOND DOCUMENTS ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES OR ANY DAMAGES OTHER THAN, OR IN ADDITION TO, DIRECT DAMAGES.**

Section 8.11 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State. The Letter of Credit shall be governed and construed as set forth in paragraph 12 thereof.

Section 8.12 Table of Contents and Headings. The Table of Contents and Section headings of this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 8.13 Participations. Notwithstanding any other provision of this Agreement, the City understands that the Bank may at any time enter into one or more participation agreements (“Participation Agreements”) with other banks (“Participating Banks”) whereby the Bank will allocate to the Participating Banks certain percentages of the payment obligations of the City under this Agreement and any Bank Bonds and the funding obligations of the Bank under the Letter of Credit and this Agreement. The City acknowledges, that, for the convenience of all parties, this Agreement is being entered into with the Bank only and that the City’s obligations under this Agreement and the Indenture and any Bank Bonds are and will be undertaken for the benefit of, and as an inducement to, the Participating Banks as well as the Bank. Without limiting the foregoing, the City acknowledges that Sections 2.02(f) and 2.05 and the indemnity under Section 8.05 are also for the benefit of the Participating Banks, and agree to make any payments required by such provisions for the account of any one or more Participating Banks on demand of the Bank. Notwithstanding the foregoing, the City shall not be required to respond to requests or inquiries made by any of the Participating Banks unless such requests or inquiries are made through the Bank. The City hereby waives any right of set-off it may at any time have against the Bank or any Participating Bank as a result of the participations of the Participating Banks in the payment obligations of the City under this Agreement. The Bank agrees to give written notice to the City identifying each Participating Bank with whom the Bank has entered into a Participation Agreement from time to time; provided that failure to give any such notice shall not affect the rights of any Participating Bank or result in any liability of the Bank.

Section 8.14 Limited Obligation; No Personal Liability. Notwithstanding the provisions of Sections 2.04 and 7.06 or any other provision of this Agreement, all of the obligations of the City under this Agreement shall not be general or personal obligations of the City, but shall be limited obligations, payable solely from the Adjustable Rate Bond Assessments (including all payments, prepayments, interest, penalties and other amounts receivable or received by the Trustee or the City in respect of Adjustable Rate Bond Assessments), the Additional Assessments and amounts for the Continuing Costs of the Adjustable Rate Bonds (including all payments, prepayments, interest, penalties and other amounts which are receivable or received by the Trustee or the City in respect of the Continuing Costs of the Adjustable Rate Bonds), the proceeds of the Bonds, the funds and accounts established under the Indenture (except any such fund or account established solely for Fixed Rate Bonds) and any and all other assets pledged therefor under the Indenture. Neither the faith and credit of the City nor of the State or any political subdivision thereof is pledged to the payment of this Agreement. Notwithstanding any other provision of this Agreement, the City is not obligated to advance or pay available surplus funds, or any other funds, from the City treasury to make any payment under this Agreement. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the obligations of the City under this Agreement or be subject to any personal liability or accountability by reason of the execution and delivery hereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture or this Agreement.

IN WITNESS WHEREOF, the City and the Bank have caused this Agreement to be duly executed and delivered as of the date first above written.

CITY OF IRVINE

By _____
City Manager

This execution page is part of the Reimbursement, Credit and Security Agreement dated as of December 1, 2011 between City of Irvine and KBC Bank N.V., New York Branch, relating to the City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A.

KBC BANK N.V., NEW YORK
BRANCH

By _____
Name:
Title:

By _____
Name:
Title:

This execution page is part of the Reimbursement, Credit and Security Agreement dated as of December 1, 2011 between City of Irvine and KBC Bank N.V., New York Branch, relating to the City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A.

EXHIBIT A

[Letterhead of KBC Bank N.V., New York Branch]

IRREVOCABLE LETTER OF CREDIT NO. XXXX

December __, 2011

The Bank of New York Mellon Trust Company, N.A., as Trustee
700 S. Flower Street, Suite 500
Los Angeles, CA 90017-4104
Attention: Corporate Trust Administration

Re: City of Irvine Reassessment District No. 04-20 Limited Obligation
Improvement Bonds, Adjustable Rate Series A

Dear Sirs:

1. At the request and for the account of City of Irvine, a California municipal corporation and charter city (the "City"), we hereby establish in your favor, as Trustee under the Indenture dated as of December 1, 2011, as the same may hereafter be supplemented and amended from time to time (the "Indenture"), between the City and you, pursuant to which \$[78,605,000] aggregate outstanding principal amount of City of Irvine Reassessment District No. 04-20] Limited Obligation Improvement Bonds, Adjustable Rate Series A (the "Bonds") have been issued by the City, our Irrevocable Letter of Credit No. XXXXX (the "Letter of Credit") in the amount of \$[79,948,822.47] (as more fully described below), effective immediately and expiring at 5:00 p.m. on December 31, 2014 or, if such day is not a Business Day, on the next succeeding Business Day (the "Stated Expiration Date"), unless, at our option, we deliver to you a written amendment signed by an authorized signer (specifically referring to "KBC Bank N.V., New York Branch Irrevocable Letter of Credit No. XXXXX") extending the Stated Expiration Date to the date set forth in such amendment, in which case this Letter of Credit shall expire on such extended Stated Expiration Date unless further extended, it being understood that we shall be under no obligation herein to grant any such extension. This Letter of Credit is subject to automatic termination as provided in paragraph 8 hereof.

2. We hereby irrevocably authorize you to draw on us in accordance with the terms and conditions hereinafter set forth, by one or more certificates and demands for payment in the forms prescribed hereby an aggregate amount not exceeding [Seventy-Nine Million, Nine Hundred Forty-Eight Thousand, Eight Hundred Twenty-Two and 47/100] Dollars (\$[79,948,822.47]) (as reduced and reinstated from time to time in accordance with the provisions hereof, the "Letter of Credit Amount"), of which (i) an aggregate amount not exceeding \$[78,605,000.00] (as reduced and reinstated from time to time in accordance with the provisions hereof, the "Principal Component") may be drawn upon with respect to principal of the Adjustable Rate Bonds (hereinafter defined) and (ii) an aggregate amount not exceeding

[\$1,343,822.47] (as reduced and reinstated from time to time in accordance with the provisions hereof, the “Interest Component”) may be drawn upon with respect to interest on the Adjustable Rate Bonds. As used herein, “Adjustable Rate Bonds” means Bonds other than Bonds which have been converted to bear interest at a Fixed Interest Rate (as defined in the Indenture). The Interest Component has been initially established on the basis of [52] days interest and a year of 365 days, at an assumed maximum interest rate of [12]% per annum, applied to the aggregate principal amount of the Adjustable Rate Bonds. The Principal Component shall not be available to pay amounts corresponding to the interest on the Adjustable Rate Bonds, and the Interest Component shall not be available to pay amounts corresponding to principal of the Adjustable Rate Bonds.

3. Funds under this Letter of Credit are available to you, at the times specified below, (a) in one or more drawings by one or more of your certificates and demands for payment in the form of Annex 1 attached hereto appropriately completed and executed and dated the date of its presentation (any such certificate and demand for payment being herein called an “Interest Draw Certificate”); (b) in one or more drawings by one or more of your certificates and demands for payment in the form of Annex 2 attached hereto appropriately completed and executed and dated the date of its presentation (any such certificate and demand for payment being herein called a “Tender Draw Certificate”); and (c) in one or more drawings by one or more of your certificates and demands for payment in the form of Annex 3 attached hereto appropriately completed and executed and dated the date of its presentation (any such certificate and demand for payment being herein called a “Redemption Draw Certificate”). Each such certificate and demand for payment shall be presented at our office at 1177 Avenue of the Americas, New York, New York 10036, Attention: Loan Administration, or such other office of ours in New York, New York as we hereafter designate by written notice to you, and shall be made either (i) in the form of a certificate and demand for payment manually signed by one of your authorized signatories and addressed to us at such office, or (ii) in the form of a telecopy transmission of the certificate and demand for payment described in clause (i) of this sentence to Telecopier No. (212) 956-5581 (with transmission confirmed by call to Telephone No. (212) 541-0660) or such other telecopier and telephone numbers that may be designated by us by written notice delivered to you. If a drawing is made by telecopier, it must contain an additional certification by you that the original of the certificate and demand for payment manually signed by one of your authorized signatories is being sent to us concurrently by next Business Day delivery service. If we receive your Interest Draw Certificate or Redemption Draw Certificate at such office, all in strict conformity with the terms and conditions of this Letter of Credit, at or prior to 3:00 p.m., on a Business Day, we will honor the same in accordance with your payment instructions by 12:00 noon on the later of (x) the Business Day immediately following the Business Day on which you present such Interest Draw Certificate or Redemption Draw Certificate to us or (y) the “Funding Date” set forth in such Interest Draw Certificate or Redemption Draw Certificate; and if we receive your Interest Draw Certificate or Redemption Draw Certificate at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 3:00 p.m., on a Business Day, we will honor the same in accordance with your payment instructions by 2:00 p.m. on the later of (i) the Business Day immediately following the Business Day on which you present such Interest Draw Certificate or Redemption Draw Certificate to us or (ii) the “Funding Date” set forth in such Interest Draw Certificate or Redemption Draw Certificate. If we receive your Tender Draw Certificate at such office, all in strict conformity with the terms and conditions of this Letter of Credit, at or prior to 11:30 a.m., on a Business Day, we will honor the

same in accordance with your payment instructions by 2:30 p.m. on the later of (a) the Business Day on which you present such Tender Draw Certificate to us or (b) the “Funding Date” set forth in such Tender Draw Certificate; and if we receive your Tender Draw Certificate at such office, all in strict conformity with the terms and conditions of this Letter of Credit, after 11:30 a.m., on a Business Day, we will honor the same in accordance with your payment instructions by 2:30 p.m. on the later of (1) the Business Day immediately following the Business Day on which you present such Tender Draw Certificate to us or (2) the “Funding Date” set forth in such Tender Draw Certificate. For purposes of this Letter of Credit, we shall be deemed to have “honored” a certificate and demand for payment at the time at which we commence a wire transfer of immediately available funds in accordance with your instructions.

4. As used herein the term “Business Day” means any day other than (i) a Saturday, Sunday or legal holiday, (ii) a day on which banking institutions in Los Angeles, California or New York, New York or in any other city where either your principal corporate trust office, the office of the Paying Agent (as defined in the Indenture) designated for payment and tender of Adjustable Rate Bonds or our office at which drawing documents are required to be presented under this Letter of Credit is located are required or authorized by law (including executive order) to close, or (iii) a day on which the New York Stock Exchange, Inc. is closed. References to any time of day in this Letter of Credit shall refer to eastern standard time or eastern daylight saving time, as in effect in New York, New York on such day.

5. Each drawing honored by us hereunder shall reduce the Letter of Credit Amount and the respective Principal and Interest Components thereof by the respective amounts of such drawing and the corresponding components of such drawing. In addition, the Letter of Credit Amount and the respective Principal and Interest Components thereof shall be reduced automatically, without notice to you, upon our receipt from you of a certificate in the form of Annex 4 attached hereto appropriately completed and executed, each such reduction to be (i) in the amounts necessary to reduce the Letter of Credit Amount and the Principal and Interest Components thereof to the respective amounts specified by you in such certificate and (ii) effective on the Business Day on which we receive such certificate from you. No drawing hereunder honored by us shall exceed the Letter of Credit Amount at the time of such drawing, as the Letter of Credit Amount has been reduced and reinstated in accordance with the terms hereof, and no component of any such drawing corresponding to principal of or interest on the Adjustable Rate Bonds shall exceed the corresponding Principal or Interest Component of the Letter of Credit Amount as such Component has been reduced and reinstated in accordance with the terms hereof.

6. As of 5:00 p.m. on the seventh calendar day following the date of each drawing under this Letter of Credit by your Interest Draw Certificate, the Letter of Credit Amount and the Interest Component shall be automatically reinstated by an amount equal to the amount of such drawing, unless before 5:00 p.m. on said seventh calendar day, we give written notice specifically referring to KBC Bank N.V., New York Branch Irrevocable Letter of Credit No. XXXXX signed by our authorized officer and received by you, to the effect that an Event of Default has occurred and is continuing under the Reimbursement, Credit and Security Agreement dated as of December 1, 2011 between the City and us (the “Reimbursement Agreement”) and such reinstatement shall not occur, in which case such reinstatement shall not occur.

7. Following any drawing under this Letter of Credit by your Tender Draw Certificate, the Letter of Credit Amount and the Principal and Interest Components thereof shall be reinstated with respect to such drawing (a) automatically when and to the extent that both (i) we have received immediately available funds for application to the City's reimbursement obligation for such drawing (such funds shall be remitted to the attention of our Loan Administration Department with a statement that they constitute reimbursement for such Tender Draw Certificate under KBC Bank N.V., New York Branch Irrevocable Letter of Credit No. XXXXX) and (ii) you have delivered to us a certificate in respect of such reinstatement in the form of Annex 5 attached hereto appropriately completed and executed, which may be sent by telecopier in the manner, to the number and with the confirmation and follow-up delivery described in paragraph 3 of this Letter of Credit, or (b) when and to the extent that we, at our option, upon the City's request, advise you in writing that such reinstatement shall occur, it being understood that we shall have no obligation to grant any such reinstatement except as provided in clause (a) of this sentence.

8. This Letter of Credit shall automatically terminate upon the first to occur of: (a) the Stated Expiration Date (as such date may have been extended), (b) the date on which we receive a certificate from you in the form of Annex 6 attached hereto to the effect that there are no Adjustable Rate Bonds Outstanding (as defined in the Indenture) other than Adjustable Rate Bonds secured by an Alternate Letter of Credit (as defined in the Indenture), or (c) the date on which the final drawing available hereunder is honored. This Letter of Credit shall be promptly surrendered to us by you upon such termination.

9. This Letter of Credit is transferable in its entirety (but not in part) to any transferee who you certify to us has succeeded you as Trustee under the Indenture, and may be successively transferred. Transfer of this Letter of Credit to such transferee shall be effected by the presentation to us of this Letter of Credit accompanied by a certificate substantially in the form of Annex 7 attached hereto appropriately completed and executed.

10. Only you (or a transferee permitted by the terms of this Letter of Credit) may make drawings under this Letter of Credit. Upon the payment to you or your account of the amount specified in a certificate and demand for payment presented hereunder, we shall be fully discharged of our obligation under this Letter of Credit with respect to such certificate and demand for payment, and we shall not thereafter be obligated to make any further payments under this Letter of Credit with respect to such certificate and demand for payment.

11. This Letter of Credit sets forth in full the terms of our undertaking, and this undertaking shall not in any way be modified, amended, amplified or limited by reference to any document, instrument or agreement referred to herein or in which this Letter of Credit is referred to or to which this Letter of Credit relates, except only the certificates and demands for payment referred to herein; and any such reference shall not be deemed to incorporate herein by reference any document, instrument or agreement, except such certificates and demands for payment. All certificates and demands for payment referred to herein that are presented to us from time to time shall become an integral part of this Letter of Credit and shall be binding on any transferee permitted by the terms of this Letter of Credit. Payment of all drawings honored under this Letter of Credit will be made with our own funds.

12. To the extent not inconsistent with the express provisions hereof, this Letter of Credit shall be governed by and construed in accordance with the International Standby Practices 1998 (“ISP98”) as interpreted under the laws of the State of New York. This Letter of Credit shall be issued under the laws of the State of New York and shall, as to matters not governed by ISP98, be governed by and construed in accordance with the laws of said State, without regard to principles of conflicts of law. This Letter of Credit is an obligation of KBC Bank N.V., acting through its New York Branch.

Very truly yours,

KBC BANK N.V., NEW YORK
BRANCH

By _____
Name:
Title:

By _____
Name:
Title:

ANNEX 1 to KBC Bank N.V., New York Branch
Irrevocable Letter of Credit No. XXXXX

To: KBC BANK N.V., New York Branch
1177 Avenue of the Americas
New York, NY 10036
Attention: Loan Administration

CERTIFICATE AND DEMAND FOR PAYMENT IN RESPECT OF
INTEREST ON CITY OF IRVINE REASSESSMENT DISTRICT
NO. 04-20 LIMITED OBLIGATION IMPROVEMENT BONDS,
ADJUSTABLE RATE SERIES A (THE "ADJUSTABLE
RATE BONDS") ISSUED BY CITY OF IRVINE (THE "CITY")

The undersigned, a duly authorized signatory of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee") under the Indenture dated as of December 1, 2011 between the Trustee and the City (the "Indenture") under which the Adjustable Rate Bonds have been issued, hereby certifies and demands payment, with reference to Irrevocable Letter of Credit No. XXXXX (the "Letter of Credit") issued by KBC Bank N.V., New York Branch (the "Bank") in favor of the Trustee (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit), as follows:

1. The Trustee is the Trustee under the Indenture for the holders of the Adjustable Rate Bonds.
2. The Trustee hereby demands payment in the amount of \$_____ under the Letter of Credit to be applied to payment of accrued interest on Adjustable Rate Bonds (none of which is presently owned by the City or the Bank). Payment of such demand is requested to be made on _____ (the "Funding Date").
3. The Trustee has not received a notice from the Bank that reinstatement of the Letter of Credit in respect of any other Interest Draw Certificate shall not occur.
4. The amount demanded by this Interest Draw Certificate (i) is being drawn against the Interest Component of the Letter of Credit Amount and does not exceed the Letter of Credit Amount, as reduced and reinstated in accordance with the terms of the Letter of Credit, or the Interest Component, as reduced and reinstated in accordance with the terms of the Letter of Credit, (ii) was computed in accordance with the terms and conditions of the Indenture, (iii) does not include any amount in respect of interest on Adjustable Rate Bonds which was included in any Interest Draw Certificate, Tender Draw Certificate or Redemption Draw Certificate presented and not dishonored on or prior to the date of this Interest Draw Certificate, and (iv) shall be applied pursuant to the provisions of the Indenture to the payment of accrued interest on Adjustable Rate Bonds which are not owned by the City or the Bank.

5. Upon receipt of payment of the amount demanded by this Interest Draw Certificate, the Trustee shall immediately pay or cause to be paid by wire transfer of immediately available funds to the Bank an amount equal to the amount of such demand to the extent funds are available therefor pursuant to the Indenture.

6. If this Interest Draw Certificate is initially presented by telecopier, the original of this Interest Draw Certificate manually signed by one of the Trustee's authorized signatories is being sent to you concurrently by next Business Day delivery service.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Interest Draw Certificate as of this ___ day of _____, ____.

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

By _____
Name:
Title:

ANNEX 2 to KBC Bank N.V., New York Branch
Irrevocable Letter of Credit No. XXXXX

To: KBC BANK N.V., New York Branch
1177 Avenue of the Americas
New York, NY 10036
Attention: Loan Administration

CERTIFICATE AND DEMAND FOR TENDER DRAWING IN
RESPECT OF PURCHASE PRICE CORRESPONDING TO
PRINCIPAL OF AND ACCRUED INTEREST ON CITY OF
IRVINE REASSESSMENT DISTRICT NO. 04-20 LIMITED
OBLIGATION IMPROVEMENT BONDS, ADJUSTABLE RATE
SERIES A (THE "ADJUSTABLE RATE BONDS") ISSUED BY
CITY OF IRVINE (THE "CITY")

The undersigned, a duly authorized signatory of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee") under the Indenture dated as of December 1, 2011 between the Trustee and the City (the "Indenture") under which the Adjustable Rate Bonds have been issued, hereby certifies and demands payment, with reference to Irrevocable Letter of Credit No. XXXXX (the "Letter of Credit") issued by KBC Bank N.V., New York Branch (the "Bank"), in favor of the Trustee (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit), as follows:

1. The Trustee is the Trustee under the Indenture for the holders of the Adjustable Rate Bonds.

2. The Trustee hereby demands payment in the amount of \$_____ under the Letter of Credit in respect of the payment of the purchase price of Adjustable Rate Bonds, corresponding to the principal thereof and unpaid accrued interest thereon, tendered for purchase pursuant to the provisions of the Indenture and not successfully remarketed pursuant to the Indenture. Such Adjustable Rate Bonds are herein called "Unremarketed Tendered Bonds". Payment of such demand is requested to be made on _____ (the "Funding Date"), which is the date the purchase price payment for the Unremarketed Tendered Bonds is due. None of the Unremarketed Tendered Bonds is presently owned by the City or the Bank.

3. The amount demanded by this Tender Draw Certificate consists of the sum of (i) \$_____ being drawn against the Principal Component of the Letter of Credit Amount in respect of the payment of the portion of the purchase price of the Unremarketed Tendered Bonds corresponding to the principal thereof and (ii) \$_____ being drawn against the Interest Component of the Letter of Credit Amount in respect of the portion of the

purchase price of the Unremarketed Tendered Bonds corresponding to accrued and unpaid interest thereon.

4. The amount demanded by this Tender Draw Certificate does not exceed the Letter of Credit Amount, as reduced and reinstated in accordance with the terms of the Letter of Credit. Neither of the components of the amount set forth in paragraph 3 of this Tender Draw Certificate exceeds the corresponding component of the Letter of Credit Amount as reduced and reinstated in accordance with the terms of the Letter of Credit. The amount demanded by this Tender Draw Certificate (i) was computed in accordance with the terms and conditions of the Indenture, (ii) does not include any amount in respect of principal of or interest on the Adjustable Rate Bonds which was included in any Interest Draw Certificate, Tender Draw Certificate or Redemption Draw Certificate presented and not dishonored on or prior to the date of this Tender Draw Certificate, and (iii) shall be applied pursuant to the provisions of the Indenture to the payment of purchase price of the Unremarketed Tendered Bonds, which shall thereupon be registered to the record or beneficial ownership of the Bank pursuant to the Indenture and the Reimbursement Agreement.

5. If this Tender Draw Certificate is initially presented by telecopier, the original of this Tender Draw Certificate manually signed by one of the Trustee's authorized signatories is being sent to you concurrently by next Business Day delivery service.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Tender Draw Certificate this ___ day of _____, ____.

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

By _____
Name:
Title:

ANNEX 3 to KBC Bank N.V., New York Branch
Irrevocable Letter of Credit No. XXXXX

To: KBC BANK N.V., New York Branch
1177 Avenue of the Americas
New York, NY 10036
Attention: Loan Administration

CERTIFICATE AND DEMAND FOR FINAL PAYMENT IN
RESPECT OF PRINCIPAL OF AND ACCRUED INTEREST ON
CITY OF IRVINE REASSESSMENT DISTRICT NO. 04-20
LIMITED OBLIGATION IMPROVEMENT BONDS,
ADJUSTABLE RATE SERIES A (THE "ADJUSTABLE RATE
BONDS") ISSUED BY CITY OF IRVINE (THE "CITY")

The undersigned, a duly authorized signatory of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee") under the Indenture dated as of December 1, 2011 between the Trustee and the City (the "Indenture") under which the Adjustable Rate Bonds have been issued, hereby certifies and demands payment, with reference to Irrevocable Letter of Credit No. XXXXX (the "Letter of Credit") issued by KBC Bank N.V., New York Branch (the "Bank") in favor of the Trustee (the capitalized terms used herein shall have the meanings ascribed to them in the Letter of Credit), as follows:

1. The Trustee is the Trustee under the Indenture for the holders of the Adjustable Rate Bonds.

2. The Trustee hereby demands payment in the amount of \$_____ under the Letter of Credit in respect of the payment of principal of and accrued interest on the Adjustable Rate Bonds (other than Adjustable Rate Bonds which are owned by the City, such Adjustable Rate Bonds being herein called "City Bonds", or the Bank, such Adjustable Rate Bonds being herein called "Bank Bonds") upon the applicable event indicated in paragraph 3 of this Certificate. Payment of such demand is requested to be made on _____ (the "Funding Date"), which is the date such payment of principal of and interest on the Adjustable Rate Bonds is due.

3. The Trustee is presenting this Redemption Draw Certificate in connection with (check and complete one):

An optional redemption of Adjustable Rate Bonds in the principal amount of \$_____ pursuant to the Indenture. After such redemption \$_____ principal amount of Adjustable Rate Bonds will remain Outstanding, none of which are presently City Bonds or Bank Bonds.

- A mandatory redemption of Adjustable Rate Bonds in the principal amount of \$_____ pursuant to the Indenture. After such redemption \$_____ principal amount of the Adjustable Rate Bonds will remain Outstanding, none of which are presently City Bonds or Bank Bonds.

- The payment of Adjustable Rate Bonds at maturity pursuant to the Indenture.

If the drawing under the Letter of Credit by this Redemption Draw Certificate is being made in respect of an optional or mandatory redemption in whole of all Adjustable Rate Bonds or the payment of the Adjustable Rate Bonds at maturity, such drawing shall be the final drawing available under the Letter of Credit.

4. The amount demanded by this Redemption Draw Certificate consists of the sum of (i) \$_____ being drawn against the Principal Component of the Letter of Credit Amount in respect of the principal of Adjustable Rate Bonds (other than Adjustable Rate Bonds which are City Bonds or Bank Bonds) and (ii) \$_____ being drawn against the Interest Component of the Letter of Credit Amount in respect of interest accrued and unpaid on such Adjustable Rate Bonds.

5. The amount demanded by this Redemption Draw Certificate does not exceed the Letter of Credit Amount, as reduced and reinstated in accordance with the terms of the Letter of Credit. Neither of the components of the amount of the demand set forth in paragraph 4 of this Redemption Draw Certificate exceeds the corresponding component of the Letter of Credit Amount, as reduced and reinstated in accordance with the terms of the Letter of Credit. The amount demanded by this Redemption Draw Certificate (i) was computed in accordance with the terms and conditions of the Indenture, (ii) does not include any amount in respect of principal of or interest on the Adjustable Rate Bonds which was included in any Interest Draw Certificate, Tender Draw Certificate or Redemption Draw Certificate presented and not dishonored on or prior to the date of this Redemption Draw Certificate, and (iii) shall be applied pursuant to the provisions of the Indenture to the payment of the principal of and accrued interest on Adjustable Rate Bonds which are not City Bonds or Bank Bonds.

6. Upon receipt of payment of the amount demanded by this Redemption Draw Certificate, the Trustee shall immediately pay or cause to be paid by wire transfer of immediately available funds to the Bank an amount equal to the amount of such demand to the extent funds are available therefor pursuant to the Indenture.

7. If this Redemption Draw Certificate is initially presented by telecopier, the original of this Redemption Draw Certificate manually signed by one of the Trustee's authorized signatories is being sent to you concurrently by next Business Day delivery service.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Redemption Draw Certificate this ___ day of _____, ____.

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

By _____
Name:
Title:

ANNEX 4 to KBC Bank N.V., New York Branch
Irrevocable Letter of Credit No. XXXXX

To: KBC BANK N.V., New York Branch
1177 Avenue of the Americas
New York, NY 10036
Attention: Loan Administration

CERTIFICATE FOR REDUCING KBC BANK N.V., NEW YORK
BRANCH (THE "BANK") IRREVOCABLE LETTER OF CREDIT
NO. XXXXX (THE "LETTER OF CREDIT") SUPPORTING CITY
OF IRVINE REASSESSMENT DISTRICT NO. 04-20 LIMITED
OBLIGATION IMPROVEMENT BONDS, ADJUSTABLE RATE
SERIES A (THE "ADJUSTABLE RATE BONDS") ISSUED BY
CITY OF IRVINE (THE "CITY")

The undersigned, a duly authorized signatory of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee") under the Indenture dated as of December 1, 2011 between the Trustee and the City (the "Indenture") under which the Adjustable Rate Bonds have been issued, hereby certifies that (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit):

1. The Trustee is the Trustee under the Indenture for the holders of the Adjustable Rate Bonds.

2. Pursuant to the terms of the Letter of Credit, the Bank is hereby directed to reduce the Letter of Credit Amount and the Principal and Interest Components thereof, effective on the Business Day on which you receive this Certificate, so that after such reduction the Letter of Credit Amount shall be \$_____, of which \$_____ shall be the Principal Component and \$_____ shall be the Interest Component (calculated on the basis of 52 days interest and a 365-day year, at an assumed maximum interest rate of 12% per annum, applied to the Outstanding Adjustable Rate Bonds, less the amounts, if any, drawn with Tender Draw Certificates to purchase Outstanding Adjustable Rate Bonds in respect of which the Letter of Credit has not been reinstated).

3. The Trustee is presenting this Certificate and directing the Bank to reduce the Letter of Credit Amount because \$_____ principal amount of the Adjustable Rate Bonds have been converted to bear interest at a Fixed Interest Rate or have been redeemed or are deemed to have been paid. The aggregate principal amount of the Outstanding Adjustable Rate Bonds (other than Adjustable Rate Bonds which have been purchased with the proceeds of a Tender Draw Certificate and not remarketed) is \$_____.

4. If this Certificate is initially presented by telecopier, the original of this Certificate manually signed by one of the Trustee's authorized signatories is being sent to you concurrently by next Business Day delivery service.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate this ___ day of _____, ____.

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

By _____
Name:
Title:

ANNEX 5 to KBC Bank N.V., New York Branch
Irrevocable Letter of Credit No. XXXXX

To: KBC BANK N.V., New York Branch
1177 Avenue of the Americas
New York, NY 10036
Attention: Loan Administration

CERTIFICATE FOR REINSTATING KBC BANK N.V., NEW YORK BRANCH (THE "BANK") IRREVOCABLE LETTER OF CREDIT NO. XXXXX (THE "LETTER OF CREDIT") SUPPORTING CITY OF IRVINE REASSESSMENT DISTRICT NO. 04-20 LIMITED OBLIGATION IMPROVEMENT BONDS, ADJUSTABLE RATE SERIES A (THE "ADJUSTABLE RATE BONDS") ISSUED BY CITY OF IRVINE (THE "CITY")

The undersigned, a duly authorized signatory of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee") under the Indenture dated as of December 1, 2011 between the Trustee and the City (the "Indenture") under which the Adjustable Rate Bonds have been issued, hereby certifies that (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit):

1. The Trustee is the Trustee under the Indenture for the holders of the Adjustable Rate Bonds.

2. On the date of this Certificate \$_____ aggregate principal amount of Adjustable Rate Bonds are being purchased upon a remarketing thereof by the Remarketing Agent (as defined in the Indenture). All of such Adjustable Rate Bonds were heretofore purchased (or anticipated to be purchased) with the proceeds of one or more Tender Draw Certificates in the total drawing amount with respect to such Adjustable Rate Bonds of \$_____, of which proceeds \$_____ was drawn in respect of principal of such Adjustable Rate Bonds and \$_____ was drawn in respect of accrued interest on such Adjustable Rate Bonds. Prior to the date of this Certificate there has been no reinstatement of the Letter of Credit Amount with respect to amounts drawn by such Tender Draw Certificates to purchase such Adjustable Rate Bonds.

3. The Paying Agent (as defined in the Indenture) and/or the Trustee has received for immediate payment (or repayment) to the Bank in respect of the Adjustable Rate Bonds described in paragraph 2 of this Certificate the total amount of \$_____, consisting of \$_____ from the Remarketing Agent (representing remarketing proceeds) and \$_____ from the Bank (representing excess proceeds of the Tender Draw Certificates

described in paragraph 2). Such total amount is being paid to the Bank at the above address with reference to KBC Bank N.V., New York Branch Irrevocable Letter of Credit No. XXXXX, as reimbursement for amounts drawn under the Letter of Credit by the Tender Draw Certificates described in paragraph 2 of this Certificate.

4. Of the total amount referred to in paragraph 3 of this Certificate, \$_____ corresponds to the aggregate principal amount of Adjustable Rate Bonds described in paragraph 2 of this Certificate and \$_____ corresponds to accrued interest on such Adjustable Rate Bonds.

5. Payment of the total amount referred to in paragraph 3 of this Certificate, together with other amounts heretofore paid to the Bank by or on behalf of the City, represents reimbursement for the entire outstanding balance of all amounts drawn in respect of the Adjustable Rate Bonds described in paragraph 2 of this Certificate. The foregoing certification is made in reliance upon representations by the Paying Agent and/or the Bank to the Trustee that, upon payment of such amounts, the Bank will be fully reimbursed for all Tender Draw Certificates (or allocable portions thereof) honored by the Bank to purchase such Adjustable Rate Bonds. No Certification is made by the Trustee as to the payment of interest accrued pursuant to the Reimbursement Agreement on the amounts drawn by such Tender Draw Certificates.

6. Pursuant to paragraph 7 of the Letter of Credit, the Letter of Credit Amount shall be automatically reinstated by an amount equal to \$_____ (which does not exceed the aggregate amount of the Tender Draw Certificates, or allocable portions thereof, honored by the Bank to purchase such Adjustable Rate Bonds), of which \$_____ (which does not exceed the aggregate amount of such Tender Draw Certificates, or allocable portions thereof, drawn against the Principal Component) shall be applied to the Principal Component and \$_____ (which does not exceed the aggregate amount of such Tender Draw Certificates, or allocable portions thereof, drawn against the Interest Component) shall be applied to the Interest Component. PLEASE CONFIRM SUCH REINSTATEMENT BY TELEPHONE TO THE TRUSTEE AT _____, ATTENTION: _____, AND BY WRITING TO THE TRUSTEE AT ITS ADDRESS ON FILE WITH YOU (it being understood that such confirmation by you is not a condition precedent to the automatic reinstatement provided for by paragraph 7 of the Letter of Credit).

7. If this Certificate is initially presented by telecopier, the original of this Certificate manually signed by one of the Trustee's authorized signatories is being sent to you concurrently by next Business Day delivery service.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate this ___
day of _____, ____.

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

By _____
Name:
Title:

ANNEX 6 to KBC Bank N.V., New York Branch
Irrevocable Letter of Credit No. XXXXX

To: KBC BANK N.V., New York Branch
1177 Avenue of the Americas
New York, NY 10036
Attention: Loan Administration

CERTIFICATE FOR TERMINATING KBC BANK N.V., NEW YORK BRANCH (THE "BANK") IRREVOCABLE LETTER OF CREDIT NO. XXXXX (THE "LETTER OF CREDIT") SUPPORTING CITY OF IRVINE REASSESSMENT DISTRICT NO. 04-20 LIMITED OBLIGATION IMPROVEMENT BONDS, ADJUSTABLE RATE SERIES A (THE "ADJUSTABLE RATE BONDS") ISSUED BY CITY OF IRVINE (THE "CITY")

The undersigned, a duly authorized signatory of THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Trustee (the "Trustee") under the Indenture dated as of December 1, 2011 between the Trustee and the City (the "Indenture") under which the Adjustable Rate Bonds have been issued, hereby certifies that (the capitalized terms used herein and not defined herein shall have the meanings ascribed to them in the Letter of Credit):

1. The Trustee is the Trustee under the Indenture for the holders of the Bonds.
2. Pursuant to the Indenture and the Letter of Credit, the Letter of Credit shall be terminated on the date the Bank receives this Certificate, and the Trustee is herewith delivering the Letter of Credit for cancellation, because no Adjustable Rate Bonds remain Outstanding other than Adjustable Rate Bonds secured by an Alternate Letter of Credit.

IN WITNESS WHEREOF, the Trustee has executed and delivered this Certificate this __ day of _____, _____.

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

By _____
Name:
Title:

ANNEX 7 to KBC Bank N.V., New York Branch
Irrevocable Letter of Credit No. XXXXX

(Date)

To: KBC BANK N.V., New York Branch
1177 Avenue of the Americas
New York, NY 10036
Attention: Loan Administration

Re: KBC Bank N.V., New York Branch, Irrevocable Letter of
Credit No. XXXXX

Gentlemen:

For value received, the undersigned beneficiary hereby irrevocably transfers to:

(Name of Transferee)

(Address)

all rights of the undersigned beneficiary to draw under KBC Bank N.V., New York Branch Irrevocable Letter of Credit No. XXXXX (the "Letter of Credit") in its entirety. Said transferee has succeeded to the undersigned as Trustee under the Indenture dated as of December 1, 2011 between the Trustee and City of Irvine.

By this transfer, all rights of the undersigned beneficiary in the Letter of Credit are transferred to the transferee and the transferee shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised direct to the transferee without necessity of any consent of or notice to the undersigned beneficiary.

The original of the Letter of Credit is returned herewith, and in accordance therewith we ask you to transfer the Letter of Credit to the transferee in the Letter of Credit Amount (as defined in the Letter of Credit) with provision for reinstating the Letter of Credit Amount with respect to all drawings by Interest Draw Certificates and Tender Draw Certificates (as defined in the Letter of Credit) with respect to which the Letter of Credit Amount may be reinstated, and forward it directly to the transferee with your customary notice of transfer.

Yours very truly,

SIGNATURE AUTHENTICATED

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

(Authorized Signature)

By _____
Name:
Title:

**CITY OF IRVINE
REASSESSMENT DISTRICT NO. 04-20
LIMITED OBLIGATION IMPROVEMENT BONDS,
ADJUSTABLE RATE SERIES A**

PLACEMENT AGREEMENT

_____, 2011

City Council
City of Irvine
One Civic Center Plaza
Irvine, California 92606-5208

Ladies and Gentlemen:

Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Placement Agent ") offers to enter into this Placement Agreement (this "Placement Agreement ") with the City of Irvine (the "City") with regard to the placement of the Series A Bonds described herein, which will be binding upon the City and the Placement Agent upon the City's acceptance hereof. All capitalized terms not otherwise defined herein shall have the meanings prescribed in the Indenture or Limited Offering Memorandum (each defined below).

1. Placement of the Series A Bonds.

a. Upon the terms and conditions and upon the basis of the representations, warranties and agreements hereinafter set forth, the Placement Agent hereby agrees to privately place the City's \$_____ aggregate principal amount of Limited Obligation Improvement Bonds, Adjustable Rate Series A (the "Series A Bonds"), of Reassessment District No. 04-20 of the City of Irvine (the "District") as agent for the City and the City hereby agrees to sell to such investors identified by the Placement Agent all (but not less than all) of the Series A Bonds. Nothing in this Placement Agreement shall be deemed to constitute the Placement Agent an underwriter of the Bonds or to obligate the Placement Agent to purchase any Series A Bonds. The Series A Bonds will mature on _____ and bear interest at an adjustable rate. The aggregate price for the Series A Bonds shall be 100% of the principal amount thereof plus accrued interest, if any, to the date of Closing (as hereinafter defined), payable in immediate available funds to the order of the Trustee for the account of the Issuer. The Series A Bonds will be subject to redemption and such other terms as set forth in the Indenture, dated as of _____, (the "Indenture"), by and between the City and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and shall be issued in book-entry only form.

As consideration for its private placement of the Series A Bonds, the City shall pay the Placement Agent a fee equal to \$_____ in immediately available monies on the date of Closing. The Series A Bonds will be in fully registered form in such denominations and registered in such names as shall be requested by the Placement Agent and delivered at the office of the Trustee.

The 2011 Bonds will be offered and sold by the Placement Agent only to “qualified institutional buyers” (as such term is defined under Rule 144A of the Securities Act of 1933, as amended). Each purchase of the 2011 Bonds will be required to sign an investment letter in the form set forth in Appendix ___ to the Limited Offering Memorandum .

b. The Series A Bonds will be secured by a direct-pay irrevocable letter of credit (the “Letter of Credit”) to be issued by KBC Bank N.V., New York Branch (the “Bank”) pursuant to the terms of a Reimbursement, Credit and Security Agreement, dated as of _____ (the “Reimbursement Agreement”), by and between the Bank and the City. The Series A Bonds will be subject to optional and mandatory purchase and, upon such purchase, will be remarketed pursuant to the provisions of the Remarketing Agreement, dated as of _____ (the “Remarketing Agreement”), by and between Merrill Lynch, Pierce, Fenner & Smith Incorporated as remarketing agent and the City.

c. The Series A Bonds shall be issued and secured under the provisions of the Indenture, and shall be as described in the Indenture. Pursuant to Resolutions of the City adopted on September 13, 2011 (the “Resolution of Intention”) and November ___ 2011 (the “Resolution of Issuance”), the City has authorized (i) the issuance of the Series A Bonds, (ii) the execution and delivery of the Indenture, the Reimbursement Agreement, the Remarketing Agreement, the Escrow Agreement, the Continuing Disclosure Agreement, this Placement Agreement and the Limited Offering Memorandum (defined below), and (iii) the use of the Preliminary Limited Offering Memorandum of the City dated _____, and relating to the Series A Bonds, together with all appendices thereto (the “Preliminary Limited Offering Memorandum”), and the Limited Offering Memorandum in connection with the offering and sale of the Series A Bonds. The Resolution of Intention and the Resolution of Issuance are herein collectively referred to as the “Resolutions.” The Series A Bonds, the Indenture, this Placement Agreement, the Reimbursement Agreement, the Remarketing Agreement, the Continuing Disclosure Agreement, the Escrow Agreement and the Protocol Agreement, dated as of November 1, 2011, by and between the City and The Irvine Company, are herein referred to as the “City Documents.”

The proceeds of the Series A Bonds shall be applied (i) to pay upon maturity or refund the outstanding \$55,000,000 City of Irvine Assessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A (the “Prior Bonds”); (ii) fund a debt service reserve fund for the Series A Bond; and (iii) pay costs associated with the sale and delivery of the Series A Bonds.

As of its date, the Preliminary Limited Offering Memorandum was “deemed final” by the City for purposes of Rule 15c2-12(b)(1) of the rules and regulations (the “Rule”) promulgated by the Securities and Exchange Commission (the “Commission”) under the Securities Act of 1934, as amended (the “Exchange Act”). The City has delivered the Limited Offering Memorandum to the Placement Agent in a quantity sufficient to comply with Rule 15c2-12(b)(4) of the Commission and the rules of the Municipal Securities Rulemaking Board (the “MSRB”).

At 9:00 A.M., California time, on _____ or at such other time or on such earlier or later business day as shall have been mutually agreed upon by the City and the Placement Agent (the "Closing Date"), the City will deliver (i) the Series A Bonds through the facilities of The Depository Trust Company ("DTC") in New York, New York, and (ii) the closing documents hereinafter mentioned at the offices of Rutan & Tucker, LLP ("Bond Counsel"), or such other place to be mutually agreed upon by the City and the Placement Agent . The Placement Agent will accept such delivery and pay the purchase price of the Series A Bonds by wire transfer or other manner payable in federal or other immediately available funds in New York, New York to the order of the Trustee. The 2011 Bonds will be typewritten, shall be prepared and delivered to the Trustee under the Fast Automated Securities Transfer System, in definitive form, duly executed and authenticated, and registered in the name of Cede & Co. as nominee for The Depository Trust Company. The date of this payment and delivery, together with the delivery of the aforementioned documents, is herein called the "Closing."

In order to assist the Placement Agent in complying with paragraph (b)(5) of the Rule, the City will undertake pursuant to a Continuing Disclosure Agreement relating to the Bonds (the "Continuing Disclosure Agreement") to provide annual financial information and notice of certain enumerated events.

2. Representations, Warranties and Agreements of the City. The City hereby represents and warrants to and agrees with the Placement Agent that:

a. The City is a charter city of the State of California (the "State"), duly organized and validly existing pursuant to the Constitution and laws of the State;

b. The City had full legal right, power and authority to adopt the Resolutions, and the City has, and at the Closing Date will have, full legal right, power and authority (i) to execute and deliver the City Documents and to perform its obligations under the City Documents, (ii) to issue, sell and deliver the Series A Bonds to the Placement Agent as provided herein, and (iii) to carry out, give effect to and consummate the transactions contemplated by the City Documents, the Resolutions and the Limited Offering Memorandum;

c. The City is, and at the Closing Date will be, in compliance, in all respects, with the City Documents;

d. The City Council has duly and validly adopted the Resolutions and approved the execution and delivery of the Series A Bonds and the other City Documents, and the performance by the City of its obligations contained therein, and the taking of any and all action as may be necessary to carry out, give effect to and consummate the transactions contemplated by each of said documents. The Series A Bonds and the other City Documents have been, or on or before the Closing Date will be, duly executed and delivered by the City, and, on the Closing Date, the Series A Bonds, when authenticated and delivered to the Placement Agent in accordance with the Indenture, and the other City Documents will constitute legally valid and binding obligations, enforceable against the City in accordance with their respective terms, except as such enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium, or similar laws or equitable principles relating to or limiting creditors' rights generally;

e. The City is not, and at the Closing Date will not be, in breach of or in default under any applicable law or administrative rule or regulation of the State or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, including the City Documents, a consequence of which could be to materially and adversely affect the ability of the City to perform its obligations under the Series A Bonds or any other City Documents, or which, with the passage of time or the giving of notice or both, would constitute an event of default thereunder;

f. The adoption of the Resolutions and the execution and delivery of the Series A Bonds and the other City Documents and compliance with the provisions thereof, did not and will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the City to perform its obligations under the Series A Bonds or any other City Documents;

g. Except as may be required under the “blue sky” laws of any state, all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute conditions precedent to, or the absence of which would materially adversely affect, the ability of the City to perform its obligations under any of the Series A Bonds or the other City Documents, have been obtained and are in full force and effect;

h. The Series A Bonds, the Indenture, the Reimbursement Agreement, the Remarketing Agreement, the Escrow Agreement, the Continuing Disclosure Agreement and the Resolutions conform as to form and tenor to the descriptions thereof contained in the Preliminary Limited Offering Memorandum, and which will be contained in the Limited Offering Memorandum as of the Closing Date, and when delivered to and paid for by the Placement Agent on the Closing Date as provided herein, the Series A Bonds will be validly issued and outstanding;

i. The assessments levied on the parcels within the District constituting the security for the Series A Bonds (the “Adjustable Rate Reassessments”) have been duly and lawfully levied under and pursuant to the Municipal Improvement Act of 1913 Division 12 of the California Streets and Highways Code), as amended, the Improvement Bond Act of 1915 (Division 10 of the California Streets and Highways Code), as amended, Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code and Article XIID of the Constitution of the State and the Proposition 218 Omnibus Implementation Act (Statutes of 1997, Chapter 38), and such Adjustable Rate Reassessments on parcels within the District constitute valid and legally binding liens on the parcels within the District on which they have been levied;

j. There are no outstanding assessment liens levied by the City against any of the properties within the District which are senior to the reassessment liens referred to in

paragraph (i) hereof (other than the assessments related to the Prior Bonds), and the City has no present intention of conducting further proceedings leading to the levying of additional assessments against any of the properties within the District;

k. As of the date thereof, the Preliminary Limited Offering Memorandum (other than information under the captions “THE BANK” and “THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT,” as to which the City shall not be required to express any view) did not contain any untrue statement of a material fact or omit a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; the Limited Offering Memorandum (other than information under the captions “THE BANK” and “THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT,” as to which the City shall not be required to express any view) does not and, as of the Closing Date, will not contain any untrue or any misleading statement of a material fact or omit to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading;

l. Until the date which is 25 days after the End Date, if any event shall occur of which the City is aware, as a result of which it may be necessary to supplement the Limited Offering Memorandum in order to make the statements contained in the Limited Offering Memorandum, in light of the circumstances existing at such time, not misleading, the City shall forthwith notify the Placement Agent of any such event of which they have knowledge and shall cooperate fully in furnishing any information available to it for any supplement to the Limited Offering Memorandum necessary, as required by subparagraph (m) of this Paragraph 2;

m. After the Closing and until the date which is 25 days after the End Date (i) the City will not adopt any amendment of or supplement to the Limited Offering Memorandum to which the Placement Agent shall object in writing or which shall be disapproved by counsel for the Placement Agent, and (ii) if any event relating to or affecting the City shall occur as a result of which it is necessary, in the opinion of counsel for the Placement Agent, to amend or supplement the Limited Offering Memorandum in order to make the Limited Offering Memorandum not misleading in the light of the circumstances existing at the time it is delivered to an initial purchaser of the Series A Bonds, the City will forthwith prepare and furnish to the Placement Agent a reasonable number of copies of an amendment of or supplement to the Limited Offering Memorandum (in form and substance satisfactory to counsel for the Placement Agent) which will amend or supplement the Limited Offering Memorandum so that it will not contain an untrue statement of a material fact necessary in order to make the statements therein, in the light of the circumstances existing at the time the Limited Offering Memorandum is delivered to an initial purchaser of the Series A Bonds, not misleading. The costs of preparing any necessary amendment or supplement to the Limited Offering Memorandum shall be borne by the City. For the purposes of this section the City will furnish such information with respect to itself as the Placement Agent may from time to time request;

n. The Indenture will create a valid pledge of and lien upon all of the proceeds of draws made under the Letter of Credit and any other amounts held in the Letter of Credit Account established under the Indenture, subject in all cases to the provisions permitting the application thereof for the purposes and on the terms and conditions set forth in the

Indenture. The Indenture will create a valid pledge of and lien upon all of the Adjustable Rate Reassessments (including prepayments thereof), together with interest thereon and any penalties received with respect thereto, and any and all other amounts (including proceeds of the sale of Adjustable Rate Bonds, as applicable) held in any fund or account established pursuant to the Indenture (other than any Rebate Account and any applicable Continuing Costs Subaccount), subject in all cases to the provisions permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture;

o. Except as is disclosed in the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending, or to the knowledge of the City threatened in any way, affecting the existence of the City or the titles of its officers to their respective offices or seeking to restrain or to enjoin the issuance, sale or delivery of the Series A Bonds, the application of the proceeds thereof, or the collection or application of the Adjustable Rate Reassessments pledged or to be pledged to pay the principal of and interest on the Series A Bonds, or the pledge thereof, or in any way contesting or affecting the validity or enforceability of the Resolutions, the Series A Bonds or the other City Documents, or any action on the part of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum or the powers of the City or its authority with respect to the Resolutions, the Series A Bonds or the other City Documents, or any action of the City contemplated by any of said documents, or which would adversely affect the exemption of interest paid on the Series A Bonds from federal income taxation or State personal income taxation, nor to the knowledge of the City is there any basis therefor;

p. The City will furnish such information, execute such instruments and take such other action in cooperation with the Placement Agent as the Placement Agent may reasonably request in order for the Placement Agent to qualify the Series A Bonds for offer and sale under the “blue sky” or other securities laws and regulations of such states and other jurisdictions of the United States as the Placement Agent may designate; provided, however, the City shall not be required to register as a dealer or a broker of securities or consent to the jurisdiction of any State of the United States, other than the State;

q. Any certificate signed by any authorized official of the City authorized to do so shall be deemed a representation and warranty by the City to the Placement Agent as to the statements made therein;

r. During the period from the date hereof until the Closing Date, the City agrees to furnish the Placement Agent with copies of any documents it files with any regulatory authority which are requested by the Placement Agent ;

s. The City is not in material default, nor has the City been in material default at any time, as to the payment of principal or interest with respect to a material obligation issued by the City or with respect to an obligation guaranteed by the City as guarantor; and

t. The City will apply the proceeds from the sale of the Series A Bonds as set forth in and for the purposes specified in the Indenture.

3. Conditions of Closing.

On behalf of the initial purchasers, Closing on the issuance of the Series A Bonds shall be subject, at the option of the Placement Agent, to the accuracy in all material respects of the representations and warranties on the part of the City contained herein, as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the City and other persons and entities made in any certificates or other documents furnished pursuant to the provisions hereof, to the performance by the City of its obligations to be performed hereunder at or prior to the Closing Date and to the following additional conditions:

a. At the Closing Date, the City Documents, the Resolutions and any other applicable agreements shall be in full force and effect, and shall not have been amended, modified or supplemented, except as may have been agreed to in writing by the Placement Agent, and there shall have been taken in connection therewith, with the issuance of the Series A Bonds and with the transactions contemplated thereby, all such actions as, in the opinion of Bond Counsel, shall be necessary and appropriate;

b. At the Closing Date, the Limited Offering Memorandum shall be in form and substance satisfactory to the Placement Agent and the City;

c. At the Closing Date, the Adjustable Rate Reassessments shall have been approved and confirmed by the City and recorded in the office of the Orange County Recorder;

d. Between the date hereof and the Closing Date, the market price or marketability of the Series A Bonds at the initial offering prices shall not have been materially adversely affected, in the judgment of the Placement Agent (evidenced by a written notice to the City terminating the obligation of the Placement Agent to accept delivery of and pay for the Series A Bonds), by reason of any of the following:

(1) legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America or recommended to the Congress by the President of the United States, the Department of the Treasury, the Internal Revenue Service, or any member of Congress, or favorably reported for passage to either House of Congress by any committee of such House to which such legislation has been referred for consideration, or a decision rendered by a court established under Article III of the Constitution of the United States of America or by the Tax Court of the United States of America, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Treasury Department or the Internal Revenue Service of the United States of America, with the purpose or effect, directly or indirectly, of imposing federal income taxation upon the interest as would be received by the holders of the Series A Bonds;

(2) legislation introduced in or enacted (or resolution passed) by the Congress of the United States of America, or an order, decree or injunction issued by any court of competent jurisdiction, or an order, ruling, regulation (final, temporary or proposed), press release or other form of notice issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, to the

effect that the Series A Bonds, obligations of the general character of the Series A Bonds, including any or all underlying arrangements, are not exempt from registration under or other requirements of the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under or other requirements of the Trust Indenture Act of 1939, as amended, or that the issuance, offering or sale of the Series A Bonds or of obligations of the general character of the Series A Bonds, including any or all underwriting arrangements, as contemplated hereby or by the Limited Offering Memorandum or otherwise, is or would be in violation of the federal securities laws as amended and then in effect;

(3) a general suspension of trading in securities on the New York Stock Exchange, or a general banking moratorium declared by federal, State of New York or State officials authorized to do so;

(4) the withdrawal or downgrading of any rating of any securities of the City by a national rating agency;

(5) any amendment to the federal or State Constitution or action by any federal or State court, legislative body, regulatory body or other authority materially adversely affecting the tax status of the City, its property, income or securities (or interest thereon), the validity or enforceability of the Adjustable Rate Assessments or the ability of the City to issue the Series A Bonds as contemplated by the Indenture and the Limited Offering Memorandum ;

(6) the entry of an order by a court of competent jurisdiction which enjoins or restrains the City from issuing permits, licenses or entitlements within the City, which order, in the reasonable opinion of the Placement Agent, materially and adversely affects proposed development within the District in particular or the City in general;

(7) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State or a decision by any court of competent jurisdiction within the State or any court of the United States shall be rendered which, in the reasonable opinion of the Placement Agent, materially adversely affects the market price of the Series A Bonds;

(8) additional material restrictions not in force as of the date hereof shall have been imposed upon trading in securities generally by any governmental authority or by any national securities exchange which restrictions materially adversely affect the Placement Agent ' ability to market the Series A Bonds; or

(9) the United States has become engaged in hostilities which have resulted in a declaration of war or a national emergency or there has occurred any other outbreak or escalation of hostilities or a national or international calamity or crisis, financial or otherwise, the effect of such outbreak, calamity or crisis on the financial markets of the United States, being such as, in the reasonable opinion of the Placement Agent, would affect materially and adversely the ability of the Placement Agent to market the Series A Bonds.

e. On or prior to the Closing Date, the Placement Agent shall have received counterpart originals or certified copies of the following documents, in each case satisfactory in

form and substance to the Placement Agent, or shall have waived the receipt of such documents as a condition to the Placement Agent ' purchase of the Series A Bonds:

(1) the Limited Offering Memorandum, executed on behalf of the City;

(2) fully executed copies of the City Documents (with a specimen copy of the Series A Bonds) and certified copies of the Resolutions;

(3) an approving opinion of Bond Counsel dated the Closing Date and substantially in the form included as APPENDIX A to the Limited Offering Memorandum, together with a letter or letters from such counsel, dated the Closing Date and addressed to the Trustee, the Bank and the Placement Agent, to the effect that the foregoing opinion may be relied upon by the Trustee, the Bank and the Placement Agent to the same extent as if such opinion were addressed to it;

(4) a supplemental opinion of Bond Counsel, dated the Closing Date and addressed to the Placement Agent, in form and substance satisfactory to the Placement Agent and their counsel, to the effect that:

(a) this Placement Agreement, the Escrow Agreement, the Continuing Disclosure Agreement, the Reimbursement Agreement and the Remarketing Agreement have been duly authorized, executed and delivered by the City and (assuming due authorization, execution and delivery by, and validity against, the other respective parties thereto), are valid and binding agreements of the City;

(b) the statements contained in the Limited Offering Memorandum on the cover page and under the captions "INTRODUCTION," "THE SERIES A BONDS," "SECURITY FOR THE SERIES A BONDS," "TAX MATTERS" and in Appendix B thereto, insofar as such statements purport to summarize certain provisions of the Series A Bonds, the Indenture, and such firm's opinion regarding certain federal tax matters relating to the Series A Bonds, fairly and accurately summarize the information presented therein; and

(c) The Series A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended;

(5) An opinion, dated the Closing Date and addressed to the Placement Agent, the Trustee and the Bank, of Rutan & Tucker, LLP, as City Attorney, in form and substance acceptable to the Placement Agent and their counsel, to the effect that:

(a) the City is a charter city and municipal corporation, duly organized and validly existing pursuant to the Constitution and the laws of the State with full legal right, power and authority to adopt the Resolutions, to issue the Series A Bonds and to perform all of its obligations under the Series A Bonds and the other City Documents;

(b) the preparation and distribution of the Preliminary Limited Offering Memorandum and the Limited Offering Memorandum and the execution and delivery of the Series A Bonds and the other City Documents have been duly approved by the City;

(c) the execution and delivery by the City of the Series A Bonds and the other City Documents, and the performance by the City of its obligations thereunder, have been duly authorized by all requisite action of the City Council of the City, all conditions precedent to the execution and delivery by the City of the Series A Bonds and the other City Documents have been fulfilled and the Series A Bonds and the other City Documents have been duly executed and delivered by the City and constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms, subject to bankruptcy, insolvency, reorganization, moratorium and other laws affecting the enforcement of creditors' rights in general and to the application of equitable principles if equitable remedies are sought;

(d) to such firm's knowledge, and except as is disclosed in the Preliminary Limited Offering Memorandum and in the Limited Offering Memorandum, no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body is pending or threatened in any way affecting the existence of the City or the titles of its officers to their respective offices, or seeking to restrain or to enjoin the execution and delivery of the City Documents, or the issuance, sale or delivery of the Series A Bonds or the application of the proceeds thereof, or the collection or application of the Adjustable Rate Reassessments to pay the principal of and interest on the Series A Bonds, or in any way contesting or affecting the validity or enforceability of the Series A Bonds, this Placement Agreement or any other City Document or any action of the City contemplated by any of said documents, or in any way contesting the completeness or accuracy of the Preliminary Limited Offering Memorandum or the Limited Offering Memorandum or the powers of the City or its authority with respect to this Placement Agreement or any other applicable agreement, or any action on the part of the City contemplated by any of said documents;

(e) the City is not in breach of or in default under any applicable law or administrative rule or regulation of the State or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the City is a party or is otherwise subject or bound, including the City Documents, a consequence of which could be to materially and adversely affect the ability of the City to perform its obligations under the Series A Bonds or any other City Documents or which, with the passage of time or the giving of notice or both, would constitute an event of default thereunder;

(f) the adoption of the Resolutions, and the execution and delivery of the Series A Bonds and the other City Documents, and compliance with the provisions of each, did not and will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument to which the City is a party or is

otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the City to perform its obligations under the Series A Bonds or any other City Documents;

(g) all approvals, consents, authorizations, elections and orders of or filings or registrations with any governmental authority, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which would materially adversely affect, the ability of the City to execute, deliver and perform its obligations under the Series A Bonds or any other City Documents have been obtained or made, as the case may be, and are in full force and effect; and

(h) the information contained in the Limited Offering Memorandum on the cover page and under the captions “INTRODUCTION,” “THE SERIES A BONDS,” “SECURITY FOR THE SERIES A BONDS,” “THE LETTER OF CREDIT AND REIMBURSEMENT AGREEMENT,” “THE DISTRICT” and “NO LITIGATION,” insofar as such statements purport to summarize certain provisions of the Series A Bonds, the Resolutions, the District, the Indenture and other matters, fairly and accurately summarize the information presented therein, provided, however, that no opinion need be expressed by such firm with respect to any financial or statistical information contained therein;

(6) the opinion of Orrick, Herrington & Sutcliffe LLP, Disclosure Counsel for the City, dated the Closing Date, addressed to the Placement Agent in form and substance acceptable to the Placement Agent and their counsel;

(7) the opinion of Katten Muchin Rosenman LLP counsel for the Placement Agent dated the Closing Date to the effect that the Series A Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended, provided that no opinion need be expressed by such firm with respect to the Bank or the Letter of Credit, and that based upon an examination which such firm has made, which shall be specified, and without having undertaken to independently verify the accuracy, completeness or fairness of the statements contained in the Limited Offering Memorandum, during the course of such firm’s representation of the Placement Agent on such matter, no information came to the attention of the attorneys in such firm rendering legal services in connection with such representation which caused them to believe that the Limited Offering Memorandum as of its date (except for any financial, statistical, economic or engineering data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, any information about valuation, appraisals, absorption, archaeological or environmental matters, the Appendices thereto, or any information about debt service requirements, book-entry, tax exemption, The Depository Trust Company, the Bank, the Letter of Credit or the Reimbursement Agreement included therein, as to which such firm shall not be required to express any opinion or view) contained any untrue statement of a material fact or omitted to state any material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading, together with a letter or letters from such firm, dated the Closing Date and addressed to the City, to the effect that the foregoing opinion may be relied upon by the City as described in such letter;.

(8) a certificate, dated the Closing Date and signed by a duly authorized official of the City, certifying that (i) the representations and warranties of the City contained herein are true and correct in all material respects on and as of the Closing Date with the same effect as if made on the Closing Date; (ii) no event has occurred since the date of the Limited Offering Memorandum affecting the City which should be disclosed in the Limited Offering Memorandum for the purposes for which it is to be used in order to make the statements and information contained in the Limited Offering Memorandum not misleading in any material respect; and (iii) the City has complied with all the agreements and has satisfied all the conditions on its part to be performed or satisfied under this Placement Agreement and the Reimbursement Agreement at and prior to the Closing Date;

(9) the opinion of counsel to the Trustee, dated the Closing Date, addressed to the Placement Agent, the Bank and the City, in form and substance acceptable to counsel for the Placement Agent, the Bank and the City, substantially to the following effect:

(a) the Trustee is a banking corporation duly organized and validly existing and in good standing under the laws of the State of California with full corporate power to authenticate and deliver the Series A Bonds and to execute and deliver the Indenture and Escrow Agreement and undertake its obligations thereunder;

(b) the Trustee has duly authorized the authentication and delivery of the Series A Bonds and the execution and delivery of the Indenture and the Escrow Agreement and the acceptance of its obligations thereunder;

(c) the Indenture and the Escrow Agreement have been duly executed and delivered by the Trustee and assuming due, valid and binding authorization, execution and delivery by the City, the Indenture and the Escrow Agreement constitute the legal, valid and binding obligation of the Trustee enforceable against the Trustee in accordance with its terms, except as the enforceability thereof may be limited by applicable bankruptcy, insolvency or other similar laws affecting the enforcement of creditors' rights generally, or by general principles of equity;

(d) the acceptance by the Trustee of its duties and obligations under the Indenture and the Escrow Agreement and compliance with the provisions thereof will not conflict with or constitute a breach of or default under any law, administrative regulation, court decree, resolution, charter, by-laws or to its knowledge any agreement, instrument or commitment applicable to or binding upon the Trustee;

(e) all approvals, consents and orders of any governmental authority or agency having jurisdiction in the matter which would constitute a condition precedent to the authorization, execution and delivery by the Trustee of the Indenture and the Escrow Agreement or the performance by the Trustee of its duties and obligations under the Indenture and the Escrow Agreement have been obtained and are in full force and effect;

(f) the Trustee has duly authenticated and delivered the Series A Bonds in accordance with the terms of the Indenture; and

(10) a certificate of the Trustee, dated the Closing Date, in form and substance acceptable to counsel for the Placement Agent, to the following effect:

(a) the Trustee is a banking corporation duly organized and validly existing and in good standing under and by virtue of the laws of the State of California, and has the full power and authority to authenticate and deliver the Series A Bonds, to execute and deliver the Indenture and Escrow Agreement and to accept and perform its duties under the Indenture and Escrow Agreement;

(b) subject to the provisions of the Indenture, the Trustee will apply the proceeds from the Series A Bonds to the purposes specified in the Indenture;

(c) the Series A Bonds have been duly authenticated on behalf of Trustee and the Trustee has duly accepted the trusts created under the Indenture and the duties and obligations of the Trustee thereunder; and the Indenture has been duly executed and delivered by the Trustee; the officers of the Trustee who executed and delivered the Indenture were, at the date of such execution and delivery, duly qualified and acting officers authorized to perform such acts;

(d) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body that has been served on the Trustee or, to the best of its knowledge, threatened in any way affecting the existence of the Trustee, or seeking to restrain or to enjoin the execution and delivery of the Indenture, or the authentication of the Series A Bonds, by the Trustee, or in any way contesting or affecting the validity or enforceability, against the Trustee, of the Indenture or Escrow Agreement or any action of the Trustee contemplated by any of said documents, or in which an adverse outcome would materially and adversely affect the ability of the Trustee to perform its obligations under the Indenture;

(e) the Trustee is not in breach of or in default under any applicable law or administrative rule or regulation of the State of California or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, resolution, indenture, contract, agreement or other instrument to which the Trustee is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the Trustee to perform its obligations under the Indenture or Escrow Agreement;

(f) the authentication of the Series A Bonds, and the execution and delivery of the Indenture by the Trustee, and compliance with the provisions thereof, have been duly authorized by all necessary corporate action on the part of the Trustee and will not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State or the United States of America, or of any department, division, agency or instrumentality of either thereof, or under any applicable court or administrative decree or order, or under any loan agreement, note, ordinance, resolution, indenture, contract, agreement or other instrument to which the Trustee is a party or is otherwise subject or bound, a consequence of which could be to materially and adversely affect the ability of the Trustee to perform its obligations under the Indenture or Escrow Agreement;

(g) within the scope of its fiduciary obligations under the Indenture, the Trustee agrees to cooperate with the Placement Agent and their counsel, at the expense of the Placement Agent, in endeavoring to qualify the Series A Bonds for offering and sale under the securities or “blue sky” laws of such jurisdictions of the United States as the Placement Agent may request; provided, however, that the Trustee will not be required to execute a special or general consent to service of process or qualify as a foreign corporation in connection with any such qualification in any jurisdiction in which it is not now so subject;

(h) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the authentication of the Series A Bonds or the consummation by the Trustee of the other transactions contemplated to be performed by the Trustee in connection with the authentication of the Series A Bonds and the acceptance and performance of the obligations created by the Indenture;

(11) the no-arbitrage or tax certificate of the City, in form and substance acceptable to the Bond Counsel;

(12) evidence that the federal tax information Form 8038-G with respect to the Series A Bonds has been prepared for filing and mailed;

(13) evidence that the Series A Bonds have been rated _____ by Fitch Ratings and _____ by Moody’s Investors Service, Inc.;

(14) opinions of counsel to the Bank, dated the Closing Date, addressed to the Placement Agent and the City, in form and substance satisfactory to the Placement Agent and the City and their counsel, from (a) Ballard Spahr Andrews & Ingersoll, LLP, regarding (i) the summaries of the Letter of Credit and the Reimbursement Agreement set forth in the Limited Offering Memorandum under the caption “THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT,” (ii) the enforceability of the Letter of Credit, and (iii) Section 3(a)(2) of the Securities Act of 1933, (b) _____, in-house counsel to the Bank, and (c) _____, Belgian counsel to the Bank, (provided that opinions (a)(i) and (a)(iii) shall be addressed solely to the Placement Agent);

(15) a certificate of an authorized officer of the Bank stating that the information contained in the Limited Offering Memorandum under the caption “THE BANK” is accurate in all material respects;

(16) a certificate of the Assessment Engineer, in form and substance satisfactory to the Placement Agent and their counsel;

(17) the Continuing Disclosure Agreement between the City and the Trustee;

(18) the Continuing Disclosure Agreement between the Irving Company and the Trustee; and

(19) such additional legal opinions, certificates, instruments and other documents as the Placement Agent may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the statements and information contained in the Limited Offering Memorandum, of the City's representations and warranties contained herein and the due performance or satisfaction by the City at or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the City in connection with the transactions contemplated hereby and by the Limited Offering Memorandum and the City Documents.

If any of the conditions to the obligations of the Placement Agent contained in this section or elsewhere in this Placement Agreement shall not have been satisfied when and as required herein, all obligations of the Placement Agent hereunder may be terminated by the Placement Agent at, or at any time prior to, the Closing Date by written notice to the City.

4. Expenses.

a. The Placement Agent shall be under no obligation to pay, and the City shall pay or cause to be paid, whether out of the proceeds of the Series A Bonds or otherwise, all expenses incident to the performance of the City's obligations hereunder, including but not limited to: the cost of printing and delivering the Series A Bonds; the cost of preparation, printing (and/or word processing and reproduction), distribution and delivery of the Resolutions and all other agreements and documents contemplated hereby (and drafts of any thereof) in such reasonable quantities as requested by the Placement Agent ; and the fees and disbursements of Bond Counsel, the Trustee, the Bank and their respective counsel, any accountants, financial advisors or other engineers or experts or consultants the City has retained in connection with the Series A Bonds and any out-of-pocket disbursements of the City to be paid from the proceeds of the Series A Bonds.

b. Whether or not the Series A Bonds are delivered to the Placement Agent as set forth herein, the City shall be under no obligation to pay, and the Placement Agent shall pay the cost of preparation of any "blue sky" or legal investment memoranda and this Placement Agreement, expenses to qualify the Series A Bonds for sale under any "blue sky" or other state securities laws, the fees, if any, payable to the California Debt and Investment Advisory Commission on account of the Series A Bonds, and all other expenses incurred by the Placement Agent in connection with their public offering and distribution of the Series A Bonds (except those specifically enumerated in paragraph (a) of this section), including the fees and disbursements of its counsel and any advertising expenses.

5. Notices. Any notices, requests, directions, instruments or other communications required or permitted to be given hereunder shall be in writing and shall be given when delivered, against a receipt, or mailed certified or registered, postage prepaid, to the City and the Placement Agent at the respective addresses below.

If to the City:

City of Irvine
One Civic Center Plaza
Irvine, California 92606-5208
Attention: Manager of Fiscal Services

If to the Placement Agent :

Merrill Lynch, Pierce, Fenner & Smith Incorporated
333 South Hope Street, Suite 2310
Los Angeles, California 90071

provided, however, that all such notices, requests or other communications may be made by telephone and promptly confirmed by writing. The City and the Placement Agent may, by notice given as aforesaid, specify a different address for any such notices, requests or other communications.

6. Parties in Interest. This Placement Agreement is made solely for the benefit of the City and the Placement Agent (including successors or assigns of the Placement Agent) and no other person shall acquire or have any right hereunder or by virtue hereof.

7. Survival of Representation and Warranties. The representations and warranties of the City set forth in or made pursuant to this Placement Agreement shall not be deemed to have been discharged, satisfied or otherwise rendered void by reason of the Closing or termination of this Placement Agreement and regardless of any investigations made by or on behalf of the Placement Agent (or statements as to the results of such investigations) concerning such representations and statements of the City and regardless of delivery of and payment for the Series A Bonds.

8. Effective. This Placement Agreement shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by the City and shall be valid and enforceable as of the time of such acceptance.

9. Applicable Law; Nonassignability. This Placement Agreement shall be governed by the laws of the State. This Placement Agreement shall not be assigned by the City or the Placement Agent .

10. Execution of Counterparts. This Placement Agreement may be executed in several counterparts, each of which shall be regarded as an original and all of which shall constitute one and the same.

11. No Prior Agreements. This Placement Agreement supersedes and replaces all prior negotiations, agreements and understandings between the parties hereto in relation to the sale of Series A Bonds by the City and represents the entire agreement of the parties as to the subject matter herein.

12. Partial Unenforceability. Any provision of this Placement Agreement which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of this Placement Agreement or affecting the validity or enforceability of such provision in any other jurisdiction.

13. Capitalized Terms. Terms with initial capital letters not otherwise defined herein shall have the meanings assigned to them in the Indenture or the Limited Offering Memorandum.

Very truly yours,

MERRILL LYNCH, PIERCE, FENNER &
SMITH INCORPORATED

By: _____
Managing Director

ACCEPTED:

CITY OF IRVINE

By: _____
Manager of Fiscal Services

CONTINUING DISCLOSURE AGREEMENT

by and between

CITY OF IRVINE

and

**THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
AS TRUSTEE**

Dated as of December 1, 2011

**City of Irvine
Reassessment District No. 04-20
Limited Obligation Improvements Bonds,
Adjustable Rate Series A**

CONTINUING DISCLOSURE AGREEMENT

THIS CONTINUING DISCLOSURE AGREEMENT (this “Disclosure Agreement”), dated as of December 1, 2011, is by and between the CITY OF IRVINE, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California and its Charter (the “City”), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as Trustee (the “Trustee”).

WITNESSETH:

WHEREAS, pursuant to the Indenture, dated as of December 1, 2011 (the “Indenture”), by and between the City and the Trustee, the City has issued the City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A (the “Series A Bonds”), in the aggregate principal amount of \$_____ (capitalized undefined terms used in these recitals have the meanings ascribed thereto in the Indenture);

WHEREAS, the Series A Bonds are Adjustable Rate Bonds;

WHEREAS, the Adjustable Rate Bonds are limited obligations of the City, payable solely from, first, proceeds of draws made under the Letter of Credit pursuant to certain provisions of the Indenture and, second, Adjustable Rate Assessments;

WHEREAS, the Series A Bonds are initially in the Daily Mode;

WHEREAS, Owners of Series A Bonds in the Daily Mode may demand that such Series A Bonds be purchased at the Purchase Price upon one day’s notice;

WHEREAS, the Purchase Price of the Series A Bonds tendered or deemed tendered for purchase is payable only from the proceeds of the remarketing of such Series A Bonds and from the proceeds of draws made under the Letter of Credit for such purpose, and the City has no obligation under the Indenture to make any payment, from Adjustable Rate Assessments or otherwise, with respect to the Purchase Price of Series A Bonds tendered or deemed tendered for purchase;

WHEREAS, accordingly, financial data with respect to the Bank has been included in the Offering Memorandum for the Series A Bonds, dated _____, 2011 (the “Offering Memorandum”), but no financial or operating data with respect to the City, the Reassessment District or the owners of the property within the Reassessment District, no quantitative information about the Adjustable Rate Assessments and no information about the development status, development potential or value of the property within the Reassessment District has been included in the Offering Memorandum;

WHEREAS, the Offering Memorandum states that investors in the Series A Bonds should make any decision with respect to the purchase, holding or tender of Series A Bonds based on the credit of the Bank;

WHEREAS, paragraph (b)(5) of Securities and Exchange Commission Rule 15c2-12

(the “Rule”) generally provides that, except as otherwise provided in the Rule, municipal securities may not be purchased or sold by an underwriter in connection with an offering thereof, unless the issuer thereof, or an obligated person for whom financial or operating data is presented in the final official statement, or offering memorandum, has undertaken to provide the information and notices specified in the Rule;

WHEREAS, pursuant to paragraph (b)(5)(i) of the Rule, such information includes annual financial information for each obligated person for whom financial or operating data is presented in the final official statement, or offering memorandum;

WHEREAS, as no financial or operating data with respect to the City, the Reassessment District or the owners of the property within the Reassessment District, no quantitative information about the Adjustable Rate Assessments and no information about the development status, development potential or value of the property within the Reassessment District has been included in the Offering Memorandum, the City is not undertaking pursuant to this Disclosure Agreement to provide annual information with respect thereto; and

WHEREAS, this Disclosure Agreement is being executed and delivered by the City and the Trustee for the benefit of the holders and beneficial owners of the Series A Bonds and in order to assist the Placement Agent (as defined herein) in complying with Securities and Exchange Commission Rule 15c2-12(b)(5);

NOW, THEREFORE, for and in consideration of the mutual premises and covenants herein contained, the parties hereto agree as follows:

Section 1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Disclosure Agreement have the meanings herein specified. Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

“Annual Report” means any Annual Report provided by the City pursuant to, and as described in, Sections 2 and 3 hereof.

“Annual Report Date” means the date in each year that is the first day of the month following the eighth month after the end of the City’s fiscal year, which date, as of the date of this Disclosure Agreement, is March 1.

“City” means the City of Irvine, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California and its Charter, and any successor thereto.

“Disclosure Representative” means the City Manager of the City, or his or her designee, or such other person as the City shall designate in writing to the Trustee from time to time.

“Dissemination Agent” means Willdan Financial Services, Anaheim, California, as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City and which has filed with the Trustee a written acceptance of such designation.

“Indenture” means the Indenture, dated as of December 1, 2011, by and between the City and The Bank of New York Mellon Trust Company, N.A., as originally executed and as it may be amended or supplemented from time to time in accordance with its terms.

“Listed Events” means any of the events listed in subsection (a) or subsection (b) of Section 4 hereof.

“MSRB” means the Municipal Securities Rulemaking Board or any other entity designated or authorized by the Securities and Exchange Commission to receive reports pursuant to the Rule. Until otherwise designated by the MSRB or the Securities and Exchange Commission, filings with the MSRB are to be made through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>.

“Placement Agent” means Merrill Lynch, Pierce, Fenner & Smith Incorporated, as placement agent, required to comply with the Rule in connection with the offering of the Series A Bonds.

“Rule” means Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as Trustee under the Indenture, or any successor thereto as Trustee thereunder, substituted in its place as provided therein.

Section 2. Provision of Annual Reports. (a) The City shall, or shall cause the Dissemination Agent to, provide to the MSRB an Annual Report which is consistent with the requirements of Section 3 hereof, not later than the Annual Report Date, commencing with the report for the 2010-11 fiscal year. The Annual Report may include by reference other information as provided in Section 3 hereof. If the City’s fiscal year changes, it shall, or it shall instruct the Dissemination Agent to, give notice of such change in a filing with the MSRB. The Annual Report shall be submitted on a standard form in use by industry participants or other appropriate form and shall identify the Bonds by name and CUSIP number.

(b) Not later than 15 business days prior to the date specified in subsection (a) of this Section for the providing of the Annual Report to the MSRB, the City shall provide the Annual Report to the Dissemination Agent and the Trustee (if the Trustee is not the Dissemination Agent). If by such date, the Trustee has not received a copy of the Annual Report, the Trustee shall contact the City and the Dissemination Agent to determine if the City is in compliance with the first sentence of this subsection (b).

(c) If the Trustee is unable to verify that an Annual Report has been provided to the MSRB by the date required in subsection (a) of this Section, the Trustee shall, in a timely manner, send a notice to the MSRB in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) provide any Annual Report received by it to the MSRB, as provided herein; and

(ii) file a report with the City and (if the Dissemination Agent is not the Trustee) the Trustee certifying that the Annual Report has been provided pursuant to this Disclosure Agreement and stating the date it was provided to the MSRB.

Section 3. Content of Annual Reports. (a) The City's Annual Report shall contain or incorporate by reference the following information:

(i) The principal amount of Series A Bonds Outstanding as of the December 31 next preceding the Annual Report Date.

(ii) The expiration date of the Letter of Credit.

(b) In addition to any of the information expressly required to be provided under the preceding subsection, the City shall provide such further information, if any, as may be necessary to make the specifically required statements, in the light of the circumstances under which they are made, not misleading.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or related public entities, which have been made available to the public on the MSRB's website. The City shall clearly identify each such other document so included by reference.

Section 4. Reporting of Significant Events. (a) Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series A Bonds in a timely manner not later than ten business days after the occurrence of the event:

(i) Principal and interest payment delinquencies.

(ii) Unscheduled draws on debt service reserves reflecting financial difficulties.

(iii) Unscheduled draws on credit enhancements reflecting financial difficulties.

(iv) Substitution of credit or liquidity providers, or their failure to perform.

(v) Issuance by the Internal Revenue Service of proposed or final determination of taxability or of a Notice of Proposed Issue (IRS Form 5701 TEB).

(vi) Tender offers.

- (vii) Defeasances.
- (viii) Rating changes.
- (ix) Bankruptcy, insolvency, receivership or similar event of the City.

For purposes of the event identified in paragraph (ix), the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for an obligated person in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the obligated person, or if such jurisdiction has been assumed by leaving the existing governmental body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the obligated person.

(b) Pursuant to the provisions of this Section, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the Series A Bonds, if material, in a timely manner not later than ten business days after the occurrence of the event:

- (i) Unless described in paragraph (v) of subsection (a) of this Section, adverse tax opinions or other material notices or determinations by the Internal Revenue Service with respect to the tax status of the Series A Bonds or other material events affecting the tax status of the Series A Bonds.
- (ii) Modifications to rights of holders of the Series A Bonds.
- (iii) Optional, unscheduled or contingent Series A Bond calls.
- (iv) Release, substitution, or sale of property securing repayment of the Series A Bonds.
- (v) Non-payment related defaults.
- (vi) The consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of the City, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms.
- (vii) Appointment of a successor or additional Trustee or the change of name of a Trustee.

(c) The Trustee shall, within one business day of obtaining actual knowledge of the occurrence of any of the Listed Events, contact the Disclosure Representative and inform such person of the event.

(d) Whenever the City obtains knowledge of the occurrence of a Listed Event described in subsection (b) of this Section, the City shall determine if such event would be material under applicable Federal securities law.

(e) Whenever the City obtains knowledge of the occurrence of a Listed Event described in subsection (a) of this Section, or determines that knowledge of a Listed Event described in subsection (b) of this Section would be material under applicable Federal securities law, the City shall, or shall cause the Dissemination Agent to, file a notice of the occurrence of such Listed Event with the MSRB, within ten business days of such occurrence.

(f) Notwithstanding the foregoing, notice of Listed Events described in paragraph (vii) of subsection (a) of this Section and (iii) of subsection (a) of this Section need not be given any earlier than the notice (if any) of the underlying event is given to holders of affected Series A Bonds pursuant to the Indenture.

Section 5. Format for Filings with MSRB. Any report or filing with the MSRB pursuant to this Disclosure Agreement must be submitted in electronic format, accompanied by such identifying information as is prescribed by the MSRB.

Section 6. Termination of Reporting Obligation. The City's obligations under this Disclosure Agreement shall terminate upon the earlier to occur of (a) the date on which all of the Series A Bonds have been legally defeased, redeemed, or paid in full, or (b) the first date on which none of the Series A Bonds are in the Daily Mode. If such termination occurs prior to the final maturity of the Series A Bonds, the City shall give notice of such termination in a filing with the MSRB.

Section 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign by providing 30 days' written notice to the City and the Trustee. The Dissemination Agent shall have no duty to prepare the Annual Report nor shall the Dissemination Agent be responsible for filing any Annual Report not provided to it by the City in a timely manner and in a form suitable for filing. If at any time there is not any other designated Dissemination Agent, the Trustee shall be the Dissemination Agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the City; provided, however, that the Trustee shall not be obligated to enter into any amendment increasing or affecting its duties or obligations), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) if the amendment or waiver relates to the provisions of subsection (a) of Section 2 hereof, Section 3 hereof or subsection (a) or (b) of Section 4 hereof, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Series A Bonds, or the type of business conducted;

(b) the undertakings herein, as proposed to be amended or waived, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the primary offering of the Series A Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) the proposed amendment or waiver (i) is approved by Owners of the Series A Bonds in the manner provided in the Indenture for amendments to the Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of Owners or Beneficial Owners of the Series A Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment or waiver in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type of information being presented by the City.

Section 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice required to be filed pursuant to this Disclosure Agreement, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report or notice in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event or any other event required to be reported.

Section 10. Default. In the event of a failure of the City, the Trustee or the Dissemination Agent to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the written direction of any Placement Agent or the Owners of at least 25% of the aggregate principal amount of Outstanding Series A Bonds, shall, upon receipt of indemnification reasonably satisfactory to the Trustee), or any Owner or Beneficial Owner of the Series A Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, the Trustee or the Dissemination Agent, as the case may be, to comply with its obligations under this Disclosure Agreement. A default under this Disclosure Agreement shall not be deemed an Event of Default under the Indenture, and the sole remedy under this Disclosure Agreement in the event of any failure of the City, the Trustee or the Dissemination Agent to comply with this Disclosure Agreement shall be an action to compel performance.

Section 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent.

Article IX of the Indenture is hereby made applicable to this Disclosure Agreement as if this Disclosure Agreement were (solely for this purpose) contained in the Indenture. The Dissemination Agent shall be entitled to the protections and limitations from liability afforded to the Trustee thereunder. Neither the Trustee nor the Dissemination Agent shall be responsible for the form or content of any Annual Report or notice of Listed Event. The Dissemination Agent shall receive reasonable compensation for its services provided under this Disclosure Agreement. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the City agrees to indemnify and save the Dissemination Agent, its officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys' fees) of defending against any claim of liability, and which are not due to its negligence or its willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Series A Bonds.

Section 12. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Placement Agent and the Owners and Beneficial Owners from time to time of the Series A Bonds, and shall create no rights in any other person or entity.

Section 13. Counterparts. This Disclosure 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.

IN WITNESS WHEREOF, the parties hereto have executed this Disclosure Agreement as of the date first above written.

CITY OF IRVINE

By: _____

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

By: _____
Authorized Officer

ACKNOWLEDGED AND ACCEPTED:

WILLDAN FINANCIAL SERVICES, as
Dissemination Agent

By: _____
Authorized Officer

EXHIBIT A

NOTICE OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: City of Irvine

Name of Bond Issue: City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A

Date of Issuance: December __, 2011

NOTICE IS HEREBY GIVEN that the City of Irvine (the "City") has not provided an Annual Report with respect to the above-named Bonds, as required by the Continuing Disclosure Agreement, dated as of December 1, 2011, by and between the City and The Bank of New York Mellon Trust Company, N.A., as Trustee. [The City anticipates that the Annual Report will be filed by _____, 20__.]

Dated: _____

The Bank of New York Mellon Trust Company, N.A., as Trustee, on behalf of the City of Irvine

cc: City of Irvine

**CITY OF IRVINE
REASSESSMENT DISTRICT NO. 04-20
LIMITED OBLIGATION IMPROVEMENT BONDS,
ADJUSTABLE RATE SERIES A**

REMARKETING AGREEMENT

This Remarketing Agreement (this "Agreement"), dated as of _____, 2011, is made by and between the City of Irvine (the "City") and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Remarketing Agent (the "Agent"), in connection with the issuance by the City of \$_____ aggregate principal amount of City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A (the "Series A Bonds").

Section 1. Definitions. Unless a different meaning clearly appears from the context, all words and terms used in this Agreement shall have the respective meanings assigned to such terms in the Indenture, dated as of _____, (the "Indenture") by and between the City and The Bank of New York Mellon Trust Company, N.A., as Trustee.

Section 2. Acceptance of Appointment.

(a) The City has appointed the Agent as Remarketing Agent for the Series A Bonds in accordance with the Indenture, and the Agent hereby accepts such appointment and agrees to perform the duties and covenants of the Remarketing Agent set forth in the Indenture.

(b) The Agent hereby certifies that it has the capacity to perform the duties and responsibilities of the Remarketing Agent set forth in the Indenture.

(c) The Agent hereby certifies that it is a member of the National Association of Securities Dealers, Inc. and is authorized by law to perform all the duties imposed upon it as Remarketing Agent by this Agreement and the Indenture.

Section 3. Representations and Warranties.

(a) The City represents and warrants to the Agent that this Agreement (assuming due authorization, execution and delivery by the Agent) constitutes the valid and binding obligation of the City, enforceable against the City in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, liquidation, reorganization and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

(b) The Agent represents and warrants to the City that this Agreement (assuming due authorization, execution and delivery by the City) constitutes the valid and binding obligation of the Agent enforceable against the Agent in accordance with its terms, subject to applicable bankruptcy, insolvency, moratorium, liquidation, reorganization and other similar laws affecting creditors' rights generally and to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law).

Section 4. Certain Agreements of the City. The City agrees with the Agent that:

(a) The City agrees to furnish to the Agent sufficient copies of a reoffering statement (the “Reoffering Statement”), in preliminary and final form, in form and substance satisfactory to the Agent, and any other related material prepared for use by the City, as the Agent reasonably determines may be necessary in connection with any remarketing of the Series A Bonds that constitutes a “primary offering” within the meaning of Rule 15c2-2 promulgated, and as amended from time to time, by the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934, as amended (the “Rule”), and the City agrees to make such covenants with respect to the providing of annual reports and event disclosure as, in the judgment of the Agent are necessary to satisfy the requirements of Rule 15c2-12; provided, however, that nothing in this Section shall require the Agent to offer for sale any Series A Bonds if such offer is subject to the Rule unless (i) the Agent, in its sole discretion, decides to undertake such obligation, and (ii) the Agent, in its sole discretion, determines that the requirements of the Rule have been satisfied. Further, the City agrees to cooperate in the preparation of and to make available to the Agent revised Reoffering Statements or amendments or supplements thereto such as may be required so that the Reoffering Statement required for use in any such “primary offering” will not contain any misstatement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. Any costs or expenses incurred in connection with the preparation of a Reoffering Statement and any amendments or supplements thereto shall be the responsibility of the City. The Agent acknowledges that the remarketing of the Series A Bonds, while the interest rate on the Series A Bonds continues to be a Daily Rate, Weekly Rate, Monthly Rate, Semi-Annual Rate or VIP Rate and the Series A Bonds are remarketed in denominations of \$100,000 or more, is not considered a “primary offering” within the meaning of the Rule as interpreted by the SEC as of the date of execution of this Remarketing Agreement.

(b) During and prior to such time as the Reoffering Statement is used in connection with the offering and sale of the Series A Bonds, promptly upon learning of any event relating to or affecting the City or the Series A Bonds which might reasonably affect the correctness or completeness of any statement of a material fact contained in the Reoffering Statement relating to the Series A Bonds, the security therefor, the tax-exempt status of the interest thereon or the City’s ability to repay the Series A Bonds or interest thereon in accordance with the provisions of the Series A Bonds, the City shall promptly notify the Agent in writing of the circumstances and details of such event. The City will cooperate with the Agent in the preparation of the additional marketing materials which the Agent reasonably determines are necessary in connection with the offering and sale of the Series A Bonds or which the Agent reasonably determines should be provided to owners and prospective owners of the Series A Bonds.

(c) The City will furnish the Agent copies of all reports and financial statements relating to the financial affairs and condition of the City promptly after they are made available to the public by the City and such additional information concerning the construction and operation of the Project and the operations and financial condition of the City as required by the Indenture or concerning the Series A Bonds as the Agent may from time to time reasonably request;

(d) At the expense of the Agent, the City will furnish such information, execute such instruments and take such other action not inconsistent with law in cooperation with the Agent as the Agent may request (i) to qualify the Series A Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Agent may designate, and (ii) to determine the eligibility of the Series A Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualifications in effect until the termination of this Agreement; provided, however, that the City shall not be required to execute a general or special consent to service of process or qualify to do business in connection with any such qualification or determination in any jurisdiction.

(e) If a Reoffering Statement is not supplied as required by the foregoing, the Agent's obligation to remarket the Series A Bonds pursuant to the Indenture and under this Agreement will be suspended until such time as a Reoffering Statement satisfactory to the Agent and its counsel is supplied.

Section 5. Remarketing.

(a) The City has appointed the Agent as its exclusive agent for the remarketing of the Series A Bonds pursuant to the Indenture and, in reliance on the representations contained herein and subject to the terms hereof and of the Indenture, the Agent accepts the duties and obligations of the Remarketing Agent under the Indenture and agrees to use its best efforts to solicit offers to purchase, at a price of 100% of the principal amount thereof plus accrued interest, if any, the Series A Bonds which have been tendered or deemed tendered by the holders thereof pursuant to the Indenture and to perform the other obligations of the Remarketing Agent as set forth in the Indenture; provided, however, that at no time shall the Agent be required to offer Series A Bonds in any denomination other than an Authorized Denomination and the City acknowledges that any offering of Series A Bonds in denominations of less than \$100,000 may constitute a "primary offering" as described in Section 4(a). The Agent further agrees to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the City and the Bank at all times.

(b) In the event of (i) a suspension or material limitation in trading in securities generally on the New York Stock Exchange, (ii) a general moratorium on commercial banking activities in New York declared by either federal or New York State authorities, or (iii) the engagement by the United States in hostilities or escalation of existing hostilities or a declaration of a national emergency or war, if the effect of any of which in the Agent's judgment makes it impracticable or inadvisable to proceed with solicitation of offers to purchase the Series A Bonds, and so long as such situation continues to exist, the Agent shall have the right to terminate its obligations under this Agreement at any time by notifying the City and the Bank in writing or by facsimile transmission, telex or other electronic communication.

(c) In consideration of the Agent's services hereunder, during periods when the Series A Bonds bear interest at the Daily Rate, Weekly Rate or Monthly Rate, the City agrees to pay an annual fee of 0.08 percent (0.08%) based upon the principal amount of the Series A Bonds outstanding on the first day of each quarter, payable quarterly in arrears. The Agent's fees for services hereunder during periods when the Series A Bonds bear interest at other than

the Daily Rate, Weekly Rate or Monthly Rate shall be as may be agreed upon by the Agent and the City. Any fee due but unpaid upon the termination of this Agreement shall be payable by the City upon termination of this Agreement. If this Agreement terminates as provided in Section 9 hereof, the City shall pay to the Agent any portion of the annual fee due and owing the Agent pro rata based on the number of days elapsed. The City shall also pay all expenses in connection with delivering the remarketed Series A Bonds, including but not limited to, associated computer and delivery charges, preparing any Reoffering Statement relating to the Series A Bonds and qualifying the Series A Bonds for offer and sale as provided in this Agreement, and shall reimburse the Agent for all direct out-of-pocket expenses incurred by it under this Agreement, including reasonable counsel fees and disbursements.

(d) The obligations of the City under this Remarketing Agreement shall not be general obligations of the City, but shall be limited obligations, payable solely from the Adjustable Rate Reassessments and any and all other amounts held in any fund or account established pursuant to the Indenture and pledged therefor under the Indenture. Neither the faith and credit of the City or the State, or any political subdivision thereof, is pledged to the payment of any sums due under this Remarketing Agreement or the Series A Bonds. Notwithstanding any other provision of this Remarketing Agreement, the City is not obligated to advance available surplus funds from the City treasury to make any payment due under this Remarketing Agreement. No member, officer, agent or employee of the City shall be individually or personally liable for the payment of the obligations of the City under this Remarketing Agreement or be subject to any personal liability or accountability by reason of the execution and delivery hereof; but nothing herein contained shall relieve any such member, officer, agent or employee from the performance of any official duty provided by law or by the Indenture or this Remarketing Agreement.

(e) In the event that the Series A Bonds cease to be exempt from the requirements of the Rule, the Agent has no obligation under this Remarketing Agreement to offer the Series A Bonds for sale; provided, however, that the Agent may decide to so offer the Series A Bonds, but only after determining, in its sole discretion, that the requirements of the Rule have been met. Any determinations by the Agent under this paragraph shall be binding upon the City.

Section 6. The Agent.

(a) The Agent will be acting solely as the City's agent in the re-sale of the Series A Bonds, and the Agent's responsibility is limited to the use of its best efforts to solicit offers to purchase the Series A Bonds.

(b) The commitment to remarket the Series A Bonds shall not be construed to obligate the Agent to use any of its own funds or otherwise incur financial liability in acting as Agent hereunder.

(c) The Agent, in its individual capacity, either as principal or agent, may buy, sell, own, hold and deal in any of the Series A Bonds, and may join in any action which any holder of Series A Bonds may be entitled to take, with like effect as if it did not act in any capacity hereunder. The Agent, in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City and may act as depository,

trustee or agent for any committee or body of holders of Series A Bonds or other obligations of the City as freely as if it did not act in any capacity hereunder.

Section 7. Intention of Parties. It is the expressed intention of the parties hereto that no purchase, sale or transfer of any Series A Bonds, as herein provided, or the setting of interest rates in respect thereof, shall constitute or be construed to be the extinguishment of the indebtedness represented thereby or the reissuance or the refunding of any indebtedness represented thereby.

Section 8. Amendments. This Agreement may not be amended except by a writing signed by each of the parties hereto and with the prior consent of the Bank when a Letter of Credit is in effect or the Bank is owed any amounts under the Reimbursement Agreement (so long as the Bank is not in default in any obligation to honor a draw on the Letter of Credit), which consent shall not be unreasonably withheld.

Section 9. Term. Unless previously terminated, this Agreement shall remain in full force and effect until payment in full, or the provision for payment in full, of the Series A Bonds, or on the day after all Series A Bonds are converted to a Fixed Interest Rate. The City shall have the right to terminate this Agreement at any time upon the giving of not less than 30 days' prior written notice to the Agent and the Bank, and the Agent shall have the right to terminate this Agreement at any time upon the giving of not less than 30 days' prior written notice to the City, the Bank, the Trustee and the Tender Agent; provided, however, that no such advance notice need be given by the City during any period in which the Series A Bonds are Bank Bonds as a result of the failure of the Agent to perform its obligations hereunder. The City shall promptly pay to the Agent the compensation, in accordance with Section 5(c), accrued through the effective date of such termination.

Notwithstanding anything to the contrary contained herein (a) so long as the City has not failed to perform its material obligations hereunder or, if the City has so failed, each such failure has been cured or waived, no such termination by the Agent shall be effective until a successor is appointed and has accepted the responsibilities as Remarketing Agent in accordance with the Indenture, (b) if a successor Remarketing Agent is not appointed and has not accepted the responsibilities as Remarketing Agent in accordance with the Indenture within 30 days of the Agent's giving written notice of the termination hereof to the City, the Bank, the Trustee and the Tender Agent, the annual fee payable to the Agent pursuant to Section 5(c) during period when the Bonds earn interest at the Daily Rate, Weekly Rate or Monthly Rate shall, as of the day following such 30th day, be increased to one-quarter of one percent (0.25%) based on the principal amount of the Bonds outstanding on the first day of each quarter, payable quarterly in arrears, and (c) if a successor Remarketing Agent is not appointed and has not accepted the responsibilities as Remarketing Agent in accordance with the Indenture within 60 days of the Agent's giving written notice of the termination hereof to the City, the Bank, the Trustee and the Tender Agent, the annual fee payable to the Agent pursuant to Section 5(c) during periods when the Bonds bear interest at the Daily Rate, Weekly Rate or Monthly Rate shall, as of the day following such 60th day, be increased to one-half of one percent (0.50%) based on the principal amount of the Bonds outstanding on the first day of each quarter, payable quarterly in arrears. Upon delivery by the Agent to the City of written notice of termination, the City shall use its best

Section 13. Captions. The captions or headings in this Agreement are for convenience of reference only and in no way define, limit or describe the scope or intent of any provisions or sections of this Agreement.

Section 14. Assignment. The obligations of the respective parties hereto may not be assigned or delegated to any other person without the consent of the other party hereto. This Agreement will inure to the benefit of and be binding upon the City and the Agent and their respective successors and assigns, and will not confer any rights upon any other person, partnership, associations or corporation other than persons, if any, controlling the Agent within the meaning of the Securities Act of 1933, as amended. The terms “successors” and “assigns” shall not include any purchaser of any of the Series A Bonds merely because of such purchase.

Section 15. Merrill Lynch, Pierce, Fenner & Smith Incorporated to be Sole Agent. The City agrees that unless and until this Remarketing Agreement has been terminated as provided herein, no additional Remarketing Agent will be appointed unless the Agent consents in writing to such appointment.

Section 16. Severability. If any provisions of this Agreement shall be held or deemed to be or shall, in fact, be invalid, inoperative or unenforceable as applied in any particular case in any jurisdiction or jurisdictions, or in all jurisdictions, because it conflicts with any provisions of any constitution, statute, rule of public policy, or any other reason, such circumstances shall not have the effect of rendering the provision in question invalid, inoperative or unenforceable in any other case or circumstance, or of rendering any other provision or provisions of this Agreement invalid, inoperative or unenforceable to any extent whatever.

IN WITNESS WHEREOF, the parties hereto have caused this Remarketing Agreement to be duly executed as of the day and year first above written.

CITY OF IRVINE

By: _____
City Manager

**MERRILL LYNCH, PIERCE, FENNER
& SMITH INCORPORATED**

By: _____
Managing Director

PROTOCOL AGREEMENT

THIS PROTOCOL AGREEMENT (the "Agreement") is made as of December 1, 2011, by and between the City of Irvine, a municipal corporation organized and existing under the laws of the State of California (the "City"), and The Irvine Company LLC, a Delaware limited liability company ("TIC").

RECITALS

A. Pursuant to proceedings under the Municipal Improvement Act of 1913 and Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code, the City of Irvine formed its Assessment District No. 04-20 ("AD No. 04-20") and confirmed assessments on property within AD No. 04-20 (the "Original Assessments") for the purpose of financing all or a portion of the cost of certain public improvements (the "Improvements"). Pursuant to the Improvement Bond Act of 1915, the City issued the \$55,000,000 City of Irvine Assessment District No. 04-20 Limited Obligation Bonds, Adjustable Rate Series A and the \$60,000,000 City of Irvine Assessment District No. 04-20 Limited Obligation Bonds, Adjustable Rate Series B (collectively, the "Prior Bonds").

B. Pursuant to proceedings under the Refunding Act of 1984 for 1915 Improvement Act Bonds and Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code, the City has formed its Reassessment District No. 04-20 (the "Reassessment District") and authorized the levy of reassessments in the amount of \$141,323,586 (the "Assessments") consisting of the principal amount required to refund the Prior Bonds and the remaining portion of the Original Assessments that will be available as security for additional bonds that may be issued. The City expects to issue bonds (the "Bonds") secured by the Assessments pursuant to an Indenture (the "Indenture") dated as of December 1, 2011 by and between the City and The Bank of New York Mellon Trust Company, N.A. (the "Trustee") for the purpose of refunding the Prior Bonds. This Agreement shall become effective upon the issuance and sale of the Bonds and shall thereafter supersede the Protocol Agreement entered into between the City and TIC's predecessor with respect to the Prior Bonds.

C. The Bonds are to be repaid from Assessments and amounts for Continuing Costs of the Adjustable Rate Bonds (as such terms are defined in the Indenture) imposed on parcels within the Reassessment District, all of which are owned by TIC and/or entities affiliated with or related to TIC (individually and collectively, the "Company"), other than parcels that may be designated by the City in the future pursuant to the Indenture to represent a Set of Fixed Rate Bonds. It is anticipated that the Company will continue to own such parcels pending the sale of some of them to individual homebuyers and merchant builders. In light of these facts, the parties recognize that the Company is materially affected by the manner in which the City exercises its rights and performs its obligations under the Indenture.

D. The parties have heretofore cooperated in efforts to provide for the expeditious, efficient and cost-effective installation of public improvements related to the Company's developments within the City, and they wish to continue to do so with respect to the Improvements by entering into this Agreement to provide a cooperative means of dealing with certain on-going aspects of monitoring and administering the aforesaid financing.

AGREEMENT

NOW, THEREFORE, IN CONSIDERATION of the above recitals and the covenants and conditions contained herein, the parties agree as follows:

1. Definitions. All capitalized terms used in this Agreement and not otherwise defined herein shall have the respective meanings ascribed to them in the Indenture.

2. Improvements. If and to the extent the design and construction of the Improvements have not been completed, the parties will continue to cooperate with respect to the design thereof, the content and specifications of the contracts for the construction thereof, the timing and sequence of such construction, and all schedules and financial reports relating thereto. The parties currently expect that all or a portion of the Improvements will be constructed by, or at the direction of, the Company and acquired from the Company by the City if and to the extent that the proceeds of the Bonds and other funds are available for such purpose. To the extent required by law, the Company shall pay prevailing wage and comply with all law relevant to the construction of public improvements with respect to the Improvements acquired with the proceeds of the Bonds. In the event that the parties agree that one or more Improvements should be constructed by the City, the City will take such steps as may be reasonably required to award one or more contracts for the construction of the Improvements and to cause such contract or contracts to be diligently completed; provided, however, that the City shall not be required to enter into any such contract if the sum of the proceeds of the Bonds and earnings thereon then available to the City plus any amount paid to the City for the Improvements by the Company or others will be inadequate to make the payments required pursuant thereto.

If TIC waives the right to be compensated for any Improvement that has been or will be constructed by, or at the direction of, the Company, the City will promptly undertake proceedings to delete such Improvement from the projects to be financed through the Reassessment District; and, if and to the extent that (i) no other improvement is added to the list of projects to be financed through the Reassessment District with the written consent of the City and (ii) the acquisition prices previously paid for Improvements have not exceeded the estimated amounts set forth in the report of the assessment engineer approved by the City Council with respect to AD No. 04-20 and a proportionate share of the amounts included in said report for contingencies, the City will reduce the Assessments confirmed on the various parcels within the Reassessment District by the amount that had been assessed for the Improvement in question and the related incidental expenses.

Upon the completion of any Improvement constructed by the City, TIC may request an audit of the Improvement Fund. Such an audit, if so requested, shall be undertaken by such certified public accountant or firm of certified public accountants acceptable to the City as may be specified by TIC. The City shall have no responsibility whatsoever to pay the fees and expenses of such accountant or firm; and said fees and expenses shall be the sole responsibility of TIC.

3. Alternate Letter of Credit. Section 5.04(f) of the Indenture provides that the Trustee shall accept an Alternate Letter of Credit upon satisfaction of certain conditions stated therein. In the event that TIC delivers a written request to the City that an Alternate Letter of

Credit be presented to the Trustee, TIC agrees to pay all reasonable costs and expenses incurred by the City and the Trustee in connection with the substitution of said Alternate Letter of Credit for the Letter of Credit then in effect. The City and TIC shall take such action as may be reasonably required to obtain such Alternate Letter of Credit, to present the same to the Trustee, and to satisfy the conditions set forth in said Section 5.04(f); provided, however, that the City shall not be required to enter into any agreement with the issuer of the Alternate Letter of Credit in a form that differs from the existing Reimbursement Agreement in any respect that would be materially adverse to the City, nor shall the City be required to cause an Alternate Letter of Credit to be substituted for the Letter of Credit then in effect if the City reasonably determines that such substitution would have a material adverse effect on the City or Bondholders.

4. Information and Notices. Under various provisions of the Indenture and the Reimbursement Agreement the City may receive or give notice for various purposes specified therein. The City agrees to provide TIC, at TIC's expense, with copies of all such notices promptly upon its receipt or transmittal thereof, as the case may be. Various provisions of the Indenture permit the City to request and obtain specified information from various parties described therein. The City hereby agrees to provide TIC, at TIC's expense, with copies of such information promptly upon its receipt by the City. In addition, the City shall request and furnish to TIC, at TIC's expense, such information available to the City pursuant to the Indenture as TIC may from time to time reasonably request.

5. Remarketing Agent. Pursuant to the provisions of the Remarketing Agreement, the City has reserved the right to remove the Remarketing Agent and to appoint a successor thereto. Inasmuch as the effectiveness of the Remarketing Agent in performing its duties directly affects the interest payments required to be made by TIC, the City agrees that (i) it will not remove the Remarketing Agent without the prior written consent of TIC, (ii) if requested to do so by written notice from TIC setting forth TIC's reasons for so requesting, it will remove the Remarketing Agent (subject to the consent of the Bank), and (iii) it will meet and consult with TIC concerning the appointment of any successor to the Remarketing Agent (which appointment shall be subject to the consent of the Bank).

6. Changes in Indenture or Reimbursement Agreement. Except to the extent required, in the opinion of Bond Counsel, in order to maintain the exclusion from gross income for purposes of federal income taxation of interest on the Bonds, the City will not, without the prior written consent of TIC, enter into any amendment of or supplement to the Indenture or the Reimbursement Agreement which would (i) materially adversely affect TIC's obligations with respect thereto or with respect to the Assessments and the Continuing Costs of the Adjustable Rate Bonds applicable to TIC's properties, (ii) alter any provision thereof pertaining to Modes or the procedures for changing from one Mode to another or (iii) expand the definition of Permitted Investments; provided that if such consent is withheld, and if the failure to enter into such amendment or supplement would have a material adverse effect on the City's obligation with respect thereto, then the City shall not be prohibited from entering into said amendment or supplement.

7. Conversions to Fixed Rate Bonds. The Bonds are to be initially issued in the Daily Mode, but may be redeemed or converted to Fixed Rate Bonds as hereinafter described.

The refunding of Adjustable Rate Bonds with bonds bearing fixed rates of interest shall be deemed to constitute a conversion to Fixed Rate Bonds.

At least 90 days prior to a Qualified Conveyance (as hereinafter defined), or, if later, promptly upon becoming aware that a Qualified Conveyance is expected to occur, TIC shall file with the City and the Bank a written notice (a "Conversion Request") identifying the property that is the subject of such Qualified Conveyance. As used herein, the term "Qualified Conveyance" means a ground lease, sale, transfer or conveyance by the Company of any parcel within the Reassessment District to an entity other than TIC or The Irvine Land Company LLC, a Delaware limited liability company ("TILC" and, together with TIC, the "Companies"), or a wholly-owned subsidiary of the Companies one hundred percent (100%) of the ownership interests on a fully diluted basis are at all times owned, controlled or held by the Companies and one hundred percent (100%) of the voting rights with respect thereto are at all times owned, controlled or held by the Companies, by contract or otherwise, and whose financial information is consolidated with the financial information of the Companies in accordance with generally accepted accounting principles in the United States of America, or an entity which the Bank approves, in a written instrument filed with the City and the Trustee, as another entity to which a parcel can be leased or conveyed without a corresponding conversion of Bonds to Fixed Rate Bonds.

In addition to the foregoing, TIC may from time to time request that Bonds be converted to Fixed Rate Bonds even in the absence of a Qualified Conveyance by filing with the City a Conversion Request specifying the properties the Assessments applicable to which are to be designated by the City, pursuant to Section 7.01(e) of the Indenture, to represent such converted Fixed Rate Bonds.

Upon receipt of a Conversion Request from TIC, the City shall immediately notify the Remarketing Agent, the Trustee and the Bank of the aggregate principal amount of Adjustable Rate Bonds to be converted to Fixed Rate Bonds (which shall be an amount as nearly equal as practicable to, but not greater than, the aggregate amount of the Assessments applicable to the properties identified in the Conversion Request) and shall take such other steps as are reasonably necessary pursuant to the Indenture in order to cause the Remarketing Agent to promptly complete such conversion unless the City has notified the Remarketing Agent that the Adjustable Rate Bonds to be converted will be remarketed by private placement or direct negotiation. The City shall not be required, under any circumstances, to: (i) complete more than three conversions of Adjustable Rate Bonds to Fixed Rate Bonds from the Reassessment District per calendar year or (ii) advance any funds required to complete any such conversion and provided further that the City may terminate a proposed conversion under the circumstances set forth in Section 2.09(b) of the Indenture.

A conversion shall be cancelled, or one or more of the properties whose Assessments were to be the subject of such conversion shall be deleted from the conversion, as specified by TIC, if prior to the Conversion Date selected pursuant to Section 2.09(a) of the Indenture for the remarketing of Bonds as Fixed Rate Bonds, TIC files a written instrument with the City so requesting and agrees that it may be assessed for any expenses theretofore incurred by the City in connection with the originally proposed conversion for which the City is not otherwise reimbursed.

On or prior to the Conversion Date selected pursuant to Section 2.09(a) of the Indenture for the remarketing of Bonds as Fixed Rate Bonds, TIC will pay, or cause to be paid, to the Trustee, but only if and to the extent that the amounts available to the Trustee pursuant to the Indenture, together with the amounts expected to be made available to the Trustee from the sale of other bonds in connection with the conversion, are insufficient for such purposes, the sum of (i) an amount estimated by the Remarketing Agent to be necessary to pay the fees, costs and expenses of such conversion and remarketing, including any premium payable by reason of any mandatory purchase of Bonds, (ii) the interest which will become payable on the Bonds to be so remarketed from the Conversion Date until the first date subsequent to the Conversion Date on which the City will receive payments of the applicable Assessment installments and (iii) the Reserve Requirement applicable to such group of Fixed Rate Bonds, as specified in a Supplemental Indenture.

As an alternative to the conversion process described above or the issuance of Additional Fixed Funding Series Bonds as described in Section 11 below, TIC may prepay the Assessment applicable to the parcel that would otherwise be the subject of a Conversion Request or cause the same to be prepaid. In the event of such a prepayment, the Bonds that otherwise would have been converted to Fixed Rate Bonds shall be redeemed in accordance with the provisions of the Indenture.

The Bank is hereby expressly recognized as a third-party beneficiary of this Section.

8. Other Changes in Interest Rate Determination. In addition to the foregoing, various provisions of the Indenture permit changes in the method by which the interest rate applicable to such Bonds is to be determined if such change is requested or consented to by the City, subject in some instances to certain conditions (each such change an “Optional Change”).

The parties agree that Optional Changes shall be limited as follows. Either TIC or the City may initiate an Optional Change by giving to the other written notice that it desires to effect the same. Upon receipt of such notice from TIC, the City shall promptly direct the Trustee or the Remarketing Agent, as appropriate, to effect the Optional Change and shall take all other action reasonably required to accomplish it. The City agrees that it shall not refuse to give such direction provided that (i) TIC is not then in default in the payment of any Assessment or amount for Continuing Costs of the Adjustable Rate Bonds on any parcel owned by it or for which it is responsible; (ii) TIC owns the parcel or parcels (or is responsible for the payment of the Assessment thereon) the interest rate applicable to which would be affected by the Optional Change; and (iii) TIC agrees to pay any costs incurred in connection with the Optional Change to the extent the funds available under the Indenture to pay the same are insufficient. If the City wishes to initiate an Optional Change, TIC shall have 15 days after receipt of written notice from the City in which to consider the Optional Change and to indicate TIC’s agreement therewith or objection thereto. Pending TIC’s response to such notice, the City shall not take any action during such 15-day period to effect the Optional Change. If TIC objects to the City’s proposed Optional Change the City shall refrain from taking any action under the Indenture to effect the same provided that (i) TIC is not then in default in the payment of any Assessment or amount for Continuing Costs of the Adjustable Rate Bonds on any parcel owned by it or for which it is responsible, and (ii) TIC owns the parcel or parcels (or is responsible for the payment of the

Assessment thereon) the interest rate applicable to which would be affected by the Optional Change.

9. TIC Advances. In the event a Qualified Conveyance occurs prior to the earlier of the prepayment in full of the Assessment applicable to the subject property, the conversion of the interest rate thereon so as to correspond to Fixed Interest Rates or the issuance of Additional Fixed Fund Series Bonds secured by the Assessment on the subject property (each, a “Fixed Rate Event”), TIC will continue to pay, or cause to be paid, to the City or, at the City’s direction, the Trustee, until the Fixed Rate Event occurs, the Adjustable Rate Assessments and Continuing Costs of Adjustable Rate Bonds attributable to the subject property. If a Fixed Rate Event with respect to the subject property has not occurred within nine months after the date of such Qualified Conveyance (or such longer period as may be approved in writing by the Bank) TIC shall pay, or cause to be paid, to the City or, at the City’s direction, the Trustee, the funds necessary to (i) prepay the Assessment applicable to the subject property and redeem a corresponding amount of the Bonds on the next available Redemption Date, which prepayment shall be in an amount equal to the principal amount of the Bonds attributable to the subject property and estimated interest on such amount to the next available Redemption Date and (ii) pay any unpaid Adjustable Rate Assessment and Continuing Costs of the Adjustable Rate Bonds accrued through the next available Redemption Date. Upon the redemption of Bonds with such prepayment, the City or Trustee shall thereafter refund to TIC any excess amount advanced by TIC.

The Bank is hereby expressly recognized as a third-party beneficiary of this Section.

10. Issuance of Additional Bonds – Conversions. In connection with the conversion of Bonds to Fixed Rate Bonds the parties expect that Additional Bonds will be issued to provide for the payment of the costs of the conversion and the funding of a reserve fund. Such Additional Bonds will be secured by Assessments applicable only to the properties designated in the applicable Conversion Request; and it is not expected that such Assessments will need to be increased as a result of the issuance of such Additional Bonds. In the absence of a written agreement to the contrary, the parties will cooperate with one another to cause such Additional Bonds to be issued; provided that the City shall not be required to issue such Bonds if it is unable to obtain a favorable opinion of nationally-recognized bond counsel with respect to the validity of thereof, or if the Company is then in default in the payment of any Assessment or amount for Continuing Costs of the Adjustable Rate Bonds on any parcel owned by it or for which it is responsible.

11. Issuance of Additional Bonds – Future Phases of Improvements. The parties expect that Additional Bonds will be issued to provide the amounts necessary to pay some or all of the remaining costs of the Improvements. The parties will cooperate in connection with the structuring and timing of the issuance of such Additional Bonds. In the absence of a written agreement of the parties to the contrary, such Additional Bonds will be issued at such times and in such amounts as will enable the purchase of the remaining Improvements from the Company upon completion thereof, in the case of Improvements to be constructed by the Company, or so as to enable the awarding of a construction contract which will provide for the completion of such Improvements when necessary in order to permit the development of the land within the Reassessment District, in the case of Improvements to be constructed by the City. Moreover, in

the absence of a written agreement of the parties to the contrary, such Additional Bonds issued as Additional Adjustable Series Bonds shall be substantially similar in all material respects to the Bonds. At TIC's request, such Additional Bonds may be issued as Additional Fixed Funding Series Bonds secured by the Assessments on properties specified by TIC. Notwithstanding the foregoing, the City shall not be required to issue such Bonds if it is unable to obtain a favorable opinion of nationally-recognized bond counsel with respect to the validity thereof, or if the Company is then in default in the payment of any Adjustable Rate Assessments or amount for Continuing Costs of the Adjustable Rate Bonds on any parcel owned by it or for which it is responsible.

12. Improvement Fund Surplus. When either (a) the Improvements have been completed and all costs thereof have been paid or are not required to be paid from the Improvement Fund, or (b) the Improvements have been substantially completed and all remaining costs thereof have been determined, the City shall cause the certificate referred to in Section 3.04 of the Indenture to be filed with the Trustee and shall direct the Trustee to apply the amount remaining in the Improvement Fund (less any permitted retention) proportionately to the redemption of outstanding Fixed Rate Bonds (if any) and outstanding Adjustable Rate Bonds (if any) and to the partial refund of prior prepayments of Assessments, all to be effected pursuant to the provisions of California Streets and Highways Code Sections 10427 and 10427.1.

13. Extensions of Letter of Credit Stated Expiration Date; Increases in Letter of Credit Amount. The Reimbursement Agreement includes provisions pursuant to which the Stated Expiration Date (as defined in the Letter of Credit) of the Letter of Credit may be extended pursuant to a request from the City (any such action, a "Letter of Credit Extension"). The City and TIC shall take such action as may be reasonably required to submit to the Bank and pursue any request for a Letter of Credit Extension or for any amendment to the Letter of Credit and the Reimbursement Agreement to increase the Letter of Credit Amount (as defined in the Reimbursement Agreement), and TIC agrees to pay all reasonable costs and expenses of any kind whatsoever required to be paid in connection therewith.

14. Notices. Any and all notices, demands or other communications required or desired to be given hereunder by either party shall be in writing and shall be validly given or made to another party if given by personal delivery, telex, facsimile, telegram, or if deposited in the United States mail, certified or registered, postage prepaid, return receipt requested. If such notice, demand or other communication be given by personal delivery, telex, facsimile or telegram, notice shall be conclusively deemed made at the time of such delivery. If such notice, demand or other communication be given by mail, it shall be conclusively deemed given forty-eight (48) hours after the deposit thereof in the United States mail addressed to the party to whom such notice, demand or other communication is to be given as hereinafter set forth:

To the City:

City of Irvine
One Civic Center Plaza
Irvine, California 92606-5208
Attention: Manager of Fiscal Services

With a copy to: City of Irvine
One Civic Center Plaza
Irvine, California 92606-5208
Attention: City Attorney

and Rutan & Tucker, LLP
611 Anton Boulevard, Suite 1400
Costa Mesa, California 92626
Attention: Bond Counsel, City of Irvine

To TIC: The Irvine Company LLC
550 Newport Center Drive
Newport Beach, California 92660
Attention: Chief Financial Officer

With a copy to: The Irvine Company LLC
550 Newport Center Drive
Newport Beach, California 92660
Attention: General Counsel

Either party hereto may change its address for the purpose of receiving notices, demands and other communications as herein provided by a written notice given in the manner aforesaid to the other party or parties hereto.

15. Expiration. This Agreement shall expire and be of no further force or effect on the first day on which no Adjustable Rate Bond remains outstanding, all amounts due and payable under the Reimbursement Agreement have been paid in full and all Improvements have been funded.

16. Governing Law. This Agreement shall, in all respects, be governed by the internal laws of the State of California.

17. Further Assurances. Each of the parties hereto shall execute and deliver any and all additional papers, documents, and other assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of its obligations hereunder and to carry out the intent of the parties hereto. The Bank is hereby recognized as a third-party beneficiary of this provision.

18. Limitation on City Liability. The City shall have no liability of any kind whatsoever to TIC, to the Bank, or any other person or entity arising out of or in connection with any act or omission of TIC hereunder, including but not limited to, any failure on the part of TIC to file a Conversion Request or to pay money pursuant to Section 7, any failure to pay money pursuant to Section 9, and any failure to comply with Section 17.

19. Amendment. No amendment, change or modification of this Agreement shall be valid unless in writing and signed by both of the parties hereto.

20. Successors and Assigns. All of the terms and provisions contained herein shall inure to the benefit of and shall be binding upon the parties hereto and their respective heirs, personal representatives, successors and assigns.

21. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument.

22. Consent to Interest Rate in Excess of Twelve Percent. The Company hereby waives any and all rights it might otherwise have had under or pursuant to any resolution, report, notice or other document relating to the Reassessment District or the Bonds to assert that the annual rate of interest applicable to the Bonds could not exceed twelve percent; and the Company hereby acknowledges and agrees that the interest rate applicable to the Bonds is not limited except as specifically set forth in the Indenture and applicable law.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties have caused this Protocol Agreement to be executed by their respective officers thereunto duly authorized, as of the date first above written.

CITY OF IRVINE:

By: _____

Name: _____

Title: City Manager

THE IRVINE COMPANY LLC,
a Delaware limited liability company

By: _____

Marc D. Ley
Group Senior Vice President and
Chief Financial Officer

By: _____

Robert M. Lang
Senior Vice President

ATTEST:

City Clerk

Approved as to form.

William M. Marticorena
Rutan & Tucker, LLP

PRELIMINARY OFFERING MEMORANDUM DATED NOVEMBER __, 2011

In the opinion of Rutan & Tucker, LLP, Bond Counsel, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, compliance with certain covenants, interest on the Series A Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series A Bonds is not a specific preference item for purposes of the federal individual or corporate alternative minimum taxes, although Bond Counsel observes that such interest is included in adjusted current earnings when calculating corporate alternative minimum taxable income. Bond Counsel expresses no opinion regarding any other tax consequences relating to the ownership or disposition of, or the accrual or receipt of interest on, the Series A Bonds. See "CONCLUDING INFORMATION – Tax Matters" herein.

NEW ISSUE—FULL BOOK—ENTRY ONLY

**RATINGS: Moody's: "___"
Fitch's: "___"**

(See "CONCLUDING INFORMATION – Ratings")

\$78,605,000*
CITY OF IRVINE
REASSESSMENT DISTRICT NO. 04-20
LIMITED OBLIGATION IMPROVEMENT BONDS,
ADJUSTABLE RATE SERIES A

Dated: Date of Delivery

Price: 100%

Due: September 2, 2050

The \$78,605,000* aggregate principal amount of City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A (the "Series A Bonds") offered hereby are issued pursuant to provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code, as amended) and Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code (collectively, the "Act") and an Indenture, dated as of December 1, 2011 (the "Indenture"), by and between the City of Irvine (the "City") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Series A Bonds are being issued to (a) redeem and refund City of Irvine Assessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A and the City of Irvine Assessment District No. 04-20 Limited Obligation Bonds, Adjustable Rate Series B (together, the "Prior Bonds") and (b) pay costs associated with the sale and delivery of the Series A Bonds.

The Series A Bonds will bear interest at a Daily Rate determined for each day and payable on the fifth Business Day of each month, commencing January [6], 2012. This Offering Memorandum provides information concerning the Series A Bonds in the Daily Mode only.

The Series A Bonds initially will have the benefit of a direct-pay irrevocable letter of credit (the "Letter of Credit") to be issued by

KBC Bank N.V., New York Branch

(the "Bank"). The Letter of Credit will authorize the Trustee, subject to strict compliance with the Letter of Credit, to draw on the Letter of Credit up to an amount sufficient to pay (a) the principal of the Series A Bonds when due, (b) the purchase price of Series A Bonds that are purchased pursuant to tenders and that are not remarketed, and (c) up to [58] days' interest accrued on the Series A Bonds, all as more fully described in this Offering Memorandum. The Letter of Credit expires on December 31, 2014, unless extended or terminated on the earlier occurrence of certain events described in this Offering Memorandum. The Bank is not obligated to extend the Letter of Credit. See "THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT – The Letter of Credit" herein. On the fifth Business Day prior to the expiration or termination of the Letter of Credit, the Series A Bonds will be subject to mandatory tender for purchase.

The Series A Bonds are subject to optional and mandatory redemption by the City before maturity, to mandatory purchase under certain circumstances and, under certain circumstances, to purchase on the demand of their Owners, as described in this Offering Memorandum. See "THE SERIES A BONDS – Redemption," "– Mandatory Purchase" and "– Tenders for Purchase upon Election of Owner" herein.

The Series A Bonds will be issuable as fully registered bonds in denominations of \$100,000 and any integral multiple of \$1,000 in excess thereof. Initially, the Series A Bonds will be delivered in fully registered form only and when delivered, will be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York ("DTC"), which will act as securities depository for the Series A Bonds. Ownership interests in the Series A Bonds may be purchased in denominations and in book-entry form only as described herein. Upon receipt of payments of principal of, premium, if any, and interest on the Series A Bonds, DTC will in turn remit such principal, premium, if any, and interest to the participants in DTC (as described herein) for subsequent disbursement to the beneficial owners of the Series A Bonds. See APPENDIX C – "BOOK-ENTRY SYSTEM."

All obligations of the City under the Series A Bonds are not general obligations of the City, but are limited obligations, payable solely from, first, proceeds of draws made under the Letter of Credit pursuant to the Indenture and, second, from assessments levied on the parcels within Reassessment District No. 04-20 (including prepayments thereof), together with interest thereon and any penalties received with respect thereto. Neither the faith and credit nor the taxing power of the City, or of the State of California, or any political subdivision thereof, is pledged to the payment of the Series A Bonds. Notwithstanding any other provision of the Indenture, the City is not obligated to advance available funds from the City treasury to cure any deficiency in the Redemption Fund established under the Indenture.

This cover page contains certain information for quick reference only. It is not a complete summary of the Series A Bonds. Investors should read the entire Offering Memorandum to obtain information essential to the making of an informed investment decision.

The Series A Bonds are offered when, as and if issued and delivered to the Placement Agent. The Series A Bonds are subject to the approval as to certain legal matters by Rutan & Tucker, LLP, Costa Mesa, California, Bond Counsel, and the satisfaction of certain other conditions. Certain legal matters will be passed upon for the City by Rutan & Tucker, LLP, Costa Mesa, California, City Attorney, and by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California as Disclosure Counsel. Certain legal matters will be passed on for the Placement Agent by Katten Muchin Rosenman LLP, Philadelphia, Pennsylvania. Certain legal matters will be passed on for the Bank with respect to the Letter of Credit by Ballard Spahr LLP, Philadelphia, Pennsylvania, and Alta Law, Brussels, Belgium. It is anticipated that the Series A Bonds in book-entry form will be available for delivery to DTC in New York, New York on or about December 1, 2011.

BofA Merrill Lynch

Dated: December __, 2011

* Preliminary, subject to change.

No dealer, broker, salesperson or other person has been authorized by the City, the Placement Agent or the Bank to give any information or to make any representations with respect to the City or the Series A Bonds other than the information contained herein, and, if given or made, such other information or representation must not be relied upon as having been authorized by the City, the Placement Agent or the Bank. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Series A Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale.

This Offering Memorandum is not to be construed as a contract with the purchasers of the Series A Bonds. Statements contained in this Offering Memorandum which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

Certain of the information set forth herein has been obtained from sources which the City believes to be reliable, but such information is not guaranteed by the City as to accuracy or completeness.

The Placement Agent has provided the following sentence for inclusion in this Offering Memorandum. The Placement Agent has reviewed the information in this Offering Memorandum in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Placement Agent does not guarantee the accuracy or completeness of such information.

CUSIP data included here is subject to Copyright 2011, American Bankers Association. CUSIP data included herein is provided by the Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. and is provided for convenience of reference only. Neither the City nor the Placement Agent shall be responsible for the selection or correctness of the CUSIP numbers set forth herein.

The City maintains a website. However, the information presented on that website is not part of this Offering Memorandum and should not be relied upon in making investment decisions with respect to the Series A Bonds.

In connection with this offering, the Remarketing Agent may overallocate or effect transactions which stabilize or maintain the market price of the Series A Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

CITY OF IRVINE

MAYOR AND CITY COUNCIL

Sukhee Kang, *Mayor*
Beth Krom, *Mayor-Pro Tem*
Larry Agran, *Councilmember*
Steven Choi, *Councilmember*
Jeffrey Lalloway, *Councilmember*

CITY STAFF

Sean Joyce, *City Manager*
Sharon Landers, *Assistant City Manager*
Michele C. Lund, *City Treasurer*
Sharie Apodaca, MMC, *City Clerk*
Gary Burton, *Director of Administrative Services*
Donna Mullally, *Manager of Fiscal Services*

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Costa Mesa, California

Disclosure Counsel

Orrick, Herrington & Sutcliffe, LLP
Los Angeles, California

Reassessment Engineer

Willdan Financial Services
Anaheim, California

Financial Advisor to the City

Fieldman, Rolapp & Associates
Irvine, California

Placement Agent's Counsel

Katten Muchin Rosenman LLP
Philadelphia, Pennsylvania

Trustee

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

TABLE OF CONTENTS

	Page
INTRODUCTION	1
THE SERIES A BONDS	3
Authority for Issuance.....	3
General.....	3
Interest.....	3
Redemption.....	5
Mandatory Purchase.....	6
Tenders for Purchase upon Election of Owner	7
Tender Notice Irrevocable	8
Special Considerations Relating to the Remarketing of Series A Bonds	8
SECURITY FOR THE SERIES A BONDS.....	10
General.....	10
Letter of Credit.....	11
Alternate Letter of Credit.....	11
Adjustable Rate Assessments	12
Additional Bonds	12
PLAN OF REFUNDING.....	13
SOURCES AND USES OF FUNDS	13
THE BANK	13
KBC Bank N.V	13
THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT	14
The Letter of Credit	14
The Reimbursement Agreement	16
THE REASSESSMENT DISTRICT	18
District Formation.....	18
District Location	18
Improvements Financed.....	19
NO LITIGATION.....	19
CONTINUING DISCLOSURE.....	19
CONCLUDING INFORMATION	19
Legal Opinion	19
Financial Interest.....	20
Financial Advisor.....	20
Tax Matters	21
Initial Placement	22
Ratings	22
Miscellaneous	22

TABLE OF CONTENTS
(continued)

	Page
APPENDIX A FORM OF BOND COUNSEL OPINION	A-1
APPENDIX B SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.....	B-1
APPENDIX C BOOK-ENTRY SYSTEM	C-1
APPENDIX D FORM OF CONTINUING DISCLOSURE AGREEMENTS.....	D-1

GENERAL LOCATION MAP OF THE REASSESSMENT DISTRICT

OFFERING MEMORANDUM

\$78,605,000*

**CITY OF IRVINE
REASSESSMENT DISTRICT NO. 04-20
LIMITED OBLIGATION IMPROVEMENT BONDS,
ADJUSTABLE RATE SERIES A**

INTRODUCTION

This Offering Memorandum (which includes the cover page, the table of contents and the Appendices attached hereto) is furnished by the City of Irvine (the “City”) to provide information concerning the City of Irvine Reassessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A (the “Series A Bonds”), issued in the aggregate principal amount of \$78,605,000.* The Series A Bonds are issued pursuant to provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code, as amended) and Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code (collectively, the “Act”) and an Indenture, dated as of December 1, 2011 (the “Indenture”), by and between the City of Irvine (the “City”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). Capitalized undefined terms used herein shall have the meanings ascribed thereto in the Indenture.

Proceeds from the sale of the Series A Bonds will be used to (a) redeem and refund the outstanding \$37,423,000 aggregate principal amount of City of Irvine Assessment District No. 04-20 Limited Obligation Improvement Bonds, Adjustable Rate Series A, issued on May 12, 2005 and the outstanding \$40,825,000 aggregate principal amount of City of Irvine Assessment District No. 04-20 Limited Obligation Bonds, Adjustable Rate Series B, issued on August 24, 2006 (together, the “Prior Bonds”) as described herein, and (b) pay costs associated with the sale and delivery of the Series Bonds. See “PLAN OF REFUNDING” and “SOURCES AND USES OF FUNDS.”

On their date of issuance, the Series A Bonds will bear interest at the Daily Rate. Pursuant to the Indenture, Series A Bonds bearing interest at the Daily Rate are described as Series A Bonds in the “Daily Mode.” Subject to the satisfaction of the conditions specified in the Indenture, the interest rate on the Series A Bonds may be changed to a Weekly Rate, a Monthly Rate, a Semi-Annual Rate, an Extended Rate, a VIP Rate or a Fixed Interest Rate. In the event of any such change (a “Change in Mode”) for Series A Bonds in the Daily Mode, such Series A Bonds will be subject to mandatory purchase on the effective date of such Change in Mode. **This Offering Memorandum provides information concerning the Series A Bonds in the Daily Mode only.**

Payment of the principal and Purchase Price of, and interest on, the Series A Bonds will be supported by an irrevocable direct pay letter of credit to be issued by KBC Bank N.V., New York Branch (the “Bank”), to be delivered in accordance with the Reimbursement, Credit and Security Agreement dated as of December 1, 2011 (the “Reimbursement Agreement”) between the City and KBC BANK N.V., a Belgian banking corporation acting by and through its New York Branch (the “Bank”). Such letter of credit, or any Alternate Letter of Credit delivered to the Trustee in accordance with the provisions of the Indenture, is referred to herein as the “Letter of Credit.” See “SECURITY FOR THE SERIES A BONDS – Letter of Credit.”

* Preliminary, subject to change.

In accordance with the provisions of the Indenture, and subject to the satisfaction of the conditions specified therein, the City may issue additional adjustable rate bonds payable on a parity with the Series A Bonds. The Series A Bonds and any such additional adjustable rate bonds are collectively referred to as the “Adjustable Rate Bonds.” See “SECURITY FOR THE SERIES A BONDS – Additional Bonds.”

Reassessment District No. 04-20 (the “Reassessment District”) consists of approximately 323 net developable acres of land located in the eastern part of the City in the master planned community known as Portola Springs. See “THE REASSESSMENT DISTRICT.”

Property assessments (the “Prior Assessments”) have previously been levied on all of the assessable property within the Reassessment District. Reassessments consisting of the principal amount required to refund the Prior Bonds and the remaining portion of the Prior Assessments that will be available as security for Additional Bonds that may be issued (the “Assessments”) will be levied on all of the assessable property within the Reassessment District provided that the Prior Bonds and original assessments of City of Irvine Assessment District No. 04-20 (the “Prior Assessment District”) shall continue and remain in full force and effect and be secured by the original assessments until superseded and replaced by Assessments and the Series A Bonds validly and legally issued for the Reassessment District pursuant to all the terms and provisions of the Act. The Adjustable Rate Bonds, which presently consist of the Series A Bonds, are payable only from Adjustable Rate Assessments, which are generally comprised of the Assessments levied on parcels of real property in the Reassessment District, other than parcels of real property in the Reassessment District designated by the City, pursuant to the Indenture, to be represented by a Set of Fixed Rate Bonds. See “SECURITY FOR THE SERIES A BONDS – Adjustable Rate Assessments.”

The Adjustable Rate Bonds are limited obligations of the City, payable solely from, first, proceeds of draws made under the Letter of Credit pursuant to certain provisions of the Indenture and, second, Adjustable Rate Assessments. Neither the faith and credit nor the taxing power of the City or the State of California (the “State”), or any political subdivision thereof, is pledged to the payment of the Adjustable Rate Bonds. Notwithstanding any other provision of the Indenture, the City is not obligated to advance available funds from its treasury to cure any deficiency in the Redemption Fund established under the Indenture.

The City has no obligation under the Indenture to make any payment with respect to the Purchase Price of Series A Bonds tendered or deemed tendered for purchase. The Purchase Price of the Series A Bonds tendered or deemed tendered for purchase is payable only from the proceeds of the remarketing of such Series A Bonds and from the proceeds of draws made under the Letter of Credit for such purpose. Investors should make any decision with respect to the purchase, holding or tender of Series A Bonds based on the credit of the Bank and not based on an evaluation as to the availability of sufficient Adjustable Rate Assessments to pay the Series A Bonds. Accordingly, no financial or operating data with respect to the Reassessment District, no quantitative information about the Adjustable Rate Assessments and no information about the ownership, development status, development potential or value of the property within the Reassessment District has been included in this Offering Memorandum.

The proceeds of the Series A Bonds will be applied to (a) redeem and refund the Prior Bonds, and (b) pay costs associated with the sale and delivery of the Series A Bonds. The Prior Bonds, Series A were issued on August 24, 2006 pursuant to that Indenture, dated as of April 1, 2005 (the “Original Indenture”), by and between the City and The Bank of New York Trust Company, N.A. (predecessor to The Bank of New York Mellon Trust Company, N.A.), as trustee (the “Prior Trustee”). See “SOURCES AND USES OF FUNDS.” The Prior Bonds, Series B, were issued pursuant to the Original Indenture, as

amended and supplemented by the First Supplemental Indenture, dated as of July 1, 2006 (as so amended and supplemented, the “Prior Indenture”), by and between the City and Prior Trustee.

Brief descriptions of the Series A Bonds, the Indenture, the Letter of Credit, the Reimbursement Agreement, the Bank, the Reassessment District and other information are included in this Offering Memorandum. Such descriptions and information do not purport to be comprehensive or definitive. The descriptions herein of the Series A Bonds, the Indenture, the Letter of Credit, the Reimbursement Agreement and other documents are qualified in their entirety by reference to the forms thereof and the information with respect thereto included in the Series A Bonds, the Indenture, the Letter of Credit, the Reimbursement Agreement and other documents. Copies of such documents may be obtained from the City, One Civic Center Plaza, Irvine, California 92606, Attention: Manager of Fiscal Services.

THE SERIES A BONDS

Authority for Issuance

The Series A Bonds are being issued pursuant to the provisions of the Refunding Act of 1984 for 1915 Improvement Act Bonds (Division 11.5 of the California Streets and Highways Code, as amended) and Chapter 5 of Division 7 of Title 2 of the City of Irvine Municipal Code (collectively, the “Act”) and the Indenture.

General

The Series A Bonds will be issued in the principal amount indicated on the cover of this Offering Memorandum, will be dated the date of delivery, and will mature on September 2, 2050. The Series A Bonds will be issued in denominations of \$100,000 or any integral multiple of \$1,000 in excess thereof and will initially bear interest at a Daily Rate. Interest on the Series A Bonds in the Daily Mode will be paid on the fifth Business Day of each calendar month, commencing January [6], 2012 (each such date, an “Interest Payment Date”).

Merrill Lynch, Pierce, Fenner & Smith Incorporated has been appointed remarketing agent (the “Remarketing Agent”) for the Series A Bonds under the Remarketing Agreement, dated as of December 1, 2011 (the “Remarketing Agreement”), by and between the City and the Remarketing Agent. The Remarketing Agent may resign or be removed by the City as further described in the Indenture and the Remarketing Agreement.

The Series A Bonds will be issued in fully registered form only, and when delivered, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”), New York, New York. DTC will act as securities depository for the Series A Bonds. So long as DTC is acting as securities depository for the Series A Bonds, principal and interest payments with respect to the Series A Bonds will be made to DTC. See APPENDIX C – “BOOK-ENTRY SYSTEM” herein.

Interest

Daily Rate. At their issuance, the Series A Bonds will bear interest at the Daily Rate.

Interest at the Daily Rate will be computed on the basis of a year of 365 days or 366 days, as applicable, and the actual days elapsed and will accrue from the first day of each calendar month through the last day of such month (except that payment will be made on the initial Interest Payment Date for the Series A Bonds for unpaid interest accrued from and including the date of initial delivery of the Series A Bonds).

The Daily Rate for the Series A Bonds will be a rate determined on each Business Day by the Remarketing Agent to be the minimum interest rate that would enable the Remarketing Agent to sell the Series A Bonds on such day at the principal amount thereof plus accrued interest, if any. The Daily Rate for a non-Business Day will be the rate set for the immediately preceding Business Day. The maximum interest rate on the Series A Bonds is 12% per annum.

Alternate Rates. In the event the Remarketing Agent fails to determine the Daily Rate or the method of determining the Daily Rate is held to be unenforceable by a court of law of competent jurisdiction, the Series A Bonds subject to the Daily Rate will thereupon, until such time as the Remarketing Agent again makes such determination of the interest rate or until there is delivered a written opinion of Bond Counsel to the effect that the method of determining such rate is enforceable, bear interest from the last date on which interest was legally paid at the rate *per annum* specified in various indices published by Kenny Information Systems (all as more fully described in the Indenture). If Kenny Information Systems no longer publishes indices or is dissolved or liquidated, then another entity which does publish similar indices will be selected by the City (with the approval of the Bank and the Remarketing Agent).

Change in Mode. Subject to the satisfaction of the conditions specified in the Indenture, the City may and, in certain circumstances, may be required to, effect a Change in Mode with respect to all or a portion of the Series A Bonds, the effect of which would be to cause such Series A Bonds to bear interest at a Weekly Rate, a Monthly Rate, a Semi-Annual Rate, an Extended Rate, a VIP Rate or a Fixed Interest Rate. In the event of any Change in Mode for any Series A Bonds in the Daily Mode, such Series A Bonds will be subject to mandatory purchase on the effective date of such Change in Mode. See “Mandatory Purchase” below.

Summary of Certain Provisions of Series A Bonds in the Daily Mode. For Series A Bonds in the Daily Mode, the Interest Payment Dates, the Rate Determination Date, the date each interest rate will become effective (the “Effective Date of Rate”), the Adjustment Period, the dates on which registered Owners may tender their Series A Bonds for purchase and the notice requirements therefor (the “Optional Tender Dates” and the “Owner’s Notice of Optional Tender”), the requirements for physical delivery of tendered Series A Bonds in the Daily Mode and payment provisions therefor (“Physical Delivery of and Payment for Series A Bonds Subject to Optional and Mandatory Tender”), the notice requirements in order to change from one Mode to a different Mode (“Written Notice of Change in Mode”) and the dates on which the Series A Bonds in the Daily Mode are subject to mandatory tender for purchase in the event of a change between Modes (“Mandatory Tender Date Upon Change in Mode”) are shown in summary in the following table.

<i>Event; Action</i>	<i>Date; Time</i>
Interest Payment Dates ⁽¹⁾	Fifth Business Day of each calendar month.
Rate Determination Date	Each Business Day.
Effective Date of Rate; Adjustment Period	Each Rate Determination Date; Daily Rate effective for one Business Day and for each day thereafter until next succeeding Rate Determination Date.
Optional Tender Dates; Owner's Notice of Optional Tender	Any Business Day; Telephonic (with confirmation in writing) or written notice by Owner to Remarketing Agent, Paying Agent and Trustee on or prior to [10:00] a.m. on any Business Day.
Physical Delivery of and Payment for Series A Bonds Subject to Optional and Mandatory Tender ⁽²⁾	To Paying Agent by [11:45] a.m. on designated purchase date; payment by 4:00 same day.
Written Notice of Change in Mode from Existing Mode	Trustee to mail notice to Owners at least 10 days prior to effective date of Change in Mode.
Mandatory Tender Date Upon Change in Mode	Effective Date of Change in Mode.

⁽¹⁾ Any Mandatory Purchase Date will also be an Interest Payment Date.

⁽²⁾ The tender, purchase and remarketing of the Series A Bonds during any period in which the Series A Bonds are registered in book-entry form will be accomplished in conformance with the procedures of DTC or the then applicable Securities Depository. See "THE SERIES A BONDS – Tenders for Purchase upon Election of Owner."

All times shown are in local time in New York City.

Redemption

Optional Redemption. Series A Bonds in the Daily Mode are subject to optional redemption by the City, in whole, or in part in Authorized Denominations, on any Interest Payment Date, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued and unpaid interest to such redemption date, if any, without premium, paid from draws upon the Letter of Credit. If such redemption is in part, Adjustable Rate Bonds registered in the name of the Bank pursuant to the Indenture ("Bank Bonds") will be redeemed first, and all other Adjustable Rate Bonds will be redeemed by lot in such manner as will be determined by the Trustee.

Mandatory Redemption from Assessment Prepayments. Series A Bonds in the Daily Mode are subject to mandatory redemption from prepaid Adjustable Rate Assessments required pursuant to the Indenture to be applied to such redemption, in whole, or in part in Authorized Denominations, on the fifth Business Day of any calendar month, at a redemption price equal to 100% of the principal amount thereof to be redeemed plus accrued and unpaid interest to such redemption date, if any, without premium.

In the event that Adjustable Rate Bonds are to be redeemed from prepaid Adjustable Rate Assessments, the prepaid Adjustable Rate Assessments will be applied to Adjustable Rate Bonds in the following Modes in the following order of priority until such prepayments or proceeds are depleted: first, Bank Bonds, second, Adjustable Rate Bonds in the Daily Mode, third, Adjustable Rate Bonds in the Weekly Mode, fourth, Adjustable Rate Bonds in the Monthly Mode, fifth, Adjustable Rate Bonds in the Semi-Annual Mode, sixth, Adjustable Rate Bonds in the Extended Rate Mode, and seventh, Adjustable Rate Bonds in the VIP Mode.

Mandatory Sinking Fund Redemption. The Series A Bonds (other than Bank Bonds) are not subject to mandatory sinking fund redemption.

Notice of Redemption. The Trustee on behalf and as an administrative expense of the Reassessment District will mail (by first class mail) notice of any redemption to the respective Owners of any Series A Bonds designated for redemption at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to one or more Information Services, at least 10 but not more than 60 days prior to the Redemption Date. [With respect to any notice of any optional redemption of Series A Bonds, unless at the time such notice is given the Series A Bonds to be redeemed will be deemed to have been paid within the meaning of the Indenture, such notice may state that such redemption is conditional upon receipt by the Trustee, on or prior to the date fixed for such redemption, of moneys that, together with other available amounts held by the Trustee, are sufficient to pay the redemption price of, and accrued interest on, the Series A Bonds to be redeemed, and that if such moneys will not have been so received said notice will be of no force and effect and the City will not be required to redeem such Series A Bonds. In the event a notice of redemption of Series A Bonds contains such a condition and such moneys are not so received, the redemption of Series A Bonds as described in the conditional notice of redemption will not be made.] Neither the failure to receive any notice of redemption so mailed, nor any defect in such notice, will affect the sufficiency of the proceedings for the redemption of the Series A Bonds or the cessation of accrual of interest thereon from and after the Redemption Date.

Selection of Series A Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series A Bonds in the Daily Mode, the Trustee will select the Series A Bonds in the Daily Mode to be redeemed by lot in accordance with the provisions of the Indenture.

Mandatory Purchase

Mandatory Purchase on Change in Mode. In the event of a Change in Mode for Series A Bonds in the Daily Mode, such Series A Bonds will be subject to mandatory purchase on the effective date of the Change in Mode.

Mandatory Purchase on the Substitution of Letter of Credit. Series A Bonds in the Daily Mode will be subject to mandatory purchase on the date upon which an alternate letter of credit or other security or liquidity device is substituted for the Letter of Credit then in effect.

Mandatory Purchase on Expiration of Letter of Credit. Series A Bonds in the Daily Mode will be subject to mandatory purchase on the fifth Business Day before the stated expiration date of the Letter of Credit.

Mandatory Purchase Pursuant to Letter of Credit. Series A Bonds in the Daily Mode will be subject to mandatory purchase on the fifth Business Day following the Trustee's receipt of a written notice from the Bank either (a) that an event of default (as defined in the Reimbursement Agreement) has occurred and directing the Trustee to give notice of the mandatory purchase of Adjustable Rate Bonds in accordance with the Indenture, or (b) when the amount of the Letter of Credit has been reduced by a drawing thereunder to pay interest on the Adjustable Rate Bonds, that the Bank will not reinstate the amount of the Letter of Credit by an amount equal to the amount so drawn.

Notice. Notice of a mandatory purchase will be given by the Paying Agent by first-class mail, postage prepaid to the Owners of Series A Bonds in the Daily Mode not less than 10 days prior to the Mandatory Purchase Date or, in the case of a mandatory purchase pursuant to the Letter of Credit, as soon as practicable (but in no event less than five days) after the Trustee's receipt of the written notice from the Bank described therein. Each such notice will state (a) the Mandatory Purchase Date, (b) if such Series A Bond is required to be tendered pursuant to the Indenture, that each Series A Bond will be tendered for purchase by delivery of such Series A Bond to the Paying Agent (address below) on or prior to the

Mandatory Purchase Date and that any Series A Bond not so tendered for purchase as required will be deemed to have been so tendered and, upon provision for payment of the purchase price therefor from the funds specified in the Indenture, will be deemed to have been purchased on the Mandatory Purchase Date after which no interest will accrue thereon for the benefit of the Owner required to so tender such Series A Bond and such Owner will have no rights under the Indenture as the Owner of such Series A Bond except the right to receive the purchase price thereof, and (c) that all Series A Bonds subject to such mandatory purchase will be purchased on the applicable Mandatory Purchase Date at the applicable purchase price.

Tenders for Purchase upon Election of Owner

Daily Rate Tender. When Series A Bonds are in the Daily Mode, an Owner of such a Series A Bond may tender it or any portion thereof (so long as the principal amount purchased and principal amount not purchased are in Authorized Denominations) for purchase at its principal amount, plus accrued but unpaid interest, if any, by delivering (i) on any Business Day a written or telephonic notice, immediately confirmed in writing, to the Remarketing Agent and the Paying Agent (at the addresses set forth below) by [10:00] a.m., New York City time, stating the bond number and the principal amount of such Series A Bond, the principal amount of such Series A Bond to be purchased pursuant to the Indenture, the date such Series A Bond is to be purchased, and irrevocably demanding such purchase, and (ii) if the Series A Bond is not held by DTC, such Series A Bond duly endorsed in blank for transfer to the Paying Agent (address below) by [11:45] a.m., New York City time, on the date of purchase in compliance with the requirements described above. If the conditions to such purchase have been strictly complied with, payment will be made in immediately available funds by the close of business on the date specified by the Owner for purchase, but solely from moneys made available for that purpose under the Indenture.

Tender of Series A Bonds in Book-Entry Form. During any period in which Series A Bonds in the Daily Mode are registered in book-entry form with DTC or Cede & Co., as its nominee, beneficial interests in such Series A Bonds may be tendered by means of a book-entry credit of such beneficial interests to the account of the Remarketing Agent; *provided, however,* that if the Remarketing Agent notifies the Paying Agent that such beneficial interests in the Series A Bonds have been remarketed pursuant to the Indenture, such beneficial interests may be treated as tendered upon a book-entry transfer of such beneficial interests from the account of the tendering party to the credit of the account of the purchaser of such beneficial interests. Prior to remarketing any beneficial interests in such Series A Bonds tendered for purchase, the Remarketing Agent will confirm with DTC and the Paying Agent that such beneficial interests have been tendered in accordance with the Indenture.

Notices in respect of tenders must be delivered as follows:

To the Paying Agent:

The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017
Fax: (213) 630-6215
Phone: (213) 630-6229

To the Remarketing Agent:

Merrill Lynch, Pierce, Fenner & Smith Incorporated
One Bryant Park
New York, New York 10036
Attention: Municipal Money Markets
Fax: (646) 736-6960
Phone: (212) 449-5544

Series A Bonds in the Daily Mode tendered and not held by DTC must be delivered as follows:

To the Trustee:

The Bank of New York Mellon Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017
Fax: (213) 630-6215
Phone: (213) 630-6229

Tender Notice Irrevocable

Any Tender Notice by any Owner of a Series A Bond will be irrevocable. If such Owner is required but fails to deliver the Series A Bond referred to in such notice to the Paying Agent, such Series A Bond will nonetheless be deemed to have been tendered and, upon provision for payment of the purchase price therefor from the funds specified in the Indenture, no interest will accrue on such Series A Bond for the benefit of such Owner from and after the purchase date and such Owner will have no rights under the Indenture as the Owner of such Series A Bond except the right to receive the purchase price of such Series A Bond. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Special Considerations Relating to the Remarketing of Series A Bonds

The Remarketing Agent will be acting solely as the City’s agent in the re-sale of the Series A Bonds, and the Remarketing Agent’s responsibility is limited to the use of its best efforts to solicit offers to purchase such Series A Bonds. The commitment to remarket Series A Bonds does not obligate the Remarketing Agent to use any of its own funds or otherwise incur financial liability in acting as Remarketing Agent. The Remarketing Agent, either as principal or agent, may in good faith buy, sell, own, hold and deal in any of the Series A Bonds, and may join in any action which any beneficial owner may be entitled to take with like effect as if it did not act in any capacity under the Remarketing Agreement.

The Remarketing Agent is Paid by the City. The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing Series A Bonds that are tendered by the owners thereof or subject to mandatory purchase (subject, in each case, to the terms of the Indenture and the Remarketing Agreement), all as further described in this Offering Memorandum. The Remarketing Agent is appointed by the City and is paid by the City for its services. As a result, the interests of the Remarketing Agent may differ from those of existing Beneficial Owners and potential purchasers of Series A Bonds.

In addition, the Remarketing Agent in its individual capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the City and may act as depositary, trustee, or agent for any committee formed to protect the rights of Owners and beneficial owners of Series A Bonds or other obligations of the City, as freely as if it did not act in any capacity under the Remarketing Agreement. Under such circumstances, the Remarketing Agent shall have only those rights set forth in the Indenture and the Series A Bonds.

The Remarketing Agent Routinely Purchases for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent is permitted, but not obligated, to purchase Series A Bonds for its own account and, in its sole discretion, may routinely acquire such tendered Series A Bonds for its own account in order to achieve a successful remarketing of the Series A Bonds (*i.e.*, because there otherwise are not enough buyers to purchase the Series A Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series A Bonds, and may cease doing so at any time without notice. The Remarketing Agent may also make a market in the Series A Bonds by routinely purchasing and selling Series A Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales may be at or below par. However, the Remarketing Agent is not required to make a market in the Series A Bonds. If the Remarketing Agent purchases Series A Bonds for its own account, it may offer those Series A Bonds at a discount to par to some investors. The Remarketing Agent may also sell any Series A Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to the Series A Bonds. The purchase of Series A Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for the Series A Bonds in the market than is actually the case. The practices described above also may result in fewer Series A Bonds being tendered in a remarketing.

Series A Bonds May be Offered at Different Prices on Any Date Including a Rate Determination Date. Pursuant to the Indenture and the Remarketing Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the Series A Bonds evidencing interest at the applicable interest rate at par plus accrued interest, if any, on and as of the rate determination date. The interest rate will reflect, among other factors, the level of market demand for the Series A Bonds (including whether the Remarketing Agent is willing to purchase Series A Bonds for its own account). There may or may not be Series A Bonds tendered and remarketed on the rate determination date. The Remarketing Agent may or may not be able to remarket any Series A Bonds tendered for purchase on the rate determination date at par and the Remarketing Agent may sell Series A Bonds at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the Series A Bonds at the remarketing price. If the Remarketing Agent owns any Series A Bonds for its own account, it may, in its sole discretion in a secondary market transaction outside the tender process, offer such Series A Bonds on any date, including the date of determination, at a discount to par to some investors.

The Ability to Sell the Series A Bonds Other Than Through the Tender Process May Be Limited. The Remarketing Agent may buy and sell Series A Bonds other than through the tender process. However, the Remarketing Agent is not obligated to do so and may cease doing so at any time without notice and may require Beneficial Owners that wish to tender their Series A Bonds to do so through the Trustee with appropriate notice. Thus, investors who purchase the Series A Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series A Bonds other than by tendering the Series A Bonds in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May be Removed, Resign or Cease Remarketing the Series A Bonds. The Remarketing Agent may at any time resign and be discharged of the duties and obligations described in the Indenture and the Remarketing Agreement by giving at least 60 days' notice to the Bank, the City, the Trustee and the Paying Agent. The Remarketing Agent may be removed at any time, at the direction of the City, by an instrument filed with the Remarketing Agent, the Trustee and the Paying Agent. Any successor Remarketing Agent will be selected by the City and will be a member of the National Association of Securities Dealers, Inc. or will be subject to supervision by the Comptroller of the Currency or a member of the Federal Reserve System, will have a capitalization of at least \$15,000,000, and will be authorized by law to perform all the duties set forth in the Indenture. When a Letter of Credit is in effect or the Bank is owed any amounts under the Reimbursement Agreement and so long as the Bank is not in default of its obligation to honor a draw on the Letter of Credit, the City will obtain the Bank's written consent to the appointment of such successor Remarketing Agent, which consent shall not be unreasonably withheld.

Any corporation or association into which Merrill Lynch, Pierce, Fenner & Smith Incorporated, as Remarketing Agent, may be converted or merged, or with which it may be consolidated, or to which it may be consolidated, or to which it may sell or transfer its marketing business and assets as a whole or substantially as a whole, may become successor Remarketing Agent under the Indenture and Remarketing Agreement and fully vested with all of the rights, powers, trusts, duties and obligations of remarketing agent under the Indenture and Remarketing Agreement, without the execution or filing of any instrument or any further act; provided that such successor meets the eligibility requirements of set forth above.

SECURITY FOR THE SERIES A BONDS

General

Neither the faith and credit nor the taxing power of the City or the State, or any political subdivision thereof, is pledged to the payment of the Adjustable Rate Bonds. Notwithstanding any other provision of the Indenture, the City is not obligated to advance available funds from its treasury to cure any deficiency in the Redemption Fund established under the Indenture.

The Adjustable Rate Bonds are limited obligations of the City, payable solely from, first, proceeds of draws made under the Letter of Credit pursuant to certain provisions of the Indenture and, second, Adjustable Rate Assessments. Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the proceeds of such draws made under the Letter of Credit and any other amounts held in the Letter of Credit Account established under the Indenture are pledged to secure the payment of the principal of and interest on the Adjustable Rate Bonds in accordance with their terms, the provisions of the Indenture and the Act. Said pledge constitutes a first lien on such assets.

The City has no obligation under the Indenture to make any payment with respect to the Purchase Price of Series A Bonds tendered or deemed tendered for purchase.

The Purchase Price of the Series A Bonds tendered or deemed tendered for purchase is payable only from the proceeds of the remarketing of such Series A Bonds and from the proceeds of draws made under the Letter of Credit for such purpose. Investors should make any decision with respect to the purchase, holding or tender of Series A Bonds based on the credit of the Bank and not based on an evaluation as to the availability of sufficient Adjustable Rate Assessments to pay the Series A Bonds. Accordingly, no financial or operating data with respect to the Reassessment District, no quantitative information about the Adjustable Rate Assessments and no information about the ownership, development status, development potential or value of the property within the Reassessment District has been included in this Offering Memorandum. This Offering Memorandum provides information concerning the Series A Bonds in the Daily Mode only.

Letter of Credit

Payment of the principal and Purchase Price of, and interest on, the Series A Bonds will be supported by the Letter of Credit to be issued by the Bank.

The availability of money to pay the principal and Purchase Price of, and interest on, the Series A Bonds depends primarily on the Bank's performing its obligations under the Letter of Credit. The Bank could be precluded from performing its obligations under the Letter of Credit in the event of bankruptcy, insolvency or reorganization of such Bank, or a moratorium or similar event.

Additionally, the ratings on the Series A Bonds could be downgraded or withdrawn if the Bank was to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or was to refuse to perform under the Letter of Credit. The Indenture permits the City to substitute an Alternate Letter of Credit for the Letter of Credit should the City wish to do so in connection with a downgrade of the ratings of the Bank. No assurance can be given, however, that the City would be able to obtain an Alternate Letter of Credit in the event of such a downgrade, placement on credit watch, suspension, withdrawal or refusal to perform by the Bank under the Letter of Credit or, if obtained, what the ratings on the Series A Bonds would be. The City has no obligation to maintain any rating for the Series A Bonds.

Series A Bonds will be subject to mandatory purchase on the fifth Business Day before the stated expiration date of the Letter of Credit and Series A Bonds will be subject to mandatory purchase on the date upon which an Alternate Letter of Credit is substituted for the Letter of Credit then in effect. See "THE SERIES A BONDS – Mandatory Purchase – *Mandatory Purchase on Expiration of Letter of Credit*" and "*– Mandatory Purchase on the Substitution of Letter of Credit.*"

Alternate Letter of Credit

The Indenture provides that, under certain circumstances, at any time, the City may deliver to the Trustee an alternate letter of credit or other security or liquidity device (an "Alternate Letter of Credit") for the Adjustable Rate Bonds having substantially similar terms as the Letter of Credit (except that in the case of a Letter of Credit for the Adjustable Rate Bonds bearing interest at a Semi-Annual Rate or Extended Rate, the Letter of Credit must provide for the payment of 201 days' interest) and a term of not less than one year. If the City shall furnish to the Trustee (a) an unqualified opinion of bond counsel stating that the delivery of such Alternate Letter of Credit is authorized under the Act and the Indenture and will not adversely affect the exclusion of interest on the Series A Bonds from gross income for purposes of federal income taxation or the exemption of interest on the Series A Bonds from personal income taxation under the laws of the State of California (subject to the inclusion of any exceptions contained in the opinion delivered upon the original issuance of the Series A Bonds), and (b) written evidence satisfactory to the Bank of the provision for purchase from the Bank of all Bank Bonds, at a price equal to the principal amount thereof plus accrued and unpaid interest, and payment of all amounts

due it under the Reimbursement Agreement on or before the effective date of such Alternate Letter of Credit, together with written confirmation from the Bank that such evidence is satisfactory, then the Trustee will accept such Alternate Letter of Credit on the Substitution Date and, immediately thereafter, will surrender the Letter of Credit then in effect to the Bank; *provided, however*, that no surrender of the Letter of Credit will take place unless and until the Bank has honored the draw upon the Letter of Credit to mandatorily purchase the Adjustable Rate Bonds. The Series A Bonds will be subject to mandatory purchase on any date upon which an Alternate Letter of Credit is substituted for the Letter of Credit then in effect. See “THE SERIES A BONDS – Mandatory Purchase – *Mandatory Purchase on the Substitution of Letter of Credit.*”

Adjustable Rate Assessments

Adjustable Rate Assessments generally consist of the Assessments levied on parcels of real property in the Reassessment District, other than parcels of real property in the Reassessment District designated by the City, pursuant to the Indenture, to be represented by a Set of Fixed Rate Bonds. Pursuant to the Indenture, such designation is required to occur in connection with the conversion of each group of Adjustable Rate Bonds to Fixed Rate Converted Bonds, the issuance of Additional Fixed Funding Series Bonds and the issuance of Related Additional Bonds. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Subject only to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth therein, all of the Adjustable Rate Assessments (including prepayments thereof), together with interest thereon and any penalties received with respect thereto, and any and all other amounts (including proceeds of the sale of the Adjustable Rate Bonds) held in any fund or account established pursuant to the Indenture for the Adjustable Rate Bonds (other than any Rebate Account established therefor and the Adjustable Rate Bonds Continuing Costs Subaccount) are pledged by the City to secure the payment of the principal of, premium, if any, and interest on the Adjustable Rate Bonds and the City’s obligations under the Reimbursement Agreement to reimburse the Bank, with interest as provided therein, for draws honored under the Letter of Credit, in accordance with the provisions of the Adjustable Rate Bonds and the provisions of the Indenture, the Reimbursement Agreement and the Act. Said pledge constitutes a first lien on such assets.

Additional Bonds

Additional Adjustable Series Bonds. The City may, subject to the requirements of the Act and the Indenture, by Supplemental Indenture issue one or more Series of Additional Adjustable Series Bonds payable on a parity with all other Adjustable Rate Bonds Outstanding thereunder. Pursuant to the Indenture, Additional Adjustable Series Bonds may not be issued unless the amount available under the Letter of Credit has been increased to an amount sufficient to pay the principal of all Adjustable Rate Bonds, together with interest thereon for the period specified in the Indenture. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Additional Fixed Funding Series Bonds. The Indenture provides that the City may, subject to the requirements of the Act and the Indenture, by Supplemental Indenture issue one or more series of Additional Fixed Funding Series Bonds. Any such Additional Fixed Funding Series Bonds will not be payable from proceeds of draws made under the Letter of Credit. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

Related Additional Bonds. The Indenture provides that in connection with the conversion of each group of Adjustable Rate Bonds to Fixed Rate Converted Bonds the City may, subject to the requirements of the Act, by Supplemental Indenture issue one or more series of Related Additional Bonds. Any such

Related Additional Bonds will not be payable from proceeds of draws made under the Letter of Credit. See APPENDIX B – “SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE.”

PLAN OF REFUNDING

On November 8, 2011, the City Council of the City (the “City Council”) confirmed a total Assessment lien in the amount of \$_____ on the Reassessment District. Proceeds from the sale of the Series A Bonds, together with certain other amounts available under the Prior Indenture, will be used to (a) redeem and refund the Prior Bonds, and (b) pay costs associated with the sale and delivery of the Series A Bonds.

The net proceeds of the sale of the Series A Bonds will be applied to redeem the Prior Bonds on December 1, 2011 (the “Redemption Date”) at a redemption price equal to the principal of, premium, and interest on the Prior Bonds on the Redemption Date.

SOURCES AND USES OF FUNDS

The Series A Bond proceeds and other funds on deposit will be applied as follows:

Sources of Funds

Principal Amount of Series A Bonds	
Funds released from Prior Indenture	
Less Placement Agent Fee	
Total Sources	_____

Uses of Funds

Refunding of Prior Bonds	
Deposit to Improvement Fund	
Deposit to Costs of Issuance Fund ⁽¹⁾	
Total Uses	_____

⁽¹⁾ To pay costs of issuance, including legal fees, printing fees, initial letter of credit fees and remarketing fees.

THE BANK

KBC Bank N.V.

The following information concerning the Bank has been provided by the Bank and has not been independently confirmed or verified by the City. No representation is made by the City as to the accuracy, completeness or adequacy of such information. No representation is made as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.

KBC Bank N.V., New York Branch (“KBC NYB”) is an unincorporated branch of KBC Bank N.V., a naamloze vennootschap (public company of limited liability) organized under the laws of Belgium, whose principal office is located in Brussels, Belgium. KBC Bank N.V. conducts operations through additional offices and agencies in the United States and around the world. Created on June 4,

1998 through the combination of two predecessor Belgian banks, Kredietbank N.V. and CERA Bank C.V., KBC Bank N.V. is subject to regulation by the Belgium Banking Commission and to Belgian banking and accounting law. KBC Bank N.V. maintains its records and prepares its financial statements in accordance with accounting principles generally accepted in Belgium. Such records and financial statements are maintained and prepared in Euro currency (EUR).

One of the largest commercial banks in Belgium, KBC Bank N.V. operates as a universal bank, engaged in commercial and investment banking, and offers comprehensive financial services. KBC Bank N.V.'s branches in Belgium are located exclusively in Brussels and the Flanders region of Belgium. KBC Bank N.V. is indirectly represented through CBC Banque S.A., a majority-owned subsidiary with branches in Brussels and the Walloon region of Belgium.

KBC NYB was originally established in 1977 as a New York Branch of Kredietbank N.V., and has been relicensed by the Banking Department of the State of New York as a New York Branch of KBC Bank N.V. to provide a full range of services in New York. In addition to handling foreign exchange transactions, KBC NYB is active in international payment transactions and the clearing of commercial payments and professional transactions in U.S. Dollars. KBC NYB is also involved in providing financial services, particularly credit, for European (including Belgian) companies operating in the United States, as well as for United States corporations and municipalities.

Selected Consolidated Financial Data of KBC Bank N.V.

Year Ended
December 31, 2010
(EUR Millions)

Total Assets	320,823
Amounts Owed to Customers	197,870
Loans and Advances to Customers	150,666
Total Equity	18,147
Net Income	1,860

Conversion Rate: As of December 31, 2010, EUR 0.7485 = US\$1.00

KBC NYB will provide, upon written request and without charge, a copy of KBC Bank N.V.'s Annual Report for the year ended December 31, 2010. Written requests should be directed to: KBC Bank N.V., New York Branch, 1177 Avenue of the Americas, New York, New York 10036, Attention: Controller.

The delivery of this Official Statement shall not create any implication that there has been no change in the affairs of KBC Bank N.V. since December 31, 2010 or that information contained or referred to under this heading is current as of any time subsequent to such date.

THE LETTER OF CREDIT AND THE REIMBURSEMENT AGREEMENT

The Letter of Credit

The following summarizes certain provisions of the Letter of Credit supporting the payment of the principal and Purchase Price of, and interest on, the Series A Bonds. Reference is made to such Letter of Credit for the details of the provisions thereof.

General. The Letter of Credit is an irrevocable obligation of the Bank to pay to the Trustee, upon drawings made by the Trustee in strict compliance with the terms and conditions of the Letter of Credit, up to (a) an amount equal to the outstanding principal amount of the Series A Bonds (other than Series A Bonds converted to bear interest at a fixed interest rate) (the “Series A Adjustable Rate Bonds”) to enable the Trustee to pay (i) the principal amount of the Series A Adjustable Rate Bonds when due at maturity or upon redemption and (ii) the portion of the purchase price of Series A Adjustable Rate Bonds tendered for purchase pursuant to the Indenture and not remarketed corresponding to the principal amount of such Series A Adjustable Rate Bonds, plus (b) an amount equal to 52 days interest on the Series A Adjustable Rate Bonds at the maximum rate of 12% per annum to enable the Trustee to pay (i) interest on the Series A Adjustable Rate Bonds when due and (ii) the portion of the purchase price of Series A Adjustable Rate Bonds tendered for purchase pursuant to the Indenture and not remarketed corresponding to the accrued interest on such Series A Adjustable Rate Bonds. The Letter of Credit will not support any Series A Bonds that become Fixed Rate Converted Bonds. The original stated amount of the Letter of Credit is \$_____, of which \$_____ is in respect of principal of the Series A Adjustable Rate Bonds and \$_____ is in respect of interest on the Series A Adjustable Rate Bonds.

Draws. Under the Indenture, the Trustee is directed to draw upon the Letter of Credit in the following circumstances:

- (a) to make timely payment of the interest on the Series A Adjustable Rate Bonds;
- (b) to make timely payment of the principal of the Series A Adjustable Rate Bonds at maturity or upon optional or mandatory call for redemption; and
- (c) to make timely payment of the purchase price of Series A Adjustable Rate Bonds required to be purchased upon an optional or mandatory tender for purchase pursuant to the provisions of the Indenture, to the extent remarketing proceeds or other funds are not available to make such payment under the Indenture.

Reduction and Reinstatement. Each drawing honored by the Bank under the Letter of Credit shall immediately reduce the principal component and/or the interest component (as the case may be) of the amount available under the Letter of Credit by the amount of such drawing and the aggregate amount available under the Letter of Credit shall be correspondingly reduced. The amount available under the Letter of Credit, as so reduced, shall be reinstated only as follows:

- (a) with respect to a drawing under the Letter of Credit to pay interest, the interest component shall be reinstated automatically at 5:00 p.m. on the seventh calendar day following the date such drawing is honored by an amount equal to the amount of such drawing for interest, unless the Trustee shall have received notice from the Bank before 5:00 p.m. on said seventh calendar day that an Event of Default has occurred under the Reimbursement Agreement and such reinstatement shall not occur; and
- (b) with respect to a drawing under the Letter of Credit to pay the purchase price of any Series A Adjustable Rate Bonds, the principal component and the interest component with respect to such Series A Adjustable Rate Bonds shall be reinstated when and to the extent that the Bank has received immediately available funds to reimburse the Bank for such drawing pursuant to the Reimbursement Agreement and the Trustee has delivered to the Bank the reinstatement certificate in the form prescribed by the Letter of Credit.

The amount available under the Letter of Credit and the respective principal and interest components thereof shall also be reduced automatically following the conversion of Series A Bonds to

Fixed Rate Converted Bonds or the payment of the principal of Series A Bonds pursuant to the Indenture, upon receipt by the Bank from the Trustee of a certificate in the form prescribed by the Letter of Credit, each such reduction to be in the amount necessary to reduce the amount available under the Letter of Credit and the principal and the interest components thereof to the respective amounts specified by the Trustee in such certificate.

Expiration. The Letter of Credit will automatically terminate upon the first to occur of the following: (a) the Stated Expiration Date (as defined in the Letter of Credit and used herein), or (b) the date on which the Bank receives a certificate from the Trustee in the form prescribed by the Letter of Credit to the effect that there are no Series A Adjustable Rate Bonds outstanding other than Series A Bonds secured by an Alternate Letter of Credit meeting the requirements of the Indenture, or (c) the date on which the final drawing available under the Letter of Credit is honored. The Stated Expiration Date of the Letter of Credit is December 31, 2014. The Stated Expiration Date may be extended beyond the Stated Expiration Date then in effect at the sole discretion of the Bank upon request of the City.

The Reimbursement Agreement

The following summarizes certain provisions of the Reimbursement Agreement, pursuant to which the Letter of Credit is being issued. Reference is made to the Reimbursement Agreement for the details of the provisions thereof.

General. The City and the Bank have entered into a Reimbursement, Credit and Security Agreement dated as of December 1, 2011 (the "Reimbursement Agreement") pursuant to which the Letter of Credit is issued. Among other things, the Reimbursement Agreement provides for (a) the repayment to the Bank of all drawings made under the Letter of Credit, together with specified interest thereon; (b) the payment or reimbursement to the Bank of certain specified fees, costs and expenses; and (c) certain affirmative and negative covenants to be observed on the part of the City.

Events of Default. Each of the following events will constitute an event of default under the Reimbursement Agreement:

(a) Failure by the City to make or cause to be made to the Bank when due under the Reimbursement Agreement any payment as (i) reimbursement for a draw under the Letter of Credit, (ii) a Letter of Credit commitment fee or other fee, or (iii) interest on any such draw, commitment fee or other fee;

(b) Failure by the City to make any other payment to the Bank under the Reimbursement Agreement within 10 days of the date when it is due;

(c) Default in the payment when due of any principal of or interest on any Series A Bond (except to the extent that such failure is solely attributable to a default by the Bank in payment of a draw request presented under the Letter of Credit in strict compliance with the terms thereof);

(d) Failure by the City to perform or comply with certain specified covenants of the City set forth in the Reimbursement Agreement;

(e) Failure by the City (or by The Irvine Company with respect to the Protocol Agreement (the "Protocol Agreement"), dated as of December 1, 2010, between the City and The Irvine Company) to perform or comply with any of the other terms or conditions contained in the Reimbursement Agreement or with any of the terms and conditions contained in the Indenture, the Protocol Agreement or any of the other Bond Documents (as such term is defined in the Reimbursement Agreement) and continuance of

such failure for 30 days after the earlier of written notice from the Bank to the City (and The Irvine Company with respect to the Protocol Agreement), or such longer period to which the Bank in its sole discretion may agree in the case of a failure not curable by the exercise of due diligence within such 30-day period, provided that the City (or The Irvine Company with respect to its obligations under the Protocol Agreement) shall have commenced to cure such failure within such 30-day period and shall complete such cure as quickly as reasonably possible with the exercise of due diligence;

(f) Any of the representations or warranties of the City or The Irvine Company set forth in the Reimbursement Agreement or the Bond Documents or in the other documents furnished to the Bank pursuant to the terms of the Reimbursement Agreement proves to have been false or misleading in any material respect;

(g) Any material provision of the Reimbursement Agreement or the Bond Documents shall at any time for any reason cease to be valid and binding on the City or The Irvine Company, as applicable, or shall be declared to be null and void, or shall be violative of any applicable law relating to a maximum amount of interest permitted to be contracted for, charged or received, or the validity or enforceability thereof shall be contested by the City or The Irvine Company or any governmental agency, court or authority, or the City or The Irvine Company, as applicable, shall deny that it has any or further liability or obligation under the Reimbursement Agreement or any of the Bond Documents to which it is a party;

(h) The occurrence of an Event of Default as defined in the Indenture (without regard to any waiver of such Event of Default by any Person other than the Bank); or

(i) The City or The Irvine Company shall (i) apply for or consent to the appointment of a receiver, trustee, liquidator or custodian or the like of the City or The Irvine Company or of property of the City or The Irvine Company, or (ii) admit in writing the inability of the City or The Irvine Company to pay its debts generally as they become due, or (iii) make a general assignment for the benefit of creditors, or (iv) be adjudicated a bankrupt or insolvent, or (v) commence a voluntary case under the United States Bankruptcy Code or file a voluntary petition or answer seeking reorganization, an arrangement with creditors or an order for relief or seeking to take advantage of any insolvency law or file an answer admitting the material allegations of a petition filed against the City or The Irvine Company in any bankruptcy, reorganization or insolvency proceeding, or take corporate action for the purpose of effecting any of the foregoing, or (vi) have instituted against it, without its application, approval or consent, a proceeding in any court of competent jurisdiction, under any law relating to bankruptcy, insolvency, reorganization or relief of debtors, seeking in respect of the City or The Irvine Company an order for relief or an adjudication in bankruptcy, reorganization, dissolution, winding up or liquidation, a composition or arrangement with creditors, a readjustment of debts, the appointment of a trustee, receiver, liquidator or custodian or the like of the City or The Irvine Company or of all or any substantial part of the assets of the City or The Irvine Company or other like relief in respect thereof under any bankruptcy or insolvency law, and, if such proceeding is being contested by the City or The Irvine Company in good faith, the same shall (A) result in the entry of an order for relief or any such adjudication or appointment or (B) remain undismissed and undischarged for a period of 60 days.

Remedies. Upon or after the occurrence of any Event of Default under the Reimbursement Agreement, the Bank may, at its sole option and without prior notice, demand or presentment, and to the extent permitted by applicable law, do any or all of the following:

(a) Notify the Trustee that such Event of Default has occurred and direct the Trustee in the exercise of remedies under and pursuant to the Bond Documents;

(b) Notify the Trustee that such Event of Default has occurred and direct the Trustee to call the Series A Adjustable Rate Bonds for mandatory purchase pursuant to the Indenture;

(c) By mandamus, suit, action or proceeding, compel the City and its members, officers, agents and employees to perform each and every term, provision, covenant and agreement contained in the Reimbursement Agreement, in the Indenture and in the Series A Bonds, and require the carrying out of any or all such terms, provisions, covenants and agreements of the City and the fulfillment of all duties imposed upon it by the Act;

(d) By suit, action or proceeding in equity, enjoin any acts or things which are unlawful or the violation of any rights of the Bank or the Trustee;

(e) By suit, action or proceeding in any court of competent jurisdiction, require the City and its members, officers, agents and employees to account as if the City and they were the trustees of an express trust; and

(f) Exercise, or cause to be exercised, any and all such remedies as it may have under the Reimbursement Agreement, the Bond Documents or any other document or at law or in equity.

THE REASSESSMENT DISTRICT

District Formation

Assessment District No. 04-20 was formed for the purpose of financing the costs of acquisition of certain infrastructure improvements to be constructed by The Irvine Company. The Reassessment District is an area of special assessment, referring to the property that is specially benefited from such improvements and that is to be assessed to pay for the costs of acquisition of such improvements. The Reassessment District is not a governmental unit.

The improvement proceedings for the Reassessment District were conducted pursuant to the Act, and a resolution adopted by the City Council on November 8, 2011, Article XIID of the Constitution of the State and the Proposition 218 Omnibus Implementation Act (Statutes of 1997, Chapter 38).2011. The City Council confirmed a total reassessment in the Reassessment District of \$_____ on November 8, 2011, and recorded such confirmed reassessment. Willdan Financial Services, Anaheim, California (the "Reassessment Engineer") prepared a written report, dated November 8, 2011 (the "Engineer's Report"), which contains, among other things, the proposed reassessment for each of the parcels in the Reassessment District. With respect to the Prior Assessment District with respect to which the City completed its proceedings for the levy of assessments after July 1, 1997, the City complied with the provisions of Section 4 of Article XIID. The total amount of the proposed reassessments was based upon the Reassessment Engineer's estimated cost of redemption of the Prior Bonds, the costs of issuance thereof, an amount equal to the remaining portion of the original assessments to provide security for additional bonds may be issued for the acquisition of the infrastructure improvements for the benefit of the Reassessment District.

District Location

The Reassessment District consists of approximately 323 net developable acres of land located in the eastern part of the City. The Reassessment District is generally bounded by SR 133 on the northwest, SR 241 and open space on the northeast and the University of California Agricultural Experimental Station and the former El Toro Marine Corps Air Station on the south and southwest. The Reassessment District is comprised of the property within the Portola Springs development area. The property within

the Reassessment District is presently substantially undeveloped, but is planned for up to 3,397 dwelling units, up to 500,000 square feet of office space, a 175,000 square foot retail center and a day-care center.

Improvements Financed

The net proceeds of the Prior Bonds were applied to the costs of the acquisition and construction of infrastructure improvements constructed by The Irvine Company for the benefit of the Prior Assessment District including certain streets, traffic signals, drainage/water quality facilities, a fire station and utility improvements, and bike, equestrian and pedestrian trails. Such net proceeds of the Prior Bonds have been substantially expended and the particular public improvements scheduled to be financed with the proceeds of the Prior Bonds have been substantially completed.

NO LITIGATION

There is no action, suit, or proceeding pending or, to the best knowledge of the City, threatened at the present time restraining or enjoining the delivery of the Series A Bonds or in any way contesting or affecting the validity of the Series A Bonds or any proceedings of the City taken with respect to the execution or delivery thereof. A no litigation opinion rendered by the City Attorney will be required to be delivered to the Placement Agent simultaneously with the delivery of the Series A Bonds.

CONTINUING DISCLOSURE

The City has covenanted for the benefit of holders and beneficial owners of the Series A Bonds to provide certain financial information and operating data relating to the Reassessment District by not later than eight months following the end of the City's fiscal year (which currently would be March 1) (the "Annual Report"), commencing with the Annual Report for the 2010-11 fiscal year. The Annual Report will be filed by Willdan Financial Services, as dissemination agent (the "Dissemination Agent") on behalf of the City with the Municipal Securities Rulemaking Board's Electronic Municipal Market Access system (the "EMMA System"), for purposes of Rule 15c2-12(b)(5) (the "Rule") adopted by the U.S. Securities and Exchange Commission ("SEC"). In addition, the City and The Irvine Company have each covenanted for the benefit of holders and beneficial owners of the Series A Bonds to provide notices of the occurrence of certain enumerated events. The notices of enumerated events will be filed by the Dissemination Agent on behalf of the City and The Irvine Company, respectively, with the Municipal Securities Rulemaking Board's EMMA System. The specific nature of the information to be contained in the Annual Report or the notices of enumerated events is set forth in APPENDIX D – "FORM OF CONTINUING DISCLOSURE AGREEMENTS." These covenants have been made in order to assist the Placement Agent in complying with SEC Rule 15c2-12(b)(5). The City has not previously failed to comply in all material respects with any previous undertakings with respect to said rule to provide annual reports or notices of enumerated events. The Irvine Company has not previously failed to comply in all material respects with any previous undertakings with respect to said rule to provide annual reports or notices of enumerated events.

CONCLUDING INFORMATION

Legal Opinion

The law firm of Rutan & Tucker, LLP has been engaged by the City as Bond Counsel in connection with the issuance and sale of the Series A Bonds. In addition, Rutan & Tucker, LLP serves as City Attorney pursuant to an on-going contract with the City.

As Bond Counsel, Rutan & Tucker, LLP will render its legal opinion, as described below, which addresses, among other matters, the legality and validity of the Series A Bonds and the exclusion of interest thereon from gross income for federal income tax purposes. Notwithstanding Rutan & Tucker, LLP's engagement by the City in any other capacity, such opinion of Rutan & Tucker, LLP as Bond Counsel is intended to be and is considered by Rutan & Tucker, LLP to be rendered objectively and without bias in favor of the City or any interests of the City. However, potential purchasers of the Series A Bonds should be aware that the City will compensate Rutan & Tucker, LLP for its services as Bond Counsel contingent upon the successful issuance and sale of the Series A Bonds and that the City has instructed and authorized Rutan & Tucker, LLP in its capacity as Bond Counsel and in its capacity as City Attorney to take all proper actions which Rutan & Tucker, LLP may take in such capacities to assist the City in completing the issuance and sale of the Series A Bonds.

In no capacity has Rutan & Tucker, LLP advised the City to proceed with the issuance or sale of the Series A Bonds; however, in its capacity as City Attorney and at the direction of the City, Rutan & Tucker, LLP has participated in the negotiation, drafting and review of documents and other aspects of the transaction with the City's legal position of primary importance. In the ordinary course, neither Rutan & Tucker, LLP nor the City considers this role to entail any actual conflict with the interests of purchasers of the Series A Bonds or to compromise the objectivity of Rutan & Tucker, LLP's legal opinion as Bond Counsel as to any of the matters covered by its opinion. However, prospective purchasers of the Series A Bonds and their advisors are encouraged to consider the possibility that in a default or other adverse situation involving the Series A Bonds, the interests of the City and the interests of the owners of the Series A Bonds are likely to be adverse, and that Rutan & Tucker, LLP, in its capacity as City Attorney, has negotiated, drafted and reviewed documents and other aspects of the transaction in light of such possibility.

The validity of the Series A Bonds and certain other legal matters are subject to the approval of Bond Counsel. Bond Counsel will render an opinion with respect to the validity and enforceability of the Series A Bonds and the Indenture, and a copy of such opinion will accompany each Series A Bond. Such opinion will be subject to the various assumptions, exceptions and limitations stated therein. See APPENDIX A – "FORM OF BOND COUNSEL OPINION." Certain legal matters will be passed upon for the City by Rutan & Tucker, LLP, Costa Mesa, California, City Attorney, and by Orrick, Herrington & Sutcliffe LLP, Los Angeles, California as Disclosure Counsel. Certain legal matters will be passed on for the Placement Agent by Katten Muchin Rosenman LLP, Philadelphia, Pennsylvania. Certain legal matters will be passed on for the Bank with respect to the Letter of Credit by Ballard Spahr LLP, Philadelphia, Pennsylvania, and Alta Law, Brussels, Belgium.

Financial Interest

Payment of the fees and expenses of Bond Counsel, Disclosure Counsel, Placement Agent's Counsel and counsel to the Bank are generally contingent upon the issuance and delivery of the Series A Bonds. From time to time, Disclosure Counsel represents the Remarketing Agent on matters unrelated to the Series A Bonds.

Financial Advisor

Fieldman, Rolapp & Associates has acted as Financial Advisor solely to the City in connection with the issuance of the Series A Bonds. The fees of the Financial Advisor are not contingent upon issuance of the Series A Bonds.

Tax Matters

In the opinion of Rutan & Tucker, LLP, Costa Mesa, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming continuing compliance by the City with certain covenants in the documents and requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of Series A Bond proceeds, interest on the Series A Bonds is not includable in the gross income of the owners of the Series A Bonds for purposes of federal income taxation. Failure to comply with such covenants and requirements may cause such interest to be included income retroactively to the date of issue.

Interest on the Series A Bonds will not be treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations; however, such interest on the Series A Bonds is included in adjusted current earnings when calculating corporate alternative minimum taxable income and may therefore affect such corporation's alternative minimum tax and environmental tax liabilities.

Ownership of tax-exempt obligations may result in collateral income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S Corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits and taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations. Bond Counsel express no opinion with respect to any of such consequences and, accordingly, prospective purchasers of the Series A Bonds should consult their tax advisors as to the applicability of any such collateral consequences.

In the further opinion of Bond Counsel, interest on the Series A Bonds will be exempt from personal income taxes imposed by the State of California. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix A hereto.

Initial Placement

The Series A Bonds are being purchased through negotiation by Merrill Lynch, Pierce, Fenner & Smith Incorporated (the "Placement Agent"). The Placement Agent has agreed to purchase the Series A Bonds at an aggregate purchase price of \$_____ (representing the principal amount of the Series A Bonds, less a Placement Agent fee of \$_____). The Placement Agent's obligation to purchase the Series A Bonds is subject to certain terms and conditions set forth in the Placement Agreement for the Series A Bonds, the approval of certain legal matters by counsel and certain other conditions. The Placement Agent is obligated to purchase all of the Series A Bonds if any are purchased.

The Remarketing Agent may overallocate or effect transactions which stabilize or maintain the market prices of the Series A Bonds at levels above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

Ratings

Moody's Investors Service, Inc. and Fitch Ratings have assigned the Series A Bonds the ratings set forth on the cover page hereof, based on the issuance of the Letter of Credit by the Bank. Such ratings reflect only the view of such organizations and do not constitute a recommendation to buy, sell or hold the Series A Bonds. An explanation of the significance of the rating of a particular rating agency may be obtained from such rating agency. A rating is subject to revision or withdrawal at any time by the rating agency assigning such rating, and there is no assurance that a rating will continue for a period of time or that it will be revised or withdrawn. Any revision or withdrawal of a rating could have an adverse effect on the market price of the Series A Bonds. The City has no obligation to maintain any rating for the Series A Bonds.

Miscellaneous

The quotations from, and the summaries and explanations of the Indenture and other documents contained herein do not purport to be complete, and reference is made to such documents and statutes for the full and complete statements of their respective provisions.

This Offering Memorandum is submitted only in connection with the sale of the Series A Bonds by the City. This Offering Memorandum does not constitute a contract with the purchasers of the Series A Bonds.

Copies of this Offering Memorandum in reasonable quantity and other documents referred to herein may be obtained from the offices of the City.

Execution of this Offering Memorandum by the City Manager of the City has been duly authorized by the City.

CITY OF IRVINE

By: _____
City Manager

APPENDIX A
FORM OF BOND COUNSEL OPINION

APPENDIX B

SUMMARY OF CERTAIN PROVISIONS OF THE INDENTURE

APPENDIX C

BOOK-ENTRY SYSTEM

The description that follows of the procedures and recordkeeping with respect to beneficial ownership interests in the Series A Bonds, payment of principal of and interest on the Series A Bonds to Participants or Beneficial Owners, confirmation and transfer of beneficial ownership interests in the Series A Bonds, and other related transactions by and between DTC, Participants and Beneficial Owners, is based on information furnished by DTC which the City and the Placement Agent believe to be reliable, but neither the City nor the Placement Agent can take responsibility for the completeness or accuracy thereof.

The Depository Trust Company (“DTC”), New York, NY, will act as securities depository for the securities (the “Series A Bonds”). The Series A Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for the Series A Bonds, in the aggregate principal amount of such issue, and will be deposited with DTC.

DTC, the world’s largest securities depository, 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 and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org; provided that nothing contained in such websites is incorporated into this Offering Memorandum.

Purchases of Series A Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series A Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series A 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. Beneficial Owners are, however, 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 Series A 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 Series A Bonds, except in the event that use of the book-entry system for the Series A Bonds is discontinued.

To facilitate subsequent transfers, all Series A 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 Series A Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series A Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series A Bonds are credited, which may or may not be the Beneficial Owners. The Direct and 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 Series A Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series A Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Indenture, among other security documents. For example, Beneficial Owners of Series A Bonds may wish to ascertain that the nominee holding the Series A Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series A Bonds are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Series A Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. 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 Series A Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Series A Bonds will be made to Cede & Co., 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 Trustee, on payable dates 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 Trustee, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments 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 Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall give notice to elect to have its Series A Bonds purchased or tendered, through its Participant, to the Remarketing Agent, and shall effect delivery of such Series A Bonds by causing the Direct Participant to transfer the Participant's interest in the Series A Bonds, on DTC's records, to the Remarketing Agent. The requirement for physical delivery of Series A Bonds in connection with an optional tender or a mandatory purchase will be deemed satisfied when the ownership

rights in the Series A Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Series A Bonds to the Remarketing Agent's DTC account.

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

The City may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Series A Bonds will be printed and delivered to DTC.

The City and the Placement Agent cannot and do not give any assurances that DTC, the Participants or others will distribute payments of principal, interest or premium, if any, with respect to the securities paid to DTC or its nominee as the registered owner, or will distribute any redemption notices or other notices, to the Beneficial Owners, or that they will do so on a timely basis or will serve and act in the manner described in this Offering Memorandum. The City and the Placement Agent are not responsible or liable for the failure of DTC or any Participant to make any payment or give any notice to a Beneficial Owner with respect to the securities or an error or delay relating thereto.

THE CITY, THE BANK AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO PARTICIPANTS, TO INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY PARTICIPANT, OR ANY INDIRECT PARTICIPANT, (II) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE BONDOWNERS UNDER THE INDENTURE, (III) THE SELECTION BY DTC OR ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PERSON TO RECEIVE PAYMENT IN THE EVENT OF A PARTIAL REDEMPTION OF A SERIES A BOND, (IV) THE PAYMENT BY ANY PARTICIPANT OR INDIRECT PARTICIPANT OF ANY PRINCIPAL OR REDEMPTION PREMIUM, IF ANY, OF OR INTEREST ON THE SERIES A BONDS, (V) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE BONDOWNER OF THE SERIES A BONDS OR (VI) ANY OTHER MATTER.

THE TRUSTEE, AS LONG AS A BOOK-ENTRY-ONLY SYSTEM IS USED FOR THE SERIES A BONDS, WILL SEND ANY NOTICE OF REDEMPTION OR OTHER NOTICES ONLY TO DTC. ANY FAILURE OF DTC TO ADVISE ANY PARTICIPANT, OR OF ANY PARTICIPANT TO NOTIFY ANY BENEFICIAL OWNER OF ANY NOTICE AND ITS CONTENT OR EFFECT WILL NOT AFFECT THE VALIDITY OR SUFFICIENCY OF THE PROCEEDINGS RELATING TO THE REDEMPTION OF THE SERIES A BONDS CALLED FOR REDEMPTION OR OF ANY OTHER ACTION PREMISED ON SUCH NOTICE.

APPENDIX D
FORM OF CONTINUING DISCLOSURE AGREEMENTS