

\$41,050,000
REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA
EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT
2011 TAX ALLOCATION BONDS

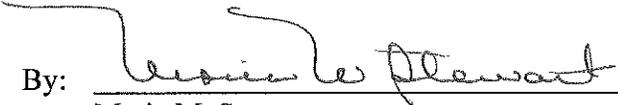
CERTIFICATE OF SECRETARY BRINGING FORWARD INDENTURE OF TRUST

The undersigned, Secretary of the Redevelopment Agency of the City of Santa Monica (the "Agency"), hereby certifies that the attached Indenture of Trust dated as of April 1, 2006, by and between the Agency and Union Bank, N.A., as trustee (the "Trustee"), is a true and correct copy of such document. Such document has been duly executed by the Agency and is on file in the office of the Secretary of the Agency, is in full force and effect and has not been modified, changed or amended in any way since the date of execution, except to the extent expressly modified in that certain First Supplement to Indenture of Trust dated as of April 1, 2006, and that certain Second Supplement to Indenture of Trust dated as of June 1, 2011, each by and between the Agency and the Trustee.

Dated: June 7, 2011

REDEVELOPMENT AGENCY OF THE CITY OF
SANTA MONICA

By: _____



Maria M. Stewart
Secretary

INDENTURE OF TRUST

Dated as of April 1, 2006

by and between the

REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

and

**UNION BANK OF CALIFORNIA, N.A.,
as Trustee**

Relating to

**\$49,945,000
Redevelopment Agency of the City of Santa Monica
Earthquake Recovery Redevelopment Project
2006 Tax Allocation Refunding Bonds, Series A**

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EXHIBIT A - FORM OF 2006 Series A Bonds

INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture") is made and entered into as of April 1, 2006, by and between the REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Agency"), and UNION BANK OF CALIFORNIA, N.A., a national banking association duly organized and existing under the laws of the United States of America, as Trustee (the "Trustee");

WITNESSETH:

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

WHEREAS, a redevelopment plan for the Santa Monica Earthquake Recovery Redevelopment Project (the "Redevelopment Project") has been adopted pursuant to all applicable requirements of the Redevelopment Law; and

WHEREAS, for the purpose of financing redevelopment activities with respect to the Redevelopment Project the Agency issued its Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project Tax Allocation Bonds, Series 1999, in the initial aggregate principal amount of \$65,285,000 pursuant to an Indenture, dated as of July 1, 1999, by and between the Agency and BNY Western Trust Company, as trustee (the "1999 Bonds").

WHEREAS, in order to achieve interest rate savings the Agency has determined to issue hereunder on a federally tax exempt basis its Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A, in the principal amount of \$49,945,000 (the "2006 Series A Bonds") for the purpose of refunding and defeasing the 1999 Bonds; and

WHEREAS, concurrent with the issuance of the Series A Bonds, the Agency is also issuing on a basis that is not exempt from federal income taxes its Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B, in the principal amount of \$14,775,000 (the "2006 Series B Bonds") also for the purpose of refunding and defeasing the 1999 Bonds; and

WHEREAS, the 2006 Series A Bonds will be payable from Tax Revenues (as herein defined) on a parity with the 2006 Series B Bonds; and

WHEREAS, in order to provide for the authentication and delivery of the 2006 Series A Bonds, to establish and declare the terms and conditions upon which the 2006 Series A Bonds are to be issued and secured on a parity with any Parity Debt authorized hereunder and to secure the payment of the principal thereof and interest and redemption premium (if any) thereon, the Agency and the Trustee have duly authorized the execution and delivery of this Indenture; and

WHEREAS, the Agency has determined that all acts and proceedings required by law necessary to make the 2006 Series A Bonds, when executed by the Agency, authenticated and

delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

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

ARTICLE I

Definitions; Rules Of Construction

SECTION 1.01. Definitions. Unless the context otherwise requires, the 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 mentioned, have the meanings herein specified.

"Additional Revenues" means, as of the date of calculation, the amount of Tax Revenues which, as shown in the Report of an Independent Fiscal Consultant, are estimated to be receivable by the Agency within the Fiscal Year following the Fiscal Year in which such calculation is made, as a result of increases in the assessed valuation of taxable property in the Project Area due to the completion of construction which is not then reflected on the tax rolls, or due to transfer of ownership or any other interest in real property which has been recorded but which is not then reflected on the tax rolls.

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

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

"Bond Reserve Fund Policy" means the Municipal Bond Debt Service Reserve Fund Policy No. 06010170 issued by the Insurer with respect to the Series A Bonds and the Series B Bonds.

"Bond Reserve Fund Policy Agreement" means the Debt Service Reserve Fund Policy Agreement, dated as of the Closing Date, by and between the Agency and the Insurer relating to the Bond Reserve Fund Policy.

"Bond Year" means any twelve-month period beginning on July 2 in any year and extending to the next succeeding July 1, both dates inclusive; except that the first Bond Year shall begin on the Closing Date and end on July 1, 2006.

"Bonds" means, collectively, the 2006 Series A Bonds, the 2006 Series B Bonds and any other Parity Debt.

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

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

"City" means the City of Santa Monica, a municipal corporation and chartered city organized and existing under the Constitution and laws of the State.

"Closing Date" means the date on which the 2006 Series A Bonds are delivered by the Agency to the Original Purchaser.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate executed by the Agency dated as of the Closing Date, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the 2006 Series A Bonds, including but not limited to: printing expenses; rating agency fees; bond insurance and surety bond premiums; filing and recording fees; 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 the 2006 Series A Bonds; and any other cost, charge or fee in connection with the original issuance of the 2006 Series A Bonds and the refunding and defeasance of the 1999 Bonds.

"Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.03.

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

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

"Defeasance Obligations" means cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing) or such other obligations as may be approved by the Insurer. "Depository" means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.11.

"Depository System Participant" means any participant in the Depository's book-entry system.

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

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

"Fair Market Value" means, with respect to any investment, the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed

investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Federal Securities" means, with respect to the Bonds, United States treasury notes, bonds, bills or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of principal and interest (including obligations issued or held in book-entry form and securities which represent an undivided interest in such direct obligations), and also any securities now or hereafter authorized, both the principal of and interest on which is guaranteed directly by the full faith and credit of the United States of America.

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

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

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

"Independent Fiscal Consultant" means any consultant or firm of such consultants appointed by or acceptable to the Agency and who, or each of whom: (a) is judged by the Agency to have experience in matters relating to the financing of redevelopment projects; (b) is in fact independent and not under domination of the Agency; and (c) is not connected with the Agency as an officer or employee of the Agency, but who may be regularly retained to make reports to the Agency.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Called Bond Dept.; and Kenny S&P, 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Agency may designate in a Written Request of the Agency delivered to the Trustee.

"Insurance Policy" means the Financial Guaranty Insurance Policy No. 06010169 issued by the Insurer insuring the payment when due of the principal of and interest on the 2006 Series A Bonds and the Series B Bonds as provided therein.

"Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, its successors and assigns, as the issuer of the Insurance Policy.

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

"Interest Payment Date" means July 1, 2006, and each January 1 and July 1 thereafter so long as any of the Bonds remain unpaid.

"Low and Moderate Income Housing Account" means the account by that name established by Section 3.04(b) and held by the Agency.

"Low and Moderate Income Housing Fund" means the fund of the Agency by that name established pursuant to Section 33334.3 of the Redevelopment Law.

"Maximum Annual Debt Service" means, as of the date of calculation, the largest aggregate amount for the current or any future Bond Year payable on the 2006 Series A Bonds, the 2006 Series B Bonds and any additional Parity Debt in such Bond Year. For purposes of such calculation, there shall be excluded (i) interest on any Parity Debt which is to be paid from amounts constituting capitalized interest and (ii) payments with respect to any Parity Debt to the extent that the proceeds of such Parity Debt are deposited in an escrow fund from which amounts may not be released to the Agency unless the Tax Revenues for the current Fiscal Year (as evidenced in the written records of the County) at least equal to one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service.

"Moody's" means Moody's Investors Service, Inc., its successors and assigns.

"1999 Bonds" means the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project Tax Allocation Bonds, Series 1999, in the initial aggregate principal amount of \$65,285,000 pursuant to an Indenture, dated as of July 1, 1999, by and between the Agency and BNY Western Trust Company, as trustee.

"Nominee" means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated pursuant to Section 2.11(a).

"Office" means, with respect to the Trustee, the corporate trust office of the Trustee at 120 South San Pedro Street Suite 400, Los Angeles, California 90012, or at such other or additional offices as may be specified by the Trustee in writing to the Agency.

"Original Purchaser" means J.P. Morgan Securities Inc., as the initial underwriter of the 2006 Series A Bonds.

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

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

"Parity Debt" means the 2006 Series B Bonds and any loans, bonds, notes, advances or indebtedness payable from Tax Revenues on a parity with the 2006 Series A Bonds and the 2006 Series B Bonds made to finance or refinance the Redevelopment Project and issued or incurred pursuant to and in accordance with the provisions of Section 3.05.

"Parity Debt Instrument" means the 2006 Series B Bonds Indenture and any resolution, indenture of trust, trust agreement, loan agreement or other instrument authorizing the issuance of any Parity Debt and which otherwise complies with all of the terms and conditions of this Indenture, including, without limitation, the provisions of Section 3.05.

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

(a) cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (b) below);

(b) Federal Securities;

(c) obligations of any of the following federal agencies which obligations represent full faith and credit of the United States of America, including: (i) Export- Import Bank; (ii) Farmers Home Administration; (iii) General Services Administration; (iv) U.S. Maritime Administration; (v) Small Business Administration; (vi) Government National Mortgage Association (GNMA); (vii) U.S. Department of Housing & Urban Development (DHA's); and (viii) Federal Housing Administration;

(d) senior debt obligations rated "AAA" by S&P and "Aaa" by Moody's issued by the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation with remaining maturities not exceeding three years;

(e) U.S. dollar denominated deposit accounts, federal funds and banker's acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

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

(g) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including such funds for which the Trustee or an affiliate provides investment advice or other services;

(h) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of S&P and Moody's; or

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

(i) investment agreements approved in writing by the Insurer, supported by appropriate opinions of counsel, with notice to S&P;

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

(k) other forms of investments approved in writing by Insurer with notice to S&P.

"Plan Limitation" means the limitations contained or incorporated in the Redevelopment Plan on the aggregate principal amount of bonded indebtedness payable from Tax Revenues which may be outstanding at any time.

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

"Project Area" means the project area described in the Redevelopment Plan.

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

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

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

"Redevelopment Fund" means the fund by that name established and held by the Agency pursuant to Section 3.04(a).

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

"Redevelopment Plan" means the Redevelopment Plan for the project designated as the "Santa Monica Earthquake Recovery Redevelopment Project", approved by Ordinance No. 1747 of the City Council of the City, adopted on June 21, 1994, together with any amendments thereof heretofore or hereafter duly enacted pursuant to the Redevelopment Law.

"Redevelopment Project" means the undertaking of the Agency to redevelop the Project Area in accordance with the Redevelopment Plan.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.08 for the registration and transfer of ownership of the 2006 Series A Bonds.

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

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

"Reserve Requirement" means, as of the date of any calculation, the lesser of (a) Maximum Annual Debt Service or (b) the maximum amount permitted to be deposited in the Reserve Account under the Tax Code, as certified to the Trustee by the Agency.

"S&P" means Standard & Poor's Ratings Services, A Division of the McGraw-Hill Companies, Inc., its successors and assigns.

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

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

"Special Fund" means the fund by that name established pursuant to Section 4.02.

"State" means the State of California.

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

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

"2006 Series A Bonds" means the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A issued by the Agency in the aggregate principal amount of \$49,945,000 pursuant to Section 2.01.

"2006 Series B Bonds" means the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B issued by the Agency in the aggregate principal amount of \$14,775,000 pursuant to the 2006 Series B Bonds Indenture.

"2006 Series B Bonds Indenture" means the First Supplement to Indenture of Trust, dated as of April 1, 2006, by and between the Agency and the Trustee providing for the issuance of the 2006 Series B Bonds

"2006 Series A Bonds Reserve Account Subaccount" means the subaccount, by that name established and held by the Trustee pursuant to Section 4.03(d).

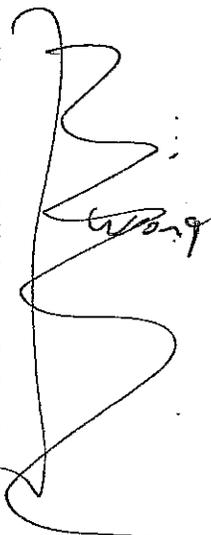
"Tax Code" means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable proposed, temporary and final regulations promulgated, and applicable official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

"Tax Revenues" means all taxes annually allocated and paid to the Agency with respect to the Project Area following the Closing Date, pursuant to Article 6 of Chapter 6 (commencing with section 33670) of the Redevelopment Law and Section 16 of Article XVI of the Constitution of the State and as provided in the Redevelopment Plan, including all other payments, subventions and reimbursements (if any) to the Agency specifically attributable to ad valorem taxes lost by reason of tax exemptions and tax rate limitations (but excluding payments to the Agency with respect to personal property within the Project Area pursuant to Section 16110, et seq., of the Government Code of the State of California; *provided, however*, that Tax Revenues shall not include (a) all amounts of such taxes required to be deposited into the Low and Moderate Income Housing Fund of the Agency in any Fiscal Year pursuant to section 33334.3 of the Redevelopment Law, except to the extent permitted under the Redevelopment Law to be applied to the payment of the principal of and interest and premium (if any) on the 2006 Series A Bonds or any Parity Debt and (b) amounts payable by the Agency pursuant to Sections 33607.5 and 33607.7 of the Redevelopment Law, to the extent not subordinated to the payment of principal of and interest and prepayment premium (if any) on the 2006 Series A Bonds or any Parity Debt.

"Term Bonds" means any maturity of Parity Debt which is subject to mandatory Sinking Account redemption pursuant to the Supplemental Indenture authorizing the issuance thereof.

"Trustee" means Union Bank of California, N.A., as Trustee hereunder; or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

"Written Request of the Agency" or "Written Certificate of the Agency" means a request or certificate, in writing signed by the Chair, Vice-Chair, Executive Director, Secretary, Assistant



Secretary, Treasurer or General Counsel of the Agency or by any other officer of the Agency duly authorized by the Agency for that purpose and so identified in a Written Certificate of the Agency.

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

ARTICLE II

Authorization and Terms of 2006 Series A Bonds

SECTION 2.01. Authorization and Purpose of 2006 Series A Bonds. The Agency has reviewed all proceedings heretofore taken and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen or be performed precedent to and in connection with the issuance of the 2006 Series A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Agency is now duly empowered, pursuant to each and every requirement of law, to issue the 2006 Series A Bonds in the manner and form provided in this Indenture.

2006 Series A Bonds in the aggregate principal amount of Forty-Nine Million Nine Hundred Forty-Five Thousand Dollars (\$49,945,000) are hereby authorized to be issued by the Agency under the Redevelopment Law for the purpose of providing funds to refinance redevelopment activities with respect to the Redevelopment Project. The 2006 Series A Bonds shall be authorized and issued under, and shall be subject to the terms of, this Indenture and the Redevelopment Law. The 2006 Series A Bonds shall be designated the "Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A".

SECTION 2.02. Terms of the 2006 Series A Bonds. The 2006 Series A Bonds shall be dated as of the Closing Date. The 2006 Series A Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The 2006 Series A Bonds shall mature on July 1 in each of the years and in the respective principal amounts, and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$ 115,000.00	4.000%
2014	2,225,000.00	4.000
2015	2,320,000.00	4.250
2016	2,415,000.00	4.250
2017	2,520,000.00	4.200
2018	2,625,000.00	4.250
2019	2,730,000.00	4.300
2020	2,855,000.00	4.375
2021	2,975,000.00	4.400
2022	3,110,000.00	4.500
2023	3,245,000.00	4.500
2024	3,390,000.00	4.500
2025	3,545,000.00	4.500
2026	3,705,000.00	4.500
2027	3,870,000.00	4.600
2028	4,050,000.00	5.000
2029	4,250,000.00	4.625

Interest on the 2006 Series A Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a 2006 Series A Bond is

authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a 2006 Series A Bond is authenticated on or before the first Record Date, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any 2006 Series A Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest shall be paid on each Interest Payment Date to the persons in whose names the ownership of the 2006 Series A Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date. Interest on any 2006 Series A 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 2006 Series A Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than ten (10) days prior to such special record date.

Interest on the 2006 Series A Bonds shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2006 Series A Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; *provided, however*, that at the written request of any Owner of 2006 Series A Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee prior to any Record Date, interest on such 2006 Series A Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account at a financial institution within the United States of America as shall be specified in such written request. Any such written request shall remain in effect until rescinded in writing by such Owner. The principal of and premium (if any) on the 2006 Series A Bonds shall be payable in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. Redemption of 2006 Series A Bonds.

(a) Optional Redemption. The 2006 Series A Bonds maturing on or before July 1, 2016, shall not be subject to redemption prior to the respective stated maturities. The 2006 Series A Bonds maturing on or after July 1, 2017, shall be subject to redemption in whole, or in part among maturities on such basis as shall be designated in a Request of the Agency filed with the Trustee, and in any case by lot within a maturity, on any date on or after July 1, 2016, at the option of the Agency from any available source of funds, at a redemption price equal to the principal amount of the Bonds to be redeemed plus accrued interest thereon to the redemption date, without premium.

The Agency shall be required to give the Trustee written notice of its intention to redeem 2006 Series A Bonds under this subsection (a), and the manner of selecting such 2006 Series A Bonds for redemption from among the maturities thereof, at least sixty (60) days prior to the date fixed for such redemption (or such shorter period as shall be acceptable to the Trustee), and shall deposit all amounts required for any redemption pursuant to the first paragraph of this Section 2.03(a) at least one Business Day prior to the date fixed for such redemption.

(b) Notice of Redemption, Rescission. The Trustee on behalf and at the expense of the Agency shall mail (by first class mail, postage prepaid) notice of any redemption, at least thirty (30) but not more than sixty (60) days prior to the redemption date, to (i) the Owners of any 2006 Series A Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to one or more Information Services designated in a Request of the Agency delivered to the Trustee; *provided, however*, that such

mailing shall not be a condition precedent to such redemption and neither failure to receive any such notice nor any defect therein shall affect the validity of the proceedings for the redemption of such 2006 Series A Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall designate the CUSIP number of the 2006 Series A Bonds to be redeemed, shall state the individual number of each 2006 Series A Bond to be redeemed or state that all 2006 Series A Bonds between two stated numbers (both inclusive) or shall state that all of the 2006 Series A Bonds Outstanding of one or more maturities are to be redeemed, and shall require that such 2006 Series A Bonds be then surrendered at the Office of the Trustee for redemption at the said redemption price, giving notice also that further interest on the 2006 Series A Bonds to be redeemed will not accrue from and after the date fixed for redemption.

The Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under this Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

(c) Partial Redemption of 2006 Series A Bonds. In the event only a portion of any 2006 Series A Bond is called for redemption, then upon surrender thereof the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2006 Series A Bond or Bonds of the same interest rate and maturity, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2006 Series A Bond to be redeemed.

(d) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the redemption price of and interest on the 2006 Series A Bonds so called for redemption shall have been duly deposited with the Trustee, such 2006 Series A Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price and accrued interest to the redemption date, and no interest shall accrue thereon from and after the redemption date specified in such notice.

(e) Manner of Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the 2006 Series A Bonds of a maturity, the Trustee shall select the 2006 Series A Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all 2006 Series A Bonds shall be deemed to be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate 2006 Series A Bonds which may be separately redeemed.

SECTION 2.04. Form of 2006 Series A Bonds. The 2006 Series A Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

SECTION 2.05. Authentication and Delivery of 2006 Series A Bonds. The 2006 Series A Bonds shall be executed on behalf of the Agency by the signature of its Chair and the signature of its Secretary who are in office on the date of execution and delivery of this Indenture or at any

time thereafter. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 2006 Series A Bond ceases to be such officer before the Closing Date, such signature shall nevertheless be as effective as if the officer had remained in office until the Closing Date. Any 2006 Series A Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such 2006 Series A Bond shall be the proper officers of the Agency, duly authorized to execute debt instruments on behalf of the Agency, although on the date of such 2006 Series A Bond any such person shall not have been such officer of the Agency.

Only such of the 2006 Series A Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A, manually executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that such 2006 Series A Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.06. Transfer of 2006 Series A Bonds. Any 2006 Series A Bond may, in accordance with its terms, be transferred on the Registration Books by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2006 Series A Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Trustee. Transfer of any 2006 Series A Bond shall not be permitted by the Trustee during the fifteen (15) day period preceding the selection of 2006 Series A Bonds for redemption or if such 2006 Series A Bond has been selected for redemption pursuant to Article IV. Whenever any 2006 Series A Bonds shall be surrendered for transfer, the Agency shall execute and the Trustee shall authenticate and shall deliver a new 2006 Series A Bond for a like aggregate principal amount and of like maturity. The Trustee may require the 2006 Series A 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 2006 Series A Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Agency.

SECTION 2.07. Exchange of 2006 Series A Bonds. Any 2006 Series A Bond may be exchanged at the Office of the Trustee for a like aggregate principal amount of 2006 Series A Bonds of other authorized denominations and of like maturity. Exchange of any 2006 Series A Bond shall not be permitted during the fifteen (15) day period preceding the selection of 2006 Series A Bonds for redemption or if such 2006 Series A Bond has been selected for redemption pursuant to Article II. The Trustee may require the 2006 Series A Bond Owner requesting such exchange to pay 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 exchange shall be paid by the Agency.

SECTION 2.08. Registration Books. The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the 2006 Series A Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the Agency; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on the Registration Books, 2006 Series A Bonds as hereinbefore provided.

SECTION 2.09. Temporary Bonds. The 2006 Series A Bonds may be initially issued in temporary form exchangeable for definitive 2006 Series A Bonds when ready for delivery. The temporary 2006 Series A Bonds may be printed, lithographed or typewritten, shall be of such

denominations as may be determined by the Agency, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary 2006 Series A Bond shall be executed by the Agency upon the same conditions and in substantially the same manner as the definitive 2006 Series A Bonds. If the Agency issues temporary 2006 Series A Bonds it will execute and furnish definitive 2006 Series A Bonds without delay, and thereupon the temporary 2006 Series A Bonds shall be surrendered for cancellation in exchange therefor at the Office of the Trustee, and the Trustee shall deliver in exchange for such temporary 2006 Series A Bonds an equal aggregate principal amount of definitive 2006 Series A Bonds of authorized denominations. Until so exchanged, the temporary 2006 Series A Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive 2006 Series A Bonds authenticated and delivered hereunder.

SECTION 2.10. 2006 Series A Bonds Mutilated, Lost, Destroyed or Stolen. If any 2006 Series A Bond shall become mutilated, the Agency, at the expense of the Owner of such 2006 Series A Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2006 Series A Bond of like tenor in exchange and substitution for the 2006 Series A Bond so mutilated, but only upon surrender to the Trustee of the 2006 Series A Bond so mutilated. Every mutilated 2006 Series A Bond so surrendered to the Trustee shall be canceled by it and delivered to, or upon the order of, the Agency. If any 2006 Series A Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory and indemnity satisfactory to the Trustee shall be given, the Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2006 Series A Bond of like tenor in lieu of and in substitution for the 2006 Series A Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new 2006 Series A Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any 2006 Series A Bond issued under the provisions of this Section in lieu of any 2006 Series A Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Agency whether or not the 2006 Series A Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other 2006 Series A Bonds issued pursuant to this Indenture.

Notwithstanding any other provision of this Section 2.10, in lieu of delivering a new Bond for which principal has become due for a Bond which has been mutilated, lost, destroyed or stolen, the Trustee may make payment of such Bond in accordance with its terms upon receipt of indemnity satisfactory to the Trustee.

SECTION 2.11. Book Entry Form.

(a) **Original Delivery to DTC.** The 2006 Series A Bonds shall be initially delivered to DTC in the form of a separate single fully registered bond (which may be typewritten) for each maturity of the 2006 Series A Bonds. Upon initial delivery, the ownership of each such 2006 Series A Bond shall be registered on the Registration Books in the name of the Nominee. Except as provided in subsection (c), the ownership of all of the Outstanding 2006 Series A Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to 2006 Series A Bonds the ownership of which shall be registered in the name of the Nominee, the Agency and the Trustee shall have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Agency holds an interest in the 2006 Series A Bonds. Without limiting the generality of the immediately preceding sentence, the Agency and the Trustee shall have no responsibility or obligation with respect to

(i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the 2006 Series A Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a 2006 Series A Bond Owner as shown in the Registration Books, of any notice with respect to the 2006 Series A Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the 2006 Series A Bonds to be redeemed in the event the Agency elects to redeem the 2006 Series A Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a 2006 Series A Bond Owner as shown in the Registration Books, of any amount with respect to principal, premium, if any, or interest on the 2006 Series A Bonds or (v) any consent given or other action taken by the Depository as Owner of the 2006 Series A Bonds. The Agency and the Trustee may treat and consider the person in whose name each 2006 Series A Bond is registered as the absolute owner of such 2006 Series A Bond for the purpose of payment of principal of and premium, if any, and interest on such 2006 Series A Bond, for the purpose of giving notices of redemption and other matters with respect to such 2006 Series A Bond, for the purpose of registering transfers of ownership of such 2006 Series A Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and the interest and premium, if any, on the 2006 Series A Bonds only to the respective Owners or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to payment of principal of and interest and premium, if any, on the 2006 Series A Bonds to the extent of the sum or sums so paid. No person other than a 2006 Series A Bond Owner shall receive a 2006 Series A Bond evidencing the obligation of the Agency to make payments of principal, interest and premium, if any, pursuant to this Indenture. Upon delivery by the Depository to the Nominee of written notice to the effect that the Depository has determined to substitute a new Nominee in its place, and subject to the provisions herein with respect to Record Dates, such new nominee shall become the Nominee hereunder for all purposes; and upon receipt of such a notice the Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the 2006 Series A Bonds for the Depository's book-entry system, the Agency shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the 2006 Series A Bonds. The execution and delivery of such letter shall not in any way limit the provisions of subsection (a) above or in any other way impose upon the Agency or the Trustee any obligation whatsoever with respect to persons having interests in the 2006 Series A Bonds other than the 2006 Series A Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the Agency may take any other actions, not inconsistent with this Indenture, to qualify the 2006 Series A Bonds for the Depository's book-entry program.

(c) Transfers Outside Book-Entry System. In the event that either (i) the Depository determines not to continue to act as Depository for the 2006 Series A Bonds, or (ii) the Agency determines to terminate the Depository as such, then the Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Agency and the Trustee in the issuance of replacement 2006 Series A Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the 2006 Series A Bonds, and by surrendering the 2006 Series A Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement 2006 Series A Bonds are to be issued. The Depository, by accepting delivery of the 2006 Series A Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Agency fails to identify another Securities Depository to replace the Depository, then the 2006 Series A Bonds shall no longer be required to be registered in the Registration Books

in the name of the Nominee, but shall be registered in whatever name or names the Owners transferring or exchanging 2006 Series A Bonds shall designate, in accordance with the provisions hereof.

In the event the Agency determines that it is in the best interests of the beneficial owners of the 2006 Series A Bonds that they be able to obtain certificated 2006 Series A Bonds, the Agency may notify the Depository System Participants of the availability of such certificated 2006 Series A Bonds through the Depository. In such event, the Trustee will issue, transfer and exchange 2006 Series A Bonds as required by the Depository and others in appropriate amounts; and whenever the Depository requests, the Trustee and the Agency shall cooperate with the Depository in taking appropriate action (y) to make available one or more separate certificates evidencing the 2006 Series A Bonds to any Depository System Participant having 2006 Series A Bonds credited to its account with the Depository, or (z) to arrange for another Securities Depository to maintain custody of a single certificate evidencing such 2006 Series A Bonds, all at the Agency's expense.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any 2006 Series A Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such 2006 Series A Bond and all notices with respect to such 2006 Series A Bond shall be made and given, respectively, as provided in the letter described in subsection (b) of this Section or as otherwise instructed by the Depository.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF 2006 SERIES A BONDS; ISSUANCE OF PARITY DEBT

SECTION 3.01. Issuance of 2006 Series A Bonds. Upon the execution and delivery of this Indenture, the Agency shall execute and deliver 2006 Series A Bonds in the aggregate principal amount of \$49,945,000 to the Trustee and the Trustee shall authenticate and deliver the 2006 Series A Bonds to the Original Purchaser upon receipt of a Request of the Agency therefor.

SECTION 3.02. Deposit and Application of Proceeds. On the Closing Date, the proceeds of sale of the 2006 Series A Bonds shall be paid to the Trustee and deposited by the Trustee as follows:

(a) The Trustee shall deposit the amount of \$292,517.70 in the Costs of Issuance Fund, which amount includes the Good Faith Deposit of \$25,000.00 previously received by the Trustee from the Original Purchaser and which amount, together with the payment to the Insurer on behalf of the Agency by the Original Purchaser of the Insurance Policy premium of \$460,005.35 and the Bond Reserve Fund Policy premium of \$77,331.49, represents a total credit of \$829,854.54 to the Costs of Issuance Fund on the date hereof; and

(b) The Trustee shall transfer the amount of \$48,622,295.36 to The Bank of New York Trust Company, N. A., as escrow bank (the "Escrow Bank"), under and pursuant to the 1999 Bonds Escrow Deposit and Trust Agreement, dated as of April 1, 2006, by and between the Agency and the Escrow Bank, providing for the refunding and defeasance of the 1999 Bonds.

In addition, the Trustee shall credit the Reserve Account Surety Bond to the 2006 Series A Bonds Reserve Account Subaccount which shall, together with the credit of the Reserve Account Surety Bond to the 2006 Series B Bonds Reserve Account Subaccount with respect to the 2006 Series B Bonds, represents the full amount of the Reserve Requirement upon delivery of the 2006 Series A Bonds.

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. 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 upon submission of a Request of the Agency 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 is a proper charge against the Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. Each such Request of the Agency shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On the earlier of (i) November 1, 2006, or (ii) the date of receipt by the Trustee of a Request of the Agency therefor, all amounts (if any) remaining in the Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and deposited in the Interest Account.

Section 3.04. Redevelopment Fund; Low and Moderate Income Housing Account. (a) There is hereby established a separate and segregated fund known as the Redevelopment

Fund (the "Redevelopment Fund"), which the Agency hereby covenants and agrees to cause to be maintained and which shall be held by the Agency for the purpose of application of proceeds of Parity Debt, as specified in the applicable Supplemental Indenture. The moneys in the Redevelopment Fund shall be used in the manner provided by the Redevelopment Law solely for the purpose of aiding in financing the Redevelopment Project, including payment of any remaining unpaid Costs of Issuance. The Agency covenants that no funds on deposit in the Redevelopment Fund shall be applied for any purpose not authorized by the Redevelopment Law.

(b) There is hereby established a separate account within the Low and Moderate Income Housing Fund to be designated as the "Low and Moderate Income Housing Account" (the "Low and Moderate Income Housing Account"), which shall be held and administered by the Agency as provided herein. The Agency shall cause to be deposited in the Low and Moderate Income Housing Account the amount of the proceeds of Parity Debt specified in any Supplemental Indenture. Moneys in the Low and Moderate Income Housing Account shall be used in the manner provided by Section 33334.2 of the Redevelopment Law solely for the purpose of aiding in financing low and moderate income housing within or of benefit to the Project Area and the Agency warrants that no funds in the Low and Moderate Income Housing Account shall be applied for any purpose not authorized by Section 33334.2 of the Redevelopment Law for the expenditure of moneys in the Low and Moderate Income Housing Fund and this Indenture.

SECTION 3.05. Issuance of Parity Debt. In addition to the 2006 Series A Bonds and the 2006 Series B Bonds, the Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Agency. The Agency may issue or incur such Parity Debt subject to the following specific conditions precedent:

(a) The Agency shall be in compliance with all covenants set forth in this Indenture and all Parity Debt Instruments.

(b) The Tax Revenues estimated to be received for the then current Bond Year, based on the assessed value of property within the Project Area as set forth in the written records of the County, plus (at the option of the Agency) the Additional Revenues, shall be at least equal to one hundred twenty-five percent (125%) of Maximum Annual Debt Service on all Bonds which will be Outstanding immediately following the issuance of such Parity Debt. For purposes of computing the amount of Tax Revenues, the following requirements shall be observed:

(i) Tax Revenues shall be calculated on the basis of a tax rate of \$1.00 per \$100 of assessed value and shall not include the amounts of any State tax subventions; and

(ii) the amount of Tax Revenues shall be the amount received or estimated to be in the most recent Fiscal Year (which may be the then current Fiscal Year) for which records are available from the County establishing the assessed valuations of property in the Project Area;

(c) The Parity Debt Instrument providing for the issuance of such Parity Debt shall provide that interest thereon shall not be payable on any dates other than January 1 and July 1, and principal thereof shall be payable on July 1 in any year in which principal is payable, unless the Agency shall determine that other interest and principal payment dates will not adversely affect the Owners of the Bonds.

(d) The Parity Debt Instrument providing for the issuance of such Parity Debt shall provide for the deposit into the Reserve Account of an amount required to cause the balance therein to equal the full amount of the Reserve Requirement, which deposit shall be made concurrent with the issuance of such Parity Debt and may be in whole or in part in the form of a Qualified Reserve Account Credit Instrument.

(e) The proceeds of such Parity Debt may be deposited into an escrow fund from which amounts may not be released to the Agency unless and until the Tax Revenues (as evidenced in the written records of the County) at least equal one hundred twenty-five percent (125%) of the amount of Maximum Annual Debt Service.

(f) The issuance of such Parity Debt shall not cause the Agency to exceed the Plan Limitation.

(g) The Trustee shall be trustee for such Parity Debt.

(h) The Agency shall deliver to the Trustee a Certificate of the Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth in the foregoing provisions of this Section 3.05 have been satisfied.

SECTION 3.06. Issuance of Subordinate Debt. The Agency may from time to time issue or incur Subordinate Debt in such principal amount as shall be determined by the Agency, provided that the issuance of such Subordinate Debt shall not cause the Agency to exceed the Plan Limitation.

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

ARTICLE IV

SECURITY OF BONDS; FLOW OF FUNDS; INVESTMENTS

SECTION 4.01. Pledge of Tax Revenues. The 2006 Series A Bonds, the 2006 Series B Bonds and all other Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. The Tax Revenues are hereby allocated in their entirety to the payment of the principal of and interest on the 2006 Series A Bonds, the 2006 Series B Bonds and all other Parity Debt. The 2006 Series A Bonds, the 2006 Series B Bonds and all other Parity Debt shall be additionally secured by a first and exclusive pledge of and lien upon all of the moneys in the Reserve Account. Except for the Tax Revenues and the Reserve Account, no funds or properties of the Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest or premium (if any) on the 2006 Series A Bonds, the 2006 Series B Bonds and all other Parity Debt.

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

SECTION 4.02. Special Fund; Deposit of Tax Revenues. There is hereby established a special fund known as the "Special Fund", which shall be held by the Agency. The Agency shall deposit all of the Tax Revenues received in any Bond Year in the Special Fund promptly upon receipt thereof by the Agency, until such time (if any) during such Bond Year as the amounts on deposit in the Special Fund equal the aggregate amounts required to be transferred to the Trustee (i) pursuant to Section 4.03, and (ii) pursuant to the applicable provisions of any Parity Debt Instrument; and (except as may be otherwise provided in any Parity Debt Instrument) any Tax Revenues received during such Bond Year in excess of such amounts shall be released from the pledge and lien hereunder and may be used for any lawful purpose of the Agency. Prior to the payment in full of the principal of and interest and redemption premium (if any) on the 2006 Series A Bonds and all Parity Debt and the payment in full of all other amounts payable hereunder and under any Parity Debt Instrument, the Agency shall not have any beneficial right or interest in the moneys on deposit in the Special Fund, except only as provided in this Indenture and in any Parity Debt Instrument.

SECTION 4.03. Debt Service Fund; Transfer of Amounts to Trustee. There is hereby established a special trust fund to be known as the "Debt Service Fund", which shall be held by the Trustee hereunder in trust. Moneys in the Special Fund shall be transferred by the Agency no later than the following times to the Trustee for deposit in the Debt Service Fund, for transfer to the following respective special accounts within the Debt Service Fund, which accounts are hereby established with the Trustee to pay debt service on the 2006 Series A Bonds and any Parity Debt not otherwise provided for in a Parity Debt Instrument, in the following order of priority:

(a) Interest Account. On or before the fourth (4th) Business Day preceding each date on which interest on the Bonds becomes due and payable, the Trustee shall withdraw from the Debt Service Fund for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on such date. No such transfer and deposit need be made to the Interest Account if the amount contained therein is at least equal to the interest to become due on the Interest Payment Date upon all of the Outstanding Bonds. All moneys in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including accrued interest on any Bonds purchased or redeemed prior to maturity pursuant to this Indenture).

(b) Principal Account. On or before the fourth (4th) Business Day preceding each date on which principal of the Bonds becomes due and payable at maturity, the Trustee shall withdraw from the Debt Service Fund for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, will be equal to the amount of principal coming due and payable on such date on the Outstanding Bonds. All moneys in the Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Bonds upon the maturity thereof.

(c) Sinking Account. On or before the fourth (4th) Business Day preceding each date on which any Outstanding Term Bonds become subject to mandatory Sinking Account redemption, the Trustee shall withdraw from the Debt Service Fund for deposit in the Sinking Account an amount which, when added to the amount then contained in the Sinking Account, will be equal to the aggregate principal amount of the Term Bonds subject to mandatory Sinking Account redemption on such date. All moneys on deposit in the Sinking Account shall be used and withdrawn by the Trustee for the sole purpose of paying the principal of the Term Bonds as it shall become due and payable upon the mandatory Sinking Account redemption thereof.

(d) Reserve Account. In addition to the Reserve Account, the Trustee shall establish within the Reserve Account the 2006 Series A Bonds Reserve Account Subaccount. In the event that the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of any such notice, the Agency shall transfer to the Trustee an amount of available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. Amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers pursuant to any applicable Parity Debt Instrument in the applicable order of priority and to the Interest Account, the Principal Account and the Sinking Account, in such order of priority, on any date which the principal of or interest on the Bonds becomes due and payable hereunder, in the event of any deficiency at any time in any of the applicable accounts. In the event there shall be insufficient amounts in the Reserve Account to make all of the transfers required by this Section 4.02(d) and any applicable Parity Debt Instrument, then such transfers shall be made pro rata based on the then respective amounts required to be so transferred. So long as no Event of Default shall have occurred and be continuing, any amount in the Reserve Account in excess of the Reserve

Requirement on the fourth (4th) Business Day preceding each Interest Payment Date shall be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account and the Interest Account established by any Parity Debt Instrument, pro rata based on the then respective outstanding principal amounts of the 2006 Series A Bonds and any Parity Debt.

The Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account and deposit such funds in the Redevelopment Fund to be used solely as provided in Section 3.04(a). The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall reasonably be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall reasonably be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (d). Upon the expiration or any default with respect to any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

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

The portion of the Reserve Requirement allocable to the 2006 Series A Bonds shall be satisfied initially by the credit to the 2006 Series A Bonds Reserve Account Subaccount of the Bond Reserve Fund Policy. As long as the Bond Reserve Fund Policy shall be in full force and effect, the Trustee and the Agency, if applicable, agree to comply with the provisions of Section 4.08 relating to the Bond Reserve Fund Policy and the Agency shall comply with the provisions of the Bond Reserve Fund Policy Agreement.

(e) Redemption Account. On or before the Business Day preceding any date on which Bonds are subject to redemption, other than mandatory Sinking Account redemption of Term Bonds, the Trustee shall withdraw from the Special Fund for deposit in the Redemption Account an amount required to pay the principal of and premium, if any, on the Bonds to be so redeemed on such date. The Trustee shall also deposit in the Redemption Account any other amounts received by it from the Agency designated by the Agency in writing to be deposited in the Redemption Account. All moneys in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of and premium, if any, on the Bonds upon the redemption thereof, on

the date set for such redemption, other than mandatory Sinking Account redemption of Term Bonds.

SECTION 4.04. Investment of Moneys in Funds. Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Sinking Account, the Reserve Account, the Redemption Account and the Costs of Issuance Fund shall be invested by the Trustee in Permitted Investments specified in the Request of the Agency (which Request shall be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two (2) Business Days in advance of the making of such investments; *provided, however,* that in the absence of any such direction from the Agency, the Trustee shall invest any such moneys solely in Permitted Investments described in clause (g) of the definition thereof. Moneys in the Redevelopment Fund, the Low and Moderate Income Housing Account and the Special Fund shall be invested by the Agency in any obligations in which the Agency is legally authorized to invest funds within its control.

Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account. Whenever in this Indenture any moneys are required to be transferred by the Agency to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder shall be deposited in the Interest Account; *provided, however,* that all interest or gain from the investment of amounts in the Reserve Account shall be deposited by the Trustee in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. No Permitted Investment of moneys in the Reserve Account shall have a maturity in excess of five (5) years following the date of its acquisition, except that such restriction shall not apply to any investment agreement approved by the Insurer. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of the Request of the Agency. The Trustee may act as principal or agent in the acquisition or disposition of any investment, may utilize the investment departments of its affiliates to complete each transaction and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section. The Agency acknowledges that to the extent that regulations of the Comptroller of the Currency or other applicable regulatory agency grant the Agency the right to receive brokerage confirmations of security transactions as they occur, the Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee shall furnish to the Agency periodic statements which include detail of all investment transactions made by the Trustee.

SECTION 4.05. Valuation and Disposition of Investments.

(a) Except as otherwise provided in subsection (b) of this Section, the Agency covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of Section 148 of the Tax Code) shall be acquired, disposed of and valued (as of the date that valuation is required by this Indenture or the Tax Code) at Fair Market Value as such term is defined in Section 1.01. The Trustee shall have no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Agency in any Certificate or Request of the Agency.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Tax Code and investments in the Reserve Account shall be valued at cost thereof, (consisting of present value thereof within the meaning of Section 148 of the Tax Code); provided that the Agency shall inform the Trustee which funds

are subject to a yield restriction and the present value of any investments made within such funds or accounts.

(c) Except as provided in the preceding subsection (b), with respect to a yield restriction, for the purpose of determining the amount in any fund, the value of Permitted Investments credited to such fund shall be valued by the Trustee at least annually at the market value thereof. For purposes of valuation, the Trustee shall be entitled to utilize any pricing services it considers reliable. The Trustee may sell in any commercially reasonable manner, or present for redemption, any Permitted Investment so purchased by the Trustee whenever it shall be necessary in order to provide moneys to meet any required payment, transfer, withdrawal or disbursement from the fund to which such Permitted Investment is credited, and the Trustee shall not be liable or responsible for any loss resulting from sale or redemption of any such Permitted Investment.

Section 4.06. Payments Under the Insurance Policy. The following provisions apply to claims upon the Insurance Policy with respect to the 2006 Series A Bonds and apply to payments by and to the Insurer:

(a) If, on the third day preceding any Interest Payment Date for the 2006 Series A Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 2006 Series A Bonds due on such date, the Trustee shall immediately notify the Insurer and State Street Bank and Trust Company, N.A., New York, New York or its successor as its Fiscal Agent (the "Fiscal Agent") of the amount of such deficiency. If, by said Interest Payment Date, the Agency has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the Insurer and to the Fiscal Agent the registration books for the 2006 Series A Bonds maintained by the Trustee. In addition:

(i) The Trustee shall provide the Insurer with a list of the Owners of the 2006 Series A Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Insurance Policy relating to the 2006 Series A Bonds and shall make arrangements for the Insurer and its Fiscal Agent (1) to mail checks or drafts to Owners of the 2006 Series A Bonds entitled to receive full or partial interest payments from the Insurer and (2) to pay principal of the 2006 Series A Bonds surrendered to the Fiscal Agent by the Owners of the 2006 Series A Bonds entitled to receive full or partial principal payments from the Insurer; and

(ii) The Trustee shall, at the time it makes the registration books available to the Insurer pursuant to (1) above, notify Owners of the 2006 Series A Bonds entitled to receive the payment of principal of or interest on the 2006 Series A Bonds from the Insurer (1) as to the fact of such entitlement, (2) that the Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Insurance Policy relating to the 2006 Series A Bonds, (3) that, except as provided in paragraph (b) below, in the event that any Owner of a 2006 Series A Bond is entitled to receive full payment of principal from the Insurer, such Owner of a 2006 Series A Bond must tender his 2006 Series A Bond executed in the name of the Insurer, and (4) that, except as provided in paragraph (b) below, in the event that such Owner of a 2006 Series A Bond is entitled to receive partial payment of principal from the Insurer, such Owner of a 2006 Series A Bond must tender his 2006 Series A Bond for payment first to the Trustee, which shall note on such 2006 Series A Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Owner of the 2006 Series A Bonds subject to the terms of the Insurance Policy.

(b) In the event that the Trustee has notice that any payment of principal of or interest on a 2006 Series A Bond has been recovered from an Owner of a 2006 Series A Bond pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Insurer, notify all Owners of 2006 Series A Bonds that in the event that any such Owner's payment is so recovered, such Owner will be entitled to payment from the Insurer to the extent of such recovery, and the Trustee shall furnish to the Insurer its records evidencing the payments of principal of and interest on the 2006 Series A Bonds which have been made by the Trustee and subsequently recovered from Owners of the 2006 Series A Bonds, and the dates on which such payments were made.

(c) The Insurer shall, to the extent it makes payment of principal of or interest on the 2006 Series A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy relating to the 2006 Series A Bonds and, to evidence such subrogation, (A) in the case of subrogation as to claims for past due interest, the Trustee shall note the Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Insurer of proof of the payment of interest thereon to the Owners of the 2006 Series A Bonds and (B) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's right as subrogee on the registration books for the 2006 Series A Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Owners of such 2006 Series A Bonds. Notwithstanding anything in the Indenture or the 2006 Series A Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Insurer to the extent that the Insurer is a subrogee with respect thereto.

Section 4.07. Rights of the Insurer; Consent or Approval of the Insurer As long as the Insurance Policy shall be in full force and effect, the following shall apply:

(a) With respect to the Insurer and the Insurance Policy insuring debt service on the 2006 Series A Bonds, the following provisions shall govern, notwithstanding anything to the contrary set forth in the Indenture. The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. In this regard, the Insurer is a third party beneficiary of the Indenture. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners of the 2006 Series A Bonds. With respect to Events of Default under this Indenture, the consent of the owners of the 2006 Series A Bonds shall not be required in addition to consent of the Insurer where the Insurer is granted such right of consent.

(b) The Insurer shall be deemed to be the sole owner of the 2006 Series A Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the 2006 Series A Bonds insured by it are entitled to take pursuant to this Indenture. Except as otherwise provided in this Indenture, no contract shall be entered into or action taken by which the rights of the Insurer or the security or sources of payment for the 2006 Series A Bonds may be impaired or prejudiced, except upon obtaining the prior written consent of the Insurer.

(c) The rights of the Insurer to direct or consent to Agency, Trustee or Bondowner actions under this Indenture shall be suspended during any period in which the Insurer is in default in its payment obligations under the Insurance Policy (except to the extent of amounts previously paid by the Insurer and due and owing to the Insurer) and shall be of no force or

effect in the event the Insurance Policy is no longer in effect or the Insurer asserts that the Insurance Policy is not in effect or the Insurer shall have provided written notice that it waives such rights.

(d) The Insurer shall be deemed to be the Owner of all 2006 Series A Bonds insured under the Insurance Policy for the following purposes and provided that the Insurer is not in default under the terms of the Insurance Policy, during the following times under this Indenture: (a) at all times for the purpose of the execution and delivery of a Supplemental Indenture relating to any amendment, change or modification of this Indenture where the consent of the Bondowners is required; (b) at all times with respect to the initiation by the Bondowners of any action to be taken under this Indenture by the Trustee at the request of such Bondowners, which under this Indenture requires the written approval or consent of or permits initiation by the owners of a specified principal amount of Bonds then Outstanding; and (c) following the occurrence of an Event of Default for all other purposes. With respect to any amendment of this Indenture, each rating agency rating the 2006 Series A Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days prior to its execution or adoption. The Insurer shall be provided with a full transcript of the all proceedings relating to the execution of any such amendment.

(e) The Agency shall, to the extent permitted by law, pay or reimburse the Insurer for any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the pursuit of any remedies under this Indenture or the enforcement of this Indenture or otherwise afforded by law or equity other than resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

(f) Payments required to be made to the Insurer shall be payable solely from Tax Revenues and other amounts pledged under this Indenture and shall be paid (i) prior to an Event of Default after required deposits to the Debt Service Fund and (ii) on and after an Event of Default, with respect to amounts other than principal and interest on the Bonds, on a priority immediately following payments to the Trustee for expenses.

(g) The Insurer shall be deemed to be a party in interest under this Indenture and as a party entitled to (i) notify the Agency, the Trustee or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that could affect the 2006 Series A Bonds or the security therefor. The Trustee or receiver shall be required to accept notice of default from the Insurer.

(h) The Insurer shall be provided with the following information:

(i) Notice of any drawing upon or deficiency due to market fluctuation in the amount, if any, on deposit in the 2006 Series A Reserve Subaccount;

(ii) Notice of the redemption, other than pursuant to mandatory sinking fund redemption, of any of the Bonds, or the advance refunding of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(iii) Notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934;

(iv) Notice of the resignation or removal of the Trustee;

(v) Immediate notice of any payment default and notice of any other default known to the Trustee or the Agency within thirty (30) days of the Trustee's or the Agency's knowledge thereof; and

(vi) Such additional information as the Insurer may reasonable request from time to time.

(i) The notice address for the Insurer is: Financial Guaranty Insurance Company, 125 Park Avenue, New York, New York 10017, Attention: Risk Management, and for the Fiscal Agent referenced in Section 13.14(a) below is: U.S. Bank Trust National Association, 100 Wall Street, 19th Floor, New York, New York 1005, Attention: Corporate Trust Department.

(j) Only cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing) shall be used to effect defeasance of the Series 2006 Series A Bonds unless the Insurer otherwise approves. In the event of an advance refunding, the Agency shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the authorizing document, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing document, if applicable, shall be controlling.

(k) Notwithstanding anything to the contrary in this Indenture, termination payments pursuant to any swap arrangement entered into by the Agency with respect to the Bonds shall be subordinate to all debt service on the 2006 Series A Bonds and all payments required to be made to restore the 2006 Series A Bonds Reserve Account Subaccount.

Section 4.08. Provisions Relating to the Bond Reserve Fund Policy

(a) Notwithstanding anything in this Indenture to the contrary, in the event that amounts on deposit in the 2006 Series A Bonds Reserve Account Subaccount are required to be withdrawn to pay the principal of (including pursuant to mandatory sinking fund redemption) and interest on the 2006 Series A Bonds, if and to the extent that cash is on deposit in the 2006 Series A Bonds Reserve Account Subaccount, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required in Section 4.03(d) prior to any drawing being made under the Bond Reserve Fund Policy, and the repayment of Policy Costs (as defined in the Bond Reserve Fund Policy Agreement) shall be made prior to the replenishment of any such cash amounts and shall enjoy the same priority as the obligation to maintain and refill the 2006 Series A Bonds Reserve Account Subaccount. Additionally, if in addition to the Bond Reserve Fund Policy, any other surety bond, insurance policy or letter of credit (an "Additional Reserve Account Credit Instrument") is provided, drawings under the Bond Reserve Fund Policy and such Additional Reserve Account Credit

Instrument, and repayment of the Policy Costs and reimbursements of amounts due in connection with the Additional Reserve Account Credit Instrument shall be made on a pro rata basis (calculated by reference to the maximum amounts available to be drawn thereunder) after applying all available cash and Permitted Investments on deposit in the 2006 Series A Bonds Reserve Account Subaccount and prior to the replenishment of any such cash draws, respectively.

(b) To the extent that a drawing is made on the Bond Reserve Fund Policy, the Agency shall repay such draw and related expenses as provided in the Bond Reserve Fund Policy Agreement (notwithstanding anything to the contrary set forth in Section 4.03(d) of this Indenture). Such draw and related expenses shall bear interest at a rate equal to the lower of (i) the prime rate of JPMorgan Chase Bank in effect from time to time plus 2% per annum and (ii) the highest rate permitted by law. Repayment of Policy Costs shall be in an amount equal to 1/12 of the aggregate of Policy Costs related to a draw on the Bond Reserve Fund Policy. Repayment of Policy Costs shall commence in the month following each draw.

(c) If the Agency fails to pay any Policy Costs in accordance with the provisions of the Bond Reserve Fund Policy Agreement, the Insurer shall be entitled to exercise any and all remedies available at law or under this Indenture or the Bond Reserve Fund Policy Agreement other than (i) acceleration of the maturity of the 2006 Series A Bonds or (ii) remedies which would adversely affect the Owners of the 2006 Series A Bonds.

(d) This Indenture shall not be deemed discharged until all Policy Costs shall have been paid in full.

(e) As security for the Agency's repayment obligations with respect to the Bond Reserve Fund Policy Agreement, the Insurer, as provider of the Bond Reserve Fund Policy, is hereby granted a security interest in the Tax Revenues and amounts held by the Trustee hereunder, which security interest shall be subordinate to the security interest granted to the Owners of the Bonds, including any Parity Debt and on a parity with the security interest granted to the provider of an Additional Reserve Account Credit Instrument.

(f) In determining whether the Agency complies with the conditions for issuance of Parity Debt set forth in Section 3.05, there shall also be taken into account any Policy Costs then due and payable, provided that there need be only one times coverage with respect thereto. Additionally, in the event that any Policy Costs are past due and owing, no Parity Debt may be issued pursuant to Section 3.05 without the consent of the Insurer, as provider of the Bond Reserve Fund Policy

(g) The Trustee shall ascertain the necessity for a claim upon the Bond Reserve Fund Policy and provide notice to the Insurer, as the provider thereof, in accordance with the provisions of the Bond Reserve Fund Policy, at least two (2) days prior to the applicable Interest Payment Date.

ARTICLE V

OTHER COVENANTS OF THE AGENCY

SECTION 5.01. Punctual Payment. The Agency 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. The Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures. Nothing herein contained shall prevent the Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein.

SECTION 5.02. Continuing Disclosure. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the Agency on the Closing Date. Notwithstanding any other provision hereof, failure of the Agency to comply with such Continuing Disclosure Certificate shall not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the 2006 Series A Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under this Section 5.02.

SECTION 5.03. Limitation on Additional Indebtedness. The Agency hereby covenants that so long as any of the Bonds remain Outstanding, the Agency shall not issue any bonds, notes or other obligations which are otherwise secured on a basis which is senior to the pledge and lien which secures the Bonds. The Agency hereby covenants that it shall not issue any bonds, notes or other obligations, enter into any agreement or otherwise incur any indebtedness, which is in any case payable from all or any part of the Tax Revenues, excepting only the 2006 Series A Bonds and Parity Debt, any Subordinate Debt and any obligations entered into pursuant to Section 5.10.

SECTION 5.04. Extension of Payment of Bonds. The Agency shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the Outstanding Bonds 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 Agency to issue bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

SECTION 5.05. Payment of Claims. The Agency shall pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the properties owned by the Agency or upon the Tax Revenues or any part thereof, or upon any funds held by the Trustee pursuant hereto, or which might impair the security of the Bonds. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said claims.

SECTION 5.06. Books and Accounts; Financial Statements. The Agency shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the Agency and the City, in which complete and correct entries shall be made of all transactions relating to the Redevelopment Project, the Tax Revenues and the Special Fund. Such books of record and accounts shall at all times during business hours be subject to the inspection of the Owners of not less than ten percent (10%) in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The Agency will cause to be prepared and delivered to the Trustee and the Insurer annually, within one hundred and eighty (180) days after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year showing the Tax Revenues, all disbursements from the Special Fund and the financial condition of the Redevelopment Project, including the balances in all funds and accounts relating to the Redevelopment Project, as of the end of such Fiscal Year. In accordance with Section 6.03(e), the Trustee shall not be responsible for reviewing such financial statements. The Agency shall furnish a copy of such statements to any Owner upon reasonable request and at the expense of such Owner. In addition, the Agency shall deliver the Agency's annual budget to the Insurer upon the written request of the Insurer.

SECTION 5.07. Protection of Security and Rights of Owners. The Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of any Bonds, such Bonds shall be incontestable by the Agency.

SECTION 5.08. Payments of Taxes and Other Charges. The Agency will pay and discharge, or cause to be paid and discharged, all taxes, service charges, assessments and other governmental charges which may hereafter be lawfully imposed upon the Agency or the properties then owned by the Agency in the Project Area, when the same shall become due. Nothing herein contained shall require the Agency to make any such payment so long as the Agency in good faith shall contest the validity of said taxes, assessments or charges. The Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Redevelopment Project or any part thereof.

SECTION 5.09. Disposition of Property. The Agency will not participate in the disposition of any land or real property in the Project Area to anyone which will result in such property becoming exempt from taxation because of public ownership or use or otherwise (except property dedicated for public right-of-way and except property planned for public ownership or use by the Redevelopment Plan in effect on the date of this Indenture) so that such disposition shall, when taken together with other such dispositions, aggregate more than ten percent (10%) of the land area in the Project Area unless such disposition is permitted as hereinafter provided in this Section 5.09. If the Agency proposes to participate in such a disposition, it shall thereupon appoint an Independent Fiscal Consultant to report on the effect of said proposed disposition. If the report of the Independent Fiscal Consultant concludes that the security of the Bonds or the rights of the Owners will not be materially adversely impaired by said proposed disposition, the Agency may thereafter make such disposition. If such report concludes that such security will be materially adversely impaired by the proposed disposition, the Agency shall not approve the proposed disposition.

SECTION 5.10. Maintenance of Tax Revenues. The Agency shall comply with all requirements of the Redevelopment Law to insure the allocation and payment to it of the Tax Revenues, including without limitation the timely filing of any necessary statements of indebtedness with appropriate officials of the County and (in the case of supplemental revenues and other amounts payable by the State) appropriate officials of the State of California. The

Agency shall not enter into any amendment of the Pass-Through Agreements, or any other agreement with the County or any other governmental unit, unless the Agency shall first obtain a written opinion of an Independent Fiscal Consultant that such amendment or agreement will not adversely impair the Agency's ability to pay the 2006 Series A Bonds and all Parity Debt. Nothing herein is intended or shall be construed in any way to prohibit or impose any limitations on the entering into by the Agency of any such amendment or agreement which by its term is subordinate to the payment of the 2006 Series A Bonds and all Parity Debt.

SECTION 5.11. Tax Covenants Relating to 2006 Series A Bonds.

(a) Private Activity Bond Limitation. The Agency shall assure that the proceeds of the 2006 Series A Bonds are not so used as to cause the 2006 Series A Bonds to satisfy the private business tests of Section 141(b) of the Tax Code or the private loan financing test of Section 141(c) of the Tax Code.

(b) Federal Guarantee Prohibition. The Agency shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause any of the 2006 Series A Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

(c) No Arbitrage. The Agency shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the proceeds of the 2006 Series A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date would have caused the 2006 Series A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code.

(d) Maintenance of Tax-Exemption. The Agency shall take all actions necessary to assure the exclusion of interest on the 2006 Series A Bonds from the gross income of the Owners of the 2006 Series A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Tax Code as in effect on the Closing Date. This covenant shall remain in full force and effect following defeasance of the 2006 Series A Bonds pursuant to Section 9.03.

(e) Rebate Requirement. The Agency shall take any and all actions necessary to assure compliance with section 148(f) of the Tax Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the 2006 Series A Bonds.

The Trustee shall have no duty to monitor the compliance by the Agency with any of the covenants contained in this Section 5.11.

SECTION 5.12. Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. Duties, Immunities and Liabilities of Trustee.

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

(b) The Agency may, with the prior written consent of the Insurer, remove the Trustee at any time, unless an Event of Default shall have occurred and then be continuing, and shall remove the Trustee (i) if at any time requested to do so by the Insurer or, with the prior written consent of the Insurer, 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 (ii) if at any time the Trustee shall cease to be eligible in accordance with subsection (e) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Trustee or its property shall be appointed, or any public officer shall take control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. In each case such removal shall be accomplished by the giving of 30 days' written notice of such removal by the Agency to the Trustee, whereupon the Agency shall appoint a successor Trustee by an instrument in writing.

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

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

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

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall (i) be a company or bank having trust powers, (ii), shall have an office in the State of California or such other state as shall be acceptable to the Agency, (iii) have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least Seventy-Five Million Dollars (\$75,000,000), and (iv) be subject to supervision or examination by federal or state authority. If such bank or company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or 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 promptly resign in the manner and with the effect specified in subsection (c) of this Section.

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

SECTION 6.03. Liability of Trustee.

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

Outstanding. The Trustee, either as principal or agent, may engage in or be entrusted in any financial or other transaction with the Agency.

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

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

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

(e) The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee shall have actual knowledge thereof, or the Trustee shall have received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the Agency's payment of principal and interest on the Bonds, the observance or performance by the Agency of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee shall not be responsible for reviewing the contents of any financial statements furnished to the Trustee pursuant to Section 5.06 and may rely conclusively on the Certificate of the Agency accompanying such financial statements to establish the Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Special Fund and the investment and application of moneys on deposit in the Special Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(f) No provision in this Indenture shall require the Trustee to risk, expend, or advance its own funds or otherwise incur any financial liability hereunder. However, if the Trustee elects to advance funds, it shall be entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

(g) The Trustee may establish additional accounts or subaccounts of the funds established hereunder as the Trustee deems necessary or prudent in furtherance of its duties under this Indenture.

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

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

the Owners or Insurer for the reimbursement of all expenses to which it may 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 causes or any similar event and/or occurrences beyond the control of the Trustee.

(k) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (a) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

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

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

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

SECTION 6.05. Preservation and Inspection of Documents. All documents received by the Trustee under the provisions of this Indenture shall be retained in its possession and shall be subject during normal business hours, and upon reasonable prior written notice, to the

inspection of the Agency and any Owner, and their agents and representatives duly authorized in writing.

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

The Agency further covenants and agrees to indemnify and save the Trustee and its officers, directors, agents affiliates and employees, harmless against any loss, expense, including legal fees and expenses, and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents affiliates or employees. The obligations of the Agency under this Section 6.06 shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

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

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

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

Trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co-Trustee shall run to and be enforceable by either of them, provided that in the event of any conflict, the Co-Trustee shall defer to the Trustee.

Should any instrument in writing from the Agency be required by the separate Trustee or co-Trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Agency. In case any separate Trustee or co-Trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate Trustee or co-Trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new Trustee or successor to such separate Trustee or co-Trustee.

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

SECTION 6.09. No Liability for Agency Performance. The Trustee shall have no liability or obligation to the Bond Owners with respect to the payment of debt service by the Agency or with respect to the observance or performance by the Agency of the other conditions, covenants, and terms contained in this Indenture, or with respect to the investment of any moneys in any fund or account established, held, or maintained by the Agency pursuant to this Indenture.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 7.01. Authorized Amendments. This Indenture and the rights and obligations of the Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, with the consent of the Insurer (except with respect to an amendment pursuant to Sections (c) or (d) below), but without the consent of any Owners, to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Agency contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Agency provided such addition, limit, or surrender shall not materially adversely affect the interest of the Owners as determined by the Agency and certified to the Trustee; or

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

(c) to provide for the issuance of Parity Debt pursuant to Section 3.04, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of special funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.04; or

(d) to amend any provision hereof to assure the exclusion from gross income of interest on the Bonds for federal income tax purposes, in the opinion of Bond Counsel filed with the Agency and the Trustee; or

(e) to comply with the requirements of the provider of a Qualified Reserve Account Credit Instrument.

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

Promptly following the adoption of any Supplemental Indenture pursuant to the written consent of the Insurer, the Agency shall deliver a copy of the executed Supplemental Indenture to S&P.

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

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

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

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. Events of Default and Acceleration of Maturities. Each of the following events shall constitute an Event of Default hereunder:

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

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

(c) Failure by the Agency to observe and perform any of the other covenants, agreements or conditions on its part in this Indenture or in the Bonds contained, if such failure shall have continued for a period of thirty (30) days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to the Agency by the Trustee or the Insurer; *provided, however*, if in the reasonable opinion of the Agency the failure stated in the notice can be corrected, but not within such thirty (30) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Agency within such thirty (30) day period and the Agency shall thereafter diligently and in good faith cure such failure in a reasonable period of time.

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

Subject in all respects to the provisions of Section 8.08, if an Event of Default has occurred and is continuing, the Trustee may, and if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, with the prior consent of the Insurer, (a) declare the principal of the Bonds, together with the accrued interest thereon, to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding, and (b) upon receipt of indemnity satisfactory to it from any liability or expense, including payment of the fees and expenses of its counsel and agents, exercise any other remedies available to the Trustee and the Owners in law or at equity. The Trustee shall be entitled as a matter of right to the appointment of a receiver or receivers for the Tax Revenues, if appropriate, and for the revenues, income, product, and profits thereon, if any, *ex parte*, and without notice, and the Agency consents to the appointment of such receiver upon the occurrence of an Event of Default. If any receivership, bankruptcy, insolvency, or reorganization or other judicial proceedings affecting the Agency is filed, the Trustee shall be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Trustee and Owners allowed in such proceedings for the entire amount due and payable under this Indenture at the time of the institution of such proceedings, and also for any additional amount which may become due and payable after such date, without prejudice to the right of any Owner to file a claim on his own behalf. The Trustee shall not be obligated to take any such action unless offered compensation, indemnity for its potential liability, and reimbursement for its legal fees and expenses in accordance with this Section.

Promptly upon becoming aware of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Agency by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds shall have been declared to be or have immediately become due and payable. With respect to any Event of Default described in clauses (a) or (b) above the Trustee shall, and with respect to any Event of Default described in clause (c) above the Trustee in its sole discretion may, also give such notice to the Owners in the same manner as provided herein for notices of redemption of the Bonds, which shall include the statement that interest on the Bonds shall cease to accrue from and after the date, if any, on which the Trustee shall have declared the Bonds to become due and payable pursuant to the preceding paragraph (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

This provision, however, is subject to the condition that if, at any time after the principal of the Bonds shall have been so declared due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Agency shall deposit with the Trustee a sum sufficient to pay all principal on the Bonds matured prior to such declaration and all matured installments of interest (if any) upon all the Bonds, with interest on such overdue installments of principal and interest (to the extent permitted by law) at the weighted average interest rate then borne by the Outstanding Bonds, and the fees and expenses of the Trustee, including any fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Agency and to the Trustee, may, on behalf of the Owners of all of the Bonds, rescind and annul such declaration and its consequences. However, no such rescission and annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

SECTION 8.02. Application of Funds Upon Acceleration. All of the Tax Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the date of the declaration of acceleration as provided in Section 8.01 (excluding moneys in the Redevelopment Fund and the Low and Moderate Income Housing Account), and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee as follows and in the following order:

(a) To the payment of any fees, costs and expenses incurred by the Trustee to protect the interests of the Owners of the Bonds; payment of the fees, costs and expenses of the Trustee (including fees and expenses of its counsel, including any allocated costs of internal counsel) incurred in and about the performance of its powers and duties under this Indenture and the payment of all fees, costs and expenses owing to the Trustee pursuant to Section 6.06, together with interest on all such amounts advanced by the Trustee at the maximum rate permitted by law;

(b) To the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal with interest on such overdue amounts at the respective rates of interest borne by the Outstanding Bonds, and in case such moneys shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal

and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.03. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in principal amount of the Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; *provided, however,* that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in principal amount of the Outstanding Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation accompanied, if requested by the Trustee, by indemnity or confirmation of indemnity as described in Section 8.01.

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

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

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

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

A waiver of any default by any Owner shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner or the

Trustee to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every power and remedy conferred upon the Trustee and Owners by the Redevelopment Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Owners and the Trustee.

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

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

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

Section 8.08. The Insurer Deemed Sole Owner. So long as the Insurer shall be in compliance with its payment obligations under the Insurance Policy, the Insurer shall be deemed to be the sole owner of the Bonds for purposes of all provisions relating to an event of default with respect to the Bonds, except with respect to the giving of notice of such an Event of Default. The Insurer shall be included as a party in interest and as a party entitled to (1) notify the Trustee of the occurrence of an Event of Default and (2) request the Trustee to intervene in judicial proceedings that affect the Bonds or the security therefor. In addition, the provisions herein requiring the consent, approval or direction of the Insurer shall be applicable only at such time as the Insurer shall be in compliance with its payment obligations under the Insurance Policy.

Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuation of an Event of Default, the Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted under this Indenture to the Bond Owners, or to the Trustee for the benefit of the Bond Owners, including but not limited to rights and remedies which may be exercised pursuant to this Indenture following an event of default and including but not limited to the right to approve all waivers of any events of default. The rights granted to the Insurer under this Indenture shall be deemed terminated and shall not be exercisable by the Insurer during any period during which the Insurer shall be in default under the Insurance Policy.

ARTICLE IX

MISCELLANEOUS

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

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

SECTION 9.03. Defeasance of Bonds.

(a) If the Agency shall pay and discharge the entire indebtedness on any Bonds in any one or more of the following ways:

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

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

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

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

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption shall have been duly given or provision satisfactory to the Trustee shall have been made for the giving of such notice, then, at the election of the Agency, and notwithstanding that any such Bonds shall not have been surrendered for payment, the pledge of the Tax Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the Agency under this Indenture with respect to such Bonds shall cease and terminate, except only (A) the obligations of the Agency under Section 5.11, (B) the obligation of the Trustee to transfer and exchange Bonds hereunder, (C) the obligation of the Agency to pay or cause to be paid to the

Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and (D) the obligations of the Agency to compensate and indemnify the Trustee pursuant to Section 6.06. Notice of such election shall be filed with the Trustee. In the event the Agency shall, pursuant to the foregoing provisions, pay and discharge any portion or all of the Bonds then Outstanding, the Trustee shall be authorized to take such actions and execute and deliver to the Agency all such instruments as may be necessary or desirable to evidence such discharge, including without limitation, selection by lot of Bonds of any maturity of the Bonds that the Agency has determined to pay and discharge in part. Any funds thereafter held by the Trustee, which are not required for said purpose, shall be paid over to the Agency.

(b) Notwithstanding the foregoing provisions of this Section 9.03, in the event that the principal, interest and premium (if any) on the Bonds shall be paid by the Insurer pursuant to the Insurance Policy, the obligations of the Trustee and the Agency shall continue in full force and effect and the Insurer shall be fully subrogated to the rights of all Owners of the Bonds so paid.

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

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

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

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

SECTION 9.05. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Agency or the City (but excluding Bonds held in any employees' retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, *provided however* that the Trustee shall not be deemed to have knowledge that any Bond is owned or held by or for the account of the Agency or the City unless the Agency or the City is the registered Owner or the Trustee has received written notice that any other registered Owner is the owner or is holding for the account of the Agency or City.

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

SECTION 9.07. Destruction of Canceled Bonds. Whenever in this Indenture provision is made for the surrender to the Agency of any Bonds which have been paid or canceled pursuant to the provisions of this Indenture, upon receipt by the Trustee of the Request of the Agency a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the Agency shall be entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to.

SECTION 9.08. Notices. All written notices to be given under this Indenture shall be given by first class mail or personal delivery to the party entitled thereto at its address set forth below, or at such address as the party may provide to the other party in writing from time to time. Notice shall be effective either (a) upon transmission by facsimile transmission or other form of telecommunication, with prompt written confirmation by mail, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in any other case, upon actual receipt. The Agency or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Agency: Redevelopment Agency of the City of Santa Monica
1685 Main Street
Santa Monica, California 90407
Attention: Executive Director

With a copy to: City of Santa Monica
1685 Main Street
Santa Monica, California 90407
Attention: City Attorney

If to the Trustee: Union Bank of California, N.A.
120 S. San Pedro Street, 4th Floor
Los Angeles, California 90012
Attention: Corporate Trust Department

If to the Insurer: Financial Guaranty Insurance Company
125 Park Avenue
New York, New York 10017
Attention: Risk Management

So long as the Insurance Policy remains in effect, the Trustee shall furnish to the Insurer, by registered or certified mail, a copy of any notice required to be given hereunder to the Bond Owners.

SECTION 9.09. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Indenture shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Indenture. The Agency and the Trustee hereby declare that they would have entered into this Indenture and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 9.10. Unclaimed Moneys. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two (2)

years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when the interest and premium (if any) on and principal of such Bonds have become payable, shall be repaid by the Trustee to the Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the Agency for the payment of the principal of and interest and redemption premium (if any) on such Bonds.

SECTION 9.11. 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.

SECTION 9.12. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 9.13. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State.

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and UNION BANK OF CALIFORNIA, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

REDEVELOPMENT AGENCY OF THE
CITY OF SANTA MONICA

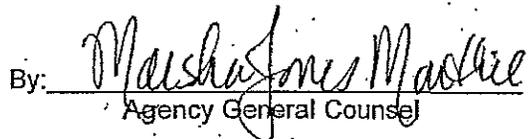
By 
Executive Director

(SEAL)

ATTEST:


Secretary

APPROVED AS TO FORM

By: 
Agency General Counsel

UNION BANK OF CALIFORNIA, N.A.,
as Trustee

By _____
Authorized Officer

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA has caused this Indenture to be signed in its name by its Executive Director and attested to by its Secretary, and UNION BANK OF CALIFORNIA, N.A., in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

REDEVELOPMENT AGENCY OF THE
CITY OF SANTA MONICA

By _____
Executive Director

(SEAL)

ATTEST:

Secretary

APPROVED AS TO FORM

By: _____
Agency General Counsel

UNION BANK OF CALIFORNIA, N.A.,
as Trustee

By Kimberly D. [Signature]
Authorized Officer

Interest Payment Date by wire transfer to an account of a financial institution within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A" (the "Bonds") of an aggregate principal amount of Forty-Nine Million Nine Hundred Forty-Five Thousand (\$49,945,000) all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities, interest rates or redemption provisions) and all issued pursuant to the provisions of the Community Redevelopment Law, constituting Part 1 of Division 24 of the California Health and Safety Code (the "Redevelopment Law") and pursuant to an Indenture of Trust, dated as of April 1, 2006, by and between the Agency and the Trustee (the "Indenture"). The Bonds have been issued on a parity with the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B, issued in the original principal amount of \$14,775,000 (the "2006 Series B Bonds"). The Agency may issue or incur additional obligations on a parity with the Bonds and the 2006 Series B Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency for the purpose of providing funds to refinance redevelopment activities with respect to its Santa Monica Earthquake Recovery Redevelopment Project (the "Project Area").

In accordance with the Indenture, this Bond and the interest hereon, together with all other Bonds, all 2006 Series B Bonds and all other Parity Debt (as defined in the Indenture) and the interest thereon (to the extent set forth in the Indenture), are payable from, and are secured by a pledge of and lien on the Tax Revenues derived by the Agency from the Project Area. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms and provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest on the Bonds, the 2006 Series B Bonds and any additional Parity Debt. Notwithstanding the foregoing, certain Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the City of Santa Monica, the State of California, or any of its political subdivisions, other than the Agency, and neither said City, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

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

The Bonds maturing on or before July 1, 2016, are not subject to redemption prior to the respective stated maturities. The Bonds maturing on or after July 1, 2017, are subject to

redemption in whole, or in part among maturities on such basis as shall be designated in a written request of the Agency filed with the Trustee, and in any case by lot within a maturity, on any date on or after July 1, 2016, at the option of the Agency from any available source of funds, at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

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

The Agency has the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any such notice of optional redemption shall be canceled and annulled if for any reason funds will not be or are not available on the date fixed for redemption for the payment in full of the Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the principal of all outstanding Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, but such declaration and its consequences may be rescinded and annulled as further provided in the Indenture.

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

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

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

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

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

IN WITNESS WHEREOF, the Redevelopment Agency of the City of Santa Monica has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chair and attested to by the facsimile signature of its Secretary, all as of the Original Issue Date specified above.

REDEVELOPMENT AGENCY OF THE CITY
OF SANTA MONICA

By: _____
Chair

ATTEST:

By: _____
Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

Dated: _____

Union Bank of California, N.A., as *Trustee*

By: _____
Authorized Signatory

STATEMENT OF INSURANCE

[To Come]

ASSIGNMENT

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

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

the within Bond and do(es) hereby irrevocably constitute and appoint

_____ attorney,
to transfer the same on the books of the Trustee, with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: 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.

NOTICE: 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.

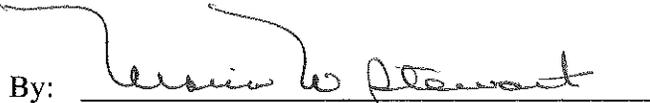
\$41,050,000
REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA
EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT
2011 TAX ALLOCATION BONDS

CERTIFICATE OF SECRETARY BRINGING FORWARD
FIRST SUPPLEMENT TO INDENTURE OF TRUST

The undersigned, Secretary of the Redevelopment Agency of the City of Santa Monica (the "Agency"), hereby certifies that the attached First Supplement to Indenture of Trust dated as of April 1, 2006, by and between the Agency and Union Bank, N.A., as trustee (the "Trustee"), is a true and correct copy of such document. Such document has been duly executed by the Agency and is on file in the office of the Secretary of the Agency, is in full force and effect and has not been modified, changed or amended in any way since the date of execution, except to the extent expressly modified in that certain Second Supplement to Indenture of Trust dated as of June 1, 2011, by and between the Agency and the Trustee.

Dated: June 7, 2011

REDEVELOPMENT AGENCY OF THE CITY OF
SANTA MONICA

By: 

Maria M. Stewart
Secretary

FIRST SUPPLEMENT TO INDENTURE OF TRUST

Dated as of April 1, 2006

by and between the

REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

and

**Union Bank of California, N.A.,
as Trustee**

Relating to

\$14,775,000

**Redevelopment Agency of the City of Santa Monica
Earthquake Recovery Redevelopment Project
2006 Taxable Tax Allocation Refunding Bonds, Series B**

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FIRST SUPPLEMENT TO INDENTURE OF TRUST

This FIRST SUPPLEMENT TO INDENTURE OF TRUST (this "First Supplement"), dated as of April 1, 2006, is by and between the REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Agency"), and UNION BANK OF CALIFORNIA, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee under the hereinafter defined 2006 Series A Bonds Indenture (the "Trustee");

WITNESSETH:

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

WHEREAS, a redevelopment plan for the Santa Monica Earthquake Recovery Redevelopment Project (the "Redevelopment Project") has been adopted by the Agency pursuant to all applicable requirements of the Redevelopment Law; and

WHEREAS, for the purpose of financing redevelopment activities with respect to the Redevelopment Project the Agency issued its Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project Tax Allocation Bonds, Series 1999, in the initial aggregate principal amount of \$65,285,000 pursuant to an Indenture, dated as of July 1, 1999, by and between the Agency and BNY Western Trust Company, as trustee (the "1999 Bonds").

WHEREAS, in order to achieve interest rate savings the Agency has determined to issue hereunder on a basis that is not exempt from federal income taxes its Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B, in the principal amount of \$14,775,000 (the "2006 Series B Bonds") for the purpose of refunding and defeasing the 1999 Bonds, all as provided herein; and

WHEREAS, concurrent with the issuance of the 2006 Series B Bonds, the Agency is also issuing on a federally tax exempt basis its Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A, in the principal amount of \$49,945,000 (the "2006 Series A Bonds") pursuant to an Indenture of Trust, dated as of April 1, 2006, by and between the Agency and the Trustee (the "2006 Series A Bonds Indenture"), also for the purpose of refunding and defeasing the 1999 Bonds; and

WHEREAS, the 2006 Series B Bonds will be payable from Tax Revenues (as herein defined) on a parity with the 2006 Series A Bonds; and

WHEREAS, the Agency has certified that all acts and proceedings required by law necessary to make the 2006 Series B Bonds, when executed by the Agency, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this First Supplement a valid and binding agreement for the uses and

purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the First Supplement have been in all respects duly authorized.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto do hereby agree as follows:

SECTION 1. Supplement to 2006 Series A Bonds Indenture. In accordance with the provisions of Section 7.01(c) of the 2006 Series A Bonds Indenture, the 2006 Series A Bonds Indenture is hereby amended by adding a supplement thereto consisting of a new article to be designated as Article X. Such Article X shall read in its entirety as follows:

ARTICLE X

2006 SERIES B BONDS

Section 10.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 10.01 shall, for all purposes of this Article but not for any other purposes of this Indenture, have the respective meanings specified in this Section 10.01. All terms defined in Section 1.01 and not otherwise defined in this Section 10.01 shall, when used in this Article X, have the respective meanings given to such terms in Section 1.01.

"Article X" means this Article X which has been incorporated in and made a part of this Indenture pursuant to the First Supplement, together with all amendments of and supplements to this Article X entered into pursuant to the provisions of Section 7.01.

"Bond Reserve Fund Policy" means the Municipal Bond Debt Service Reserve Fund Policy No. 06010170 issued by the Insurer with respect to the Series A Bonds and the Series B Bonds.

"Bond Reserve Fund Policy Agreement" means the Debt Service Reserve Fund Policy Agreement, dated as of the Closing Date, by and between the Agency and the Insurer relating to the Bond Reserve Fund Policy.

"Bond Year" means the one-year period beginning on July 2 in any year and ending on the next succeeding July 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on July 1, 2006.

"Closing Date" means the date on which the 2006 Series B Bonds are delivered to the Original Purchaser.

"Continuing Disclosure Certificate" means that certain Continuing Disclosure Certificate relating to the 2006 Series B Bonds executed by the Agency and dated the date of issuance and delivery of the 2006 Series B Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the 2006 Series B Bonds, including but not limited to printing expenses, rating agency fees, municipal bond insurance and surety bond premiums, filing and recording fees, 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 the

2006 Series B Bonds and any other cost, charge or fee in connection with the original issuance of the 2006 Series B Bonds.

"First Supplement" means the First Supplement to Indenture of Trust, dated as of April 1, 2006, by and between the Agency and the Trustee, as the same may be amended from time to time in accordance with the terms of the 2006 Series A Bonds Indenture.

"Insurance Policy" means the Financial Guaranty Insurance Policy No. 06010169 issued by the Insurer insuring the payment when due of the principal of and interest on the 2006 Series B Bonds and the Series A Bonds, as provided therein.

"Insurer" means Financial Guaranty Insurance Company, a New York stock insurance company, its successors and assigns, as issuer of the Insurance Policy.

"Interest Payment Date" means July 1, 2006, and each July 1 and June 1 thereafter so long as any of the Bonds remain unpaid.

"1999 Bonds" means the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project Tax Allocation Bonds, Series 1999, in the initial aggregate principal amount of \$65,285,000 pursuant to an Indenture, dated as of July 1, 1999, by and between the Agency and BNY Western Trust Company, as trustee.

"Original Purchaser" means Stifel Nicolaus & Company, Incorporated, as the initial underwriter of the 2006 Series B Bonds.

"Participating Underwriter" has the meaning ascribed thereto in the Continuing Disclosure Certificate.

"2006 Series A Bonds Indenture" means the Indenture of Trust, dated as of April 1, 2006, by and between the Agency and the Trustee, as the same may be amended from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by the First Supplement.

"2006 Series B Bonds" means the Bonds which are authorized and issued under Section 10.02.

"2006 Series B Bonds Costs of Issuance Fund" means the fund by that name established and held by the Trustee pursuant to Section 10.07.

"2006 Series B Bonds Reserve Account Subaccount" means the subaccount, by that name established and held by the Trustee pursuant to Section 10.14.

Section 10.02. Authorization of 2006 Series B Bonds. The 2006 Series B Bonds are issued as Parity Debt in the aggregate principal amount of Fourteen Million Seven Hundred Seventy-Five Thousand Dollars (\$14,775,000) under and subject to the terms of this Indenture and the Redevelopment Law, for the purpose of providing funds to finance redevelopment activities with respect to the Redevelopment Projects. This Indenture constitutes a continuing agreement with the Owners of all of the 2006 Series B Bonds issued hereunder and at any time Outstanding to secure the full and final payment of principal of and premium, if any, and interest on all 2006 Series B Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The 2006 Series B Bonds shall be designated the "Redevelopment Agency of the City of Santa Monica

Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B". Upon the execution and delivery of the First Supplement, the Agency shall execute and deliver 2006 Series B Bonds in the aggregate principal amount of \$14,775,000 to the Trustee and the Trustee shall authenticate and deliver the 2006 Series B Bonds to the Original Purchaser upon receipt of a Request of the Agency therefor.

Section 10.03. Terms of 2006 Series B Bonds. The 2006 Series B Bonds shall be dated as of the Closing Date, and shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof and shall be subject to the book entry system provisions of Section 2.11. The 2006 Series B Bonds shall mature on July 1 in each of the years and in the respective principal amounts, and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) which is payable on each Interest Payment Date in the respective amounts, as set forth in the following table:

<u>Maturity (July 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2006	\$2,225,000.00	5.250%
2007	1,530,000.00	5.500
2008	1,615,000.00	5.500
2009	1,705,000.00	5.500
2010	1,795,000.00	5.500
2011	1,900,000.00	5.500
2012	2,005,000.00	5.500
2013	2,000,000.00	5.500

Interest on the 2006 Series B Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a 2006 Series B Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a 2006 Series B Bond is authenticated on or before the first Record Date with respect to the 2006 Series B Bonds, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any 2006 Series B Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest shall be paid on each Interest Payment Date to the persons in whose names the ownership of the 2006 Series B Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date. Interest on any 2006 Series B 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 2006 Series B Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than ten (10) days prior to such special record date.

Interest on the 2006 Series B Bonds shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2006 Series B Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; *provided, however,* that at the written request of the Owner of 2006 Series B Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee prior to any Record Date, interest on such 2006 Series B Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account at a financial institution within the United States of America as shall be specified in such written request. The principal of the 2006 Series B Bonds

and any redemption premium shall be payable in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof to the Trustee.

Section 10.04. Redemption. The 2006 Series B Bonds are not subject to optional redemption or mandatory sinking account redemption by the Agency.

Section 10.05. Form and Execution of 2006 Series B Bonds, CUSIP Numbers. The 2006 Series B Bonds, the form of Trustee's Certificate of Authentication, and the form of Assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The 2006 Series B Bonds shall be executed on behalf of the Agency by the signature of its Chair and the signature of its Secretary who are in office on the date of execution and delivery of the First Supplement or at any time thereafter, and the seal of the Agency shall be impressed, imprinted or reproduced by facsimile signature thereon. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 2006 Series B Bond ceases to be such officer before delivery of the 2006 Series B Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the 2006 Series B Bonds to the purchaser. Any 2006 Series B Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such 2006 Series B Bond shall be the proper officers of the Agency although on the date of such 2006 Series B Bond any such person shall not have been such officer of the Agency.

Only such of the 2006 Series B Bonds as shall bear thereon a Certificate of Authentication in the form set forth in Exhibit B, executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such Certificate of the Trustee shall be conclusive evidence that such 2006 Series B Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

The Trustee and the Agency shall not be liable for any omission, defect or inaccuracy in the CUSIP number that appears on any 2006 Series B Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2006 Series B Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee nor the Agency shall be liable for any inaccuracies in such numbers.

Section 10.06. Application of Proceeds of Sale of 2006 Series B Bonds. Upon the receipt of payment for the 2006 Series B Bonds on the Closing Date, the proceeds thereof shall be paid to the Trustee and deposited in a temporary fund (if required by the Trustee to make the following transfers and deposits, which temporary fund shall be closed after such transfers and deposits have been made), all of the amounts on deposit in which shall be transferred on the Closing Date as follows:

(a) The Trustee shall deposit to the 2006 Series B Bonds Costs of Issuance Fund the amount of \$85,754.68, which amount includes the Good Faith Deposit of \$25,000.00 previously received from the Original Purchaser and which amount, together with the payment to Insurer on behalf of the Agency by the Original Purchaser of the Insurance Policy premium of \$93,862.14 and the Bond Reserve Fund Policy premium of \$22,876.62, represents a total credit of \$202,493.44 to the 2006 Series B Costs of Issuance Fund on the date hereof.

(b) The Trustee shall transfer the amount of \$14,589,576.47 to The Bank of New York Trust Company, N. A., as escrow bank (the "Escrow Bank"), under and pursuant to the 1999 Bonds Escrow Deposit and Trust Agreement, dated as of April 1, 2006, by and between the Agency and the Escrow Bank, providing for the refunding and defeasance of the 1999 Bonds.

In addition, the Trustee shall credit the Reserve Account Surety Bond to the 2006 Series B Bonds Reserve Account Subaccount which shall, together with the credit of the Reserve Account Surety Bond to the 2006 Series A Bonds Reserve Account Subaccount with respect to the 2006 Series A Bonds, represents the full amount of the Reserve Requirement upon delivery of the 2006 Series B Bonds.

Section 10.07. 2006 Series B Bonds Costs of Issuance Fund. There is hereby established a separate fund to be known as the "2006 Series B Bonds Costs of Issuance Fund", which shall be held by the Trustee in trust. The moneys in the 2006 Series B Bonds Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Agency 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 is a proper charge against the 2006 Series B Bonds Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Written Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. On the earlier of (i) November 1, 2006, or (ii) the date of receipt by the Trustee of a Request of the Agency therefor, all amounts (if any) remaining in the 2006 Series B Bonds Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and deposited in the Interest Account.

Section 10.08 Security for 2006 Series B Bonds. The 2006 Series B Bonds shall be Parity Debt within the meaning of such term in Section 1.02 and shall be secured in the manner and to the extent set forth in Article IV. As provided in Section 4.01, the 2006 Series B Bonds shall be secured on a parity with all other Bonds issued under this Indenture, including the 2006 Series A Bonds, by a first pledge of and lien on all of the Tax Revenues in the Special Fund and the moneys in the Reserve Account.

Section 10.09 Continuing Disclosure. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or any holder or beneficial owner of the 2006 Series B Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under this Section 10.09.

Section 10.10 Benefits Limited to Parties. Nothing in this Article X, expressed or implied, is intended to give to any person other than the Agency, the Trustee, the Insurer and the Owners of the 2006 Series B Bonds, any right, remedy, claim under or by reason of this Article X. Any covenants, stipulations, promises or agreements in this Article X contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Trustee, the Insurer and the Owners of the 2006 Series B Bonds.

Section 10.11. Federal Tax Covenants. The provisions of Section 5.11 and the further provisions of this Indenture relating to the Tax Code shall not apply to the 2006 Series B Bonds, in that the Agency hereby determines, pursuant to Section 5903 of the California Government

Code, that the interest payable on the 2006 Series B Bonds will be subject to federal income taxation under the law in existence on the Closing Date.

Section 10.12. Effect of this Article X. Except as in this Article X expressly provided or except to the extent inconsistent with any provision of this Article X, the 2006 Series B Bonds shall be deemed to be Bonds under and within the meaning of Section 1.02, and every term and condition contained in the other provisions of this Indenture shall apply to the 2006 Series B Bonds with full force and effect, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Article X. In addition, Section 9.03(b) relating to the Insurer shall apply to the defeasance of the 2006 Series B Bonds.

Section 10.13. Payments Under the Insurance Policy. The following provisions apply to claims upon the Insurance Policy with respect to the 2006 Series B Bonds and apply to payments by and to the Insurer:

(a) If, on the third day preceding any Interest Payment Date for the 2006 Series B Bonds there is not on deposit with the Trustee sufficient moneys available to pay all principal of and interest on the 2006 Series B Bonds due on such date, the Trustee shall immediately notify the Insurer and State Street Bank and Trust Company, N.A., New York, New York or its successor as its Fiscal Agent (the "Fiscal Agent") of the amount of such deficiency. If, by said Interest Payment Date, the Agency has not provided the amount of such deficiency, the Trustee shall simultaneously make available to the insurer and to the Fiscal Agent the registration books for the 2006 Series B Bonds maintained by the Trustee. In addition:

(i) The Trustee shall provide the Insurer with a list of the Owners of the 2006 Series B Bonds entitled to receive principal or interest payments from the Insurer under the terms of the Insurance Policy relating to the 2006 Series B Bonds and shall make arrangements for the Insurer and its Fiscal Agent (1) to mail checks or drafts to Owners of the 2006 Series B Bonds entitled to receive full or partial interest payments from the Insurer and (2) to pay principal of the 2006 Series B Bonds surrendered to the Fiscal Agent by the Owners of the 2006 Series B Bonds entitled to receive full or partial principal payments from the Insurer; and

(ii) The Trustee shall, at the time it makes the registration books available to the Insurer pursuant to (1) above, notify Owners of the 2006 Series B Bonds entitled to receive the payment of principal or of interest on the 2006 Series B Bonds from the Insurer (1) as to the fact of such entitlement, (2) that the Insurer will remit to them all or part of the interest payments coming due subject to the terms of the Insurance Policy relating to the 2006 Series B Bonds, (3) that, except as provided in paragraph (b) below, in the event that any Owner of a 2006 Series B Bond is entitled to receive full payment of principal from the Insurer, such Owner of a 2006 Series B Bond must tender his 2006 Series B Bond executed in the name of the Insurer, and (4) that, except as provided in paragraph (b) below, in the event that such Owner of a 2006 Series B Bond is entitled to receive partial payment of principal from the Insurer, such Owner of a 2006 Series B Bond must tender his 2006 Series B Bond for payment first to the Trustee, which shall note on such 2006 Series B Bond the portion of principal paid by the Trustee, and then, with an acceptable form of assignment executed in the name of the Insurer, to the Fiscal Agent, which will then pay the unpaid portion of principal to the Owner of the 2006 Series B Bonds subject to the terms of the Insurance Policy.

(b) In the event that the Trustee has notice that any payment of principal of or interest on a 2006 Series B Bond has been recovered from an Owner of a 2006 Series B Bond

pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time it provides notice to the Insurer, notify all Owners of 2006 Series B Bonds that in the event that any such Owner's payment is so recovered, such Owner will be entitled to payment from the Insurer to the extent of such recovery, and the Trustee shall furnish to the Insurer its records evidencing the payments of principal of and interest on the 2006 Series B Bonds which have been made by the Trustee and subsequently recovered from Owners of the 2006 Series B Bonds, and the dates on which such payments were made.

(c) The Insurer shall, to the extent it makes payment of principal of or interest on the 2006 Series B Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Insurance Policy relating to the 2006 Series B Bonds and, to evidence such subrogation, (A) in the case of subrogation as to claims for past due interest, the Trustee shall note the Insurer's rights as subrogee on the registration books maintained by the Trustee upon receipt from the Insurer of proof of the payment of interest thereon to the Owners of the 2006 Series B Bonds and (B) in the case of subrogation as to claims for past due principal, the Trustee shall note the Insurer's right as subrogee on the registration books for the 2006 Series B Bonds maintained by the Trustee upon receipt of proof of the payment of principal thereof to the Owners of such 2006 Series B Bonds. Notwithstanding anything in the Indenture or the 2006 Series B Bonds to the contrary, the Trustee shall make payment of such past due interest and past due principal directly to the Insurer to the extent that the Insurer is a subrogee with respect thereto.

Section 10.14. Rights of the Insurer; Consent of the Insurer. As long as the Insurance Policy shall be in full force and effect, the following shall apply:

(a) With respect to the Insurer and the Insurance Policy insuring debt service on the 2006 Series B Bonds, the following provisions shall govern, notwithstanding anything to the contrary set forth in the Indenture. The rights granted to the Insurer under the Indenture to request, consent to or direct any action are rights granted to the Insurer in consideration of its issuance of the Insurance Policy. In this regard, the Insurer is a third party beneficiary of the Indenture. Any exercise by the Insurer of such rights is merely an exercise of the Insurer's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners of the 2006 Series B Bonds. With respect to Events of Default under this Indenture, the consent of the owners of the 2006 Series B Bonds shall not be required in addition to consent of the Insurer where the Insurer is granted such right of consent.

(b) The Insurer shall be deemed to be the sole owner of the 2006 Series B Bonds insured by it for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the owners of the 2006 Series B Bonds insured by it are entitled to take pursuant to this Indenture. Except as otherwise provided in this Indenture, no contract shall be entered into or action taken by which the rights of the Insurer or the security or sources of payment for the 2006 Series B Bonds may be impaired or prejudiced, except upon obtaining the prior written consent of the Insurer.

(c) The rights of the Insurer to direct or consent to Agency, Trustee or Bondowner actions under this Indenture shall be suspended during any period in which the Insurer is in default in its payment obligations under the Insurance Policy (except to the extent of amounts previously paid by the Insurer and due and owing to the Insurer) and shall be of no force or effect in the event the Insurance Policy is no longer in effect or the Insurer asserts that the Insurance Policy is not in effect or the Insurer shall have provided written notice that it waives such rights.

(d) The Insurer shall be deemed to be the Owner of all 2006 Series B Bonds insured under the Insurance Policy for the following purposes and provided that the Insurer is not in default under the terms of the Insurance Policy, during the following times under this Indenture: (a) at all times for the purpose of the execution and delivery of a Supplemental Indenture relating to any amendment, change or modification of this Indenture where the consent of the Bondowners is required; (b) at all times with respect to the initiation by the Bondowners of any action to be taken under this Indenture by the Trustee at the request of such Bondowners, which under this Indenture requires the written approval or consent of or permits initiation by the owners of a specified principal amount of Bonds then Outstanding; and (c) following the occurrence of an Event of Default for all other purposes. With respect to any amendment of this Indenture, each rating agency rating the 2006 Series B Bonds must receive notice of each amendment and a copy thereof at least fifteen (15) days prior to its execution or adoption. The Insurer shall be provided with a full transcript of the all proceedings relating to the execution of any such amendment.

(e) The Agency shall, to the extent permitted by law, pay or reimburse the Insurer for any and all charges, fees, costs and expenses which the Insurer may reasonably pay or incur in connection with the pursuit of any remedies under this Indenture or the enforcement of this Indenture or otherwise afforded by law or equity other than resulting from the failure of the Insurer to honor its obligations under the Insurance Policy. The Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Indenture.

(f) Payments required to be made to the Insurer shall be payable solely from Tax Revenues and other amounts pledged under this Indenture and shall be paid (i) prior to an Event of Default after required deposits to the Debt Service Fund and (ii) on and after an Event of Default, with respect to amounts other than principal and interest on the Bonds, on a priority immediately following payments to the Trustee for expenses.

(g) The Insurer shall be deemed to be a party in interest under this Indenture and as a party entitled to (i) notify the Agency, the Trustee or any applicable receiver of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that could affect the 2006 Series B Bonds or the security therefor. The Trustee or receiver shall be required to accept notice of default from the Insurer.

(h) The Insurer shall be provided with the following information:

(i) Notice of any drawing upon or deficiency due to market fluctuation in the amount, if any, on deposit in the 2006 Series B Reserve Subaccount;

(ii) Notice of the advance refunding of the Bonds, including the principal amount, maturities and CUSIP numbers thereof;

(iii) Notice of any material events pursuant to Rule 15c2-12 under the Securities Exchange Act of 1934;

(iv) Notice of the resignation or removal of the Trustee;

(v) Immediate notice of any payment default and notice of any other default known to the Trustee or the Agency within thirty (30) days of the Trustee's or the Agency's knowledge thereof; and

(vi) Such additional information as the Insurer may reasonable request from time to time.

(i) The notice address for the Insurer is: Financial Guaranty Insurance Company, 125 Park Avenue, New York, New York 10017, Attention: Risk Management, and for the Fiscal Agent referenced in Section 13.14(a) below is: U.S. Bank Trust National Association, 100 Wall Street, 19th Floor, New York, New York 1005, Attention: Corporate Trust Department.

(j) Only cash, direct non-callable obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, to which direct obligation or guarantee the full faith and credit of the United States of America has been pledged, Refcorp interest strips, CATS, TIGRS, STRPS, or defeased municipal bonds rated AAA by S&P or Aaa by Moody's (or any combination of the foregoing) shall be used to effect defeasance of the Series 2006 Series B Bonds unless the Insurer otherwise approves. In the event of an advance refunding, the Agency shall cause to be delivered a verification report of an independent nationally recognized certified public accountant. If a forward supply contract is employed in connection with the refunding, (i) such verification report shall expressly state that the adequacy of the escrow to accomplish the refunding relies solely on the initial escrowed investments and the maturing principal thereof and interest income thereon and does not assume performance under or compliance with the forward supply contract, and (ii) the applicable escrow agreement shall provide that in the event of any discrepancy or difference between the terms of the forward supply contract and the escrow agreement (or the authorizing document, if no separate escrow agreement is utilized), the terms of the escrow agreement or authorizing document, if applicable, shall be controlling.

(k) Notwithstanding anything to the contrary in this Indenture, termination payments pursuant to any swap arrangement entered into by the Agency with respect to the Bonds shall be subordinate to all debt service on the 2006 Series B Bonds and all payments required to be made to restore the 2006 Series B Bonds Reserve Account Subaccount.

Section 10.15. Reserve Account Surety Bond. The portion of the Reserve Requirement allocable to the 2006 Series B Bonds shall be satisfied initially by the credit to the Reserve Account of the Bond Reserve Fund Policy. For such purpose there is hereby established the 2006 Series B Bonds Reserve Account Subaccount of the Reserve Account to be held by the Trustee. As long as the Bond Reserve Fund Policy shall be in full force and effect, the Trustee and the Agency, if applicable, agree to comply with the following provisions and the Agency agrees to comply with the provisions of the Bond Reserve Fund Policy Agreement:

(a) Notwithstanding anything in this Indenture to the contrary, in the event that amounts on deposit in the 2006 Series B Bonds Reserve Account Subaccount are required to be withdrawn to pay the principal of and interest on the 2006 Series B Bonds, if and to the extent that cash is on deposit in the 2006 Series B Bonds Reserve Account Subaccount, all such cash shall be used (or investments purchased with such cash shall be liquidated and the proceeds applied as required in Section 4.03(d) prior to any drawing being made under the Bond Reserve Fund Policy, and the repayment of Policy Costs (as defined in the Bond Reserve Fund Policy Agreement) shall be made prior to the replenishment of any such cash amounts and shall enjoy the same priority as the obligation to maintain and refill the 2006 Series B Bonds Reserve Account Subaccount. Additionally, if in addition to the Bond Reserve Fund Policy, any other surety bond, insurance policy or letter of credit (an "Additional Reserve Account Credit

Instrument") is provided, drawings under the Bond Reserve Fund Policy and such Additional Reserve Account Credit Instrument, and repayment of the Policy Costs and reimbursements of amounts due in connection with the Additional Reserve Account Credit Instrument shall be made on a pro rata basis (calculated by reference to the maximum amounts available to be drawn thereunder) after applying all available cash and Permitted Investments on deposit in the 2006 Series B Bonds Reserve Account Subaccount and prior to the replenishment of any such cash draws, respectively.

(b) To the extent that a drawing is made on the Bond Reserve Fund Policy, the Agency shall repay such draw and related expenses as provided in the Bond Reserve Fund Policy Agreement (notwithstanding anything to the contrary set forth in Section 4.03(d) of this Indenture). Such draw and related expenses shall bear interest at a rate equal to the lower of (i) the prime rate of JPMorgan Chase Bank in effect from time to time plus 2% per annum and (ii) the highest rate permitted by law. Repayment of Policy Costs shall be in an amount equal to 1/12 of the aggregate of Policy Costs related to a draw on the Bond Reserve Fund Policy. Repayment of Policy Costs shall commence in the month following each draw.

(c) If the Agency fails to pay any Policy Costs in accordance with the provisions of the Bond Reserve Fund Policy Agreement, the Insurer shall be entitled to exercise any and all remedies available at law or under this Indenture or the Bond Reserve Fund Policy Agreement other than (i) acceleration of the maturity of the 2006 Series B Bonds or (ii) remedies which would adversely affect the Owners of the 2006 Series B Bonds.

(d) This Indenture shall not be deemed discharged until all Policy Costs shall have been paid in full.

(e) As security for the Agency's repayment obligations with respect to the Bond Reserve Fund Policy Agreement, the Insurer, as provider of the Bond Reserve Fund Policy, is hereby granted a security interest in the Tax Revenues and amounts held by the Trustee hereunder, which security interest shall be subordinate to the security interest granted to the Owners of the Bonds, including any Parity Debt and on a parity with the security interest granted to the provider of an Additional Reserve Account Credit Instrument.

(f) In determining whether the Agency complies with the conditions for issuance of Parity Debt set forth in Section 3.05, there shall also be taken into account any Policy Costs then due and payable, provided that there need be only one times coverage with respect thereto. Additionally, in the event that any Policy Costs are past due and owing, no Parity Debt may be issued pursuant to Section 3.05 without the consent of the Insurer, as provider of the Bond Reserve Fund Policy.

(g) The Trustee shall ascertain the necessity for a claim upon the Bond Reserve Fund Policy and provide notice to the Insurer, as the provider thereof, in accordance with the provisions of the Bond Reserve Fund Policy, at least two (2) days prior to the applicable Interest Payment Date.

Section 10.16. Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the 2006 Series B Bonds and the rights and benefits provided in this Indenture.

* * * *

SECTION 2. Attachment of Exhibit B. The 2006 Series A Bonds Indenture is also hereby further amended by attaching thereto and incorporating therein an Exhibit B setting forth the form of the 2006 Series B Bonds, which shall read substantially as set forth in Appendix A which is attached hereto and by this reference incorporated herein.

SECTION 3. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this First Supplement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this First Supplement. The Agency hereby declares that it would have entered into this First Supplement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the 2006 Series B Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this First Supplement may be held illegal, invalid or unenforceable.

SECTION 4. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

SECTION 5. Governing Law. This First Supplement shall be construed and governed in accordance with the laws of the State of California.

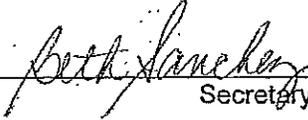
IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA has caused this First Supplement to be signed in its name by its Executive Director and attested by its Secretary, and UNION BANK OF CALIFORNIA, N.A., in token of its acceptance of the trusts created hereunder, has caused this First Supplement to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

REDEVELOPMENT AGENCY OF THE
CITY OF SANTA MONICA

By: 
Executive Director

(S E A L)

ATTEST:


Secretary

APPROVED AS TO FORM

By: 
Agency General Counsel

UNION BANK OF CALIFORNIA, N.A., as
Trustee

By: _____
Authorized Officer

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA has caused this First Supplement to be signed in its name by its Executive Director and attested by its Secretary, and UNION BANK OF CALIFORNIA, N.A., in token of its acceptance of the trusts created hereunder, has caused this First Supplement to be signed in its corporate name by its officers thereunto duly authorized, all as of the day and year first above written.

REDEVELOPMENT AGENCY OF THE
CITY OF SANTA MONICA

By: _____
Executive Director

(SEAL)

ATTEST:

Secretary

APPROVED AS TO FORM

By: _____
Agency General Counsel

UNION BANK OF CALIFORNIA, N.A., as
Trustee

By: *Kimberly Reed*
Authorized Officer

APPENDIX A
EXHIBIT B TO INDENTURE
(FORM OF 2006 SERIES B BOND)

No. _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA

REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA
EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT
2006 TAXABLE TAX ALLOCATION REFUNDING BOND, SERIES B

INTEREST RATE:
%

MATURITY DATE:
July 1,

DATED DATE:
April 27, 2006

CUSIP:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT:

The Redevelopment Agency of the City of Santa Monica, a public body, corporate and politic, duly organized and existing under the laws of the State of California (the "Agency"), for value received, hereby promises to pay (but only out of the Tax Revenues and other moneys and securities hereinafter referred to) to the Registered Owner specified above or registered assigns (the "Registered Owner"), on the Maturity Date specified above (subject to any right of prior redemption hereinafter provided for), the Principal Amount specified above in lawful money of the United States of America, and to pay interest thereon at the Interest Rate specified above in like lawful money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth (15th) calendar day of the month preceding such Interest Payment Date (a "Record Date"), in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to June 15, 2006, in which event it shall bear interest from the Dated Date specified above; *provided, however*, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on January 1 and July 1 in each year, commencing July 1, 2006 (the "Interest Payment Dates"), until payment of such Principal Amount in full. The Principal Amount hereof is payable upon presentation hereof at the principal corporate trust office of Union Bank of California, N.A. in Los Angeles, (the "Trustee"), or such other office of the Trustee as the Trustee may designate (the "Principal Corporate Trust Office"). Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds,

which written request is on file with the Trustee prior to the Record Date immediately preceding the applicable Interest Payment Date, interest on such Bonds shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B" (the "Bonds") of an aggregate principal amount of Fourteen Million Seven Hundred Seventy-Five Thousand Dollars (\$14,775,000), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), and pursuant to an Indenture of Trust, dated as of April 1, 2006, by and between the Agency and the Trustee as supplemented and amended by a First Supplement to Indenture of Trust, dated as of April 1, 2006, by and between the Agency and the Trustee (as so amended and supplemented, the "Indenture"). The Bonds have been issued on a parity with the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A, issued in the original principal amount of \$49,945,000 (the "2006 Series A Bonds"). The Agency may issue or incur additional obligations on a parity with the 2006 Series A Bonds and the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency for the purpose of providing funds to refinance redevelopment activities with respect to its Earthquake Recovery Redevelopment Project (the "Project Area").

In accordance with the Indenture, this Bond and the interest hereon, together with all other Bonds, all 2006 Series A Bonds and all other Parity Debt (as defined in the Indenture) and the interest thereon (to the extent set forth in the Indenture), are payable from, and are secured by a pledge of and lien on the Tax Revenues derived by the Agency from the Project Area. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms and provisions of the Indenture and the Redevelopment Law, to the payment of the principal of and interest on the Bonds, the 2006 Series A Bonds and any additional Parity Debt. Notwithstanding the foregoing, certain Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt, liability or obligation of the City of Santa Monica, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

The rights and obligations of the Agency and the owners of the Bonds may be modified or amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such modification or amendment shall permit a change in the terms of maturity of the principal of any outstanding Bond or of any installment of interest thereon or a reduction

in the rate of interest thereon without the consent of the owner of such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Bonds are not subject to optional redemption or mandatory sinking account redemption by the Agency.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the Trustee may, and if requested by a majority in aggregate principal amount of the Bonds then outstanding shall, exercise any remedies available to the Trustee in law or in equity.

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

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

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

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

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

IN WITNESS WHEREOF, THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chair and its seal to be reproduced hereon and attested to by the facsimile signature of its Secretary, all as of the Dated Date set forth above.

REDEVELOPMENT AGENCY OF THE CITY OF
SANTA MONICA

By: _____
Chair

(SEAL)

ATTEST:

By: _____
Secretary

CERTIFICATE OF AUTHENTICATION

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

Dated: _____

UNION BANK OF CALIFORNIA, N.A.
as *Trustee*

By: _____
Authorized Signatory

STATEMENT OF INSURANCE

[To Come]

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 Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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

SECOND SUPPLEMENT TO INDENTURE OF TRUST

Dated as of June 1, 2011

By and Between

REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA

and

**UNION BANK, N.A.,
as Trustee**

Relating to

**\$41,050,000
REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA
EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT
2011 TAX ALLOCATION BONDS**

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SECOND SUPPLEMENT TO INDENTURE OF TRUST

This SECOND SUPPLEMENT TO INDENTURE OF TRUST (this "Second Supplement"), dated as of June 1, 2011, is by and between the REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Agency"), and Union Bank, N.A. (formerly known as Union Bank of California, N.A.), a national banking association organized and existing under the laws of the United States of America, as trustee under the hereinafter defined Bond Indenture (the "Trustee");

WITNESSETH:

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

WHEREAS, a redevelopment plan for the Santa Monica Earthquake Recovery Redevelopment Project (the "Redevelopment Project") has been adopted by the Agency pursuant to all applicable requirements of the Redevelopment Law; and

WHEREAS, the Agency has previously issued its Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A and its Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B (collectively, the "2006 Bonds") pursuant to an Indenture of Trust and First Supplement to Indenture of Trust, each dated as of April 1, 2006 (collectively, the "Existing Indenture") between the Agency and Union Bank of California, N.A. (now known as Union Bank, N.A.), as trustee (the "Trustee"); and

WHEREAS, in order to finance redevelopment activities of the Agency in or of benefit to the Project Area the Agency has determined to issue hereunder its Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2011 Tax Allocation Bonds, in the principal amount of \$41,050,000 (the "2011 Bonds") on a parity with the 2006 Bonds pursuant to the Existing Indenture and this Second Supplement, all as provided herein; and

WHEREAS, the 2011 Bonds will be payable from Tax Revenues (as herein defined) on a parity with the 2006 Bonds; and

WHEREAS, the Agency has certified that all acts and proceedings required by law necessary to make the 2011 Bonds, when executed by the Agency, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Agency, and to constitute this Second Supplement a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Second Supplement have been in all respects duly authorized.

NOW, THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties hereto do hereby agree as follows:

SECTION 1. Supplement to Bond Indenture. In accordance with the provisions of Section 7.01(c) of the Bond Indenture, the Bond Indenture is hereby amended by adding a

supplement thereto consisting of a new article to be designated as Article XI. Such Article XI shall read in its entirety as follows:

ARTICLE XI

2011 Bonds

Section 11.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 11.01 shall, for all purposes of this Article but not for any other purposes of this Indenture, have the respective meanings specified in this Section 11.01. All terms defined in Section 1.01 and not otherwise defined in this Section 11.01 shall, when used in this Article XI, have the respective meanings given to such terms in Section 1.01.

“Article XI” means this Article XI which has been incorporated in and made a part of this Indenture pursuant to the Second Supplement, together with all amendments of and supplements to this Article XI entered into pursuant to the provisions of Section 7.01.

“Bond Year” means the one-year period beginning on July 2 in any year and ending on the next succeeding July 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on July 1, 2012.

“Closing Date” means the date on which the 2011 Bonds are delivered to the Original Purchaser.

“Continuing Disclosure Certificate” means that certain Continuing Disclosure Certificate relating to the 2011 Bonds executed by the Agency and dated the date of issuance and delivery of the 2011 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the Agency relating to the authorization, issuance, sale and delivery of the 2011 Bonds, including but not limited to printing expenses, rating agency fees, municipal bond insurance and surety bond premiums, filing and recording fees, 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 the 2011 Bonds and any other cost, charge or fee in connection with the original issuance of the 2011 Bonds.

“Second Supplement” means the Second Supplement to Indenture of Trust, dated as of June 1, 2011, by and between the Agency and the Trustee, as the same may be amended from time to time in accordance with the terms of the Bond Indenture.

“Interest Payment Date” means July 1, 2011, and each January 1 and July 1 thereafter so long as any of the Bonds remain unpaid.

“Original Purchaser” means collectively E.J. De La Rosa & Co., Inc., on behalf of itself and Wells Fargo Bank National Association, as the initial underwriters of the 2011 Bonds.

“Participating Underwriter” has the meaning ascribed thereto in the Continuing Disclosure Certificate.

“Bond Indenture” means the Indenture of Trust, dated as of April 1, 2006, by and between the Agency and the Trustee as amended to date and, as the same may be amended from time to time in accordance with the terms thereof, including, without limitation, as amended and supplemented by the Second Supplement.

“2011 Bonds” means the Bonds which are authorized and issued under Section 11.02.

“2011 Bonds Costs of Issuance Fund” means the fund by that name established and held by the Trustee pursuant to Section 11.07.

“2011 Bonds Redevelopment Account” means the account by that name established and held by the Trustee in the Redevelopment Fund pursuant to Section 11.07.

“2011 Bonds Reserve Account Subaccount” means the subaccount, by that name established and held by the Trustee pursuant to Section 11.14.

Section 11.02. Authorization of 2011 Bonds. The 2011 Bonds are issued as Parity Debt in the aggregate principal amount of FORTY-ONE MILLION FIFTY THOUSAND DOLLARS (\$41,050,000) under and subject to the terms of this Indenture and the Redevelopment Law, for the purpose of providing funds to finance redevelopment activities with respect to the Redevelopment Projects. This Indenture constitutes a continuing agreement with the Owners of all of the 2011 Bonds issued hereunder and at any time Outstanding to secure the full and final payment of principal of and premium, if any, and interest on all 2011 Bonds which may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained. The 2011 Bonds shall be designated the “Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2011 Tax Allocation Bonds”. Upon the execution and delivery of the Second Supplement, the Agency shall execute and deliver 2011 Bonds in the aggregate principal amount of \$41,050,000 to the Trustee and the Trustee shall authenticate and deliver the 2011 Bonds to the Original Purchaser upon receipt of a Request of the Agency therefor.

Section 11.03. Terms of 2011 Bonds. The 2011 Bonds shall be dated as of the Closing Date, and shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof and shall be subject to the book entry system provisions of Section 2.11. The 2011 Bonds shall mature on July 1 in each of the years and in the respective principal amounts, and shall bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) which is payable on each Interest Payment Date in the respective amounts, as set forth in the following table:

<i>Maturity (July 1)</i>	<i>Principal Amount</i>	<i>Interest Rate</i>
2032	\$ 7,105,000	5.000%
2036	11,390,000	5.875
2042*	12,600,000	5.875
2042**	9,955,000	5.000

* bearing interest at 5.875%

** bearing interest at 5.000%

Interest on the 2011 Bonds shall be payable from the Interest Payment Date next preceding the date of authentication thereof unless (i) a 2011 Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it shall bear interest from such Interest Payment Date, (ii) a 2011 Bond is authenticated on or before the first Record Date with respect to the 2011 Bonds, in which event interest thereon shall be payable from the Closing Date, or (iii) interest on any 2011 Bond is in default as of the date of authentication thereof, in which event interest thereon shall be payable from the date to which interest has been paid in full, payable on each Interest Payment Date. Interest shall be paid on each Interest Payment Date to the persons in whose names the ownership of the 2011 Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date. Interest on any 2011 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 2011 Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which shall be given to such Owner not less than ten (10) days prior to such special record date.

Interest on the 2011 Bonds shall be paid by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the 2011 Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date; provided, however, that at the written request of the Owner of 2011 Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee prior to any Record Date, interest on such 2011 Bonds shall be paid on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account at a financial institution within the United States of America as shall be specified in such written request. The principal of the 2011 Bonds and any redemption premium shall be payable in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof to the Trustee.

Section 11.04. Redemption. The 2011 Bonds are subject to optional redemption or mandatory sinking account redemption by the Agency's set forth below:

(i) *Optional Redemption.*

The 2011 Bonds maturing on or before July 1, 2021, shall not be subject to optional redemption prior to maturity. The 2011 Bonds maturing on or after July 1, 2022, shall be subject to redemption in whole, or in part among such maturities as shall be determined by the Agency, and in any case by lot within a maturity, at the option of the Agency, on any date on or after July 1, 2021, from any available source of funds, at a redemption price equal to the principal amount of the 2011 Bonds to be redeemed, plus accrued interest thereon to the redemption date, without premium.

The Agency shall be required to give the Trustee written notice of its intention to redeem 2011 Bonds and of the annual maturities determined to be redeemed under this subsection (a) at least forty-five (45) days prior to the date fixed for such redemption (or such lesser number of days as the Trustee may accept).

(ii) *Sinking Account Redemption.*

(A) The 2011 Bonds maturing July 1 in each of the years 2032, 2036, 2042 (bearing interest at 5.875%) and 2042 (bearing interest at 5.000%) shall be subject to

mandatory sinking fund redemption in part by lot on July 1, 2030, July 1, 2033, July 1, 2037 and July 1, 2037, respectively, and on July 1 in each year thereafter, from Sinking Account payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased by the Agency as described below, in the aggregate respective principal amounts and on the dates as set forth in the following table (provided, however, that if some but not all of such 2011 Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such 2011 Bonds shall be reduced by the aggregate principal amount of such 2011 Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis, or on such other basis, in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Term 2011 Bond Maturing on July 1, 2032

<i>Sinking Account Redemption Date (July 1)</i>	<i>Principal Amount To Be Redeemed or Purchased</i>
2030	\$2,255,000
2031	2,365,000
2032 [†]	2,485,000

† Maturity.

Term 2011 Bond Maturing on July 1, 2036

<i>Sinking Account Redemption Date (July 1)</i>	<i>Principal Amount To Be Redeemed or Purchased</i>
2033	\$2,610,000
2034	2,760,000
2035	2,925,000
2036 [†]	3,095,000

† Maturity.

**Term 2011 Bond Maturing on July 1, 2042
(Bearing Interest at 5.875%)**

<i>Sinking Account Redemption Date (July 1)</i>	<i>Principal Amount To Be Redeemed or Purchased</i>
2037	\$1,830,000
2038	1,930,000
2039	2,035,000
2040	2,150,000
2041	2,265,000
2042 [†]	2,390,000

† Maturity.

**Term 2011 Bond Maturing on July 1, 2042
(Bearing Interest at 5.000%)**

<i>Sinking Account Redemption Date (July 1)</i>	<i>Principal Amount To Be Redeemed or Purchased</i>
2037	\$1,445,000
2038	1,525,000
2039	1,610,000
2040	1,695,000
2041	1,790,000
2042 [†]	1,890,000

† Maturity.

(B) In lieu of redemption of any 2011 Bonds pursuant to the preceding paragraph (i) of this subsection (b), amounts on deposit in the Special Fund may also be used and withdrawn by the Agency at any time for the purchase of such 2011 Bonds at public or private sale as and when and at such prices (including brokerage and other charges and including accrued interest) as the Agency may in its discretion determine. The par amount of any of the 2011 Bonds so purchased by the Agency in any twelve-month period ending on January 1 in any year shall be credited towards and shall reduce the par amount of such 2011 Bonds required to be redeemed pursuant to this subsection (b) on July 1 in such year.

(iii) *Notice of Redemption.* The Trustee on behalf and at the expense of the Agency shall mail (by first class mail) notice of any redemption to the respective Owners of any 2011 Bonds designated for redemption at their respective addresses appearing on the Registration Books, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption; *provided, however*, that 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 2011 Bonds or the cessation of the accrual of interest thereon. 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 individual number of each 2011 Bond to be redeemed or state that all 2011 Bonds between two stated numbers (both inclusive) have been called unless all 2011 Bonds within a maturity have been called, or will state that all of the 2011 Bonds Outstanding of one or more maturities and Series are to be redeemed, and shall require that such 2011 Bonds be then surrendered at the office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2011 Bonds will not accrue from and after the redemption date.

Additionally, on the date on which the notice of redemption is mailed to the Owners of the 2011 Bonds pursuant to the provisions above, such notice of redemption shall be given by (i) first class mail, postage prepaid, (ii) confirmed facsimile transmission, or (iii) overnight delivery service to the Agency, to each of the Securities Depositories and to one or more of the Information Services as shall be designated in writing by the Agency to the Trustee.

(iv) *Manner of Redemption.* Whenever provision is made in this Section 11.04 for the redemption of less than all of the 2011 Bonds of any maturity, the Trustee shall select the 2011 Bonds of such maturity to be redeemed by lot in any manner which the Trustee in its sole discretion shall deem appropriate. For purposes of such selection, all 2011 Bonds shall be deemed to

be comprised of separate \$5,000 denominations and such separate denominations shall be treated as separate 2011 Bonds which may be separately redeemed.

(v) *Partial Redemption of 2011 Bonds.* In the event only a portion of any 2011 Bond is called for redemption, then upon surrender of such 2011 Bond the Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Agency, a new 2011 Bond or 2011 Bonds of the same maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the 2011 Bond to be redeemed.

(vi) *Effect of Redemption.* From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the 2011 Bonds so called for redemption shall have been duly provided, such 2011 Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date specified in such notice. All 2011 Bonds redeemed pursuant to this Section 11.04 shall be canceled and destroyed.

(vii) *Rescission.* The Agency shall have the right to rescind any optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption shall be cancelled and annulled if for any reason funds will not or are not available on the date fixed for redemption for the payment in full of the 2011 Bonds then called for redemption, and such cancellation shall not constitute an Event of Default under the Indenture. The Agency and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

Section 11.05. Form and Execution of 2011 Bonds, CUSIP Numbers. The 2011 Bonds, the form of Trustee's Certificate of Authentication, and the form of Assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit C attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The 2011 Bonds shall be executed on behalf of the Agency by the signature of its Chair and the signature of its Secretary who are in office on the date of execution and delivery of the Second Supplement or at any time thereafter, and the seal of the Agency shall be impressed, imprinted or reproduced by facsimile signature thereon. Either or both of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on any 2011 Bond ceases to be such officer before delivery of the 2011 Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the 2011 Bonds to the purchaser. Any 2011 Bond may be signed and attested on behalf of the Agency by such persons as at the actual date of the execution of such 2011 Bond shall be the proper officers of the Agency although on the date of such 2011 Bond any such person shall not have been such officer of the Agency.

Only such of the 2011 Bonds as shall bear thereon a Certificate of Authentication in the form set forth in Exhibit C, executed and dated by the Trustee, shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such Certificate of the Trustee shall be conclusive evidence that such 2011 Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

The Trustee and the Agency shall not be liable for any omission, defect or inaccuracy in the CUSIP number that appears on any 2011 Bond or in any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2011 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee nor the Agency shall be liable for any inaccuracies in such numbers.

Section 11.06. Application of Proceeds of Sale of 2011 Bonds. Upon the receipt of payment of the purchase price for the 2011 Bonds (\$41,238,542.30) on the Closing Date (representing \$41,050,000 principal amount plus net original issue premium of \$409,673.80 and less Underwriters' discount of \$22,131.50), the proceeds thereof shall be paid to the Trustee and deposited in a temporary fund (if required by the Trustee to make the following transfers and deposits, which temporary fund shall be closed after such transfers and deposits have been made), all of the amounts on deposit in which shall be transferred on the Closing Date as follows:

(a) The Trustee shall deposit to the 2011 Bonds Costs of Issuance Fund the amount of \$250,000.

(b) The Trustee shall transfer to the Agency for deposit in the 2011 Bonds Redevelopment Account of the Redevelopment Fund created pursuant to Section 3.04(a) of the Indenture the amount of \$38,726,129.80 for application in accordance with Section 3.04(a) and Section 11.07(b).

(c) The Trustee shall deposit to the 2011 Bonds Subaccount of the Reserve Account the amount of \$2,262,412.50 which shall, together with the credit of the Reserve Account Surety Bond to the 2006 Series A Bonds Reserve Account Subaccount with respect to the 2006 Series A Bonds and the 2006 Series B Bonds Reserve Account Subaccount with respect to the 2006 Series B Bonds, represents the full amount of the Reserve Requirement upon delivery of the 2011 Bonds.

Section 11.07. 2011 Bonds Costs of Issuance Fund and 2011 Bonds Redevelopment Account. (a) There is hereby established a separate fund to be known as the "2011 Bonds Costs of Issuance Fund", which shall be held by the Trustee in trust. The moneys in the 2011 Bonds Costs of Issuance Fund shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance upon submission of a Written Request of the Agency 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 is a proper charge against the 2011 Bonds Costs of Issuance Fund, and (e) that such amounts have not been the subject of a prior Written Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. On the earlier of (i) November 1, 2011, or (ii) the date of receipt by the Trustee of a Request of the Agency therefor, all amounts (if any) remaining in the 2011 Bonds Costs of Issuance Fund shall be withdrawn therefrom by the Trustee and deposited in the Interest Account.

(b) There is hereby established a separate account in the Redevelopment Fund to be known as the "2011 Bonds Redevelopment Account", which shall be held by the Agency. The moneys in the 2011 Bonds Redevelopment Account shall be used and withdrawn by the Agency from time to time to pay authorized costs upon submission (and retention in the records of the Agency) of a Written Request of the Agency 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 is a proper charge against the 2011 Bonds Redevelopment Account and the Redevelopment

Fund, and (e) that such amounts have not been the subject of a prior Written Request of the Agency; in each case together with a statement or invoice for each amount requested thereunder. On the date of the Agency's certification (and retention in the records of the Agency) that it has completed the expenditure of all amounts to be expended from the 2011 Bonds Redevelopment Account, all amounts (if any) remaining in the 2011 Bonds Redevelopment Account shall be withdrawn therefrom and transferred to the Trustee for deposit in the Interest Account.

Section 11.08 Security for 2011 Bonds. The 2011 Bonds shall be Parity Debt within the meaning of such term in Section 1.02 and shall be secured in the manner and to the extent set forth in Article IV. As provided in Section 4.01, the 2011 Bonds shall be secured on a parity with all other Bonds issued under this Indenture, including the 2006 Bonds, by a first pledge of and lien on all of the Tax Revenues in the Special Fund and the moneys in the Reserve Account. Without limiting any other provision of this Indenture, the Agency hereby covenants and agrees to pay all amounts due under the Indenture with respect to the 2011 Bonds maturing July 1, 2042 on or before the last day for the Agency to repay indebtedness pursuant to the Redevelopment Plan and the Redevelopment Law. Anything to the contrary in this Indenture notwithstanding, in no event shall that portion of Tax Revenues identified in part (a) of the definition of Tax Revenues set forth in Section 1.01 hereof be available for the payment of debt service on the 2011 Bonds, without regard to the Agency's application of such proceeds to certain housing purposes, except upon compliance with the terms of that certain Credit Agreement between the Agency and Bank of America, N.A., dated as of May 1, 2008.

Section 11.09 Continuing Disclosure. The Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the Agency to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or any holder or beneficial owner of the 2011 Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Agency to comply with its obligations under this Section 11.09.

Section 11.10 Benefits Limited to Parties. Nothing in this Article XI, expressed or implied, is intended to give to any person other than the Agency, the Trustee, and the Owners of the 2011 Bonds, any right, remedy, claim under or by reason of this Article XI. Any covenants, stipulations, promises or agreements in this Article XI contained by and on behalf of the Agency shall be for the sole and exclusive benefit of the Trustee, and the Owners of the 2011 Bonds.

Section 11.11. Federal Tax Covenants. The provisions of Section 5.11 and the further provisions of this Indenture relating to the Tax Code shall apply to the 2011 Bonds as if restated in full herein.

Section 11.12. 2011 Bonds Reserve Subaccount. The 2011 Bonds Reserve Subaccount is hereby created as a subaccount of the Reserve Account. The portion of the Reserve Requirement allocable to the 2011 Bonds shall be satisfied initially by the deposit of a portion of the proceeds of the 2011 Bonds to the 2011 Bonds Reserve Subaccount pursuant to Section 11.06 hereof. Notwithstanding any other provision of this Indenture to the contrary, amounts on deposit therein shall be applied exclusively to the payment of 2011 Bonds.

Section 11.13. Effect of this Article XI. Except as in this Article XI expressly provided or except to the extent inconsistent with any provision of this Article XI, the 2011 Bonds shall be

deemed to be Bonds under and within the meaning of Section 1.02, and every term and condition contained in the other provisions of this Indenture shall apply to the 2011 Bonds with full force and effect, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Article XI. In addition, Section 9.03(b) relating to the 2006 Insurer shall apply to the defeasance of the 2011 Bonds.

Section 11.14. Further Assurances. The Agency will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture, and for the better assuring and confirming unto the Owners of the 2011 Bonds and the rights and benefits provided in this Indenture.

SECTION 2. Attachment of Exhibit C. The Bond Indenture is also hereby further amended by attaching thereto and incorporating therein an Exhibit C setting forth the form of the 2011 Bonds, which shall read substantially as set forth in Appendix A which is attached hereto and by this reference incorporated herein.

SECTION 3. Amendment of Indenture. The effectiveness of the following amendments shall be deemed a condition precedent to the issuance of the 2011 Bonds, and such amendments shall become effective prior to the issuance of the 2011 Bonds.

(a) The definition of "Reserve Requirement" in Section 1.01 is hereby amended to add the following proviso at the end thereof:

"provided, for purposes of the issuance of Parity Debt under Section 3.05, during such time as the Bond Reserve Fund Policy is in effect and no default exists thereunder, it shall be sufficient for purposes of compliance with Section 3.05(d) that a Reserve Account shall be funded in an amount equal to the Reserve Requirement, treating for this purpose the portion of the Reserve Requirement allocable to the Series 2006A Bonds and 2006 Series B Bonds (and represented by and available to be claimed under the Bond Reserve Fund Policy) as fully allocable to the Reserve Requirement without regard to whether the Parity Debt is scheduled to be Outstanding for a term beyond the term of the 2006 Bonds and the Bond Reserve Fund Policy, subject to the provisions of the last sentence of the second paragraph of Section 4.03(d) requiring the Agency to take certain actions upon the expiration or default with respect to any Qualified Reserve Account Credit Instrument."

(b) Section 4.03(d) of the Indenture is hereby amended to read in full as follows:

(d) Reserve Account. In addition to the Reserve Account, the Trustee shall establish within the Reserve Account the 2006 Series A Bonds Reserve Account Subaccount. In the event that the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time becomes less than the Reserve Requirement, the Trustee shall promptly notify the Agency of such fact. Promptly upon receipt of such notice, the Agency shall transfer to the Trustee for deposit in the applicable subaccount to which the deficiency relates (pro rata in the event a deficiency exists in more than one subaccount and Tax Revenues are insufficient to fund the entire deficiency) an amount of available Tax Revenues sufficient to maintain the Reserve Requirement on deposit in the Reserve Account. Amounts in the Reserve Account shall be used and withdrawn by the Trustee solely for the purpose of making transfers pursuant to any applicable Parity Debt Instrument in the

applicable order of priority and to the Interest account, the Principal Account and the Sinking Account, in such order of priority, on any date which the principal of or interest on the Bonds becomes due and payable hereunder, in the event of any deficiency at any time in any of the applicable accounts. In the event there shall be insufficient amounts in the Reserve Account to make all of the transfers required by this Section 4.03(d) and any applicable Parity Debt Instrument, then such transfers shall be made from the applicable subaccount for the benefit of the Bonds to which the applicable subaccount relates. So long as no Event of Default shall have occurred and be continuing, any amount in the Reserve Account in excess of the Reserve Requirement on the fourth (4th) Business Day preceding each Interest Payment Date shall be withdrawn from the Reserve Account by the Trustee and deposited in the Interest Account and the Interest Account established by any Parity Debt Instrument, for deposit to the applicable Bonds and/or Parity Debt to which the subaccount relates.

The Agency shall have the right at any time to direct the Trustee to release funds from the Reserve Account, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Account Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Account Credit Instrument will cause interest on the Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Agency to the Trustee of written calculation of the amount permitted to be released from the Reserve Account (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Reserve Account and deposit such funds in the Redevelopment Fund to be used solely as provided in Section 3.04(a). The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as shall reasonably be required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as shall reasonably be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (d). Upon the expiration or any default with respect to any Qualified Reserve Account Credit Instrument, the Agency shall be obligated either (i) to replace such Qualified Reserve Account Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds equal to the Reserve Requirement, to be derived from the first available Tax Revenues.

The Reserve Account shall be maintained in the form of one or more separate subaccounts which are established at the direction of the Agency for the purpose of holding the proceeds of separate issues of the bonds in conformity with applicable provisions of the Tax Code.

The portion of the Reserve Requirement allocable to the 2006 Series A Bonds shall be satisfied initially by the credit to the 2006 Series A Bonds Reserve Account Subaccount of the Bond Reserve Fund Policy. As long as the Bond Reserve Fund Policy shall be in full force and effect, the Trustee and the agency, if applicable, agree to comply with the provisions of Section 4.08 relating to the Bond Reserve Fund Policy Agreement. Amounts in the subaccount of the Reserve Account shall be available only for the payment of the Bonds, including any Parity Debt to which the subaccount relates, except as may be otherwise set forth in any Parity Debt Instrument, as to amounts in the subaccount created thereunder.

(c) Section 8.08 of the Existing Indenture is hereby amended as follows: All references to the Bonds in Section 8.08 shall mean and refer to the 2006 Series A Bonds and the 2006 Series B Bonds, and no others.

SECTION 3. Partial Invalidity. If any Section, paragraph, sentence, clause or phrase of this Second Supplement shall for any reason be held illegal, invalid or unenforceable, such holding shall not affect the validity of the remaining portions of this Second Supplement. The Agency hereby declares that it would have entered into this Second Supplement and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issue of the 2011 Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses, or phrases of this Second Supplement may be held illegal, invalid or unenforceable.

SECTION 4. Execution in Counterparts; Effective Date. This Second Supplement 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. This Second Supplement shall be effective in accordance with Section 3 hereof upon the execution thereof by the parties hereto, and the receipt by the Trustee and the Agency of the Insurer's consent to the provisions of Section 3 hereof.

SECTION 5. Governing Law. This Second Supplement shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA has caused this Second Supplement to be signed in its name by its Executive Director and attested by its Secretary, and Union Bank, N.A., in token of its acceptance of the trusts created hereunder, has caused this Second Supplement to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

REDEVELOPMENT AGENCY OF THE CITY OF
SANTA MONICA

By: 
Rod Gould
Executive Director

(S E A L)

ATTEST:


Maria M. Stewart
Secretary

UNION BANK, N.A. , as Trustee

By: _____
Authorized Officer

IN WITNESS WHEREOF, the REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA has caused this Second Supplement to be signed in its name by its Executive Director and attested by its Secretary, and Union Bank, N.A., in token of its acceptance of the trusts created hereunder, has caused this Second Supplement to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

REDEVELOPMENT AGENCY OF THE CITY OF
SANTA MONICA

By: _____
Rod Gould
Executive Director

(S E A L)

ATTEST:

Maria M. Stewart
Secretary

UNION BANK, N.A. , as Trustee
By: _____
Authorized Officer

Principal Amount in full. The Principal Amount hereof is payable upon presentation hereof at the principal corporate trust office of Union Bank, N.A. in Los Angeles, California (the "Trustee"), or such other office of the Trustee as the Trustee may designate (the "Principal Corporate Trust Office"). Interest hereon is payable by check of the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the preceding Record Date; provided that at the written request of the owner of at least \$1,000,000 aggregate principal amount of Bonds, which written request is on file with the Trustee prior to the Record Date immediately preceding the applicable Interest Payment Date, interest on such Bonds shall be paid on such Interest Payment Date by wire transfer to such account within the United States of America as shall be specified in such written request.

This Bond is one of a duly authorized issue of bonds of the Agency designated as the "Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2011 Tax Allocation Bonds" (the "Bonds") of an aggregate principal amount of Forty-One Million Fifty Thousand Dollars (\$41,050,000), all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued pursuant to the provisions of the Community Redevelopment Law of the State of California, constituting Part 1 of Division 24 of the Health and Safety Code of the State of California (the "Redevelopment Law"), and pursuant to an Indenture of Trust, dated as of April 1, 2006, by and between the Agency and the Trustee as supplemented and amended by a First Supplement to Indenture of Trust, dated as of April 1, 2006 and a Second Supplement to Indenture of Trust, dated as of June 1, 2011, in each case by and between the Agency and the Trustee (as so amended and supplemented, the "Indenture"). The Bonds have been issued on a parity with the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A, issued in the original principal amount of \$49,945,000 (the "2006 Series A Bonds") and the Redevelopment Agency of the City of Santa Monica Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B", issued in the original principal amount of \$14,775,000 (the "2006 Series B Bonds" and, together with the 2006 Series A Bonds, the "2006 Bonds"). The Agency may issue or incur additional obligations on a parity with the 2006 Bonds and the Bonds, but only subject to the terms of the Indenture. Reference is hereby made to the Indenture (copies of which are on file at the office of the Agency) and all supplements thereto and to the Redevelopment Law for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Tax Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Agency thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Agency for the purpose of providing funds to finance redevelopment activities with respect to its Earthquake Recovery Redevelopment Project (the "Project Area").

In accordance with the Indenture, this Bond and the interest hereon, together with all other Bonds, all 2006 Bonds and all other Parity Debt (as defined in the Indenture) and the interest thereon (to the extent set forth in the Indenture), are payable from, and are secured by a pledge of and lien on the Tax Revenues derived by the Agency from the Project Area. As and to the extent set forth in the Indenture, all of the Tax Revenues are exclusively and irrevocably pledged in accordance with the terms and provisions of the Indenture and the Redevelopment Law, to the payment of the principal of

and interest on the Bonds, the 2006 Bonds and any additional Parity Debt. Notwithstanding the foregoing, certain Tax Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt, liability or obligation of the City of Santa Monica, the State of California, or any of its political subdivisions, and neither said City, said State, nor any of its political subdivisions is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than the Tax Revenues.

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

The 2011 Bonds maturing on or before July 1, 2021, are not subject to redemption prior to their respective stated maturities. The 2011 Bonds maturing on or after July 1, 2022, are subject to redemption in whole, or in part among such maturities as shall be determined by the Agency and by lot within a maturity, at the option of the Agency, on any date on or after July 1, 2021 from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The 2011 Bonds maturing July 1 in each of the years 2032, 2036, 2042 and 2042 shall be subject to mandatory sinking fund redemption in part by lot on July 1, 2030, July 1, 2033, July 1, 2037 and July 1, 2037, respectively, and on July 1 in each year thereafter, from Sinking Account payments made by the Agency, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium, or in lieu thereof shall be purchased by the Agency as described below, in the aggregate respective principal amounts and on the dates as set forth in the following table (provided, however, that if some but not all of such 2011 Bonds have been redeemed, the total amount of all future Sinking Account payments attributable to such 2011 Bonds shall be reduced by the aggregate principal amount of such 2011 Bonds so redeemed, to be allocated among such Sinking Account payments on a pro rata basis, or on such other basis, in integral multiples of \$5,000 as determined by the Agency (written notice of which determination shall be given by the Agency to the Trustee)):

Term 2011 Bond Maturing on July 1, 2032

<i>Sinking Account Redemption Date (July 1)</i>	<i>Principal Amount To Be Redeemed or Purchased</i>
2030	\$2,255,000
2031	2,365,000
2032 [†]	2,485,000

[†] Maturity.

Term 2011 Bond Maturing on July 1, 2036

<i>Sinking Account Redemption Date (July 1)</i>	<i>Principal Amount To Be Redeemed or Purchased</i>
2033	\$2,610,000
2034	2,760,000
2035	2,925,000
2036 [†]	3,095,000

[†] Maturity.

**Term 2011 Bond Maturing on July 1, 2042
(Bearing Interest at 5.875%)**

<i>Sinking Account Redemption Date (July 1)</i>	<i>Principal Amount To Be Redeemed or Purchased</i>
2037	\$1,830,000
2038	1,930,000
2039	2,035,000
2040	2,150,000
2041	2,265,000
2042 [†]	2,390,000

[†] Maturity.

**Term 2011 Bond Maturing on July 1, 2042
(Bearing Interest at 5.000%)**

<i>Sinking Account Redemption Date (July 1)</i>	<i>Principal Amount To Be Redeemed or Purchased</i>
2037	\$1,445,000
2038	1,525,000
2039	1,610,000
2040	1,695,000
2041	1,790,000
2042 [†]	1,890,000

[†] Maturity.

As provided in the Indenture and subject to rescission to the extent provided in the Indenture, notice of redemption shall be mailed by first class mail, postage prepaid, not less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective owners of any 2011 Bonds designated for redemption at their addresses appearing on the 2011 Bond registration books of the Trustee, but neither failure to receive such notice nor any defect in the notice so mailed shall effect the sufficiency of the proceedings for redemption.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

If an Event of Default, as defined in the Indenture, shall occur, the Trustee may, and if requested by a majority in aggregate principal amount of the Bonds then outstanding shall, exercise any remedies available to the Trustee in law or in equity.

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

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

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

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

IN WITNESS WHEREOF, THE REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chair and attested to by the facsimile signature of its Secretary, all as of the Dated Date set forth above.

REDEVELOPMENT AGENCY OF THE CITY OF
SANTA MONICA

By: _____
Chair

ATTEST:

By: _____
Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION]

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

Dated: _____

UNION BANK, N.A., as Trustee

By: _____
Authorized Signatory

[FORM OF LEGAL OPINION]

The following is a true copy of the opinion rendered by Stradling Yocca Carlson & Rauth, a Professional Corporation, in connection with the issuance of, and dated as of the date of the original delivery of, the Bonds. A signed copy is on file in my office.

Secretary of the Redevelopment Agency of the City of
Santa Monica

[FORM OF 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 Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

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

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



EXPERIENCE COMMITMENT STRENGTH

**REDEVELOPMENT AGENCY OF THE CITY OF SANTA MONICA
EARTHQUAKE RECOVERY REDEVELOPMENT PROJECT
2011 TAX ALLOCATION BONDS**

CONSENT OF NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION

The undersigned is an authorized officer of National Public Finance Guarantee Corporation with full authority to execute this Consent on behalf of MBIA Insurance Corporation, agent and cut-through reinsurer of Financial Guaranty Insurance Company ("FGIC") with respect to that certain Indenture of Trust and First Supplement to Indenture of Trust, each dated as of April 1, 2006 (collectively, the "Indenture") between the Agency and Union Bank of California, N.A. (now known as Union Bank, N.A.), as trustee (the "Trustee") which provided for the issuance by the Redevelopment Agency of Santa Monica (the "Agency") of its Earthquake Recovery Redevelopment Project 2006 Tax Allocation Refunding Bonds, Series A and its Earthquake Recovery Redevelopment Project 2006 Taxable Tax Allocation Refunding Bonds, Series B (collectively, the "2006 Bonds"), as to each series of which FGIC issued a Financial Guaranty Insurance Policy.

We understand the Agency proposes to issue Parity Debt under the Indenture pursuant to that certain Second Supplement to Indenture dated as of June 1, 2011 (the "Second Supplement") between the Agency and the Trustee and to make certain other substantive amendments to the Indenture. The Insurer (as defined in the Indenture) represents that it is not currently in default under the Insurance Policy (as defined in the Indenture). Acting for itself and as the owner of each 2006 Series A Bond and 2006 Series B Bond (as defined in the Indenture) for the purpose of exercising all rights and privileges of Bond Owners, we hereby consent to the attached Second Supplement, including particularly Sections 11.12 of the Indenture and Section 3 of the Second Supplement thereof and waive any inconsistency therewith with any provisions of the Indenture.

This consent shall be effective upon the Trustee's and Agency's execution of the Second Supplement. Capitalized terms used herein shall have the meaning set forth in the Indenture.

**NATIONAL PUBLIC FINANCE
GUARANTEE CORPORATION, acting in its
capacity as agent and cut-through reinsurer
for Financial Guaranty Insurance Company**

By: Barbara Flickinger
Title: Managing Director



**national
public finance
guarantee**