

A G E N D A

Meeting of the
**Oversight Board for the
Successor Agency of the
Scotts Valley Redevelopment Agency**

1 Civic Center Drive
Scotts Valley, CA 95066
(831) 440-5600

Date: November 3, 2016

Time: 1:30 p.m.

MEETING LOCATION

Scotts Valley City Council Chambers
1 Civic Center Drive
Scotts Valley, CA 95066

POSTING

The agenda was posted 10-28-16 at City Hall,
Scotts Valley Senior Center, Scotts Valley
Library and on the Internet at
www.scottsvalley.org

OVERSIGHT BOARD MEMBERS

Dene Bustichi, Scotts Valley City Council
Jack Dilles, Scotts Valley Community Member
Taylor Bateman, City of Scotts Valley, Acting Community
Development Director
Bruce McPherson, Santa Cruz County Board of Supervisors
Rudolph Ramirez, Scotts Valley Unified School District
Art Smith, Scotts Valley Fire Protection District
Donna Ziel, Cabrillo Community College Governing Board

SUCCESSOR AGENCY STAFF

Jenny Haruyama, Executive Director
Tracy Ferrara, Secretary
Kirsten Powell, Counsel
Scott Hamby, Public Works Director
Michelle Fodge, Senior Planner

Agenda and Agenda Packet Materials:

The Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency agenda and the complete agenda packet are available for review by 5:00 pm, 72 hours prior to the meeting, on the Internet at the City's website: www.scottsvalley.org and in the lobby of City Hall at 1 Civic Center Drive, Scotts Valley, CA. Pursuant to Government Code §54957.5, materials related to an agenda item, submitted after distribution of the agenda packet, are available for public inspection in the lobby of City Hall during normal business hours, Monday-Friday, 8am-12 pm and 1-5 pm. In accordance with AB 1344, such documents will be posted on the City's website at www.scottsvalley.org.

CALL TO ORDER 1:30 p.m.

ROLL CALL

PUBLIC COMMENT TIME

(This is the opportunity for individuals to make and/or submit written or oral comments to the Board on any items within the purview of the Board, which are **NOT** part of the Agenda. No action on the item may be taken, but the Board may request the matter be placed on a future agenda.)

ALTERATIONS TO CONSENT AGENDA

(Board can remove or add items to the Consent Agenda.)

CONSENT AGENDA

(The Consent Agenda is comprised of items which appear to be non-controversial. Persons wishing to speak on any item may do so by raising their hand to be recognized by the Chair.)

- A. Approve Oversight Board meeting minutes of 9-29-16

ALTERATIONS TO REGULAR AGENDA

(Board can remove or add items to the Regular Agenda.)

REGULAR AGENDA

(Persons wishing to speak on any item may do so by raising their hand to be recognized by the Chair.)

1. Consider approval of Resolution No. OB-33, a Resolution of the Oversight Board of the Successor Agency of the Scotts Valley Redevelopment Agency Approving and Directing the Issuance of Refunding Bonds, Making Certain Determinations with Respect to the Refunding Bonds and Providing Other Matters Relating Thereto
(Executive Director Haruyama)
2. Future Board agenda items
(This portion of the Regular Agenda allows the Successor Agency to determine items to be placed on a future agenda and to choose a date, if so desired.)

ADJOURNMENT

The Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency does not discriminate against persons with disabilities. The Scotts Valley City Council Chambers is an accessible facility. If you wish to attend a Board meeting and require assistance such as sign language, a translator, or other special assistance or devices in order to attend and participate at the meeting, please call the Secretary's office at (831) 440-5602 five to seven days in advance of the meeting to make arrangements for assistance. If you require the agenda of a Board meeting be available in an alternative format consistent with a specific disability, please call the Secretary's Office. The California State Relay Service (TDD to voice: 1-800-735-2929, voice to TDD: 1-800-735-2922), provides Telecommunications Devices for the Deaf and will provide a link between the TDD caller and users of telephone equipment.

PROCEDURAL INFORMATION FOR THE PUBLIC

THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN APPROVAL OF A RESOLUTION:

1. Move the Resolution number for approval.
2. Second the motion.
3. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN INTRODUCTION/ADOPTION OF AN ORDINANCE:

1. Move the Ordinance number for introduction (or adoption).
2. Move the Ordinance be introduced by title only and waive the reading of the text.
3. Read the Ordinance title.
4. Second the motion.
5. Vote by body, a roll call vote is not required.

THE FOLLOWING IS THE PROCEDURE BOARD SHOULD TAKE IN PUBLIC COMMENT/PUBLIC HEARINGS:

Unless otherwise determined by the presiding officer of the meeting:

1. Three minutes allowed per individual to speak.
2. Five minutes allowed per individual representing a group of three or more.



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MINUTES

Meeting of the Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency

Date: September 29, 2016

POSTING:

The agenda was posted on 9-26-16 at City Hall, the SV Senior Center, and the SV Library, by the City Clerk.

CALL TO ORDER 2:00 p.m.

ROLL CALL

Board Members

Present:

Dene Bustichi, Scotts Valley City Council
Taylor Bateman, City of Scotts Valley, Community
Development Director
Jack Dilles, Scotts Valley Community Member
Rudolph Ramirez, Scotts Valley Unified School District
Art Smith, Scotts Valley Fire Protection District

Bruce McPherson, Santa Cruz County Board of Supervisors
(Via teleconference from Palo Alto City Hall, 250 Hamilton Avenue, Palo Alto, CA 94131)

Absent:

Donna Ziel, Cabrillo Community College Governing Board

Successor Agency Staff:

Present:

Jenny Haruyama, Executive Director
Tracy Ferrara, Secretary
Scott Hamby, Public Works Director
Michelle Edwards, Senior Planner

Absent:

Kirsten Powell, Counsel

PUBLIC COMMENT

No one came forward.

**ALTERATIONS TO
CONSENT AGENDA**

M/S: Dilles/Smith

To approve the Consent Agenda.

Carried 6/0/1 (AYES: Bustichi, Bateman, Dilles, Ramirez, Smith, McPherson; ABSENT: Ziel)

Consent Agenda:

- A. Approve Oversight Board meeting minutes of 5-18-16

**ALTERATIONS TO
REGULAR AGENDA**

M/S: Smith/Ramirez

To approve the Regular Agenda.

Carried 6/0/1 (AYES: Bustichi, Bateman, Dilles, Ramirez, Smith, McPherson; ABSENT: Ziel)

REGULAR AGENDA

1. **Consider the approval of Resolution No. OB-32, a resolution of the Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency authorizing the Executive Director of the Successor Agency of the Scotts Valley Redevelopment Agency to sign that certain sale and purchase agreement between the Successor Agency of the Scotts Valley Redevelopment Agency and Corbett Wright for the sale of certain real property located at 260 Mt. Hermon Road, Scotts Valley, APN 022-231-03**

AC Powell presented the written staff report and responded to questions from the Board.

Kem Akol, Santa Cruz resident, spoke in support of the Board approving the purchase agreement.

Corbett Wright, project developer, spoke regarding his plans for the site, requested the support of the Oversight Board for his purchase of the property, and responded to questions from the Oversight Board.

Robert Aldana, Scotts Valley resident, spoke in support of the Board approving the purchase agreement.

Christian Pellecchia, Scotts Valley Chamber of Commerce Board of Directors and Chair of the Chamber's Economic Development Committee, spoke in support of the Board approving the purchase agreement.

Rick Anderson, Scotts Valley resident, spoke in support of the Board approving the purchase agreement.

BM Dilles stated that he feels the Board has a fiduciary role to maximize the value of any assets sold, and recommended getting a second appraisal before approving the sale of the property.

M/S: Ramirez/Dilles

To approve Resolution No. OB-32 a resolution of the Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency authorizing the Executive Director of the Successor Agency of the Scotts Valley Redevelopment Agency to sign that certain sale and purchase agreement between the Successor Agency of the Scotts Valley Redevelopment Agency and Corbett Wright for the sale of certain real property located at 260 Mt. Hermon Road, Scotts Valley, APN 022-231-03.

Carried 6/0/1 (AYES: Bustichi, Bateman, Dilles, Ramirez, Smith, McPherson; ABSENT: Ziel)

2. Future Board agenda items

BM Dilles requested a future agenda item to discuss the role of the Oversight Board in the future.

ADJOURNMENT The meeting adjourned at 2:30 p.m.

Approved: _____
Dene Bustichi, Chair

Attest: _____
Tracy A. Ferrara, Secretary

Oversight Board for the Successor Agency of the Scotts Valley Redevelopment Agency OVERSIGHT BOARD STAFF REPORT

DATE: November 2, 2016

TO: Honorable Mayor and City Council

FROM: Jenny Haruyama, City Manager

**SUBJECT: APPROVAL OF THE ISSUANCE OF REFUNDING BONDS TO
REFUND CERTAIN OUTSTANDING OBLIGATIONS OF
SUCCESSOR AGENCY OF THE CITY OF SCOTTS VALLEY**

SUMMARY OF ISSUE

The Redevelopment Agency of the City of Scotts Valley (the “Former Agency”) was authorized to act under the Community Redevelopment Law of the State of California (the “Redevelopment Law”), and a redevelopment plan was adopted for the Scotts Valley Redevelopment Project (the “Project Area”). The Former Agency was dissolved pursuant to Part 1.8 and Part 1.85 of Division 24 of the California Health and Safety Code (the “Dissolution Act”), and the City of Scotts Valley (the “City”) elected to serve as the successor entity to the Former Agency (the “Successor Agency”).

By resolution (see Attachment 1), the Successor Agency approved the issuance of refunding bonds in order to refinance three obligations of the Former Agency (collectively, the “Prior Obligations”):

- A reimbursement obligation (the “2003 Reimbursement Obligation”) of the Former Agency related to the City’s \$3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the “2003 Certificates of Participation”).
- The Former Agency’s \$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the “2006 Bonds”).
- A reimbursement obligation (the “2009 Reimbursement Obligation”) of the Former Agency related to (i) \$5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the “2009A Lease Revenue Bonds”) and (ii) \$3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the “2009B Lease Revenue Bonds”).

In addition, the Successor Agency also (i) approved the execution and delivery of an indenture of trust and an escrow deposit and trust agreement, (ii) delegated to the Executive Director the decision of whether to sell the refunding bonds in a public offering to an underwriter or on a private placement basis to one or more financial institutions, (iii) requested Oversight Board approval of the issuance of the refunding bonds and certain determinations by the Oversight Board, and (iv) provided for other related matters.

DISCUSSION

The Successor Agency resolution directed the Successor Agency to undertake the refunding of the Prior Obligations. All of the Prior Obligations are secured by tax increment revenues from the Project Area. The 2003 Certificates of Participation and the 2009 Lease Revenue Bonds are also payable from lease payments made by the City from its General Fund.

Because of market conditions for municipal bonds, the Successor Agency can refund the Prior Obligations and reduce its debt service payments. This will increase the amount of property tax revenues that are available to be distributed to affected taxing entities. This cash flow benefit from the proposed refunding will be distributed to taxing entities by a formula specified in the State law. The Dissolution Act requires an independent financial advisor to assist the Successor Agency with developing financing proposals and to make its work product available to the California Department of Finance at its request. A savings analysis (the "Savings Analysis") prepared by NHA Advisors, LLC, the Successor Agency's municipal advisor, is attached as Attachment 2.

In addition, because the proposed refunding bonds will be payable solely by the Successor Agency from tax increment revenues, the City will no longer have a payment obligation related to the 2003 Certificates of Participation or the 2009 Lease Revenue Bonds.

Note that in order to refund the Prior Obligations, the City and the Public Financing Authority also needed to adopt resolutions approving the refunding and authorizing execution of documents, if necessary. Below is a summary of the Prior Obligations:

**Table 1
Debt Issue Secured by Tax Increment**

	2003 COPs	2006 TABs	2009A LRBs	2009B LRBs	Total
Original par value	\$3,455,000	\$6,810,000	\$5,260,000	\$3,500,000	\$19,025,000
Current par value*	\$1,000,000	\$3,545,000	\$5,260,000	\$3,500,000	\$13,305,000
Tax Exempt Status	Tax Exempt	Tax Exempt	Tax Exempt	Taxable	-
Secured revenue	Non-housing tax increment	Non-housing tax increment	Non-housing tax increment	Non-housing tax increment	-
Senior or subordinate tax increment pledge	Senior	Senior	Subordinate	Subordinate	-
General Fund lease obligation?	Yes	No	Yes	Yes	-
Final maturity	10/1/2027	8/1/2029	10/1/2039	10/1/2030	-
Next call date and premium	Any date at par	Any date at par	Any date after 10/1/19 at par	Any date after 10/1/19 at 102	-
Debt service reserve fund	Cash funded	Surety	Cash funded	Cash funded	-
Average interest rate on existing debt	4.52%	4.97%	5.72%	7.55%	-

* Following the October 1, 2016 debt service payments

Under the Dissolution Act, the Successor Agency's Oversight Board and the California Department of Finance must approve the issuance of the refunding bonds. Assuming Oversight Board approval, the Oversight Board resolution (Attachment 3), the Successor Agency resolution and related bond documents (e.g., Savings Analysis and indenture of trust) will be transmitted to the California Department of Finance for review, which could take up to 65 days.

The legal documents that were approved by the Successor Agency consist of a bond indenture (Attachment 4, which provides for the issuance of a tax-exempt series of refunding bonds), a supplemental indenture (Attachment 5, which provides for the issuance of a taxable series of refunding bonds), and an escrow deposit and trust agreement (Attachment 6) for managing refunding bond proceeds prior to the actual redemption of the Prior Obligations.

The Successor Agency resolution authorizes the City Manager, as executive director of the Successor Agency, to determine whether the refunding bonds should be sold in a public offering to an underwriter or on a private placement basis to one or more financial institutions based upon which method will result in the lowest long-term cost financing (taking into account all of the initial and ongoing costs associated with the issuance and maintenance of the refunding bonds). If the Executive Director determines that the refunding bonds should be sold in a public offering, additional Successor Agency action will be required in January, 2017 to approve the draft preliminary official statement, the disclosure document for potential bond investors.

FISCAL IMPACT

The Savings Analysis (Attachment 2) contains a thorough summary of the fiscal impact of the proposed refunding, assuming the residual property tax revenues resulting from the refunding of the Prior Obligations are not needed for other enforceable obligations of the Successor Agency. While the overall savings are considerable, estimated at approximately \$175,000 per year for the first 13 years after issuance of the refunding bonds, the City of Scotts Valley's General Fund will only receive approximately 9.2% of those savings, or approximately \$16,000 per year. The present value of all cash flow savings to City, net of all expenses, is estimated at \$200,000. Most of the rest of the savings will go to the State of California, either directly or indirectly. Note that the allocation of property tax revenues from the Project Area as a result of a refunding of the Prior Obligations does not match the allocation of the 1% of assessed valuation "Prop 13" property taxes under the 2011 State legislation dissolving redevelopment agencies. The allocations of RPTTF savings shown in Attachment 2 follow the allocations prescribed by the 2011 legislation. Any savings will applied to the Successor Agency's enforceable obligations, as approved on the ROPS or, if not needed for ROPS-approved obligations, for disbursement to taxing entities as Redevelopment Property Tax Trust Fund (RPTTF) residuals through the semi-annual RPTTF distribution process.

Assuming approval by the Successor Agency, the Oversight Board and the State Department of Finance, the refunding bonds are expected to be sold and closed in February, 2017. This means that the first cash distributions of residual property tax revenues from the Project Area to taxing entities, including the City of Scotts Valley's General Fund, that show an increase as a result of the proposed refunding would take place at the end of calendar year 2017.

STAFF RECOMMENDATION

It is recommended that the Oversight Board adopt the following resolution:

Resolution No. OB-33, A Resolution of the Oversight Board of the Successor Agency of the Scotts Valley Redevelopment Agency Approving and Directing the Issuance of Refunding Bonds, Making Certain Determinations with Respect to the Refunding Bonds and Providing Other Matters Relating Thereto (Attachment 3)

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RESOLUTION NO. SA-36

A RESOLUTION OF THE BOARD OF THE SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY APPROVING THE ISSUANCE OF REFUNDING BONDS IN ORDER TO REFUND CERTAIN OUTSTANDING OBLIGATIONS OF THE DISSOLVED REDEVELOPMENT AGENCY OF THE CITY OF SCOTTS VALLEY, APPROVING THE EXECUTION AND DELIVERY OF AN INDENTURE OF TRUST, A FIRST SUPPLEMENT TO INDENTURE OF TRUST AND OTHER DOCUMENTS RELATING THERETO, REQUESTING OVERSIGHT BOARD APPROVAL OF THE ISSUANCE OF THE REFUNDING BONDS, REQUESTING CERTAIN DETERMINATIONS BY THE OVERSIGHT BOARD, AND PROVIDING FOR OTHER MATTERS PROPERLY RELATING THERETO

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was 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 (as amended, the "Redevelopment Law");

WHEREAS, a redevelopment plan for the Scotts Valley Redevelopment Project was adopted in compliance with all requirements of the Redevelopment Law, (as such plan was amended pursuant to the Redevelopment Law, the "Redevelopment Plan");

WHEREAS, Assembly Bill x1 26, effective June 29, 2011 codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the "Dissolution Act");

WHEREAS, pursuant to Section 34172(a) of the Dissolution Act, the Former Agency has been dissolved and no longer exists as a public body, corporate and politic, and pursuant to Section 34173 of the Dissolution Act, the City of Scotts Valley (the "City") has elected to serve as the successor entity to the Former Agency (the "Successor Agency");

WHEREAS, prior to the dissolution of the Former Agency, the Former Agency incurred the obligations listed on Exhibit A for the purpose of financing and refinancing redevelopment activities (the "Prior Obligations");

WHEREAS, the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") to refund bonds or other indebtedness for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters");

WHEREAS, the Successor Agency wishes at this time to approve the issuance of the following bonds (the "Refunding Bonds"):

- (a) Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A (the "2017A Bonds"), which the Successor Agency expects to issue for the purpose of refunding the 2003 Reimbursement Obligation, the 2006 Bonds and the portion of the 2009 Reimbursement Obligation related to the 2009A Lease Revenue Bonds, and

(b) Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B (the “2017B Bonds”), which the Successor Agency expects to issue for the purpose of refunding the portion of the 2009 Reimbursement Obligation related to the 2009B Lease Revenue Bonds;

WHEREAS, the Successor Agency further wishes at this time to approve the form of and authorize the execution and delivery of the Indenture of Trust, by and between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”), providing for the issuance of the 2017A Bonds (the “2017A Indenture”), a First Supplement to Indenture of Trust, by and between the Successor Agency and the Trustee, providing for the issuance of the 2017B Bonds (the “2017B Supplement”; together with the 2017A Indenture, the “Indenture”), and one or more Escrow Deposit and Trust Agreements for the Prior Obligations, by and between the Successor Agency and the Trustee, as escrow agent (each, an “Escrow Agreement”);

WHEREAS, the Successor Agency has caused its municipal advisor, NHA Advisors, LLC (the “Municipal Advisor”), to prepare an analysis (the “Municipal Advisor Work Product”) in order to demonstrate that the issuance of the proposed Refunding Bonds will meet the Savings Parameters with respect to the 2003 Reimbursement Obligation, the 2006 Bonds and the 2009 Reimbursement Obligation;

WHEREAS, pursuant to Section 34179 of the Dissolution Act, an oversight board (the “Oversight Board”) has been established for the Successor Agency;

WHEREAS, the Successor Agency wishes to request that the Oversight Board approve and direct the issuance of the Refunding Bonds pursuant to this Resolution and the Indenture;

WHEREAS, the Successor Agency further wishes to request that the Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds;

WHEREAS, the Successor Agency wishes to authorize and direct staff as described herein, following a competitive process and without further authorization or approval by this Board, to determine whether the Refunding Bonds should be sold in a public offering to an underwriter to be identified by staff or privately placed with a financial institution to be identified by staff, and whether to fund a reserve fund for the Refunding Bonds, with such determinations to be based upon staff’s conclusion, subject to compliance of the sale with the parameters set forth in this Resolution, that the method of sale selected by staff will result in the lowest long-term cost financing; and

WHEREAS, following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency and upon submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, with the assistance of its Disclosure Counsel (defined below) and the Municipal Advisor, cause to be prepared a form of Official Statement describing the Refunding Bonds and containing material information relating to the Successor Agency and the Refunding Bonds, the preliminary form of which will be submitted to the Successor Agency for approval for distribution by the Underwriter to persons and institutions interested in purchasing the Refunding Bonds.

NOW, THEREFORE, the Board of the Successor Agency of the Scotts Valley Redevelopment Agency, hereby resolves as follows:

1. Recitals. The Successor Agency finds and determines that the above referenced recitals are true and correct and material to this Resolution
2. Findings Related to the Savings Parameters. The Successor Agency hereby finds that there are significant potential savings available to the Successor Agency and to applicable taxing entities in compliance with the Savings Parameters by the issuance by the Successor Agency of the Refunding Bonds to provide funds to refund and defease the 2003 Reimbursement Obligation, the 2006 Bonds and the 2009 Reimbursement Obligation, all as evidenced by the Municipal Advisor Work Product on file with the Secretary of the Successor Agency, which Municipal advisor Work Product is hereby approved.
3. Approval of Issuance of the Refunding Bonds. The Successor Agency hereby authorizes and approves the issuance of the Refunding Bonds under the Redevelopment Law, as amended and supplemented by the Dissolution Act, and the Refunding Law in the aggregate principal amount of not to exceed \$15,000,000 (with the allocation of such aggregate principal amount between the 2017A Bonds and the 2017B Bonds to be determined at the time of pricing the Refunding Bonds), provided that at the time of sale and delivery, the Refunding Bonds are in compliance with the Savings Parameters with respect to the 2003 Reimbursement Obligation, the 2006 Bonds and the 2009 Reimbursement Obligation, and (ii) the Underwriter's discount does not exceed 0.7%, not including original issue discount, if any.
4. Approval of 2017A Indenture and 2017B Supplement. The Successor Agency hereby approves the 2017A Indenture prescribing the terms and provisions of the 2017A Bonds and the application of the proceeds of the 2017A Bonds. Each of the Chair, the Executive Director, the City Attorney, as the general counsel of the Successor Agency and the Finance Director, as the treasurer of the Successor Agency (each, an "Authorized Officer"), is hereby authorized and directed to execute and deliver, and the Secretary of the Successor Agency, is hereby authorized and directed to attest to, the 2017A Indenture for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Secretary, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery of the 2017A Indenture. The Successor Agency hereby authorizes the delivery and performance of the 2017A Indenture.

The Successor Agency hereby approves the 2017B Supplement prescribing the terms and provisions of the 2017B Bonds and the application of the proceeds of the 2017B Bonds. An Authorized Officer is hereby authorized and directed to execute and deliver, and the Secretary of the Successor Agency, is hereby authorized and directed to attest to, the 2017B Supplement for and in the name and on behalf of the Successor Agency, in substantially the form on file with the Secretary, with such changes therein, deletions therefrom and additions thereto as the Authorized Officer executing the same shall approve, such approval to be conclusively evidenced by the execution and delivery of the 2017B Supplement. The Successor Agency hereby authorizes the delivery and performance of the 2017B Supplement.

5. Approval of Escrow Agreement. The form of an Escrow Agreement on file with the Secretary is hereby approved, and the Authorized Officers are, each acting alone hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to execute and deliver one or more Escrow Agreements for the purpose of refunding the Prior Obligations, such approval to be conclusively evidenced by the execution and delivery of any such Escrow Agreement. The Successor Agency hereby authorizes the delivery and performance of its obligations under the Escrow Agreement. The Successor Agency approves the addition of the City or the Scotts Valley Public Financing Authority as parties to the Escrow Agreement, to the extent necessary.
6. Oversight Board Approval of the Issuance of the Refunding Bonds. The Successor Agency hereby requests that the Oversight Board, as authorized by Section 34177.5(f) and Section 34180 of the Dissolution Act, approve and direct the issuance of the Refunding Bonds pursuant to Section 34177.5(a)(1), this Resolution and the Indenture.
7. Determinations by the Oversight Board. The Successor Agency requests that the Oversight Board make the following determinations upon which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:
 - (a) The Successor Agency is authorized to issue the Refunding Bonds to refund the Prior Obligations pursuant to Section 34177.5(a).
 - (b) The Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing the City for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;
 - (c) The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of all or a portion of the Prior Obligations as provided in Section 34177.5(a) shall be implemented by the Successor Agency promptly upon sale and delivery of the Refunding Bonds without the approval of the Oversight Board, the California Department of Finance, the Santa Cruz County Auditor-Controller or any other person or entity other than the Successor Agency;
 - (d) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34181(a)(3) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

8. Filing of Municipal Advisor Work Product and Resolution. The Secretary is hereby authorized and directed to file the Municipal Advisor Work Product, together with a certified copy of this Resolution, with the Oversight Board, and, as provided in Section 34180(j) with the Santa Cruz County Administrative Officer, the Santa Cruz County Auditor-Controller and the California Department of Finance.
9. Sale of Refunding Bonds. The Successor Agency hereby authorizes and directs the Executive Director, following a competitive process and consultation with the City Attorney, Municipal advisor and bond counsel, to determine whether the lowest long-term cost financing (taking into account all of the initial and ongoing costs associated with the issuance and maintenance of the Refunding Bonds) will be achieved by selling the Refunding Bonds in a public offering to an underwriter to be selected by the Executive Director, or selling the Refunding Bonds in a private placement to one or more financial institutions to be selected by the Executive Director, and each of the Authorized Officers, acting alone, is hereby authorized and directed to execute and deliver a purchase agreement with such institution for and in the name and on behalf of the Successor Agency, and the Successor Agency's approval of such bond purchase agreement shall be conclusively evidenced by the execution and delivery of such agreement by an Authorized Officer. The Successor Agency hereby authorizes the delivery and performance of its obligations under such bond purchase agreement(s).

The Successor Agency hereby authorizes the Executive Director to approve a rate lock agreement (which could result in a financial penalty being imposed on the Successor Agency if the sale of the Refunding Bonds does not close) and such other commercially reasonable terms as they determine will result in the lowest long-term financing.

10. Refunding of Prior Obligations in Whole or in Part. It is the intent of the Successor Agency to sell and deliver the Refunding Bonds to refund the Prior Obligations in whole, provided that there is compliance with the Savings Parameters. If such Savings Parameters cannot be met with respect to the 2003 Reimbursement Obligation, the 2006 Bonds and the 2009 Reimbursement Obligation, then the Refunding Bonds shall be sold to refund such Prior Obligations in part to the extent that the refunding of such Prior Obligations in part can satisfy the Savings Parameters and any portion of the Prior Obligations not refunded would remain outstanding as a senior obligation.

In the event the Refunding Bonds are issued to refund the Prior Obligations in part, then the Successor Agency intends to sell and deliver additional bonds to refund the unrefunded Prior Obligations pursuant to a supplement to the Indenture without further approval of the Oversight Board provided that in each such instance the bonds so sold and delivered in part are in compliance with the Savings Parameters.

11. Municipal Bond Insurance and Reserve Fund Insurance Policies. The Authorized Officers, each acting alone, are hereby authorized and directed to take all actions necessary to obtain one or more municipal bond insurance policies for the Refunding Bonds and reserve account insurance policies for the Refunding Bonds from a municipal bond insurance company if it is determined, upon consultation with the Municipal Advisor and the underwriter in a public offering, that such municipal bond insurance policy and/or surety bonds will reduce the true interest cost of the Refunding Bonds.

12. Approval of Official Statement. Following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency and upon submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, with the assistance of its Disclosure Counsel and the Municipal Advisor, cause to be prepared a form of Official Statement describing the Refunding Bonds and containing material information relating to the Successor Agency and the Refunding Bonds, the preliminary form of which will be submitted to the Successor Agency for approval for distribution by the underwriter of the Refunding Bonds to persons and institutions interested in purchasing the Refunding Bonds. The Oversight Board is not required to approve the Official Statement.
13. Official Actions. The Authorized Officers and any and all other officers of the Successor Agency are hereby authorized and directed, for and in the name and on behalf of the Successor Agency, to do any and all things and take any and all actions, which they, or any of them, may deem necessary or advisable in obtaining the requested approvals by the Oversight Board and the California Department of Finance and in the issuance, sale and delivery of the Refunding Bonds. Whenever in this Resolution any officer of the Successor Agency is directed to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer is absent or unavailable.
14. Transmittal. Staff is hereby directed to transmit this Resolution to the Oversight Board for approval, and to the County of Santa Cruz Chief Executive Officer, the County Auditor-Controller and the Department of Finance.
15. Effective Date. This Resolution shall take effect immediately upon its adoption.

PASSED, APPROVED AND ADOPTED this 2nd day of November, 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Donna R. Lind, Chair

Tracy A. Ferrara, Agency Secretary

EXHIBIT A

PRIOR OBLIGATIONS

A reimbursement obligation (the “2003 Reimbursement Obligation”) of the Redevelopment Agency of the City of Scotts Valley related to \$3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the “2003 Certificates of Participation”), which were executed and delivered pursuant to an Indenture of Trust, dated as of April 1, 2003 (the “2003 Indenture”), by and among the City of Scotts Valley, the Scotts Valley Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee.

\$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the “2006 Bonds”), issued pursuant to an Indenture of Trust, dated as of June 1, 2006, by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2006 Indenture”).

A reimbursement obligation (the “2009 Reimbursement Obligation”), under a Reimbursement Agreement, dated as of December 1, 2009 (the “2009 Reimbursement Agreement”), by and between the City of Scotts Valley and the Redevelopment Agency of the City of Scotts Valley (Redevelopment Agency Refinancing Project related to (i) \$5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the “2009A Lease Revenue Bonds”) and (ii) \$3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the “2009B Lease Revenue Bonds”), which were issued pursuant to an Indenture, dated as of December 1, 2009 (the “2009 Indenture”), by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A.

MEMORANDUM

To: Oversight Board
State Department of Finance

Date: October 28, 2016

From: Mark Northcross and Rob Schmidt
Municipal Advisor to the Successor Agency of the Scotts Valley Redevelopment Agency

RE: Refunding of Outstanding Tax Allocation Bonds and Other Obligations of the Successor Agency of the Redevelopment Agency of the City of Scotts Valley

Introduction

Dissolution Act; Successor Agency - On June 29, 2011, Assembly Bill No. 26 (1st Extraordinary Session) ("AB 26") was enacted together with a companion bill, Assembly Bill No. 27 (2nd Extraordinary Session) ("AB 27"). The provisions of AB 26 provided for the dissolution of all redevelopment agencies. The provisions of AB 27 permitted redevelopment agencies to avoid dissolution by the payment of certain amounts. A lawsuit was brought in the California Supreme Court, California Redevelopment Association, et al., v. Matosantos, et al., 53 Cal. 4th 231 (Cal. Dec. 29, 2011), challenging the constitutionality of AB 26 and AB 27. The California Supreme Court largely upheld AB 26, invalidated AB 27, and held that AB 26 may be severed from AB 27 and enforced independently. As a result of AB 26 and the Matosantos decision, all redevelopment agencies in the State were dissolved as of February 1, 2012, including the Redevelopment Agency of the City of Scotts Valley (the "Redevelopment Agency"), and successor agencies were designated as successor entities to the former redevelopment agencies to expeditiously wind down the affairs of the former redevelopment agencies. The City of Scotts Valley (the "City") acts as successor agency to the Redevelopment Agency (the "Successor Agency").

The primary provisions enacted by AB 26 relating to the dissolution and wind down of former redevelopment agency affairs are codified in Parts 1.8 (commencing with Section 34161) and 1.85 (commencing with Section 34170) of Division 24 of the Health and Safety Code of the State, as amended on June 27, 2012 by Assembly Bill No. 1484 ("AB 1484"), enacted as Chapter 26, Statutes of 2012 (as amended from time to time, the "Dissolution Act").

Refunding Bonds under the Dissolution Act - Section 34177.5 of the Health & Safety Code, which was added to the Dissolution Act by AB 1484, authorizes the Successor Agency to issue bonds for the purpose of refunding outstanding tax allocation bonds of the Redevelopment Agency or the Successor Agency to provide savings to the Successor Agency provided that (A) the total interest cost to maturity on the refunding bonds plus the principal amount of the refunding bonds does not exceed the total remaining interest cost to maturity on the bonds to be refunded plus the remaining principal of the bonds to be refunded, and (B) the principal amount of the refunding bonds does not exceed the amount required to defease the refunded bonds, to establish customary debt service reserves, and to pay

related costs of issuance. If the foregoing conditions are satisfied, the initial principal amount of the refunding bonds may be greater than the outstanding principal amount of the bonds to be refunded.

Requirement for Independent Financial Advisor - Section 34177.5(h) requires the Successor Agency to make diligent efforts to ensure that the lowest long-term cost financing is obtained, and requires the successor agency to make use of an independent financial advisor in developing financing proposals and to make the work products of the financial advisor available to the Department of Finance at its request.

This report is written by NHA Advisors LLC, which has been engaged as the independent registered municipal advisor to the Successor Agency, to analyze the possible refunding of the Successor Agency's Prior Obligations (defined below).

Prior Obligations

The Redevelopment Agency previously pledged tax increment to the following obligations (collectively, the "Prior Obligations"):

- A reimbursement obligation (the "2003 Reimbursement Obligation") related to the City's \$3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the "2003 Certificates of Participation").
- \$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the "2006 Bonds").
- A reimbursement obligation (the "2009 Reimbursement Obligation") related to (i) \$5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the "2009A Lease Revenue Bonds") and (ii) \$3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the "2009B Lease Revenue Bonds").

More information about the Prior Obligations is shown in Table 1 below:

Table 1
Debt Issue Secured by Tax Increment

	2003 COPs	2006 TABs	2009A LRBs	2009B LRBs	Total
Original par value	\$3,455,000	\$6,810,000	\$5,260,000	\$3,500,000	\$19,025,000
Current par value*	\$1,000,000	\$3,360,000	\$5,260,000	\$3,500,000	\$13,120,000
Tax Exempt Status	Tax Exempt	Tax Exempt	Tax Exempt	Taxable	-
Secured revenue	Non-housing tax increment	Non-housing tax increment	Non-housing tax increment	Non-housing tax increment	-
Senior or subordinate tax increment pledge	Senior	Senior	Subordinate	Subordinate	-
General Fund lease obligation?	Yes	No	Yes	Yes	
Final maturity	10/1/2027	8/1/2029	10/1/2039	10/1/2030	-
Next call date and premium	Any date at par	Any date at par	Any date after 10/1/19 at par	Any date after 10/1/19 at 102%	-
Debt service reserve fund	Cash funded	Surety	Cash funded	Cash funded	-
Average interest rate on existing debt	4.52%	4.98%	5.72%	7.55%	-

As shown in Table 1, the Successor Agency has secured a total of \$13.12 million in outstanding Prior Obligations with tax increment. All of these Prior Obligations may now be refinanced with significant cash flow savings. Three of the four obligations were also secured with a General Fund lease structure in addition to the pledge of tax increment.

Overview of the Refunding Opportunity

We have analyzed the potential refunding of the Prior Obligations with the issuance of refunding bonds (“2017 Refunding Bonds”). Table 2 below shows a summary of the potential savings from a refunding of the Prior Obligations:

**Table 2
 Summary of Potential Benefits from Refundings**

	Successor Agency 2017 Refunding Bonds
Total cash flow savings	\$2,800,000
Average annual cash flow savings	\$121,000
Total present value savings	\$2,280,000
Gross Successor Agency refunding bond proceeds	\$12,770,000
Current outstanding principal	\$13,120,000
Assumed closing date	February 15, 2017
Interest rate on Prior Obligations	5.94%
All-in true interest cost on refinancing	3.40%

The average annual cash flow savings estimated from a public offering of the combined refunding is approximately \$121,000 per year through the final maturity in 2039. The present value savings is estimated to be approximately \$2.28 million, equal to more than 17% of the amount of principal being refunded. Note that the estimated refunding par amount is less than the outstanding principal amount being refunded because of the elimination of the debt service reserve fund through use of a surety bond. The all-in true interest cost of the combined 2017 Refunding Bonds is estimated to be approximately 3.4% under current market conditions, assuming bond insurance can be obtained. Based on our credit review of the Successor Agency financials, we believe bond insurance is very likely.

Benefits to Taxing Entities from the Proposed Refunding

The Successor Agency’s fiscal consultant, Fraser & Associates, obtained information from the County of Santa Cruz on the allocation of the 1% Proposition 13 ad valorem tax rate by taxing entities within the former project area. Table 3 shows the expected allocation of savings from the proposed 2017 Refunding Bonds by taxing entity, assuming the savings are not required to pay other enforceable obligations of the Successor Agency. Note that the allocation percentages for the allocation of refunding savings are significantly different from each taxing entity’s base allocation of the “Prop 13” 1% of assessed valuation property tax. This difference is due to two factors: (1) how that taxing entity’s pass-through with the Redevelopment Agency works, and (2) how that taxing entity was treated under ERAF.

The analysis assumes a bond closing on February 15, 2017. Accordingly, the first ROPS distribution that would reflect the savings would be the FY 2017-18 B ROPS. Consequently, this would mean that taxing entities would see cash flow benefit from the refunding in their December 2017 distributions.

It is important to note that some of the cash flow benefit from the proposed refunding would go directly, or indirectly, to the State. The ERAF percentages and the percentages for all the taxing entities in education will ultimately go to the State.

Table 3
Estimated Annual Residual Allocation of Refunding Savings by Taxing Entity

Taxing Entity	Share of Residual Allocation	Estimated Average Annual Residual Allocation from Proposed 2017 Refunding Bonds
Santa Cruz County Library	0.0030%	\$4
Santa Cruz County General Fund	0.0225%	27
Happy Valley School District	0.0000%	0
Scotts Valley School District	69.3773%	83,947
Scotts Valley High School District	0.0000%	0
Cabrillo Community College District	8.9294%	10,805
Santa Cruz County School Services	3.8217%	4,624
City of Scotts Valley	9.2024%	11,135
Santa Cruz County Flood Control Zone 4	0.0003%	0
Santa Cruz County Flood Control District	0.0003%	0
Scotts Valley Fire Protection District	0.0252%	30
San Lorenzo Valley County Water District	0.0238%	29
Scotts Valley Water District	4.6476%	5,624
ERAF	3.9463%	4,775
Total	100.00%	\$121,000

Sources and Use and Debt Service Schedule for the Proposed Refunding

Table 4 below shows the estimated sources and uses for the proposed 2017 Refunding Bonds issued to refund the Prior Obligations. Note in Table 4 that the bonds are currently estimated to have the lowest yield if they are sold as premium bonds. Consequently, a premium of approximately \$1.53 million is shown as a source. It is also important to note that the combined debt service reserve funds for the Prior Obligations are approximately \$865,000, which also constitute a major source of funds. As noted earlier, there is no debt service reserve fund for the proposed 2017 Refunding Bonds, since a surety bond is anticipated instead. Consequently, all \$865,000 in reserve fund proceeds from the Prior Obligations can be used to downsize the 2017 Refunding Bonds.

**Table 4
 Sources and Uses for Proposed 2017 Refunding Bonds**

Sources	
Bond Proceeds	\$12,770,000
Bond Premium	1,533,249
Debt Service Reserve Funds	865,889
Total Sources	\$15,169,138
Uses	
Refunding Escrow	\$14,683,440
Costs of Issuance	265,000
Underwriter's Discount	89,390
Bond Insurance Premium	95,425
Surety Bond Premium	31,746
Surplus Proceeds	4,137
Total Uses	\$15,169,138

Table 5 shows comparative cash flows and estimated savings for the proposed refunding.

Table 5
Proposed Successor Agency Refunding Cash Flows

Calendar Year Ending 12/31	Combined Prior Debt Service	Prior Receipts	Combined Prior Obligations Debt Service	Estimated 2017 Refunding Bonds Debt Service	Estimated Cash Flow Savings
2017	\$994,341	\$6	\$994,335	\$832,815	\$161,520
2018	1,278,868	10	1,278,858	1,075,013	203,845
2019	1,267,986	10	1,267,976	1,065,691	202,285
2020	1,292,824	10	1,292,814	1,084,717	208,097
2021	1,104,486	10	1,104,476	926,759	177,717
2022	1,142,386	10	1,142,376	955,834	186,542
2023	1,161,586	10	1,161,576	973,062	188,514
2024	1,177,443	10	1,177,433	989,100	188,333
2025	1,201,508	10	1,201,498	1,005,900	195,598
2026	1,221,895	10	1,221,885	1,024,900	196,985
2027	1,093,355	98,573	994,782	916,400	78,382
2028	1,087,828		1,087,828	911,650	176,178
2029	1,084,588		1,084,588	910,650	173,938
2030	757,753	457,767	299,986	633,150	(333,164)
2031	765,028		765,028	642,900	122,128
2032	764,453		764,453	641,150	123,303
2033	767,258		767,258	643,400	123,858
2034	763,138		763,138	639,400	123,738
2035	762,345		762,345	639,400	122,945
2036	764,570		764,570	643,400	121,170
2037	764,190		764,190	641,400	122,790
2038	766,780		766,780	643,600	123,180
2039	767,050	309,559	457,491	644,800	(187,309)
Total	\$22,751,655	\$865,994	\$21,885,661	\$19,085,091	\$2,800,570

Table 5 shows that positive net cash flow savings can be achieved for every tax cycle by the proposed refunding structure with the exception of two years due to the release of the prior cash funded debt service reserve funds and replacement with a surety bond policy.

Proposed Legal Structure

The proposed Indenture of Trust and authorizing resolutions for the 2017 Refunding Bonds are attached to the email in which this memo was included. This indenture contains the following key features: (1) no parity bonds are allowed for any purpose other than refunding for savings unless the legislation dissolving redevelopment agencies is amended to allow parity bonds, and (2) pledged Tax Revenues are defined to include all moneys deposited in the Redevelopment Property Tax Trust Fund less amounts required for pass-through payments (if not subordinated) and County administrative payments. The 2017 Refunding Bonds will be fixed rate bonds, sold through a negotiated sale. The Successor Agency's

finance team will monitor market conditions over the next three months, and will consider a private placement of the debt if it would deliver greater savings than a public offering.

Process and Timing

The Successor Agency is scheduled to approve the refunding at its meeting on November 2, 2017. The Oversight Board is expected to approve the refunding at its tentatively scheduled meeting on November 3, 2017. The application of the Oversight Board is expected to be submitted to the State Department of Finance by November 4, 2017. We anticipate Department of Finance approval by January 9th, 2017. Sale of the refunding bonds would then take place by February 1, 2017, with a closing on February 15, 2017.

RESOLUTION NO. OB-33

A RESOLUTION OF THE OVERSIGHT BOARD OF THE SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY APPROVING AND DIRECTING THE ISSUANCE OF REFUNDING BONDS, MAKING CERTAIN DETERMINATIONS WITH RESPECT TO THE REFUNDING BONDS AND PROVIDING OTHER MATTERS RELATING THERETO

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was 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 (the "Redevelopment Law");

WHEREAS, Assembly Bill x1 26, effective June 29, 2011 codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the "Dissolution Act");

WHEREAS, pursuant to Section 34172(a) of the Dissolution Act, the Former Agency has been dissolved and no longer exists, and pursuant to Section 34173, the City of Scotts Valley (the "City") has elected to serve as the successor entity to the Former Agency (the "Successor Agency");

WHEREAS, pursuant to Section 34179 of the Dissolution Act, this Oversight Board has been established for the Successor Agency;

WHEREAS, the Oversight Board is informed by the Successor Agency that the Former Agency incurred, among other obligations, the obligations listed on Exhibit A for the purpose of financing redevelopment activities (the "Prior Obligations");

WHEREAS, Section 34177.5(a)(1) of the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1) (the "Savings Parameters");

WHEREAS, the Successor Agency by its resolution adopted November 2, 2016 (the "Successor Agency Resolution") approved the issuance of the following bonds (collectively, the "Refunding Bonds") pursuant to Section 34177.5(a)(1):

- (a) Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A (the "2017A Bonds"), which will be issued pursuant to an Indenture of Trust (the "2017A Indenture"), between the Successor Agency and The Bank of New York Mellon Trust Company, N.A., as trustee. The Successor Agency expects to issue the 2017A Bonds to refund the 2003 Reimbursement Obligation, the 2006 Bonds and the portion of the 2009 Reimbursement Obligation related to the 2009A Lease Revenue Bonds; and

- (b) Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B (the “2017B Bonds”), which will be issued pursuant to the 2017A Indenture, as supplemented by a First Supplement to Indenture of Trust (the “2017B Supplement”; together with the 2017A Indenture, the “Indenture”). The Successor Agency expects to issue the 2017B Bonds to refund the portion of the 2009 Reimbursement Obligation related to the 2009B Lease Revenue Bonds;

WHEREAS, in the Successor Agency Resolution, the Successor Agency approved the issuance of the Refunding Bonds and authorized the execution and delivery of the Indenture;

WHEREAS, in the Successor Agency Resolution, the Successor Agency also requested that this Oversight Board approve and direct the issuance of the Refunding Bonds pursuant to the Successor Agency Resolution and the Indenture and that this Oversight Board make certain determinations described below on which the Successor Agency will rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds;

WHEREAS, the Successor Agency has caused its municipal advisor, NHA Advisors, LLC (the “Municipal Advisor”), to prepare an analysis (the “Municipal Advisor Work Product”) in order to demonstrate that the issuance of the proposed Refunding Bonds will meet the Savings Parameters with respect to the Prior Obligations;

WHEREAS, the Successor Agency has directed staff to determine whether the Refunding Bonds will be sold in a public offering to an underwriter to be identified by staff or privately placed with a financial institution to be identified by staff; and

WHEREAS, following approval by the Oversight Board of the issuance of the Refunding Bonds by the Successor Agency and upon submission of the Oversight Board Resolution to the California Department of Finance, the Successor Agency will, if it has determined to sell the Refunding Bonds in a public offering, with the assistance of the Successor Agency’s Disclosure Counsel and the Municipal Advisor, cause to be prepared a form of Official Statement describing the Refunding Bonds and containing material information relating to the Refunding Bonds, the preliminary form of which will be submitted to the Successor Agency for approval for distribution by the underwriter to persons and institutions interested in purchasing the Refunding Bonds; and

WHEREAS, this Oversight Board has completed its review of the refunding proceedings and the Municipal Advisor Work Product and hereby approves the foregoing.

NOW, THEREFORE, the Oversight Board of the Successor Agency of the Scotts Valley Redevelopment Agency, hereby resolves as follows:

1. Ratification and Adoption of Successor Agency Resolution. Successor Agency Resolution No. SA-36 is hereby ratified and adopted as set forth in the recitals above.

2. Determination of Savings. This Oversight Board has determined that there are significant potential savings available to the Successor Agency and to applicable taxing entities by the issuance by the Successor Agency of the Refunding Bonds in compliance with the Savings Parameters to refund and defease all or a portion of the Prior Obligations, all as evidenced by the Municipal Advisor Work Product on file with the Secretary of the Oversight Board, which Municipal Advisor Work Product is hereby approved.

3. Approval and Direction of Issuance of the Refunding Bonds. As authorized by Section 34177.5(f) and Section 34180, this Oversight Board hereby approves and directs the issuance by the Successor Agency of the Refunding Bonds pursuant to Section 34177.5(a)(1) and under other applicable provisions of the Redevelopment Law, as amended and supplemented by the Dissolution Act, and the Refunding Law and as provided in the Successor Agency Resolution and the Indenture in the aggregate principal amount of not to exceed \$15,000,000 (with the allocation of such aggregate principal amount between the 2017A Bonds and the 2017B Bonds to be determined at the time of pricing the Refunding Bonds), provided that the principal and interest payable with respect to the Refunding Bonds must comply in all respects with the requirements of the Savings Parameters, all as shall be certified to by the Municipal Advisor upon delivery of the Refunding Bonds or any part thereof. This Oversight Board approves the sale of the Refunding Bonds in a public offering or a private placement, as determined by the Successor Agency, without further prior approval of the Oversight Board provided that the Refunding Bonds are in compliance with the Savings Parameters.

4. Sale and Delivery of Refunding Bonds in Whole or in Part. The Oversight Board is informed by the Successor Agency that it is the intent of the Successor Agency to sell and deliver the Refunding Bonds to refund the Prior Obligations in whole, provided that there is compliance with the Savings Parameters, and that if such Savings Parameters cannot be met, then the Refunding Bonds shall be sold to refund such Prior Obligations in part to the extent that the refunding of such Prior Obligations in part can satisfy the Savings Parameters and any portion of such Prior Obligations not refunded would remain outstanding as a senior obligation.

In the event the Refunding Bonds are issued to refund the Prior Obligations in part, then the Successor Agency intends to sell and deliver additional bonds to refund the unrefunded Prior Obligations pursuant to a supplement to the Indenture without further approval of the Oversight Board provided that in each such instance the bonds so sold and delivered in part are in compliance with the Savings Parameters.

The Oversight Board hereby approves the issuance of the Refunding Bonds to refund the Prior Obligations in part and, thereafter, the sale and delivery of additional bonds to refund the unrefunded Prior Obligations pursuant to a supplement to the Indenture without further prior approval of the Oversight Board provided that in each such instance the bonds so sold and delivered in part are in compliance with the Savings Parameters.

5. Determinations by the Oversight Board. As requested by the Successor Agency, the Oversight Board makes the following determinations upon which the Successor Agency shall rely in undertaking the refunding proceedings and the issuance of the Refunding Bonds:

- (a) The Successor Agency is authorized to issue the Refunding Bonds to refund the Prior Obligations pursuant to Section 34177.5(a).
- (b) The Successor Agency is authorized, as provided in Section 34177.5(f), to recover its costs related to the issuance of the Refunding Bonds from the proceeds of the Refunding Bonds, including the cost of reimbursing the City for administrative staff time spent with respect to the authorization, issuance, sale and delivery of the Refunding Bonds;
- (c) The application of proceeds of the Refunding Bonds by the Successor Agency to the refunding and defeasance of all or a portion of the Prior Obligations as provided in Section 34177.5(a), shall be implemented by the

Successor Agency promptly upon sale and delivery of the Refunding Bonds without the approval of the Oversight Board, the California Department of Finance, the Santa Cruz County Auditor-Controller or any other person or entity other than the Successor Agency; and

- (d) The Successor Agency shall be entitled to receive its full Administrative Cost Allowance under Section 34181(a)(3) without any deductions with respect to continuing costs related to the Refunding Bonds, such as trustee's fees, auditing and fiscal consultant fees and continuing disclosure and rating agency costs (collectively, "Continuing Costs of Issuance"), and such Continuing Costs of Issuance shall be payable from property tax revenues pursuant to Section 34183. In addition and as provided by Section 34177.5(f), if the Successor Agency is unable to complete the issuance of the Refunding Bonds for any reason, the Successor Agency shall, nevertheless, be entitled to recover its costs incurred with respect to the refunding proceedings from such property tax revenues pursuant to Section 34183 without reduction in its Administrative Cost Allowance.

6. Effective Date. Pursuant to Health and Safety Code Section 34177(f) and Section 34179(h), this Resolution shall be effective five (5) business days after proper notification hereof is given to the Department of Finance unless the Department of Finance requests a review of the actions taken in this Resolution, in which case this Resolution will be effective upon approval by the Department.

7. Transmittal. The Successor Agency is hereby directed to transmit this Resolution to the Department of Finance.

PASSED, APPROVED AND ADOPTED this 3rd day of November, 2016 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

Donna R. Lind, Chair

Tracy A. Ferrara, Board Secretary

EXHIBIT A
PRIOR OBLIGATIONS

A reimbursement obligation (the “2003 Reimbursement Obligation”) of the Redevelopment Agency of the City of Scotts Valley related to \$3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the “2003 Certificates of Participation”), which were executed and delivered pursuant to an Indenture of Trust, dated as of April 1, 2003 (the “2003 Indenture”), by and among the City of Scotts Valley, the Scotts Valley Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee.

\$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the “2006 Bonds”), issued pursuant to an Indenture of Trust, dated as of June 1, 2006, by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2006 Indenture”).

A reimbursement obligation (the “2009 Reimbursement Obligation”), under a Reimbursement Agreement, dated as of December 1, 2009 (the “2009 Reimbursement Agreement”), by and between the City of Scotts Valley and the Redevelopment Agency of the City of Scotts Valley (Redevelopment Agency Refinancing Project related to (i) \$5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the “2009A Lease Revenue Bonds”) and (ii) \$3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the “2009B Lease Revenue Bonds”), which were issued pursuant to an Indenture, dated as of December 1, 2009 (the “2009 Indenture”), by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A.

INDENTURE OF TRUST

Dated as of ____ 1, 2017

by and between the

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY

and

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

Relating to

**\$ _____
Successor Agency of the Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds, Series A**

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture") is made and entered into and dated as of ____ 1, 2017, by and between the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY, a public entity duly organized and existing under the laws of the State of California (the "Successor Agency"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was 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 (as amended, the "Redevelopment Law");

WHEREAS, the redevelopment plan for the Scotts Valley Redevelopment Project (the "Project Area") was originally approved and adopted by the City Council of the City of Scotts Valley on November 27, 1990 pursuant to Ordinance No. 142 and was subsequently amended as detailed on Exhibit C attached hereto and incorporated herein (as such plan was further amended pursuant to the Redevelopment Law or may be amended pursuant to the Dissolution Act, as defined below, the "Redevelopment Plan");

WHEREAS, to finance redevelopment activities with respect to the Project Area, the Former Agency issued certain outstanding bonds and other indebtedness (collectively, the "Outstanding Prior Obligations"), as listed on Exhibit D attached hereto and incorporated herein;

WHEREAS, Assembly Bill X1 26, effective June 29, 2011 codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the "Dissolution Act"), and resulted in the dissolution of the Former Agency as of February 1, 2012, and the vesting in the Successor Agency of all of the authority, rights, powers, duties and obligations of the Former Agency;

WHEREAS, Section 34177.5(a)(1) of the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") to refund bonds or other indebtedness for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1);

WHEREAS, the Successor Agency has determined that it will achieve debt service savings within such parameters by the issuance pursuant to the Law (as defined below) and the Refunding Law of the following bonds:

- (a) \$_____ aggregate principal amount of Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A (the "2017A Bonds"), which will be issued pursuant to this Indenture;

(b) \$_____ aggregate principal amount of Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B (the “2017B Bonds”; together with the 2017A Bonds, the “2017 Bonds”), which will be issued pursuant to a First Supplement to Indenture of Trust, dated as of ____ 1, 2017 (the “First Supplement”);

WHEREAS, the 2017A Bonds and the 2017B Bonds will be secured by a pledge of and payable from Tax Revenues (as defined below) on a parity basis with each other;

WHEREAS, as a result of the proposed refinancing, there will be no obligations outstanding other than the 2017A Bonds and the 2017B Bonds that are secured by a pledge of Tax Revenues;

WHEREAS, in order to provide for the authentication and delivery of the 2017A Bonds, to establish and declare the terms and conditions upon which the 2017A Bonds are to be issued and secured and to secure the payment of the principal thereof and interest and redemption premium thereon, the Successor Agency and the Trustee have duly authorized the execution and delivery of this Indenture; and

WHEREAS, all acts and proceedings required by law necessary to make the 2017A Bonds when executed by the Successor Agency, and authenticated and delivered by the Trustee, the valid, binding and legal special obligations of the Successor Agency, and to constitute this Indenture a legal, valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and redemption premium (if any) on all the Bonds issued and Outstanding under this Indenture at any time, 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 Successor 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

DETERMINATIONS; DEFINITIONS

Section 1.01. Findings and Determinations. The Successor 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 2017A Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Successor Agency is now duly empowered, pursuant to each and every requirement of law, to issue the 2017A Bonds in the manner and form provided in this Indenture.

Section 1.02. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.02 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.

“Annual Debt Service” means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds and any Parity Debt that does not constitute Bonds in such Bond Year, and (b) the principal amount of the Outstanding Bonds (including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to a Supplemental Indenture) and any Parity Debt that does not constitute Bonds payable by their terms in such Bond Year.

“Bond” or “Bonds” means the 2017A Bonds, the 2017B Bonds and any Parity Debt that is issued as bonds pursuant to a Supplemental Indenture.

“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 Successor 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 Code.

“Bond Insurance Policy” means the policy of municipal bond insurance policy issued by the Bond Insurer which insures the payment when due of principal of and interest on the Insured Bonds.

“Bond Insurer” means _____, its successors and assigns, as issuer of the Bond Insurance Policy and the Reserve Policy.

“Bond Proceeds Fund” means the fund by that name established and held by the Trustee pursuant to Section 3.03.

“Bond Year” means, any twelve-month period beginning on August 2 in any year and ending on the next succeeding August 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date, and end on August 1, 2017.

“Business Day” means a day of the year on which banks in San Francisco, California, or the city where the Principal Corporate Trust Office is located, are not required or permitted to be closed and on which the New York Stock Exchange is not closed.

“City” means the City of Scotts Valley, a general law city duly organized and existing under the Constitution and the laws of the State.

“Closing Date” means, with respect to the 2017 Bonds, the date on which the 2017 Bonds are delivered by the Successor Agency to the original purchaser thereof.

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

“Continuing Disclosure Certificate” means the Continuing Disclosure Certificate relating to the 2017A Bonds and 2017B Bonds executed by the Successor 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 Successor Agency relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to the City and Successor Agency administrative staff costs, printing expenses, bond insurance and surety bond premiums, rating agency fees, filing and recording fees, initial fees and charges and first annual administrative fee of the Trustee and fees and expenses of its counsel, fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals, fees and charges for preparation, execution and safekeeping of the Bonds and any other cost, charge or fee in connection with the original issuance of the Bonds.

“County” means the County of Santa Cruz.

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

“Defeasance Obligations” means (i) cash and (ii) Federal Securities.

“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.

“Dissolution Act” means Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, as amended from time to time.

“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.

“Federal Securities” means any direct, noncallable general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America and CATS and TGRS), or obligations the payment of principal of and interest on which are unconditionally guaranteed by 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 Successor Agency to the Trustee in writing as its official fiscal year period.

“Former Agency” means the Redevelopment Agency of the City of Scotts Valley, a public body corporate and politic duly organized and existing under the Redevelopment Law and dissolved in accordance with the Dissolution Act.

“Indenture” means this Indenture of Trust by and between the Successor Agency and the Trustee, as originally entered into or as it may be amended or supplemented by 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 as such under the laws of the State, appointed by the Successor Agency, and who, or each of whom:

- (a) is in fact independent and not under domination of the Successor Agency;
- (b) does not have any substantial interest, direct or indirect, with the Successor Agency; and
- (c) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Independent Redevelopment Consultant” means any consultant or firm of such consultants appointed by the Successor Agency, and who, or each of whom:

- (a) is judged by the Successor Agency to have experience in matters relating to the collection of property tax revenues deposited into the Redevelopment Property Tax Trust Fund or otherwise with respect to the financing of redevelopment projects;
- (b) is in fact independent and not under domination of the Successor Agency;
- (c) does not have any substantial interest, direct or indirect, with the Successor Agency; and
- (d) is not connected with the Successor Agency as an officer or employee of the Successor Agency, but who may be regularly retained to make reports to the Successor Agency.

“Information Services” means “EMMA” or the “Electronic Municipal Market Access” system of the Municipal Securities Rulemaking Board; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other services providing information with respect to called bonds as the Successor Agency may designate in a Written Certificate of the Successor Agency delivered to the Trustee.

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

“Interest Payment Date” means August 1, 2017, and February 1 and August 1 in each year thereafter so long as any of the Bonds remain Outstanding hereunder.

“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 Dissolution Act.

“Maximum Annual Debt Service” means, as of the date of calculation, the largest Annual Debt Service for the current or any future Bond Year as certified in writing by the Successor Agency to the Trustee.

“Moody's” means Moody's Investors Service and its successors.

“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).

“Notice of Insufficiency” means the notice described in Health & Safety Code Section 34183(b).

“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 Successor Agency pursuant hereto.

“Outstanding Prior Obligations” has the meaning given that term in the Recitals of this Indenture.

“Oversight Board” means the Oversight Board of the Successor Agency of the Scotts Valley Redevelopment Agency, duly constituted from time to time pursuant to Section 34179 of the California Health and Safety Code.

“Owner” or “Bondowner” 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 2017B Bonds and any loan, bonds (including any bonds issued pursuant to a Supplemental Indenture), notes, advances or indebtedness payable from Tax Revenues on a parity with the 2017 Bonds as authorized by the provisions of Section 5.02.

“Parity Debt Instrument” means any resolution, indenture of trust, loan agreement, trust agreement or other instrument authorizing the issuance of any Parity Debt, including, without limitation, a Supplemental Indenture authorized by Section 7.01(e).

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

“Pass-Through Agreements” means [to come].

“Permitted Investments” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) Federal Securities;

(b) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (i) direct obligations or fully guaranteed certificates of beneficial ownership of the U.S. Export-Import Bank; (ii) obligations of the Federal Financing Bank; (iii) debentures of the Federal Housing Administration; (iv) participation certificates of the General Services Administration; (v) guaranteed mortgage-backed bonds or guaranteed pass-through obligations of the Government National Mortgage Association; (vi) guaranteed Title XI financings of the U.S. Maritime Administration; (vii) project notes, local authority bonds, new communities debentures and U.S. public housing notes and bonds of the U.S. Department of Housing and Urban Development;

(c) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (i) senior debt obligations of the Federal Home Loan Bank System; (ii) participation certificates and senior debt obligations of the Federal Home Loan Mortgage Corporation; (iii) mortgaged-backed securities and senior debt obligations of the Federal National Mortgage Association (excluding stripped mortgage securities which are valued greater than par on the portion of unpaid principal); (iv) senior debt obligations of the Student Loan Marketing Association; (v) obligations (but only the interest component of stripped obligations) of the Resolution Funding Corporation; and (vi) consolidated system wide bonds and notes of the Farm Credit System;

(d) money market funds (including funds of the Trustee or its affiliates) registered under the Federal Investment Company Act of 1940, whose shares are registered under the Federal Securities Act of 1933, and having a rating by S&P of “AAAm-G”, “AAAm”, or “AAm”, and, if rated by Moody’s, rated Aaa, Aa1 or Aa2, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services;

(e) certificates of deposit secured at all times by collateral described in (a) or (b) above, which have a maturity of one year or less, which are issued by commercial banks, including affiliates of the Trustee, savings and loan associations or mutual savings banks, and such collateral must be held by a third party, and the Trustee on behalf of the Bondowners must have a perfected first security interest in such collateral;

(f) certificates of deposit, savings accounts, deposit accounts or money market deposits (including those of the Trustee and its affiliates) which are fully insured by the Federal Deposit Insurance Corporation;

(g) investment agreements, including guaranteed investment contracts, which, are general obligations of an entity whose long term debt obligations, or claims

paying ability, respectively, which are rated in one of the two highest rating categories by Moody's or S&P or which are collateralized so as to be rated in one of the two highest rating categories by Moody's or S&P;

(h) commercial paper rated, at the time of purchase, "Prime-1" by Moody's and "A-1" or better by S&P;

(i) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(j) deposit accounts, money market deposits or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(k) repurchase agreements for thirty (30) days or less (more than thirty (30) days which provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to the Trustee and the transfer of cash from the Trustee to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the Trustee in exchange for the securities at a specified date, which satisfy the following criteria:

(i) repurchase agreements must be between the Trustee and (A) a primary dealer on the Federal Reserve reporting dealer list which falls under the jurisdiction of the Securities Investors Protection Corporation and which are rated "A" or better by Moody's and S&P, or (B) a bank rated "A" or better by Moody's and S&P;

(ii) the written repurchase agreement contract must include the following: (A) securities acceptable for transfer, which may be direct U.S. government obligations, or federal agency obligations backed by the full faith and credit of the U.S. government; (B) the term of the repurchase agreement may be up to 30 days; (C) the collateral must be delivered to the Trustee or a third party acting as agent for the Trustee simultaneous with payment (perfection by possession of certificated securities); (D) the Trustee must have a perfected first priority security interest in the collateral; (E) the collateral must be free and clear of third-party liens and, in the case of a broker which falls under the jurisdiction of the Securities Investors Protection Corporation, are not subject to a repurchase agreement or a reverse repurchase agreement; (F) failure to maintain the requisite collateral percentage, after a two day restoration period, will require the Trustee to liquidate the collateral; (G) the securities must be valued weekly, marked-to-market at current market price plus accrued interest and the value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest (unless the securities used as collateral are obligations of the Federal National Mortgage Association or the Federal Home Loan Mortgage Corporation, in which case the collateral must be equal to 105% of the amount of cash transferred by the Trustee to the dealer bank or securities firm under the repurchase agreement plus accrued interest). If the value of securities held as collateral falls below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred; and

(iii) a legal opinion must be delivered to the Trustee to the effect that the repurchase agreement meets guidelines under state law for legal investment of public funds;

(l) pre-refunded municipal bonds rated “Aaa” by Moody’s and “AAA” by S&P; provided, however, pre-refunded municipal bonds rated by S&P only (i.e., no Moody’s rating) are acceptable if such pre-refunded municipal bonds were pre-refunded with cash, direct U.S. or U.S. guaranteed obligations or AAA rated pre-refunded municipal bonds; and

(m) 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 deposit and withdraw from such investment directly in its own name.

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

“Principal Corporate Trust Office” means such corporate trust office of the Trustee as may be designated from time to time by written notice from the Trustee to the Successor Agency.

“Project Area” has the meaning given that term in the Recitals of this Indenture.

“Policy Costs” shall have the meaning given that term in Section 4.04(a) hereof.

“Recognized Obligation Payment Schedule” means the schedule by that name prepared before each fiscal period in accordance with the requirements of Section 34177(l) of the California Health and Safety Code.

“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.

“Redevelopment Obligation Retirement Fund” means the fund established and held by the Successor Agency pursuant to Section 34170.5(a) of the California Health and Safety Code.

“Redevelopment Plan” has the meaning given that term in the Recitals of this Indenture.

“Redevelopment Property Tax Trust Fund” means the fund established pursuant to Section 34170.5(b) of the California Health and Safety Code and administered by the Santa Cruz County Auditor–Controller.

“Refunding Law” means Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, and the acts amendatory thereof and supplemented thereto.

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

“Report” means a document in writing signed by an Independent Redevelopment Consultant and including:

(a) a statement that the person or firm making or giving such Report has read the pertinent provisions of this Indenture to which such Report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the Report is based; and

(c) a statement that, in the opinion of such person or firm, sufficient examination or investigation was made as is necessary to enable said consultant to express an informed opinion with respect to the subject matter referred to in the Report.

“Reserve Account” means the account by that name established and held by the Trustee pursuant to Section 4.03(c).

“Reserve Policy” means the Municipal Bond Debt Service Reserve Insurance Policy No. _____ issued by the Bond Insurer guaranteeing payments to be applied to the payment of principal and interest on the 2017 Bonds as provided in the Reserve Account Agreement.

“Reserve Requirement” means, as of the date of any calculation, the least of (i) 10% of the original principal amount of the 2017 Bonds, (ii) an amount equal to Maximum Annual Debt Service on the 2017 Bonds payable by the Successor Agency between the date of such calculation and the final maturity of the 2017 Bonds, or (iii) 125% of average annual debt service on the 2017 Bonds payable hereunder.

“S&P” means Standard & Poor's Ratings Services and its successors.

“Securities Depositories” means DTC and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Successor Agency may designate in a Written Request of the Successor Agency delivered to the Trustee.

“Semiannual Period” means (a) each six-month period beginning on January 1 of any calendar year and ending on June 30 of such calendar year, and (b) each six-month period beginning on July 1 of any calendar year and ending on December 31 of such calendar year.

“State” means the State of California.

“Subordinate Debt” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the Successor Agency that 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 that is subordinate to (i) the pledge of and lien upon the Tax Revenues hereunder for the security of the Bonds, (ii) the Successor Agency's obligation to pay Policy Costs to the Bond Insurer and (iii) the Successor Agency's obligation to reimburse the provider of a letter of credit, surety bond or similar instrument for the debt service reserve account for any Parity Debt .

“Successor Agency” means the Successor Agency of the Scotts Valley Redevelopment Agency, a public entity duly organized and existing under the Law.

“Supplemental Indenture” means any resolution, agreement or other instrument which has been duly adopted or entered into by the Successor Agency, but only if and to the extent that such Supplemental Indenture is specifically authorized hereunder.

“Tax Revenues” means, for each Fiscal Year, all moneys deposited in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, *excluding* amounts payable pursuant to the Pass-Through Agreements and Sections 33676, 33607.5 and 33607.7 of the Redevelopment Law, except and to the extent that any amounts so payable are payable on a basis subordinate to the payment of the Bonds.

“Term Bonds” means any Bonds subject to mandatory sinking fund redemption as set forth in the Indenture.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., as trustee hereunder, or any successor thereto appointed as trustee hereunder in accordance with the provisions of Article VI.

“2017 Bonds” means, collectively, the 2017A Bonds and the 2017B Bonds.

“2017A Bond” or “2017A Bonds” means the Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A.

“2017A Refunding Account” means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

“2017A Costs of Issuance Account” means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

“2017B Bond” or “2017B Bonds” means the Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B.

“Written Request of the Successor Agency” or “Written Certificate of the Successor Agency” means a request or certificate, in writing signed by the Chair, Secretary, Executive Director or Treasurer of the Successor Agency or by any other officer of the Successor Agency duly authorized by the Successor Agency for that purpose.

Section 1.03. 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

Section 2.01. Authorization of 2017A Bonds. The 2017A Bonds in the aggregate principal amount of _____ Dollars (\$_____) are hereby authorized to be issued by the Successor Agency under and subject to the terms of this Indenture, the Law and the Refunding Law. This Indenture constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal and the interest on all Bonds that may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained.

The 2017A Bonds shall be designated the "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A".

Section 2.02. Terms of 2017A Bonds. The 2017A Bonds shall be dated as of the Closing Date, and shall be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof. The 2017A Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate per annum as follows:

Maturity Date	<u>Amount</u>	<u>Rate</u>
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Interest on the 2017A Bonds (including the final interest payment upon maturity) shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date, to such Owner at the address of such Owner as it appears on the Registration Books as of such Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of 2017A Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date. Principal of and redemption premium (if any) on any 2017A Bond shall be paid upon presentation and surrender thereof, at maturity or earlier redemption, at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and redemption premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each 2017A Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a 2017A Bond is authenticated on or before the first Record Date,

in which event it shall bear interest from the Closing Date; *provided, however*, that if, as of the date of authentication of any 2017A Bond, interest thereon is in default, such 2017A Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 2.03. Redemption of Bonds.

(a) Optional Redemption. The 2017A Bonds maturing on or before August 1, _____ are not subject to optional redemption prior to maturity. The 2017A Bonds maturing on and after August 1, _____, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, _____, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 2017A Bonds to be redeemed, together with accrued interest thereon to the date fixed for redemption, without premium.

The Successor Agency shall be required to give the Trustee written notice of its intention to redeem Bonds under this subsection (a) with a designation of the principal amount and maturities to be redeemed at least sixty (60) days prior to the date fixed for such redemption (or such later date as is acceptable to the Trustee in the sole determination of the Trustee.

(b) Notice of Redemption. The Trustee on behalf and at the expense of the Successor 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) to the Owners of any Bonds designated for redemption at their respective addresses appearing on the Registration Books, and (ii) the Securities Depositories and to the Information Services; but 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 Bonds or the cessation of the accrual of interest thereon. Such notice shall state the redemption date and the redemption price, shall state that such redemption is conditioned upon the timely delivery of the redemption price by the Successor Agency to the Trustee for deposit in the Redemption Account, shall designate the CUSIP number of the Bonds to be redeemed, shall state the individual number of each Bond to be redeemed or shall state that all Bonds between two stated numbers (both inclusive) or all of the Bonds Outstanding are to be redeemed, and shall require that such Bonds be then surrendered at the Principal Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

The Successor Agency has the right to provide a conditional notice of an optional redemption of Bonds and to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled 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. The Successor Agency and the Trustee 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 under this Section.

Upon the payment of the redemption price of Bonds being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP

number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(c) Partial Redemption of Bonds. In the event only a portion of any Bond is called for redemption, then upon surrender of such Bond the Successor Agency shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Successor Agency, a new Bond or Bonds of the same interest rate and maturity, of authorized denominations, in aggregate principal amount equal to the unredeemed portion of the 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 Bonds so called for redemption shall have been duly deposited with the Trustee, such 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 any Bonds or portions thereof are to be selected for redemption by lot, the Trustee shall make such selection, in such manner as the Trustee shall deem appropriate, and shall notify the Successor Agency thereof to the extent Bonds are no longer held in book-entry form. In the event of redemption by lot of Bonds, the Trustee shall assign to each Bond then Outstanding a distinctive number for each \$5,000 of the principal amount of each such Bond. The Bonds to be redeemed shall be the Bonds to which were assigned numbers so selected, but only so much of the principal amount of each such Bond of a denomination of more than \$5,000 shall be redeemed as shall equal \$5,000 for each number assigned to it and so selected. All Bonds redeemed or purchased pursuant to this Section 2.03 shall be cancelled and destroyed.

Section 2.04. Form of Bonds. The Bonds, the form of Trustee's Certificate of Authentication, and the form of Assignment to appear thereon, shall be substantially in the form set forth in Exhibit A, which is 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. Execution of Bonds. The Bonds shall be executed on behalf of the Successor Agency by the signature of the Executive Director and the signature of the Agency 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 Bond ceases to be such officer before delivery of the Bonds to the purchaser, such signature shall nevertheless be as effective as if the officer had remained in office until the delivery of the Bonds to the purchaser. Any Bond may be signed and attested on behalf of the Successor Agency by such persons as at the actual date of the execution of such Bond shall be the proper officers of the Successor Agency although on the date of such Bond any such person shall not have been such officer of the Successor Agency.

Only such of the Bonds as shall bear thereon a Certificate of Authentication in the form hereinbefore set forth, 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 shall be conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture. In the event temporary Bonds are issued

pursuant to Section 2.09 hereof, the temporary Bonds may bear thereon a Certificate of Authentication executed and dated by the Trustee, may be initially registered by the Trustee, and, until so exchanged as provided under Section 2.09 hereof, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.06. Transfer of Bonds. Any Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by a duly authorized attorney of such person, upon surrender of such Bond to the Trustee at its Principal Corporate Trust Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. Whenever any Bond or Bonds shall be surrendered for registration of transfer, the Successor Agency shall execute and the Trustee shall authenticate and deliver a new Bond or Bonds, of like series, interest rate, maturity and principal amount of authorized denomination. The Trustee shall collect from the Owner any tax or other governmental charge on the transfer of any Bonds pursuant to this Section 2.06. The cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the Successor Agency.

The Trustee may refuse to transfer, under the provisions of this Section 2.06, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption (if applicable).

Section 2.07. Exchange of Bonds. Bonds may be exchanged at the Principal Corporate Trust Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of any Bonds pursuant to this Section 2.07. 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 Successor Agency.

The Trustee may refuse to exchange, under the provisions of this Section 2.07, either (a) any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or (b) any Bonds selected by the Trustee for redemption (if applicable).

Section 2.08. Registration of Bonds. The Trustee will keep or cause to be kept, at its Principal Corporate Trust Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours be open to inspection by the Successor Agency, upon reasonable prior notice to the Trustee; 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 Bonds as hereinbefore provided.

Section 2.09. Temporary Bonds. The Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Successor Agency, and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Successor Agency upon the same conditions and in substantially the same manner as the definitive Bonds. If the Successor Agency issues temporary Bonds, it will execute and furnish definitive Bonds

without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, interest rates and like maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits pursuant to this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.10. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Successor Agency, at the expense of the Owner of such Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be canceled by it. If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Successor Agency and the Trustee and, if such evidence be satisfactory to both and indemnity satisfactory to them shall be given, the Successor Agency, at the expense of the Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor and amount in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond has matured or has been called for redemption, instead of issuing a substitute Bond, the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee and the Successor Agency). The Successor Agency may require payment by the Owner of a sum not exceeding the actual cost of preparing each new Bond issued under this Section 2.10 and of the expenses which may be incurred by the Successor Agency and the Trustee in the premises. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original additional contractual obligation on the part of the Successor Agency whether or not the 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 Bonds issued pursuant to this Indenture.

Section 2.11. Book-Entry System.

(a) Original Delivery. The Bonds shall be initially delivered in the form of a separate single fully registered Bond without coupons (which may be typewritten) for each maturity of the Bonds. Upon initial delivery, the ownership of each such 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 Bonds shall be registered in the name of the Nominee on the Registration Books.

With respect to Bonds the ownership of which shall be registered in the name of the Nominee, neither the Successor Agency nor the Trustee shall have any responsibility or obligation to any Depository System Participant or to any person on behalf of which the Depository System Participant holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, neither the Successor Agency nor the Trustee shall have any 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 Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bondowner as shown in the Registration Books, of any notice with respect to the Bonds, including any notice of redemption, (iii) the selection by the Depository of the beneficial interests in the Bonds to be redeemed in the event the Successor Agency elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bondowner as shown in the Registration Books, of any amount with respect to principal,

premium, if any, or interest on the Bonds or (v) any consent given or other action taken by the Depository as Owner of the Bonds. The Successor Agency and the Trustee may treat and consider the person in whose name each Bond is registered as the absolute owner of such Bond for the purpose of payment of principal, premium and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers of ownership of such Bond, and for all other purposes whatsoever. The Trustee shall pay the principal of and interest and premium, if any, on the 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 Bonds to the extent of the sum or sums so paid. No person other than a Bondowner shall receive a Bond evidencing the obligation of the Successor 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 Successor Agency shall promptly deliver a copy of the same to the Trustee.

(b) Representation Letter. In order to qualify the Bonds for the Depository's book-entry system, the Successor Agency shall execute and deliver to such Depository a letter representing such matters as shall be necessary to so qualify the 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 Successor Agency or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bondowners. The Trustee agrees to comply with all provisions in such letter with respect to the giving of notices thereunder by the Trustee. In addition to the execution and delivery of such letter, upon written request of the Depository or the Trustee, the Successor Agency may take any other actions, not inconsistent with this Indenture, to qualify the 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 Bonds, or (ii) the Successor Agency determines to terminate the Depository as such, then the Successor Agency shall thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the Successor Agency and the Trustee in the issuance of replacement Bonds by providing the Trustee with a list showing the interests of the Depository System Participants in the Bonds, and by surrendering the Bonds, registered in the name of the Nominee, to the Trustee on or before the date such replacement Bonds are to be issued. The Depository, by accepting delivery of the Bonds, agrees to be bound by the provisions of this subsection (c). If, prior to the termination of the Depository acting as such, the Successor Agency fails to identify another Securities Depository to replace the Depository, then the 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 Bonds shall designate, in accordance with the provisions of this Article II. Prior to its termination, the Depository shall furnish the Trustee with the names and addresses of the Depository System Participants and respective ownership interests thereof.

(d) Payments to the Nominee. Notwithstanding any other provision of this Indenture to the contrary, so long as any Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such Bond and all notices with respect to such 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 2017A BONDS

Section 3.01. Issuance of 2017A Bonds. Upon the execution and delivery of this Indenture, the Successor Agency shall execute and deliver to the Trustee 2017A Bonds in the aggregate principal amount of _____ Dollars (\$_____) and the Trustee shall authenticate and deliver the 2017A Bonds upon the Written Request of the Successor Agency.

Section 3.02. Application of Proceeds of Sale and Certain Other Amounts. On the Closing Date, the original purchaser of the 2017A Bonds will wire the amount of \$_____ to the Trustee, which is equal to;

(a) the purchase price of the 2017A Bonds (\$_____), which is equal to the original principal amount of the 2017A Bonds, *plus* a net original issue premium in the amount of \$_____ and *less* an underwriter's discount in the amount of \$_____,

(b) *less* a portion of the premium for the Bond Insurance Policy (\$_____), which will be paid directly by the original purchaser of the 2017A Bonds to the Bond Insurer and

(c) *less* a portion of the premium for the Reserve Policy (\$_____), which will be paid directly by the original purchaser of the 2017A Bonds to the Bond Insurer.

The proceeds of the sale of the 2017A Bonds received by the Trustee shall be applied by the Trustee as follows:

(y) The Trustee shall deposit the amount of \$_____ in the 2017A Costs of Issuance Account.

(z) The Trustee shall deposit the remaining amount of proceeds of the 2017A Bonds (\$_____) in the 2017A Refunding Account (established by Section 3.03 hereof).

In addition, the Trustee shall credit the Reserve Policy to the Reserve Account in satisfaction of the Reserve Requirement upon delivery of the 2017 Bonds.

Section 3.03. 2017A Bond Proceeds Fund; 2017A Costs of Issuance Account. There is hereby established a separate fund to be known as the "Bond Proceeds Fund", which shall be held by the Trustee in trust, and within such Fund there shall be established a separate "2017A Refunding Account" and a separate "2017A Costs of Issuance Account."

(a) Use of Moneys in the 2017A Refunding Account. On the Closing Date, the Trustee shall transfer the moneys in the 2017A Refunding Account, in the total sum of \$_____, to The Bank of New York Mellon Trust Company, N.A., as escrow bank (the "Escrow Bank") for the purpose of providing for the defeasance and redemption of the 2003 Reimbursement Obligation, the 2006 Bonds and the portion of the 2009 Reimbursement Obligation related to the 2009A Lease Revenue Bonds (as defined in Exhibit D), in accordance with the Escrow Deposit and Trust Agreement, dated as of ____ 1, 2017, by and between the Successor Agency and the Escrow Bank and the 2017A Refunding Account shall be closed.

(b) Use of Moneys in the 2017A Costs of Issuance Account. The moneys in the 2017A Costs of Issuance Account shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance related to the 2017A Bonds upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the 2017A_Costs of Issuance Account shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund to be used to pay debt service on the 2017A Bonds and the Trustee shall close the 2017A Costs of Issuance Account.

ARTICLE IV

SECURITY OF BONDS; FLOW OF FUNDS

Section 4.01. Security of Bonds; Equal Security. The Successor Agency may not issue additional bonds or incur additional obligations that are payable from moneys deposited in the Redevelopment Property Tax Trust Fund on a senior basis to the Bonds and any Parity Debt.

Pursuant to Section 34177.5(g) of the Dissolution Act, except as provided in Section 6.06, the 2017A Bonds and any Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the 2017A Bonds.

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 Successor 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 Successor 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. Redevelopment Obligation Retirement Fund; Deposit of Tax Revenues. The Successor Agency has established the Redevelopment Obligation Retirement Fund pursuant to Section 34170.5(a) of the Dissolution Act and, so long as any of the Bonds are Outstanding or any amounts are due and owing to the Bond Insurer in respect of the Bond Insurance Policy or the Reserve Policy, the Successor Agency shall continue to hold and maintain such fund as a separate fund in its treasury (which shall be a separate account from other accounts of the Successor Agency and the City of Scotts Valley into which no other moneys shall be deposited). The Successor Agency shall deposit all of the Tax Revenues received with respect to any Semiannual Period into the Redevelopment Obligation Retirement Fund promptly upon receipt thereof by the Successor Agency.

All Tax Revenues received by the Successor Agency with respect to a Bond Year in excess of the amount required to pay debt service on the Bonds and any Parity Debt, and except as may be provided to the contrary in any Parity Debt Instrument, shall be released from the pledge and lien hereunder and shall be applied in accordance with the Law, including but not limited to the payment of any amounts due and owing to the United States of America pursuant to Section 5.14. Prior to the payment in full of the principal of and interest and premium, if any, on the Bonds and the payment in full of all other amounts payable hereunder and under any Supplemental Indentures, the Successor Agency shall not have any beneficial right or interest in the moneys on deposit in the Redevelopment Obligation Retirement Fund, except as may be provided in this Indenture and in any Supplemental Indenture.

Section 4.03. Deposit of Amounts by Trustee. There is hereby established a trust fund to be known as the Debt Service Fund, which shall be held by the Trustee hereunder in trust. Concurrently with transfers with respect to Parity Debt pursuant to Parity Debt Instruments,

moneys in the Redevelopment Obligation Retirement Fund shall be transferred by the Successor Agency to the Trustee in the following amounts, at the following times, and deposited by the Trustee in the following respective special accounts, which are hereby established in the Debt Service Fund, and in the following order of priority:

(a) Interest Account. Within five (5) Business Days of its receipt of moneys in the Recognized Obligation Retirement Fund, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee, for deposit in the Interest Account an amount which when added to the amount contained in the Interest Account on that date, will be equal to the aggregate amount of the interest becoming due and payable on the Outstanding Bonds on the next Interest Payment 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 next succeeding 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.

(b) Principal Account. Within five (5) Business Days of its receipt of moneys in the Recognized Obligation Retirement Fund, the Successor Agency shall withdraw from the Redevelopment Obligation Retirement Fund and transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then contained in the Principal Account, will be equal to the principal becoming due and payable on the Outstanding Bonds, including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to a Supplemental Indenture, on the next Interest Payment Date. No such transfer and deposit need be made to the Principal Account if the amount contained therein is at least equal to the principal to become due on the next Interest Payment Date on all of 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, including the aggregate principal amount of the Term Bonds required to be redeemed pursuant to a Supplemental Indenture, as it shall become due and payable.

(c) Reserve Account. There is hereby established in the Debt Service Fund a separate account known as the "Reserve Account" solely as security for payments on the 2017 Bonds payable by the Successor Agency pursuant to this Section 4.03, which shall be held by the Trustee in trust for the benefit of the Owners of the Bonds. The Reserve Requirement for the 2017 Bonds shall be satisfied by the delivery of the Reserve Policy by the Bond Insurer to the Trustee on the Closing Date. The Trustee shall draw on the Reserve Policy in accordance with its terms and conditions and the terms of this Indenture.

The amounts available under the Reserve Policy shall be used and withdrawn by the Trustee solely for the purpose of making transfers to the Interest Account and the Principal Account in such order of priority, in the event of any deficiency at any time in any of such accounts or for the retirement of all the 2017 Bonds then Outstanding.

The Trustee shall comply with all documentation relating to the Reserve Policy as shall be required to maintain the Reserve Policy in full force and effect and as shall 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 (c), including the

reimbursement of all amounts due and owing to the Bond Insurer in respect of the Reserve Policy.

The Successor Agency shall have no obligation to replace the Reserve Policy or to fund the Reserve Account with cash if, at any time that the 2017 Bonds are Outstanding, amounts are not available under the Reserve Policy or if the rating of the claims-paying ability of the Bond Insurer is downgraded.

(d) Redemption Account. On or before the Business Day preceding any date on which Bonds are to be redeemed pursuant to Section 2.03(a), the Trustee shall withdraw from the Debt Service Fund any amount transferred by the Successor Agency pursuant to Section 2.03(a) for deposit in the Redemption Account, such amount being the amount required to pay the principal of and premium, if any, on the Bonds to be redeemed on such date pursuant to Section 2.03(a) and similar provisions in one or more Supplemental Indentures. 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 to be redeemed pursuant to Section 2.03(a) and similar provisions in one or more Supplemental Indentures on the date set for such redemption. Interest due on Bonds to be redeemed on the date set for redemption shall, if applicable, be paid from funds available therefor in the Interest Account.

Section 4.04. Reserve Policy. The Reserve Requirement will be satisfied in the form of the issuance of the Reserve Policy. Under the terms and conditions of the Reserve Policy, the Trustee shall deliver to the Bond Insurer a demand for payment under the Reserve Policy in the required form at least five Business Days before the date on which funds are required for the purposes set forth in Section 4.03(c). The Trustee shall comply with all of the terms and provisions of the Reserve Policy for the purpose of assuring that funds are available thereunder when required for the purposes of the Reserve Account, within the limits of the coverage amount provided by the Reserve Policy. All amounts drawn by the Trustee under the Reserve Policy will be deposited into the Reserve Account and applied for the purposes thereof.

SECTION 4.05. Provisions Relating to Bond Insurance Policy. So long as the Bond Insurance Policy remains in effect, the Successor Agency and the Trustee shall comply with all of the terms and provisions set forth in Exhibit E relating to the Bond Insurer and the Bond Insurance Policy. Such provisions are hereby incorporated into this Indenture by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Indenture.

SECTION 4.06. Provisions Relating to Reserve Policy. So long as the Reserve Policy remains in effect, the Successor Agency and the Trustee shall comply with all of the terms and provisions set forth in Exhibit F relating to the Bond Insurer and the Reserve Policy. Such provisions are hereby incorporated into this Indenture by this reference, and shall control and supersede any conflicting or inconsistent provisions in this Indenture.

ARTICLE V

OTHER COVENANTS OF THE SUCCESSOR AGENCY

Section 5.01. Punctual Payment. The Successor Agency shall punctually pay or cause to be paid the principal and interest to become due in respect of all the Bonds together with the premium thereon, if any, in strict conformity with the terms of the Bonds and of this Indenture. The Successor Agency shall faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures and the Bonds. Nothing herein contained shall prevent the Successor Agency from making advances of its own moneys howsoever derived to any of the uses or purposes referred to herein.

Section 5.02. Issuance of Parity Debt; Subordinate Debt; Senior Debt. In addition to the 2017 Bonds, the Successor Agency may issue or incur additional Parity Debt in such principal amount as shall be determined by the Successor Agency for refunding purposes only. The Successor Agency may issue and deliver any such Parity Debt subject to the following specific conditions that are hereby made conditions precedent to the issuance and delivery of such Parity Debt issued under this Section:

(a) The additional Parity Debt must have been issued in compliance with the refunding provisions of the Dissolution Act, including, but not limited to, the requirement that the total interest cost to maturity on the Parity Debt plus the principal amount of the Parity Debt may not exceed the total remaining interest cost to maturity on the bonds or other indebtedness to be refunded plus the remaining principal of the bonds or other indebtedness to be refunded.

(b) The Successor Agency shall deliver to the Trustee a Written Certificate of the Successor Agency certifying that the conditions precedent to the issuance of such Parity Debt set forth above have been satisfied.

The Successor Agency may issue or incur Subordinate Debt in such principal amount as shall be determined by the Successor Agency. Any Subordinate Debt that is issued as bonds or incurred in the form of a loan may be payable on different dates than the 2017 Bonds; provided, however, the Successor Agency shall not use Tax Revenues deposited into the Redevelopment Obligation Retirement Fund to pay the enforceable obligations of the Successor Agency for a specific period of time to pay debt service on any Subordinate Debt until such time as the Successor Agency has set aside sufficient Tax Revenues to pay debt service on the 2017 Bonds and any Parity Debt for such period of time.

In addition, from and after the Closing Date, the Successor Agency may not issue or incur any bonds, notes, loans, advances or other indebtedness that are secured by a pledge of moneys deposited in the Redevelopment Property Tax Trust Fund, as provided in paragraph (2) of subdivision (a) of Section 34183 of the Dissolution Act, on a basis senior or superior to the Bonds.

Section 5.03. Extension of Payment. The Successor Agency will not, directly or indirectly, extend or consent to the extension of the time for the payment of any Bond or claim for interest on any of the Bonds and will not, directly or indirectly, be a party to or approve any such arrangement by purchasing or funding the Bonds or claims for interest in any other manner. In case the maturity of any such Bond or claim for interest shall be extended or funded, whether or not with the consent of the Successor Agency, such Bond or claim for interest so extended or funded shall not be entitled, in case of default hereunder, to the benefits

of this Indenture, except subject to the prior payment in full of the principal of all of the Bonds then Outstanding and of all claims for interest which shall not have been so extended or funded.

Section 5.04. Payment of Claims. The Successor Agency shall promptly 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 Successor Agency or upon the Tax Revenues or other amounts pledged to the payment of the Bonds, or any part thereof, or upon any funds in the hands of the Trustee, or which might impair the security of the Bonds. Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said claims.

Section 5.05. Books and Accounts; Financial Statements. The Successor Agency shall at all times keep, or cause to be kept, proper and current books and accounts in which accurate entries are made of the financial transactions and records of the Successor Agency. Within one hundred eighty (180) days after the close of each Fiscal Year an Independent Certified Public Accountant shall prepare an audit of the financial transactions and records of the Successor Agency for such Fiscal Year. To the extent permitted by law, such audit may be included within the annual audited financial statements of the County. The Successor Agency shall furnish a copy of such financial statements to any Owner upon reasonable request of such Owner and at the expense of such Owner. The Trustee shall have no duty to review such audits.

Section 5.06. Protection of Security and Rights of Owners. The Successor Agency will preserve and protect the security of the Bonds and the rights of the Owners. From and after the Closing Date, the Bonds shall be incontestable by the Successor Agency.

Section 5.07. Payments of Taxes and Other Charges. Except as otherwise provided herein, the Successor 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 Successor Agency or the properties then owned by the Successor Agency in the Project Area, or upon the revenues therefrom when the same shall become due. Nothing herein contained shall require the Successor Agency to make any such payment so long as the Successor Agency in good faith shall contest the validity of said taxes, assessments or charges. The Successor Agency will duly observe and conform with all valid requirements of any governmental authority relative to the Project Area or any part thereof.

Section 5.08. Compliance with the Law; Recognized Obligation Payment Schedules; Notice of Insufficiency. The Successor Agency shall comply with all of the requirements of the Law. Commencing February 1, 2017, in order to ensure that amounts are available for the Trustee to make timely payments on all Policy Costs and the principal of, and interest on, the Bonds and any Parity Debt coming due with respect the applicable Semiannual Period, not later than February 1 of each year, the Successor Agency shall submit an Oversight Board-approved Recognized Obligation Payment Schedule to the State Department of Finance and to the Santa Cruz County Auditor-Controller that shall include (i) all amounts necessary to pay debt service on all Bonds and other Parity Debt on the immediately succeeding August 1 and February 1, to be paid to the Successor Agency from the Redevelopment Property Tax Trust Fund for deposit in the Redevelopment Obligation Retirement Fund on the immediately succeeding June 1 and January 2, (ii) any amount required to be deposited in the Reserve Account, in order to maintain in the Reserve Account the amount of the Reserve Requirement and (iii) all Policy Costs due in the applicable Semiannual Period. Such actions shall further include, without limitation, placing on the periodic Recognized Obligation Payment Schedules for approval by the Oversight Board

and the State Department of Finance, the amounts to be held by the Successor Agency as a reserve until the next Semiannual Period, as contemplated by paragraph (1)(A) of subdivision (d) of Section 34171 of the Dissolution Act, that are necessary to provide for the payment of principal and interest hereunder when the next property tax allocation is projected to be insufficient to pay all obligations due hereunder for the next payment due in the following Semiannual Period. The Recognized Obligation Debt Service Schedule shall not be amended except by Supplemental Indenture entered into pursuant to Article VII.

The Successor Agency covenants that it will, on or before May 1 and December 1 of each year, file a Notice of Insufficiency with the Santa Cruz County Auditor-Controller if the amount of Tax Revenues available to the Successor Agency from the Redevelopment Property Tax Trust Fund on the upcoming June 1 or January 2, as applicable, is insufficient to pay debt service on the Bonds, to pay debt service on any Parity Debt and to deposit into the Reserve Account an amount required in order to maintain in the Reserve Account the amount of the Reserve Requirement. [update based on pass-through subordination]

In the event the provisions set forth in the Dissolution Act as of the Closing Date of the 2017 Bonds that relate to the filing of Recognized Obligation Payment Schedules are amended or modified in any manner, the Successor Agency agrees to take all such actions as are necessary to comply with such amended or modified provisions so as to ensure the timely payment of debt service on the Bonds and, if the timing of distributions of the Redevelopment Property Tax Trust Fund is changed, the receipt of (i) prior to February 1 of such Bond Year, an amount equal to debt service due on such February 1 and (ii) prior to the next succeeding August 1, an amount equal to debt service due on such August 1.

Section 5.09. Reserved.

Section 5.10. Dissolution Act Invalid: Maintenance of Tax Revenues. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and, in place of the invalid provisions, provisions of the Redevelopment Law or the equivalent become applicable to the Bonds, the Successor Agency shall comply with all requirements of the Redevelopment Law or the equivalent 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 Santa Cruz County and, in the case of amounts payable by the State, appropriate officials of the State and shall apply any such Tax Revenues received by the Successor Agency in the manner set forth in this Indenture. In the event that the applicable property tax revenues provisions of the Dissolution Act are determined by a court in a final judicial decision to be invalid and neither provisions of the Redevelopment Law nor the equivalent replace the invalid provisions, then the Successor Agency shall use good faith efforts to insure the allocation and payment to it of the Tax Revenues and, if and to the extent the Tax Revenues are thereafter insufficient for the Successor Agency to satisfy its obligations under this Indenture, an Event of Default shall be deemed to have occurred and the remedies upon an Event of Default contained herein shall apply.

Section 5.11. No Arbitrage. The Successor 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 2017A Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the 2017A Bonds would have caused the 2017A Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

Section 5.12. Private Activity Bond Limitation. The Successor Agency shall assure that the proceeds of the 2017A Bonds are not so used as to cause the 2017A Bonds to satisfy the private business tests of section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

Section 5.13. Federal Guarantee Prohibition. The Successor 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 2017A Bonds to be “federally guaranteed” within the meaning of Section 149(b) of the Code.

Section 5.14. Rebate Requirement. The Successor Agency shall take any and all actions necessary to assure compliance with Section 148(f) of the 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 Bonds.

Section 5.15. Maintenance of Tax-Exemption. The Successor Agency shall take all actions necessary to assure the exclusion of interest on the 2017A Bonds from the gross income of the Owners of the 2017A Bonds to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the 2017A Bonds.

Section 5.16. Continuing Disclosure. The Successor Agency hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Certificate related to the 2017A Bonds. Notwithstanding any other provision of this Indenture, failure of the Successor Agency to comply with the Continuing Disclosure Certificate shall not be an Event of Default hereunder. However, any Participating Underwriter or any holder or beneficial owner of the 2017A Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under this Section 5.16.

Section 5.17. Further Assurances. The Successor 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 Bonds 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, duties or obligations 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 under the circumstances in the conduct of such person's own affairs.

(b) The Successor Agency may 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 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 Successor Agency has knowledge that 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 written notice of such removal by the Successor Agency to the Trustee, whereupon the Successor 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 Successor Agency and by giving notice of such resignation by first class mail, postage prepaid, to the Bond Owners at their respective addresses shown on the Registration Books. Upon receiving such notice of resignation, the Successor 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 of 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 at the expense of the Successor Agency 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, acknowledging and delivering to the Successor Agency and to its predecessor Trustee a written acceptance thereof, and thereupon such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless at the Written Request of the Successor 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 Successor 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 Successor Agency shall mail a notice of the succession of such Trustee to the trusts hereunder to each rating agency that then maintains a rating on the Bonds and to the Owners at their respective addresses shown on the Registration Books. If the Successor 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 Successor Agency.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall be a financial institution having a corporate trust office in the State, having (or in the case of a corporation or trust company included in a bank holding company system, the related bank holding company shall have) a combined capital and surplus of at least \$75,000,000, and subject to supervision or examination by federal or state authority. If such financial institution 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 financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this subsection (e), the Trustee shall resign immediately in the manner and with the effect specified in this Section.

Section 6.02. Merger or Consolidation. Any bank or trust company into which the Trustee may be merged or converted or with which may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under subsection (e) of Section 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 Successor 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 this Indenture or of the security for the Bonds or the tax status of interest thereon 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 intentional misconduct. The Trustee shall not be liable for the acts of any agents of the Trustee selected by it with due care. The Trustee and its officers and employees may become the Owner of any Bonds with the same rights it would have if they 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.

(b) The Trustee shall not be liable for any error of judgment made by a responsible employee or officer, unless the Trustee shall have been negligent in ascertaining the pertinent facts.

(c) The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Bond Insurer or 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 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 intentional 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 shall have actual knowledge thereof, or shall have received written notice thereof from the Successor Agency at its Principal Corporate Trust Office. In the absence of such actual knowledge or notice, the Trustee may conclusively assume that no Event of Default has occurred and is continuing under this Indenture. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance by any other party 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 thereunder. The Trustee shall not be responsible for the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, the Trustee may rely conclusively on the Successor Agency's certificates to establish the Successor Agency's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit of Tax Revenues into the Redevelopment Obligation Retirement Fund and the investment and application of moneys on deposit in the Redevelopment Obligation Retirement Fund (other than its covenants to transfer such moneys to the Trustee when due hereunder).

The Trustee shall have no liability or obligation to the Bondowners with respect to the payment of debt service on the Bonds by the Successor Agency or with respect to the observance or performance by the Successor 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 Successor Agency pursuant to this Indenture or otherwise.

No provision of this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder, or in the exercise of any of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it at the maximum rate permitted by law.

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

The Trustee shall have no responsibility, opinion, 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.

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

The Trustee will not be considered in breach of or in default in its obligations hereunder or progress in respect thereto in the event of 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 any project refinanced with the proceeds of the Bonds, malicious mischief, condemnation, and unusually severe weather and/or occurrences beyond the control of the Trustee.

Section 6.04. Right to Rely on Documents and Opinions. The Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion or other paper or document believed by it to be genuine and to have been signed or prescribed by the proper party or parties, and shall not be required to make any investigation into the facts or matters contained thereon. The Trustee may consult with counsel, including, without limitation, counsel of or to the Successor Agency, with regard to legal questions, and, in the absence of negligence or intentional misconduct by the Trustee, 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 Written Certificate of the Successor Agency, which shall be full warrant to the Trustee for any action taken or suffered under the provisions of this Indenture in reliance upon such Written Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant or Independent Redevelopment Consultant appointed by the Successor 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 at all reasonable times upon reasonable notice to the inspection of the Successor

Agency and any Owner, and their agents and representatives duly authorized in writing, during regular business hours and under reasonable conditions.

Section 6.06. Compensation and Indemnification. The Successor Agency shall pay to the Trustee from time to time reasonable compensation for all services rendered under this Indenture in accordance with the letter proposal from the Trustee approved by the Successor Agency and also all reasonable expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside 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 reasonable compensation to its experts, attorneys and counsel (including the allocated costs and disbursement of in-house counsel to the extent such services are not redundant with those provided by outside counsel).

The Successor Agency further covenants and agrees to indemnify, defend and save the Trustee and its officers, directors, agents and employees, harmless from and against any loss, expense and liabilities which it may incur arising out of or in connection with the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the Successor Agency and the rights of the Trustee 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. Deposit and Investment of Moneys in Funds. Moneys in the Debt Service Fund, the Interest Account, the Principal Account, the Reserve Account and the Costs of Issuance Account shall be invested by the Trustee in Permitted Investments as directed by the Successor Agency in the Written Request of the Successor Agency filed with the Trustee at least two (2) Business Days in advance of the making of such investments. In the absence of any such Written Request of the Successor Agency, the Trustee shall invest any such moneys in Permitted Investments described in clause (d) of the definition thereof, which by their terms mature prior to the date on which such moneys are required to be paid out hereunder. The Trustee shall be entitled to rely conclusively upon the written instructions of the Successor Agency directing investments in Permitted Investments as to the fact that each such investment is permitted by the laws of the State, and shall not be required to make further investigation with respect thereto. Moneys in the Redevelopment Obligation Retirement Fund may be invested by the Successor Agency in any obligations in which the Successor Agency is legally authorized to invest its funds. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account. 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. The Trustee may act as principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee shall incur no liability for losses arising from any investments made at the direction of the Successor Agency or otherwise made pursuant to this Section.

The Successor Agency acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Successor Agency the right to receive brokerage confirmations of security transactions as they occur, the Successor Agency specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will

furnish the Successor Agency periodic cash transaction statements which shall include detail for all investment transactions made by the Trustee hereunder.

All moneys held by the Trustee shall be held in trust, but need not be segregated from other funds unless specifically required by this Indenture. Except as specifically provided in this Indenture, the Trustee shall not be liable to pay interest on any moneys received by it, but shall be liable only to account to the Successor Agency for earnings derived from funds that have been invested.

The Successor 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 Code) shall be acquired, disposed of, and valued (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value. The Trustee has no duty in connection with the determination of Fair Market Value other than to follow the investment directions of the Successor Agency in any Written Certificate or Written Request of the Successor Agency.

For purposes of this Section 6.07, the term "Fair Market Value" shall mean 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 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 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 Code, or (iii) the investment is a United States Treasury Security -- State and Local Government Series which is acquired in accordance with applicable regulations of the United States Bureau of Public Debt.

Section 6.08. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which accurate entries shall be made of all transactions of the Trustee relating to the proceeds of the Bonds made by it and all funds and accounts held by the Trustee established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Successor Agency upon reasonable prior notice, at reasonable hours and under reasonable circumstances. The Trustee shall furnish to the Successor Agency, at least monthly, an accounting of all transactions in the form of its customary statements relating to the proceeds of the Bonds and all funds and accounts held by the Trustee pursuant to this Indenture.

Section 6.09. 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 corporations or 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 the 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 6.09 are adopted 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, however, in no event shall the Trustee be responsible or liable for the acts or omissions of any co-trustee.

Should any instrument in writing from the Successor 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 Successor 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.

Section 6.10. Other Transactions with Successor Agency. The Trustee, either as principal or agent, may engaged in or be interested in any financial or other transaction with the Successor Agency.

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

Section 7.01. Amendment With And Without Consent of Owners. This Indenture and the rights and obligations of the Successor Agency and of the Owners may be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption and, but without the consent of the 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 Successor Agency in this Indenture contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Successor Agency; 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 Successor Agency may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not, in the reasonable determination of the Successor Agency, materially adversely affect the interests of the Owners; or

(c) to amend any provision hereof relating to the requirements of or compliance with the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exemption from federal income taxation of interest on any of the Bonds, in the opinion of Bond Counsel; or

(d) to amend the Recognized Obligation Debt Service Payment Schedule set forth in Exhibit B to take into account the redemption of any Bond prior to its maturity; or

(e) to provide for the issuance of Parity Debt pursuant to a Supplemental Indenture, as such issuance is authorized by Section 5.02.

Except as set forth in the preceding paragraph, this Indenture and the rights and obligations of the Successor 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 Owners of a majority in aggregate principal amount of the Bonds then Outstanding are filed with 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 Successor Agency to pay the principal or interest 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, or (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification. In no event shall any Supplemental Indenture modify any of the rights or obligations of the Trustee without its prior written consent. In addition, the Trustee shall be entitled to an opinion of counsel concerning the Supplemental Indenture's lack of any material adverse effect on the Owners.

The Successor Agency shall deliver or cause to be delivered a draft of any Supplemental Indenture to S&P, at least 10 days prior to the effective date of such Supplemental Indenture under this Section.

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 Successor Agency may determine that any or all of the Bonds shall bear a notation, by endorsement in form approved by the Successor Agency, as to such amendment or modification and in that case upon demand of the Successor Agency the Owners of such Bonds shall present such Bonds for that purpose at the Principal Corporate Trust 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 Successor Agency may determine that new Bonds shall be prepared at the expense of the Successor Agency and executed in exchange for any or all of the Bonds, and in that case, upon demand of the Successor Agency, the Owners of the Bonds shall present such Bonds for exchange at the Trust 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 is protected in relying, upon a Certificate of the Successor Agency and an opinion of Bond 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 Bondowners.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Events of Default and Acceleration of Maturities. The following events shall constitute Events of Default hereunder:

(a) if default shall be made by the Successor Agency in the due and punctual payment of the principal of or interest on any Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration or otherwise;

(b) if default shall be made by the Successor Agency in the observance of any of the covenants, agreements or conditions on its part in this Indenture or in the Bonds or any Parity Debt Instrument contained, other than a default described in the preceding clause (a), and such default shall have continued for a period of thirty (30) days following receipt by the Successor Agency of written notice from the Trustee or any Owner of the occurrence of such default, provided that if in the reasonable opinion of the Successor Agency the failure stated in the notice can be corrected, but not within such 30 day period, such failure will not constitute an event of default if corrective action is instituted by the Successor Agency within such 30 day period and the Successor Agency thereafter diligently and in good faith cures such failure in a reasonable period of time; or

(c) If the Successor Agency files a petition seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction will approve a petition seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will approve a petition, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or, if under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Successor Agency or of the whole or any substantial part of its property.

For purposes of determining whether any event of default has occurred under and as described in the preceding clauses (a) or (b), no effect shall be given to payments made under the Bond Insurance Policy or the Reserve Policy.

If an Event of Default has occurred under this Section and is continuing, the Trustee may, or if requested in writing by the Owners of a majority in aggregate principal amount of the Bonds then Outstanding the Trustee shall, (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) the Trustee shall, subject to the provisions of Section 8.06, exercise any other remedies available to the Trustee and the Bondowners in law or at equity.

Upon receiving notice or actual knowledge of the occurrence of an Event of Default, the Trustee shall give notice of such Event of Default to the Successor Agency by telephone promptly 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 (c) above the Trustee shall, and with respect to any Event of Default described in clause (b) above the Trustee in its sole discretion may, also give such notice to the Owners by mail, 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 Successor 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), and the reasonable fees and expenses of the Trustee, (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) 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 Trustee shall promptly give written notice of the foregoing to the Owners of all Bonds then Outstanding, and the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the Successor 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, and all sums thereafter received by the Trustee hereunder, shall be applied by the Trustee in the following order upon presentation of the several Bonds, and the stamping thereon of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in exercising the rights and remedies set forth in this Article VIII, including reasonable compensation to its agents, attorneys (including the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel) and counsel and any outstanding fees, expenses of the Trustee;

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for principal and interest, with interest on the overdue principal and installments of interest at the net effective rate then borne by the Outstanding Bonds (to the extent that such interest on overdue installments of principal and interest shall have been collected), 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 principal and interest without preference or priority of principal over interest, or interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest; and

Third, to the payment of any amounts owed to the Bond Insurer hereunder.

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.

Section 8.04. Limitation on Owner's 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 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 Successor Agency, which is absolute and unconditional, to pay from the Tax Revenues and other amounts pledged hereunder, the principal of and interest on the Bonds to the respective Owners on the respective Interest Payment Dates, as herein provided, or affect or impair the right of action, which is also absolute and unconditional, of the Owners or the Trustee to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner or the Trustee shall not affect any subsequent default or impair any rights or remedies on the subsequent default. No delay or omission of any Owner 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 Owners and the Trustee by the 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 Owners or the Trustee, the Successor Agency, the 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, *provided, however,* the Trustee shall have no duty or obligation to exercise any such right or remedy unless it has been indemnified to its satisfaction from any loss, liability or expense (including fees and expenses of its outside counsel and the allocated costs and disbursements of its in-house counsel to the extent such services are not redundant with those provided by outside counsel).

Section 8.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the 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 Law or any other law.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Benefits Limited to Parties; Third-Party Beneficiary. Nothing in this Indenture, expressed or implied, except as set forth in Section 4.04(h), is intended to give to any person other than the Successor Agency, the Trustee, the Bond 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 Successor Agency shall be for the sole and exclusive benefit of the Trustee, the Bond Insurer and the Owners. The Bond Insurer shall be deemed to be a third-party beneficiary of this Indenture, with all rights of a third-party beneficiary. The Bond Insurer may enforce the provisions of this Indenture as if it were a party hereto.

Section 9.02. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Successor 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 Successor 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. If the Successor Agency shall pay and discharge the entire indebtedness on all Bonds or any portion thereof in any one or more of the following ways:

(i) by well and truly paying or causing to be paid the principal of and interest and redemption premium (if any) on all or the applicable portion of Outstanding Bonds, as and when the same become due and payable; or

(ii) by irrevocably depositing with the Trustee in trust or an escrow agent in an irrevocable escrow, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established pursuant to this Indenture, is fully sufficient to pay all or the applicable portion of Outstanding Bonds, including all principal, redemption premium (if any) and interest, or;

(iii) by irrevocably depositing with the Trustee in trust or an escrow agent in an irrevocable escrow, 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 the funds and accounts established pursuant to this Indenture, be fully sufficient to pay and discharge the indebtedness on all Bonds or the applicable portion thereof (including all principal, redemption premium (if any) and interest) at or before maturity; or

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

then, at the election of the Successor Agency, and notwithstanding that any 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 Successor Agency under this Indenture shall cease and terminate with respect to all Outstanding Bonds or, if applicable, with respect to that portion of the Bonds which has been paid and discharged, except only (a)

the covenants of the Successor Agency hereunder with respect to the Code, (b) the obligation of the Trustee to transfer and exchange Bonds hereunder, (c) the obligations of the Successor Agency under Section 6.06 hereof, and (d) the obligation of the Successor Agency to pay or cause to be paid to the Owners, from the amounts so deposited with the Trustee, all sums due thereon and to pay the Trustee all fees, expenses and costs of the Trustee. In the event the Successor Agency shall, pursuant to the foregoing provision, 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 Successor 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 Successor Agency has determined to pay and discharge in part.

In the case of a defeasance or payment of all of the Bonds Outstanding, any funds thereafter held by the Trustee which are not required for said purpose or for payment of amounts due the Trustee pursuant to Section 6.06 shall be paid over to the Successor Agency for deposit in the Redevelopment Retirement Obligation Fund.

In connection with the defeasance of Bonds under this Section 9.03, the Successor Agency shall enter into an escrow agreement with the Trustee or other fiduciary which shall provide that:

- (a) Any substitution of securities shall require the delivery of Verification Report and an opinion of Bond Counsel that such substitution will not adversely affect the exclusion from gross income of the interest on the Bonds for federal income tax purposes.
- (b) If applicable, the Successor Agency will not exercise any prior optional redemption of Bonds secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (i) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding bonds (if any), and (ii) as a condition to any such redemption the Successor Agency has delivered to the Trustee a Verification Report as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following any such redemption.

Section 9.04. Execution of Documents and Proof of Ownership by Owners. Any request, consent, 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 his attorney of such request, declaration or other instrument, or of such writing appointing such attorney, may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state in which he purports to act, that the person signing such request, declaration or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer.

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

Any demand, request, direction, consent, 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 Successor Agency or the Trustee and in accordance therewith, provided, however, that the Trustee shall not be deemed to have knowledge that any Bond is owned by or for the account of the Successor Agency unless the Successor Agency is the registered Owner or the Trustee has received written notice that any other registered Owner is such an affiliate.

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 Successor 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.

Section 9.06. Waiver of Personal Liability. No member, officer, agent or employee of the Successor Agency shall be individually or personally liable for the payment of the principal or interest 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 Cancelled Bonds. Whenever in this Indenture provision is made for the surrender to the Trustee of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such bonds and upon request of the Successor Agency provide the Successor Agency a certificate of destruction. The Successor 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. Any notice, request, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or upon receipt when mailed by first class, registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

If to the Successor Agency: Successor Agency of the Scotts Valley
Redevelopment Agency
1 Civic Center Dr.
Scotts Valley, CA 95066

Attention: Executive Director

If to the Trustee: The Bank of New York Mellon Trust
Company, N.A.
[to come]
Attention: Global Corporate Trust Services
Reference: Successor Agency to the
Redevelopment Agency of the City of Scotts
Valley

For notice provisions relating to the Bond Insurer, see Exhibit E.

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 Successor Agency hereby declares that it would have adopted 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. If, by reason of the judgment of any court, the Trustee is rendered unable to perform its duties hereunder, all such duties and all of the rights and powers of the Trustee hereunder shall, pending appointment of a successor Trustee in accordance with the provisions of Section 6.01 hereof, be assumed by and vest in the Chief Financial Officer of the Successor Agency in trust for the benefit of the Owners. The Successor Agency covenants for the direct benefit of the Owners that its Chief Financial Officer in such case shall be vested with all of the rights and powers of the Trustee hereunder, and shall assume all of the responsibilities and perform all of the duties of the Trustee hereunder, in trust for the benefit of the Bonds, pending appointment of a successor Trustee in accordance with the provisions of Section 6.01 hereof.

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 and 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 (if any) 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 Successor Agency as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bondowners shall look only to the Successor Agency for the payment of the principal of and interest and premium (if any) on of such Bonds.

Section 9.11. 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 9.12. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY, has caused this Indenture to be signed in its name by the Executive Director of the City and attested by the Agency Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, 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.

**SUCCESSOR AGENCY OF THE SCOTTS
VALLEY REDEVELOPMENT AGENCY**

By: _____
Executive Director

ATTEST:

Agency Secretary

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

By: _____
Authorized Officer

This Bond is one of a duly authorized issue of bonds of the Successor Agency designated as "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A" (the "Bonds"), of an aggregate principal amount of _____ Dollars (\$ _____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates, and other provisions) and all issued pursuant to the provisions of (i) Part 1 of Division 24 of the Health and Safety Code of the State, as amended and supplemented, including by the provisions of Assembly Bill X1 26, signed by the Governor on June 27, 2012, and filed with the Secretary of State on June 27, 2012 (the "Law"), (ii) Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law") and (iii) an Indenture of Trust, dated as of ____ 1, 2017, entered into by and between the Successor Agency and the Trustee (the "Indenture"), authorizing the issuance of the Bonds.

The Successor Agency is concurrently issuing its "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B" (the "2017B Bonds"), in an aggregate principal amount of \$ _____. The Successor Agency may issue additional bonds and other obligations on a parity with the 2017B 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 Successor Agency) and all indentures supplemental thereto and to the Law (as defined in the Indenture) and the Refunding 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 registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency for the purpose of providing funds to refinance certain redevelopment activities undertaken with respect of the Scotts Valley Redevelopment Project (the "Project Area"), to acquire a debt service fund insurance policy for the Bonds and to pay certain expenses of the Successor Agency in issuing the Bonds.

There has been created under the Dissolution Act (as defined in the Indenture) the Redevelopment Obligation Retirement Fund (as defined in the Indenture) into which Tax Revenues shall be deposited and from which the Successor Agency shall transfer amounts to the Trustee for payment, when due, of the principal of and the interest and redemption premium, if any, on the Bonds. As and to the extent set forth in the Indenture, all such Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment of the principal of, and for the security and payment of interest and redemption premium, if any, on, the Bonds. In addition, the Bonds shall be additionally secured at all times by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Redevelopment Obligation Retirement Fund, the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account (as such terms are defined in the Indenture). Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest and redemption premium, if any, on the Bonds.

The Bonds maturing on or before August 1, _____, are not subject to optional redemption prior to maturity. The Bonds maturing on and after August 1, _____, are subject to redemption, at the option of the Successor Agency on any date on or after August 1, _____, as a whole or in part, by such maturities as shall be determined by the Successor Agency, and by lot within a maturity, from any available source of funds, at a redemption price equal to the principal amount of the 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 given by first class mail no less than thirty (30) nor more than sixty (60) days prior to the redemption date to the respective registered owners of any Bonds designated for redemption at their addresses appearing on the Bond registration books maintained by 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 notice of optional redemption may be conditional upon receipt of sufficient funds to redeem the Bonds. The Successor Agency has the right to rescind any notice of the optional redemption of Bonds by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled 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. The Successor Agency and the Trustee 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 under the Indenture.

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 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.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of any 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 Trustee may refuse to transfer or exchange (a) any Bond during the fifteen (15) days prior to the date established for the selection of Bonds for redemption, or (b) any Bond selected for redemption.

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

The rights and obligations of the Successor Agency and the registered 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 (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor 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 herein of any Bond without the express written consent of the registered 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.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Successor Agency or 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.

This Bond is not a debt of the City of Scotts Valley, the County of Santa Cruz, the State of California, or any of its political subdivisions, and neither said City, said County, said State, nor any of its political subdivisions (other than the Successor Agency to the extent described in the Indenture) is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Successor Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

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 and manner as required by the Law, the Refunding Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by the Law, the Refunding 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 shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Successor Agency of the Scotts Valley Redevelopment Agency has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the Executive Director and attested by the facsimile signature of the Agency Secretary, all as of the Dated Date set forth above.

SUCCESSOR AGENCY OF THE SCOTTS
VALLEY REDEVELOPMENT AGENCY

By: _____
Executive Director

ATTEST:

Agency Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

Authentication Date: _____

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

By: _____
Authorized Signatory

STATEMENT OF INSURANCE

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or Tax Regulations:

TEN COM --	as tenants in common	UNIF GIFT MIN ACT _____ Custodian _____
TEN ENT --	as tenants by the entireties	(Cust.) (Minor)
JT TEN --	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)
COMM PROP --	as community property	

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

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

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s) _____ attorney,

to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signatures Guaranteed:

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

Note: The signatures(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.

EXHIBIT B

**RECOGNIZED OBLIGATION DEBT SERVICE PAYMENT SCHEDULE
FOR 2017A BONDS**

Period Ending	Principal	Interest	Total Debt Service Payment
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EXHIBIT C
REDEVELOPMENT PLAN

Project Area	Ord. #	Date of Adoption
<hr/>		
<i>Scotts Valley Redevelopment Project</i>		
	88	6/19/80
Original Plan	142	11/27/90
Amendment No. 1	142.1	10/19/94
	142.2	5/3/95
Amendment No. 2	142.3	2/20/02
	142.4	4/6/05
	142.5	6/20/07
Amendment No. 3	142.6	12/15/10

EXHIBIT D

OUTSTANDING PRIOR OBLIGATIONS

A reimbursement obligation (the “2003 Reimbursement Obligation”) of the Redevelopment Agency of the City of Scotts Valley related to \$3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the “2003 Certificates of Participation”), which were executed and delivered pursuant to an Indenture of Trust, dated as of April 1, 2003 (the “2003 Indenture”), by and among the City of Scotts Valley, the Scotts Valley Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee.

\$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the “2006 Bonds”), issued pursuant to an Indenture of Trust, dated as of June 1, 2006, by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A., as trustee (the “2006 Indenture”).

A reimbursement obligation (the “2009 Reimbursement Obligation”), under a Reimbursement Agreement, dated as of December 1, 2009 (the “2009 Reimbursement Agreement”), by and between the City of Scotts Valley and the Redevelopment Agency of the City of Scotts Valley (Redevelopment Agency Refinancing Project related to (i) \$5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the “2009A Lease Revenue Bonds”) and (ii) \$3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the “2009B Lease Revenue Bonds”), which were issued pursuant to an Indenture, dated as of December 1, 2009 (the “2009 Indenture”), by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A.

EXHIBIT E

PROVISIONS RELATING TO THE BOND INSURANCE POLICY

The following terms and provisions are hereby incorporated into this Indenture by this reference. Such provisions shall control and supersede any conflicting or inconsistent provisions in this Indenture.

EXHIBIT F

PROVISIONS RELATING TO THE RESERVE POLICY

The following terms and provisions are hereby incorporated into this Indenture by this reference. Such provisions shall control and supersede any conflicting or inconsistent provisions in this Indenture.

FIRST SUPPLEMENT TO INDENTURE OF TRUST

Dated as of ____ 1, 2017

by and between the

SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY

and

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

Relating to

\$_____
Successor Agency of the Scotts Valley Redevelopment Agency
2017 Tax Allocation Refunding Bonds, Taxable Series B

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Section 4.	Partial Invalidity 7
Section 5.	Execution in Counterparts 7
Section 6.	Governing Law 7
Appendix A	Exhibit G to Indenture - Form of 2017B Bond
Appendix B	Exhibit H to Indenture - Recognized Obligation Debt Service Payment Schedule for 2017B Bonds

FIRST SUPPLEMENT TO INDENTURE OF TRUST

This FIRST SUPPLEMENT TO INDENTURE OF TRUST (this "First Supplement"), dated as of ____ 1, 2017, is by and between the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY, a public body corporate and politic duly organized and existing under the laws of the State of California (the "Successor Agency"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America, as trustee under the hereinafter defined 2017A Bonds Indenture (the "Trustee");

WITNESSETH:

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was 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 (as amended, the "Redevelopment Law");

WHEREAS, the redevelopment plan for the Scotts Valley Redevelopment Project (the "Project Area") was originally approved and adopted by the City Council of the City of Scotts Valley on November 27, 1990 pursuant to Ordinance No. 142 and was subsequently amended as detailed on Exhibit C attached to the 2017A Bonds Indenture;

WHEREAS, to finance redevelopment activities with respect to the Project Area, the Former Agency issued certain outstanding bonds and agreed to certain reimbursement obligations related to outstanding certificates of participation (collectively, the "Outstanding Prior Obligations"), as listed on Exhibit D attached to the 2017A Bonds Indenture (the "Outstanding Prior Obligations");

WHEREAS, Assembly Bill X1 26, effective June 29, 2011, codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code (as amended from time to time, the "Dissolution Act"), and resulted in the dissolution of the Former Agency as of February 1, 2012, and the vesting in the Successor Agency of all of the authority, rights, powers, duties and obligations of the Former Agency;

WHEREAS, the Council of the City of Scotts Valley elected to serve as the Successor Agency of the Scotts Valley Redevelopment Agency.

WHEREAS, Section 34177.5(a)(1) of the Dissolution Act authorizes the Successor Agency to issue refunding bonds pursuant to Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code (the "Refunding Law") to refund bonds or other indebtedness for the purpose of achieving debt service savings within the parameters set forth in Section 34177.5(a)(1);

WHEREAS, the Successor Agency has determined that, with respect to the 2003 Reimbursement Obligation, the 2006 Bonds, the 2005B Bonds and the 2009 Reimbursement Obligation, it will achieve debt service savings within such parameters by the issuance pursuant to the Law (as defined below) and the Refunding Law of the following bonds:

(a) \$_____ aggregate principal amount of Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A (the “2017A Bonds”)

(b) \$_____ aggregate principal amount of Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B (the “2017B Bonds”; together with the 2017A Bonds, the “2015 Bonds”), which will be issued pursuant to this First Supplement;

WHEREAS, the 2017A Bonds and the 2017B Bonds will be secured by a pledge of and payable from Tax Revenues (as defined below) on a parity basis with each other;

WHEREAS, as a result of the proposed refinancing, there will be no obligations outstanding that are secured by a pledge of Tax Revenues;

WHEREAS, the Successor Agency has certified that all acts and proceedings required by law necessary to make the 2017B Bonds, when executed by the Successor Agency, authenticated and delivered by the Trustee, and duly issued, the valid, binding and legal special obligations of the Successor 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 2017A Bonds Indenture. In accordance with the provisions of Section 7.01(f) of the 2017A Bonds Indenture, the 2017A 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

2017B 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 Year” means any twelve-month period beginning on August 2 in any year and ending on the next succeeding August 1, both dates inclusive, except that the first Bond Year shall begin on the Closing Date and end on August 1, 2017.

“Closing Date” means the date on which the 2017B Bonds are delivered by the Successor Agency to the original purchaser thereof.

“First Supplement” means this First Supplement to Indenture of Trust, dated as of ____ 1, 2017, by and between the Successor Agency and the Trustee, as the same may be amended from time to time in accordance with the terms of the 2017A Bonds Indenture.

“Interest Payment Date” means ____ 1, 2017, and each February 1 and August 1 thereafter so long as any of the Bonds remain unpaid.

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

“2017A Bonds Indenture” means the Indenture of Trust, dated as of ____ 1, 2017, by and between the Successor 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.

“2017B Bonds” means the Bonds which are authorized and issued under Section 10.02.

“2017B Refunding Account” means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

“2017B Costs of Issuance Account” means the account by that name within the Bond Proceeds Fund established and held by the Trustee pursuant to Section 3.03.

Section 10.02. Authorization of 2017B Bonds. The 2017B Bonds in the aggregate principal amount of _____ Dollars (\$_____) are hereby authorized to be issued by the Successor Agency under and subject to the terms of this Indenture, the Law and the Refunding Law. This Indenture constitutes a continuing agreement with the Owners of all of the Bonds issued or to be issued hereunder and then Outstanding to secure the full and final payment of principal and the interest on all Bonds that may from time to time be executed and delivered hereunder, subject to the covenants, agreements, provisions and conditions herein contained.

The 2017B Bonds shall be designated the "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B".

Section 10.03. Terms of 2017B Bonds. The 2017B Bonds shall be dated as of the Closing Date, and shall be issued in fully registered form without coupons in the denomination of \$5,000 or any integral multiple thereof. The 2017B Bonds shall mature and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rate per annum as follows:

Maturity Date	<u>Amount</u>	<u>Rate</u>
--------------------------	----------------------	--------------------

(T): Term Bond

Interest on the 2017B Bonds (including the final interest payment upon maturity) shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed by first class mail, postage prepaid, on the Interest Payment Date, to such Owner at the address of such Owner as it appears on the Registration Books as of such Record Date; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of 2017B Bonds in the aggregate principal amount of \$1,000,000 or more who shall furnish written wire instructions to the Trustee prior to the applicable Record Date. Principal of and redemption premium (if any) on any 2017B Bond shall be paid upon presentation and surrender thereof, at maturity or earlier redemption, at the Principal Corporate Trust Office of the Trustee. Both the principal of and interest and redemption premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each 2017B Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) a 2017B Bond is authenticated on or before the first Record Date, in which event it shall bear interest from the Closing Date; *provided, however,* that if, as of the date of authentication of any 2017B Bond, interest thereon is in default, such 2017B Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon.

Section 10.04. Redemption.

(a) The 2017B Bonds are not subject to optional redemption prior to their stated maturity.

(b) Mandatory Term Bond Redemption. The 2017B Bonds that are Term Bonds maturing [February/August] 1, _____, shall be subject to mandatory redemption in whole, or in part by lot, on [February/August] 1 in each year, commencing [February/August] 1, _____, as set forth below, from payments made by the Successor Agency to the Principal Account pursuant to Section 4.03(b), at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on [February/August] 1 in the respective years as set forth in the following table; provided however, that in lieu of redemption thereof such Term Bonds may be purchased by the Successor Agency as set forth in the following paragraph.

**Mandatory Term Bond
Redemption Date**

**Mandatory Term Bond
Redemption Amount**

In lieu of redemption of the Term Bonds pursuant to the preceding paragraph, amounts on deposit in the Principal Account may also be used and withdrawn by the Trustee, at any time, upon the Written Request of the Successor Agency, for the purchase of the Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as the Successor Agency may in its discretion determine. The par amount of any Term Bonds so purchased by the Successor Agency in any six-month period ending on the scheduled redemption date in any year shall be credited towards and shall reduce the par amount of the Term Bonds required to be redeemed pursuant to the previous paragraph on the succeeding Interest Payment in each year; provided that evidence satisfactory to the Trustee of such purchase has been delivered to the Trustee by the date that is 30 days prior to the redemption date. In no event shall the Successor Agency purchase any Term Bonds in lieu of redemption without canceling such Term Bonds.

Section 10.05. Form of 2017B Bonds. The Bonds, the form of Trustee's Certificate of Authentication, and the form of Assignment to appear thereon, shall be substantially in the form set forth in Exhibit A, which is attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 10.06. Application of Proceeds of Sale of 2017B Bonds. On the Closing Date, the original purchaser of the 2017B Bonds will wire the amount of \$_____ to the Trustee, which is equal to;

(a) the purchase price of the 2017B Bonds (\$_____), which is equal to the original principal amount of the 2017B Bonds less an underwriter's discount in the amount of \$_____,

(b) less a portion of the premium for the Bond Insurance Policy (\$_____), which will be paid directly by the original purchaser of the 2017B Bonds to the Bond Insurer and

(c) less a portion of the premium for the Reserve Policy (\$_____), which will be paid directly by the original purchaser of the 2017B Bonds to the Bond Insurer.

The proceeds of the sale of the 2017B Bonds received by the Trustee shall be applied by the Trustee as follows:

(y) The Trustee shall deposit the amount of \$_____ in the 2017B Costs of Issuance Account of the Bond Proceeds Fund established pursuant to Section 10.07 hereof.

(b) The Trustee shall deposit the remaining amount of proceeds of the 2017B Bonds (\$21,179,632.02) in the 2017B Refunding Account of the Bond Proceeds Fund established pursuant to Section 10.08 hereof.

In addition, the Trustee shall credit the Reserve Policy to the Reserve Account in satisfaction of the Reserve Requirement.

Section 10.07. 2017B Costs of Issuance Account. There is hereby established a separate account within the Bond Proceeds Fund to be known as the "2017B Costs of Issuance Account", which shall be held by the Trustee in trust.

The moneys in the 2017B Costs of Issuance Account shall be used and withdrawn by the Trustee from time to time to pay the Costs of Issuance related to the 2017B Bonds upon submission of a Written Request of the Successor Agency stating the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On the date which is six (6) months following the Closing Date, or upon the earlier Written Request of the Successor Agency, all amounts (if any) remaining in the 2017B Costs of Issuance Account shall be withdrawn therefrom by the Trustee and transferred to the Interest Account of the Debt Service Fund and the Trustee shall close the 2017B Costs of Issuance Account.

Section 10.08. 2017B Refunding Account. There is hereby established a separate account within the Bond Proceeds Fund to be known as the “2017B Refunding Account”, which shall be held by the Trustee in trust.

On the Closing Date, the Trustee shall transfer the moneys in the 2017B Bond Proceeds to The Bank of New York Mellon Trust Company, N.A., as escrow bank (the “Escrow Bank”), for the purpose of providing for application to the payment and redemption of the 2009 Reimbursement Obligation related to the 2009B Lease Revenue Bonds (as defined in Exhibit D of the 2017A Bonds Indenture) in accordance with the Escrow Deposit and Trust Agreement, dated as of ____ 1, 2017, by and between the Successor Agency and the Escrow Bank.

Section 10.09 Security for 2017B Bonds. The 2017B 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, pursuant to Section 34177.5(g), except as provided in Section 6.06, the 2017B Bonds and any Parity Debt shall be equally secured by a pledge of, security interest in and lien on all of the Tax Revenues, including all of the Tax Revenues in the Redevelopment Obligation Retirement Fund and all of the moneys in the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account, without preference or priority for series, issue, number, dated date, sale date, date of execution or date of delivery. Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest on the 2017B Bonds.

Section 10.10 Continuing Disclosure. The Successor 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 Successor 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 2017B Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the Successor Agency to comply with its obligations under this Section 10.09.

Section 10.11 Benefits Limited to Parties. Nothing in this Article X, expressed or implied, is intended to give to any person other than the Successor Agency, the Trustee and the Owners of the 2017B 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 Successor Agency shall be for the sole and exclusive benefit of the Trustee and the Owners of the 2017B Bonds.

Section 10.12. Federal Tax Covenants. The provisions of Section 5.11 and the further provisions of this Indenture relating to the Code shall not apply to the 2017B Bonds, in that the Successor Agency hereby determines, pursuant to Section 5903 of the California Government Code, that the interest payable on the 2017B Bonds will be subject to federal income taxation under the law in existence on the Closing Date.

Section 10.13. 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 2017B Bonds shall be deemed to be Bonds and Parity Debt 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 2017B 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.

Section 10.14. Further Assurances. The Successor 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 2017B Bonds and the rights and benefits provided in this Indenture.

* * * *

SECTION 2. Attachment of Exhibit G. The 2017A Bonds Indenture is also hereby further amended by attaching thereto and incorporating therein an Exhibit G setting forth the form of the 2017B Bonds, which shall read substantially as set forth in Appendix A which is attached hereto and by this reference incorporated herein.

SECTION 3. Attachment of Exhibit H. The 2017A Bonds Indenture is also hereby further amended by attaching thereto and incorporating therein an Exhibit H setting forth the Recognized Obligation Debt Service Payment Schedule the 2017B Bonds, which shall read substantially as set forth in Appendix G which is attached hereto and by this reference incorporated herein.

SECTION 4. 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 Successor 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 2017B 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 5. 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 6. Governing Law. This First Supplement shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY has caused this First Supplement to be signed in its name by the Executive Director and attested by the Agency Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, 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.

**SUCCESSOR AGENCY OF THE SCOTTS
VALLEY REDEVELOPMENT AGENCY**

By: _____
Executive Director

(S E A L)

ATTEST:

By: _____
Agency Secretary

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

By: _____
Authorized Officer

prepaid, on the Interest Payment Date to the Registered Owner hereof at the Registered Owner's address as it appears on the registration books maintained by the Trustee as of the Record Date for which such Interest Payment Date occurs; provided however, that payment of interest may be by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose prior to the Record Date preceding the applicable Interest Payment Date.

This Bond is one of a duly authorized issue of bonds of the Successor Agency designated as "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B" (the "Bonds"), of an aggregate principal amount of Twenty-One Million Five Hundred Sixty Thousand Dollars (\$_____), all of like tenor and date (except for such variation, if any, as may be required to designate varying series, numbers, maturities, interest rates, and other provisions) and all issued pursuant to the provisions of (i) Part 1 of Division 24 of the Health and Safety Code of the State, as amended and supplemented, including by the provisions of Assembly Bill X1 26, signed by the Governor on June 27, 2012, and filed with the Secretary of State on June 27, 2012 (the "Law"), (ii) Article 11 (commencing with Section 53580) of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (the "Refunding Law") and (iii) an Indenture of Trust, dated as of ____ 1, 2017, entered into by and between the Successor Agency and the Trustee (the "2017A Bonds Indenture"), as supplemented by a First Supplement to Indenture of Trust, dated as of ____ 1, 2017 authorizing the issuance of the Bonds (the "First Supplement; together with the 2017A Bonds Indenture, the "Indenture").

The Successor Agency is concurrently issuing its "Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A" (the "2017A Bonds"), in an aggregate principal amount of \$_____. The Successor Agency may issue additional bonds and other obligations on a parity with the 2017A 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 Successor Agency) and all indentures supplemental thereto and to the Law (as defined in the Indenture) and the Refunding 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 registered owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the Successor Agency thereunder, to all of the provisions of which Indenture the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the Successor Agency for the purpose of providing funds to refinance certain redevelopment activities undertaken with respect to a redevelopment Project Area (the "Project Area"), to acquire a debt service reserve fund insurance policy for the Bonds and to pay certain expenses of the Successor Agency in issuing the Bonds.

There has been created under the Dissolution Act (as defined in the Indenture) the Redevelopment Obligation Retirement Fund (as defined in the Indenture) into which Tax Revenues shall be deposited and from which the Successor Agency shall transfer amounts to the Trustee for payment, when due, of the principal of and the interest and redemption premium, if any, on the Bonds. As and to the extent set forth in the Indenture, all such Tax Revenues are exclusively and irrevocably pledged to and constitute a trust fund, in accordance with the terms hereof and the provisions of the Indenture and the Law, for the security and payment of the

principal of, and for the security and payment of interest and redemption premium, if any, on, the Bonds. In addition, the Bonds shall be additionally secured at all times by a first and exclusive pledge of, security interest in and lien upon all of the moneys in the Redevelopment Obligation Retirement Fund, the Debt Service Fund, the Interest Account, the Principal Account and the Reserve Account (as such terms are defined in the Indenture). Except for the Tax Revenues and such moneys, no funds or properties of the Successor Agency shall be pledged to, or otherwise liable for, the payment of principal of or interest and redemption premium, if any, on the Bonds.

The Bonds are not subject to optional redemption prior to their stated maturity.

The Bonds that are Term Bonds maturing [February/August] 1, ____, are subject to mandatory redemption in whole, or in part by lot, on [February/August] 1 in each year, commencing [February/August] 1, ____, as set forth below, from payments made by the Successor Agency to the Principal Account, at a redemption price equal to the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on [February/August] 1 in the respective years as set forth in the following table; provided however, that in lieu of redemption thereof such Term Bonds may be purchased by the Successor Agency as set forth in the Indenture.

Mandatory Term Bond
Redemption Date

Mandatory Term Bond
Redemption Amount

If an Event of Default, as defined in the Indenture, shall occur, the principal of all 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.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 and any integral multiple thereof. Subject to the limitations and conditions and upon payment of the charges, if any, as provided in the Indenture, Bonds may be exchanged for a like aggregate principal amount of Bonds of other authorized denominations and of the same maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Corporate Trust Office of the Trustee, but only in the manner and subject to the limitations provided in the Indenture, and upon surrender and cancellation of this Bond. Upon registration of such transfer a new fully registered Bond or Bonds, of any 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 Trustee may refuse to transfer or exchange (a) any Bond during the fifteen (15) days prior to the date established for the selection of Bonds for redemption, or (b) any Bond selected for redemption.

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

The rights and obligations of the Successor Agency and the registered 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 (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Successor 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 herein of any Bond without the express written consent of the registered 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.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Successor Agency or 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.

This Bond is not a debt of the County of Santa Cruz, the City of Scotts Valley, the State of California, or any of its political subdivisions, and neither said City, said County, said State, nor any of its political subdivisions (other than the Successor Agency, to the extent described in the Indenture) is liable hereon, nor in any event shall this Bond be payable out of any funds or properties other than those of the Successor Agency. The Bonds do not constitute an indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

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 and manner as required by the Law, the Refunding Law and the laws of the State of California, and that the amount of this Bond, together with all other indebtedness of the Successor Agency, does not exceed any limit prescribed by the Law, the Refunding 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 shall have been manually signed by the Trustee.

IN WITNESS WHEREOF, the Successor Agency of the Scotts Valley Redevelopment Agency has caused this Bond to be executed in its name and on its behalf with the facsimile signature of the Executive Director and attested by the facsimile signature of the City Clerk, all as of the Dated Date set forth above.

SUCCESSOR AGENCY OF THE SCOTTS
VALLEY REDEVELOPMENT AGENCY

By: _____
Executive Director

ATTEST:

Agency Secretary

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

Authentication Date: _____

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

By: _____
Authorized Signatory

STATEMENT OF INSURANCE

[TO COME]

ABBREVIATIONS

The following abbreviations, when used in the inscription on the face of this Bond, shall be construed as though they were written out in full according to applicable laws or Tax Regulations:

TEN COM --	as tenants in common	UNIF GIFT MIN ACT _____ Custodian _____
TEN ENT --	as tenants by the entireties	(Cust.) (Minor)
JT TEN --	as joint tenants with right of survivorship and not as tenants in common	under Uniform Gifts to Minors Act _____ (State)
COMM PROP --	as community property	

ADDITIONAL ABBREVIATIONS MAY ALSO BE USED
THOUGH NOT IN THE LIST ABOVE

(FORM OF ASSIGNMENT)

For value received the undersigned hereby sells, assigns and transfers unto

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

the within-registered Bond and hereby irrevocably constitute(s) and appoints(s) _____ attorney,

to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signatures Guaranteed:

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

Note: The signatures(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.

APPENDIX B

EXHIBIT H TO INDENTURE

**RECOGNIZED OBLIGATION DEBT SERVICE PAYMENT SCHEDULE
FOR 2017B BONDS**

Period Ending	Principal	Interest	Total Debt Service Payment
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ESCROW DEPOSIT AND TRUST AGREEMENT

THIS ESCROW DEPOSIT AND TRUST AGREEMENT (the "Agreement") is dated as of ____ 1, 2017 in connection with the issuance of the Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Series A (the "2017A Refunding Bonds") and the Successor Agency of the Scotts Valley Redevelopment Agency 2017 Tax Allocation Refunding Bonds, Taxable Series B (the "2017B Refunding Bonds" and together with the 2017A Refunding Bonds, the "Refunding Bonds") and is entered into by and between the SUCCESSOR AGENCY OF THE SCOTTS VALLEY REDEVELOPMENT AGENCY (herein the "Successor Agency"), a public entity, duly organized and existing under and by virtue of the Constitution and laws of the State of California, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., as Escrow Agent (the "Escrow Agent"), a national banking association having a corporate trust office in California.

WITNESSETH:

WHEREAS, the Redevelopment Agency of the City of Scotts Valley (the "Former Agency") was 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 (as amended, the "Redevelopment Law"); and

WHEREAS, the Former Agency previously issued the 2006 Bonds and incurred the 2003 Reimbursement Obligation and the 2009 Reimbursement Obligation (as those terms are defined in Exhibit A), a portion of which 2009 Reimbursement Obligation relates to lease payments the interest components of which are exempt from federal income taxation (collectively, the "Prior Tax-Exempt Obligations"); and

WHEREAS, there is no written agreement documenting the 2003 Reimbursement Obligation but it is an enforceable obligation of the Successor Agency; and

WHEREAS, the 2006 Bonds and the 2009 Reimbursement Obligation were issued and incurred, respectively, pursuant to the 2006 Indenture and the 2009 Reimbursement Agreement, as those terms are defined in Exhibit A (collectively, the "Prior Tax-Exempt Agreements"); and

WHEREAS, another portion of the 2009 Reimbursement Obligation relates to lease payments the interest components of which are subject to federal income taxation (the "Prior Taxable Obligation"; together with the Prior Tax-Exempt Obligations, the "Prior Obligations) pursuant to the 2009 Reimbursement Agreement (the "Prior Taxable Agreement"; together with the Prior Tax-Exempt Agreements, the "Prior Agreements"); and

WHEREAS, Assembly Bill X1 26, effective June 29, 2011, codified Part 1.8 (commencing with Section 34161) and Part 1.85 (commencing with Section 34170) of Division 24 of the California Health and Safety Code, and resulted in the dissolution of the Former Agency as of February 1, 2012, and the vesting in the Successor Agency to all of the authority, rights, powers, duties and obligations of the Former Agency; and

WHEREAS, the Successor Agency, by its Resolution No. SA-36 adopted on November 2, 2016 (the "Resolution of Issuance") has authorized the issuance of the Refunding Bonds, and

determined to use the proceeds of the Refunding Bonds to retire, in advance of their stated maturities, the Prior Obligations, all as described in the Resolution of Issuance; and

WHEREAS, the Successor Agency wishes to enter into this Agreement to provide for the proceeds of sale of the Refunding Bonds, together with other funds held with respect to the Prior Obligations, to be deposited in an irrevocable special escrow fund created and maintained with the Escrow Agent for the purpose of providing for the payment in full of the principal, interest and redemption premium, if any, on the outstanding Prior Obligations; and

WHEREAS, the Escrow Agent has full powers to act with respect to said escrow fund and to perform the duties and obligations to be undertaken pursuant to this Agreement;

NOW, THEREFORE, in consideration of the foregoing and of the mutual promises hereinafter set forth and for other valuable consideration, the Successor Agency and the Escrow Agent agree as follows:

Section 1. Establishment of Escrow Funds; Deposit of Funds. The Successor Agency hereby appoints the Escrow Agent to act as escrow agent for purposes of administering the funds required to redeem and defease the Prior Obligations in accordance with the Prior Agreements. A special fund to be named the "Escrow Fund" is hereby established by the Successor Agency with the Escrow Agent as an irrevocable escrow to be maintained by the Escrow Agent in trust.

The Escrow Agent is hereby further directed to establish a subaccount in the Escrow Fund (the "Prior Tax-Exempt Obligations Escrow Subaccount") to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment of the Prior Tax-Exempt Obligations in accordance with the Prior Tax-Exempt Agreements, as applicable.

The Escrow Agent is hereby further directed to establish a subaccount in the Escrow Fund (the "Prior Taxable Obligations Escrow Subaccount") to be held by the Escrow Agent in trust as an irrevocable escrow securing the payment and redemption of the Prior Taxable Obligation in accordance with the Prior Taxable Agreement.

The Escrow Agent shall deposit the following amounts in the Prior Tax-Exempt Obligations Escrow Subaccount:

(A) on the date of issuance of the 2017A Refunding Bonds, certain proceeds of the 2017A Refunding Bonds (in the amount of \$_____) transferred to it by The Bank of New York Mellon Trust Company, N.A., as trustee of the 2017A Refunding Bonds (in such capacity, the "2017A Refunding Bonds Trustee") and

(B) on the date of issuance of the 2017A Refunding Bonds, certain other funds related to the Prior Tax-Exempt Obligations in the amount of \$_____ (all as set forth in Exhibit B hereto), some of which will be transferred to the Escrow Agent by the Successor Agency and some of which will be transferred to it by The Bank of New York Mellon Trust Company, N.A., in its capacities as trustee for the 2003 Certificates, the 2006 Bonds and the 2009A Lease Revenue Bonds (in such capacities, the "Prior Obligations Trustee"). The Prior Obligations Trustee is hereby directed by the Successor Agency to transfer such amounts held by it as set forth in such Exhibit B to the Escrow Agent for deposit as provided herein.

The Escrow Agent shall deposit the following amounts in the Prior Taxable Obligations Escrow Subaccount:

(A) on the date of issuance of the 2017B Refunding Bonds, certain proceeds of the 2017B Refunding Bonds (in the amount of \$_____) transferred to it by The Bank of New York Mellon Trust Company, N.A., as trustee of the 2017B Refunding Bonds (in such capacity, the “2017B Refunding Bonds Trustee”) and

(B) on the date of issuance of the 2017B Refunding Bonds, certain other funds related to the Prior Taxable Obligation in the amount of \$_____ (all as set forth in Exhibit C hereto), some of which will be transferred to the Escrow Agent by the Successor Agency and some of which will be transferred to it by The Bank of New York Mellon Trust Company, N.A., in its capacity as trustee for the 2009B Lease Revenue Bonds (referred to as the “Prior Obligations Trustee” in this Agreement). The Prior Obligations Trustee is hereby directed by the Successor Agency to transfer such amounts held by it as set forth in such Exhibit B to the Escrow Agent for deposit as provided herein.

If at any time the Escrow Agent shall receive actual knowledge that the moneys in the Escrow Fund will not be sufficient to make any payment required hereunder, the Escrow Agent shall notify the Successor Agency to such fact and the Successor Agency shall promptly cure such deficiency. The Escrow Agent shall not be liable for any such deficiency.

Section 2. Investment of Amounts in Escrow Fund. On the date of issuance of the Refunding Bonds, the Escrow Agent shall invest moneys in the Escrow Fund in the securities described on the attached Exhibit G and shall hold the remaining \$___ uninvested.

All investments and cash shall be deposited with and held by the Escrow Agent in the Escrow Fund solely for the uses and purposes set forth herein. The Escrow Agent shall have no lien upon or right of set off against the investments and cash at any time on deposit in the Escrow Fund.

Section 3. Application of Amounts in Escrow Fund. The Escrow Agent is hereby instructed to withdraw from the Escrow Fund and transfer to the Prior Obligations Trustee an amount required to pay the principal of and interest and redemption premium on the Prior Obligations, in accordance with the schedule attached as Exhibit D hereto.

Section 4. Notice of Refunding; Notice of Defeasance. On the date of issuance of the Refunding Bonds, the Prior Obligations Trustee shall mail pursuant to the 2003 Indenture and the 2006 Indenture, and with respect to the proposed redemption or prepayment of the 2003 Certificates and the 2006 Bonds on ____, 2017, a notice of redemption or prepayment to the owners of the 2003 Certificates and 2006 Bonds and any other required recipients pursuant to the 2003 Indenture and the 2006 Indenture, substantially in the forms attached hereto as Exhibit E-1 and E-2 hereof.

The Prior Obligations Trustee is further hereby directed to mail redemption notices in substantially the form of Exhibit E-3 for the 2009 Lease Revenue Bonds at the times and to the recipients required by the 2009 Indenture.

On the date of issuance of the Refunding Bonds, the Prior Obligations Trustee is further hereby instructed to file on the Closing Date the defeasance notices attached hereto as Exhibit F-1 through F-3 on the Municipal Securities Rulemaking Board's EMMA System.

Section 5. Records. The Escrow Agent will keep books of record and account in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocations and application of the money accruing to the Escrow Agent hereunder, and such books shall be available for inspection at reasonable hours and under reasonable conditions with reasonable prior notice by the owners of the Prior Obligations and the Refunding Bonds.

Section 6. Proper Filings. The Successor Agency will, at its expense, execute, acknowledge, deliver or file this Agreement and assignments, transfers, financing statements, continuation statements, and assurances required for the better assuring, conveying, pledging, assigning and confirming unto the Escrow Agent, the moneys hereby pledged, or intended so to be or which the Successor Agency may be or may hereafter become bound to pledge, convey or assign to the Escrow Agent or for carrying out the intention or facilitating the performance of the terms of this Agreement.

Section 7. Discharge. The covenants, liens and pledges entered into, created or imposed pursuant to this Agreement shall be fully discharged, and satisfied when all of the Prior Obligations shall have been paid in full, as to principal, premium and interest. Upon such discharge and satisfaction this Agreement shall cease, terminate and become null and void, and thereupon the Escrow Agent shall, upon the written request of the Successor Agency, forthwith execute proper instruments acknowledging satisfaction and discharge of this Agreement.

Section 8. Termination; Unclaimed Funds. Notwithstanding any other provision of this Agreement any money held by the Prior Obligations Trustee for the payment of the principal of, premium and interest on the Prior Obligations and remaining unclaimed for two (2) years after the principal of all of the Prior Obligations shall have been called for redemption and after the date of redemption shall then be repaid to the Successor Agency upon its written request, and the registered owners of the Prior Obligations shall thereafter be entitled to look only to the Successor Agency for the repayment thereof, and liability of the Escrow Agent with respect to such money shall thereupon cease. In the event of the repayment of any such money to the Successor Agency as aforesaid, the registered owners of the Prior Obligations secured hereby with respect to which such money was deposited shall thereafter be deemed to be unsecured creditors of the Successor Agency, without interest. Notwithstanding the foregoing the Escrow Agent shall, upon the written request of the Successor Agency repay such money to the Successor Agency at any time earlier than two (2) years, if failure to repay such money to the Successor Agency, within such earlier period shall give rise to the operation of any escheat statute under applicable State law. Any unclaimed funds repaid to the Successor Agency with respect to (i) the Prior Tax-Exempt Obligations shall be placed by the Successor Agency in the Redemption Fund for the 2017A Refunding Bonds and used for credit on debt service on the 2017A Refunding Bonds, and (ii) with respect to the Covered Prior Taxable Obligation shall be placed by the Successor Agency in the Redemption Fund for the 2017B Refunding Bonds and used for credit on debt service on the 2017B Refunding Bonds.

Section 9. No Implied Duties; No Rights to Others. Nothing in this Agreement expressed or implied is intended or shall be construed to give to any person other than the Successor Agency, the Escrow Agent, the Prior Obligations Trustee and the registered owners of the Prior Obligations, any legal or equitable right, remedy or claim under or in respect to this

Agreement or any covenants, conditions or provisions therein or herein contained; and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Successor Agency, the Escrow Agent and the Owners of the Prior Obligations. The Escrow Agent shall perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Escrow Agent.

Section 10. Immunities and Liabilities of Escrow Agent.

(A) The Escrow Agent shall not have any liability hereunder except to the extent of its own negligence or willful misconduct. The Escrow Agent is not required to resolve conflicting demands to money or property in its possession under this Agreement.

(B) The Escrow Agent may consult with counsel of its own choice (which may be counsel to the Successor Agency) and the opinion of such counsel shall be full and complete authorization to take or suffer in good faith any action hereunder in accordance with such opinion of counsel.

(C) The Escrow Agent shall not be responsible for any of the recitals or representations contained herein or in the Resolution of Issuance.

(D) The Escrow Agent may become the owner of, or acquire any interest in, any of the Prior Obligations with the same rights that it would have if it were not the Escrow Agent, and may engage or be interested in any financial or other transaction with the Successor Agency.

(E) The Escrow Agent shall not be liable for the accuracy of any calculations provided as to the sufficiency of the moneys deposited with it to pay the principal, interest or premiums, if any, on the Prior Obligations and shall not be liable for any insufficiency of such moneys and securities to affect such payment.

(F) The Escrow Agent shall not be liable for any action or omission of the Successor Agency under this Agreement or the Resolution of Issuance.

(G) Whenever in the administration of this Agreement the Escrow Agent shall deem it necessary or desirable that a matter be proved or established before taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be deemed to be conclusively proved and established by a certificate of an authorized official of the Successor Agency, and such certificate shall, in the absence of negligence or willful misconduct on the part of the Escrow Agent, be full warrant to the Escrow Agent for any action taken or suffered by it under the provisions of this Agreement upon the faith thereof.

(H) The Escrow Agent may at any time resign by giving written notice to the Successor Agency to such resignation. The Successor Agency shall promptly appoint a successor Escrow Agent by the resignation date. Resignation of the Escrow Agent will be effective only upon acceptance of appointment by a successor Escrow Agent. If the Successor Agency does not appoint a successor, the Escrow Agent may petition any court of competent jurisdiction for the appointment of a successor Escrow Agent, which

court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Escrow Agent. After receiving a notice of resignation of an Escrow Agent, the Successor Agency may appoint a temporary Escrow Agent to replace the resigning Escrow Agent until the Successor Agency appoints a successor Escrow Agent. Any such temporary Escrow Agent so appointed by the Successor Agency, shall immediately and without further act be superseded by the successor Escrow Agent so appointed.

(I) The Successor Agency agrees to indemnify the Escrow Agent, its agents and its officers or employees for and to hold the Escrow Agent, its agents, officers or employees harmless from and against any and all liabilities, obligations, losses, damages, penalties, actions, judgments, suits, claims, costs, expenses and disbursements of any kind or nature whatsoever (including, without limitation, reasonable fees and disbursements of counsel, including in-house counsel, for the Escrow Agent) which may be imposed on, incurred by, or asserted against the Escrow Agent at any time by reason of the performance of its duties as Escrow Agent hereunder and under the Resolution of Issuance, in any transaction arising out of this Agreement or the Bond Resolution or any of the transactions contemplated herein or in the Resolution of Issuance, unless due to the Escrow Agent's or its officers' or employees' or agents' negligence or willful misconduct. Such indemnity shall survive the termination of this Agreement or resignation or removal of the Escrow Agent.

(J) All notices, certificates or other communications hereunder with the Escrow Agent shall be addressed to the Escrow Agent at:

The Bank of New York Mellon Trust Company, N.A.
[to come]
Attention: Global Corporate Trust Services
Reference: Successor Agency of the Scotts Valley Redevelopment
Agency 2017 Escrows

Section 11. Waiver of Notice. Whenever in this Agreement the giving of notice by mail or otherwise shall be required, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

Section 12. Fees. The Escrow Agent's fees, expenses and reimbursement for costs incurred, for and in carrying out the provisions of this Agreement have been fixed by separate agreement. The Escrow Agent shall also be entitled to additional fees, expenses and reimbursement for costs incurred in connection with the performance of its duties and exercise of its powers hereunder, including but not limited to legal and accounting services, in connection with any litigation which may at any time be instituted involving this Agreement. The fees incurred by the Escrow Agent shall in no event be deducted from the Escrow Fund.

Section 13. Severability. In case any one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, such invalidity, illegality or unenforceability shall not affect any other provisions of this Agreement, but this Agreement shall be construed as if such invalid or illegal or unenforceable provisions has never been contained herein.

Section 14. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and such counterparts, or as many of them as the Agency and the Escrow Agent shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 15. Business Days. Whenever any act is required by this Agreement to be done on a specified day or date, and such day or date shall be a day other than a business day, then such act may be done on the next succeeding business day.

Section 16. California Law. This Agreement shall be governed exclusively by and interpreted in accordance with, the laws of the State of California.

IN WITNESS WHEREOF, the Successor Agency and the Escrow Agent have each caused this Agreement to be executed by the duly authorized officers thereof as of the date first above written.

**SUCCESSOR AGENCY OF THE SCOTTS
VALLEY REDEVELOPMENT AGENCY**

By: _____
Executive Director

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

By: _____
Authorized Officer

**ACKNOWLEDGEMENT OF THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
AS PRIOR OBLIGATIONS TRUSTEE**

The Bank of New York Mellon Trust Company, N.A., as Prior Obligations Trustee, hereby acknowledges the provisions of this Agreement and, to the extent such provisions are applicable, The Bank of New York Mellon Trust Company, N.A., in its capacity as Prior Obligations Trustee, agrees to comply therewith.

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

By: _____
Authorized Officer

EXHIBIT A

PRIOR OBLIGATIONS

Prior Tax-Exempt Obligations

<u>Obligation</u>	<u>Redemption Terms</u>
<p>A reimbursement obligation (the "2003 Reimbursement Obligation") of the Redevelopment Agency of the City of Scotts Valley related to \$3,455,000 Certificates of Participation Refunding and 2003 Public Improvements Project (the "2003 Certificates"), which were executed and delivered pursuant to an Indenture of Trust, dated as of April 1, 2003 (the "2003 Indenture"), by and among the City of Scotts Valley, the Scotts Valley Public Financing Authority and The Bank of New York Mellon Trust Company, N.A., as successor trustee.</p> <p>There was no written agreement documenting the 2003 Reimbursement Obligation.</p>	<p>The 2003 Certificates are subject to prepayment in whole on any date or in part on any Certificate Payment Date at a prepayment price equal to 100% of the principal amount to be prepaid, plus accrued interest to the prepayment date, without premium. Pursuant to Section 5.04 of the 2003 Indenture, notice of an optional prepayment may be mailed only when the Trustee has determined that it has sufficient moneys on hand to pay the principal and interest and prepayment premium, if any, to make the proposed prepayment.</p>
<p>\$6,810,000 Redevelopment Agency of the City of Scotts Valley Scotts Valley Redevelopment Project Tax Allocation Refunding Bonds, Issue of 2006 (the "2006 Bonds"), issued pursuant to an Indenture of Trust, dated as of June 1, 2006, by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A., as trustee (the "2006 Indenture").</p>	<p>The 2006 Bonds are subject to optional redemption in whole or in part on any date at a redemption price equal to 100% of the principal amount to be redeemed plus interest accrued to the redemption date. Pursuant to Section 6.4 of the 2006 Indenture, no notice of redemption of an optional redemption may be mailed until such time as there is on deposit moneys sufficient to redeem the 2006 Bonds to be redeemed.</p>
<p>The portion of a reimbursement obligation (the "2009 Reimbursement Obligation"), under a Reimbursement Agreement, dated as of December 1, 2009 (the "2009 Reimbursement Agreement"), by and between the City of Scotts Valley and the Redevelopment Agency of the City of Scotts Valley (Redevelopment Agency Refinancing Project related to the \$5,260,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009A (the "2009A Lease Revenue Bonds"), which were issued pursuant to an Indenture, dated as of December 1, 2009 (the "2009 Indenture"), by and between the Redevelopment Agency of the City of Scotts Valley and The Bank of New York Mellon Trust Company, N.A.</p>	<p>The 2009A Lease Revenue Bonds are subject to redemption as a whole or in part on any date on or after October 1, 2019, at a redemption price equal to 100% of the principal amount of the 2009A Lease Revenue Bonds, plus accrued interest to the redemption date.</p>

Prior Taxable Obligations

<p>The portion of the 2009 Reimbursement Obligation under the 2009 Reimbursement Agreement related to \$3,50,000 Redevelopment Agency of the City of Scotts Valley Lease Revenue Bonds Series 2009B (Taxable) (the “2009B Lease Revenue Bonds”), which were issued pursuant to the 2009 Indenture.</p>	<p>The 2009B Lease Revenue Bonds maturing on or after October 1, 2020, are subject to redemption as a whole or in part on any date on or after October 1, 2019, at a redemption price equal to 102% of the principal amount of the 2009B Lease Revenue Bonds, plus accrued interest to the redemption date.</p>
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EXHIBIT B

**FUNDS TRANSFERRED TO
PRIOR TAX-EXEMPT OBLIGATIONS ESCROW SUBACCOUNT**

2003 Certificates

	<u>Fund</u>	<u>Amount</u>
Total		<hr/>

2006 Bonds

	<u>Fund</u>	<u>Amount</u>
Total		<hr/>

2009A Lease Revenue Bonds

	<u>Fund</u>	<u>Amount</u>
Total		<hr/>

EXHIBIT C

**FUNDS TRANSFERRED TO
PRIOR TAXABLE OBLIGATIONS ESCROW SUBACCOUNT**

2009B Lease Revenue Bonds

<u>Fund</u>	<u>Amount</u>
Total	<hr/>

EXHIBIT D

PAYMENT, PREPAYMENT AND REDEMPTION SCHEDULE OF PRIOR OBLIGATIONS

2003 Certificates (2003 Reimbursement Obligation)

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal Redeemed</u>	<u>Total Payment</u>
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2006 Bonds

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal Redeemed</u>	<u>Total Payment</u>
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2009A Lease Revenue Bonds (2009 Reimbursement Obligation)

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal Redeemed</u>	<u>Total Payment</u>
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2009B Lease Revenue Bonds (2009 Reimbursement Obligation)

<u>Payment Date</u>	<u>Interest</u>	<u>Principal</u>	<u>Principal Redeemed</u>	<u>Total Payment</u>
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EXHIBIT E-1

FORM OF NOTICE OF FULL OPTIONAL REDEMPTION

**\$3,455,000 initial principal amount
City of Scotts Valley
Certificates of Participation
Refunding and 2003 Public Improvements Project**

EXHIBIT E-2

FORM OF NOTICE OF FULL OPTIONAL REDEMPTION

**Redevelopment Agency of the City of Scotts Valley
Scotts Valley Redevelopment Project
Tax Allocation Refunding Bonds
Issue of 2006**

EXHIBIT E-3

FORM OF NOTICE OF FULL OPTIONAL REDEMPTION

\$5,260,000
Redevelopment Agency of the City of Scotts
Valley
Lease Revenue Bonds
Series 2009A

\$3,500,000
Redevelopment Agency of the City of Scotts
Valley
Lease Revenue Bonds
Series 2009B (Taxable)

EXHIBIT F-1

FORM OF NOTICE OF DEFEASANCE

**\$3,455,000 initial principal amount
City of Scotts Valley
Certificates of Participation
Refunding and 2003 Public Improvements Project**

EXHIBIT F-2

FORM OF NOTICE OF DEFEASANCE

**Redevelopment Agency of the City of Scotts Valley
Scotts Valley Redevelopment Project
Tax Allocation Refunding Bonds
Issue of 2006**

EXHIBIT F-3

FORM OF NOTICE OF DEFEASANCE

\$5,260,000
Redevelopment Agency of the City of
Scotts Valley
Lease Revenue Bonds
Series 2009A

\$3,500,000
Redevelopment Agency of the City of
Scotts Valley
Lease Revenue Bonds
Series 2009B (Taxable)

EXHIBIT G
ESCROW SECURITIES

Type of Security	Purchase Date	Maturity Date	Par Amount	Rate	Total Cost
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