



**SANTA CRUZ METROPOLITAN TRANSIT DISTRICT (METRO)
BOARD OF DIRECTORS AGENDA
SPECIAL MEETING
DECEMBER 17, 2021 – 9:00 AM**

**DUE TO COVID-19, THIS MEETING WILL BE CONDUCTED VIA TELECONFERENCE ONLY
(NO PHYSICAL LOCATION) PURSUANT TO ASSEMBLY BILL 361
(GOVERNMENT CODE SECTION 54953)**

MEMBERS OF THE PUBLIC MAY NOT ATTEND THIS MEETING IN PERSON

The public may participate remotely via the Zoom website [at this link](#) and following the instructions or by calling 1-669-900-6833 Meeting ID 288 488 1115 Passcode: Metro1

Members of the public are encouraged to participate remotely. Public comments may be submitted via email to boardinquiries@scmttd.com. Please indicate in your email the agenda item to which your comment applies. Comments submitted before the meeting will be provided to the Directors before or during the meeting. Comments submitted after the meeting is called to order will be included in the Board's correspondence that is posted online at the board meeting packet link. Oral public comments will also be accepted during the meeting through Zoom. Should Zoom not be operational, please check online at: www.scmttd.com for any updates or further instruction.

The Board of Directors Meeting Agenda Packet can be found online at www.SCMTD.com.

The Board may take action on each item on the agenda. The action may consist of the recommended action, a related action or no action. Staff recommendations are subject to action and/or change by the Board of Directors.

BOARD ROSTER

Director Jimmy Dutra	City of Watsonville
Director Shebreh Kalantari-Johnson	City of Santa Cruz
Director Manu Koenig	County of Santa Cruz
Director Donna Lind	City of Scotts Valley
Director Bruce McPherson	County of Santa Cruz
Director Donna Meyers	City of Santa Cruz
Director Alta Northcutt	City of Watsonville
Director Larry Pageler	County of Santa Cruz
Director Kristen Petersen	City of Capitola
Director - Vacant	County of Santa Cruz
Director Mike Rotkin	County of Santa Cruz
Ex-Officio Director Dan Henderson	UC Santa Cruz
Ex-Officio Director - Vacant	Cabrillo College
Alex Clifford	METRO CEO/General Manager
Julie Sherman	METRO General Counsel

TITLE 6 - INTERPRETATION SERVICES / TÍTULO 6 - SERVICIOS DE TRADUCCIÓN

Spanish language interpretation and Spanish language copies of the agenda packet are available on an as-needed basis. Please make advance arrangements with the Executive Assistant at 831-426-6080. Interpretación en español y traducciones en español del paquete de la agenda están disponibles sobre una base como-necesaria. Por favor, hacer arreglos por adelantado con Coordinador de Servicios Administrativos al numero 831-426-6080.

SECTION I: OPEN SESSION

NOTE: THE BOARD CHAIR MAY TAKE ITEMS OUT OF ORDER

- 1 CALL TO ORDER**
- 2 ROLL CALL**
- 3 BOARD OF DIRECTORS COMMENTS**
- 4 ORAL AND WRITTEN COMMUNICATIONS TO THE BOARD OF DIRECTORS**
- 5 LABOR ORGANIZATION COMMUNICATION**
- 6 ADDITIONAL DOCUMENTATION TO SUPPORT EXISTING AGENDA ITEMS**

CONSENT AGENDA

All items appearing on the Consent Agenda are recommended actions considered to be routine and will be acted upon as one motion. All items removed will be considered later in the agenda. The Board Chair will allow public input prior to the approval of the Consent Agenda items.

- 7.1 APPROVE: CONSIDERATION OF A RESOLUTION MAKING CERTAIN FINDINGS AND DIRECTING THAT THE BOARD AND ITS COMMITTEE MEETINGS WILL CONTINUE TO BE HELD VIA TELECONFERENCE**
Alex Clifford, CEO/General Manager

REGULAR AGENDA

- 8 APPROVE: A RESOLUTION AUTHORIZING THE ISSUANCE OF SALES TAX REVENUE BONDS (MEASURE G), SERIES 2022 (FEDERALLY TAXABLE) AND ONE OR MORE SERIES OF ADDITIONAL SALES TAX REVENUE BONDS TO REFINANCE THE OUTSTANDING OBLIGATIONS OF THE DISTRICT TO THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, AND APPROVING AND DIRECTING RELATED MATTERS**
Chuck Farmer, CFO

SECTION II: CLOSED SESSION

- 9 PUBLIC EMPLOYEE APPOINTMENTS (GOVERNMENT CODE SECTION 54957); CEO/GM POSITION AND INTERIM CEO/GM POSITION**

SECTION III: RECONVENE TO OPEN SESSION

- 10 REPORT OF CLOSED SESSION ITEM**
Julie Sherman, General Counsel
- 11 ANNOUNCEMENT OF NEXT BOARD OF DIRECTORS MEETING: FRIDAY, JANUARY 28, 2022, AT 9:00 AM, VIA TELECONFERENCE**
Donna Lind, Board Chair
- 12 ADJOURNMENT**
Donna Lind, Board Chair

Pursuant to the Government Code of the State of California, this agenda was posted at least 24 hours in advance of the scheduled meeting at a public place freely accessible to the public 24 hours a day. The agenda packet and materials related to an item on this Agenda submitted to the Board of Directors after distribution of the agenda packet are available for public inspection in the Santa Cruz METRO Administrative Office (110 Vernon Street, Santa Cruz) during normal business hours. Such documents are also available on the Santa Cruz METRO website at www.scmtd.com subject to staff's ability to post the document before the meeting.



DATE: December 17, 2021
TO: Board of Directors
FROM: Alex Clifford, CEO/General Manager
**SUBJECT: CONSIDERATION OF A RESOLUTION MAKING CERTAIN FINDINGS
AND DIRECTING THAT THE BOARD AND ITS COMMITTEE
MEETINGS WILL CONTINUE TO BE HELD VIA TELECONFERENCE**

I. RECOMMENDED ACTION

That the Board of Directors approve a resolution making certain findings and directing that the Board and its committee meetings will continue to be held via teleconference

II. SUMMARY

Due to the ongoing COVID-19 pandemic, the General Manager/CEO and General Counsel recommend the Board adopt a resolution making certain findings and directing that Board meetings and Board committees meetings will continue to be held via teleconference because the proclaimed COVID-19 pandemic State of Emergency continues to impact the ability of the Santa Cruz Metropolitan Transit District (METRO) Board of Directors (Board) and its committees to meet safely in person.

III. DISCUSSION/BACKGROUND

On September 16, 2021, Governor Newsom signed into law Assembly Bill (AB) 361 amending Government Code Section 54953 to allow local agencies to use teleconferencing for public meetings without requiring teleconference locations to be included on published agendas or accessible to the public, and without requiring a quorum of the members of the legislative body of the agency to participate from locations within the boundaries of the agency's jurisdiction, during proclaimed states of emergencies.

Local agency determinations to meet using the modified teleconferencing rules under AB 361 must be reviewed every 30 days following the first teleconferenced meeting held pursuant to this law, which as an urgency statute, came into effect on October 1. The legislative body must reconsider the circumstances of the state of emergency and find that they directly impact the ability to meet safely in person. These findings can be relied upon for up to 30 days, so the Board will need to consider the circumstances of the state of emergency at each subsequent Board meeting in order to continue to meet remotely under the modified teleconference rules.

The Governor's State of Emergency related to the COVID-19 pandemic remains active and the Santa Cruz County Health Officer, the California Department of Public Health, and the Department of Industrial Relations have imposed or recommended measures to promote social distancing. Compliance with these measures directly impacts the ability of the public to meet safely in person, and METRO cannot ensure social distancing recommendations are met in circumstances of in-person public meetings.

Furthermore, there is a continuing threat of COVID-19 to the community, and Board and committee meetings have characteristics that give rise to risks to health and safety of meeting participants. Consequently, it is recommended that METRO continue to use remote teleconferencing for public meetings as permitted under AB 361 and to reconsider its determination (and make the necessary findings) every 30 days.

IV. STRATEGIC PLAN PRIORITIES ALIGNMENT

This report pertains to METRO's Safety First Culture priority.

V. FINANCIAL CONSIDERATIONS/IMPACT

There is no financial impact.

VI. CHANGES FROM COMMITTEE

N/A

VII. ALTERNATIVES CONSIDERED

The Board could decide to no longer meet via teleconference. Due to the ongoing COVID-19 pandemic, this is not recommended.

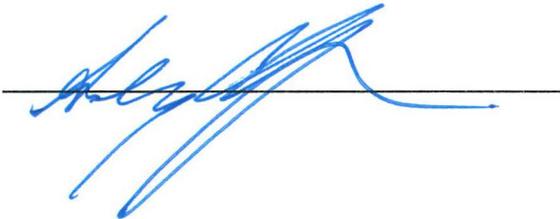
VIII. ATTACHMENTS

Attachment A: Authorizing Resolution

Prepared by: Donna Bauer, Executive Assistant

IX. APPROVALS

Alex Clifford, CEO/General Manager



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Attachment A



Resolution No. _____
On the Motion of Director: _____
Duly Seconded by Director: _____
The Following Resolution is Adopted:

**RESOLUTION OF THE BOARD OF DIRECTORS OF THE
SANTA CRUZ METROPOLITAN TRANSIT DISTRICT FINDING THAT THE PROCLAIMED
STATE OF EMERGENCY FOR THE COVID-19
PANDEMIC CONTINUES TO IMPACT THE ABILITY FOR THE BOARD OF DIRECTORS
AND ITS COMMITTEES TO MEET SAFELY IN PERSON, AND DIRECTING THAT VIRTUAL
BOARD AND COMMITTEE MEETINGS CONTINUE**

WHEREAS, on March 4, 2020, Governor Newsom declared a State of Emergency to exist in California as a result of the threat of the COVID-19 pandemic, which declaration remains in effect; and

WHEREAS, the Santa Cruz County Board of Supervisors subsequently declared a local emergency related to COVID-19, which declaration also remains in effect; and

WHEREAS, on March 17 and June 11, 2020, the Governor issued Executive Orders N-29-20 and N-08-21, respectively, suspending certain provisions of the Ralph M. Brown Act related to teleconferencing through September 30, 2021 to facilitate legislative bodies conducting public meetings remotely to help protect against the spread of COVID-19 and to protect the health and safety of the public; and

WHEREAS, on September 16, 2021, the Governor signed Assembly Bill (AB) 361 into law, amending Government Code Section 54953, effective immediately, to allow legislative bodies to continue to meet remotely under less restrictive requirements during a proclaimed State of Emergency provided that (1) state or local officials have imposed or recommended measures to promote social distancing, or (2) the legislative bodies determine that meeting in person would present imminent risks to the health or safety of attendees, and (3) the legislative bodies make such findings at least every thirty days during the term of the declared state of emergency; and

WHEREAS, on November 19, 2021, pursuant to Resolution 21-11-01, Board of Directors (Board) made the requisite findings to allow teleconferencing under AB 361 for 30 days; and

Attachment A

Resolution #
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WHEREAS, the Board has reviewed its previous findings and again concludes that there is a continuing threat of COVID-19 to the community, and that Board and committee meetings have characteristics that continue to give rise to risks to health and safety of meeting participants; and

WHEREAS, to help protect against the spread of COVID-19 and its variants, and to protect the health and safety of the public, the Board desires to take the actions necessary to continue to hold its Board and committee meetings remotely as authorized by AB 361.

NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of the Santa Cruz Metropolitan Transit District (METRO) has reconsidered the circumstances of the COVID-19 State of Emergency, and finds and determines that the state of emergency continues to directly impact its ability to meet safely in person; and

BE IT FURTHER RESOLVED, that in light of these findings, the Board directs the CEO/General Manager and Board Secretary to continue to agendaize public meetings of the Board, and all METRO committees that are subject to the Brown Act, only as online teleconference meetings; and

BE IT FURTHER RESOLVED, that METRO will comply with the requirements of Government Code Section 54953(e)(2) when holding Board and committee meetings pursuant to this Resolution; and

BE IT FURTHER RESOLVED, that this Resolution will be in effect for the maximum period of time permitted under AB 361 (30 days), and the Board will consider the findings in this Resolution each month and may, by motion, reaffirm these findings.

PASSED AND ADOPTED by the Board of Directors of the Santa Cruz Metropolitan Transit District this 17th Day of December 2021 by the following vote:

AYES: Directors -

NOES: Directors -

ABSTAIN: Directors -

ABSENT: Directors -

APPROVED _____

Donna Lind
Board Chair

7.1A.2

Attachment A

Resolution #
Page 3 of 3

ATTEST _____
ALEX CLIFFORD
CEO/General Manager

APPROVED AS TO FORM:

JULIE SHERMAN
General Counsel

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DATE: December 17, 2021

TO: Board of Directors

FROM: Chuck Farmer, CFO

SUBJECT: A RESOLUTION AUTHORIZING THE ISSUANCE OF SALES TAX REVENUE BONDS (MEASURE G), SERIES 2022 (FEDERALLY TAXABLE) AND ONE OR MORE SERIES OF ADDITIONAL SALES TAX REVENUE BONDS TO REFINANCE THE OUTSTANDING OBLIGATIONS OF THE DISTRICT TO THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, AND APPROVING AND DIRECTING RELATED MATTERS

I. RECOMMENDED ACTION

That the Board of Directors approve the issuance of Sales Tax Revenue Bonds (Measure G), Series 2022 (Federally Taxable) (2022 Bonds), and one or more series of additional sales tax revenue bonds in the future ("Additional Bonds"), to refinance METRO's outstanding unfunded accrued liability (UAL) with California Public Employees' Retirement System (CalPERS). The principal amount of the 2022 Bonds is not-to-exceed \$53 million. The resolution also approves the form of the Indenture of Trust for the bonds. Staff will be required to return to the Board to obtain final approval of the Board to sell the 2022 Bonds and Additional Bonds. Staff anticipates requesting final approval to sell the 2022 Bonds once a bond rating is received in January or February 2022.

II. SUMMARY

- The Santa Cruz Metropolitan Transit District (METRO or District)'s current outstanding pension balance, as of June 30, 2020, is approximately \$68 million.
- METRO's unfunded accrued liability (UAL) is currently accruing interest at a Discount Rate of 7.0%.
- CalPERS recently announced an investment return of 21.3% and subsequent lowering of the Discount Rate to 6.8%, which will result in a net credit, lowering the UAL to approximately \$51.3 million.
- METRO will seek a bond rating from Standard & Poor's.
- The 2022 Bonds will be secured by METRO's ½ Sales Tax (Measure G), to obtain the highest rating and potentially qualify for municipal bond insurance.

III. DISCUSSION/BACKGROUND

METRO has reviewed its outstanding pension liability and examined various funding alternatives to reduce its pension liability. METRO has determined that the issuance of sales tax revenue bonds secured by, and payable from, Measure G Revenues to refinance its obligations to CalPERS presents the most viable option to realize significant interest cost savings.

METRO has assembled the financing team via competitive RFP process to assist with the issuance of pension bonds, which consist of Urban Futures, Inc. as Municipal Advisor, Jones Hall, A Professional Law Corporation, as Bond Counsel and Disclosure Counsel, and Ramirez & Co., Inc. as the Bond Underwriter.

An election was held on June 6, 1978, to replace property taxes as the source of support for METRO's operations, with a ½ cent sales tax (Measure G). Measure G was approved by greater than a two-thirds vote. Measure G revenues are available for any lawful purpose of the District, including for retirement benefits of METRO's employees and its obligations to CalPERS.

The Board adopted Ordinance No. 78-3-1 on March 17, 1978 (the "Measure G Ordinance"), pursuant to Section 98290 of the Public Utilities Code, imposing a retail transaction and use tax at a rate of 0.5 percent (1/2 cent) applicable within METRO's boundaries.

The Municipal Advisor and the Bond Underwriter have determined that the bond/legal structure that would provide METRO with the highest bond rating and lowest cost of borrowing would require the direct pledge of the District's 1978 Measure G ½ Cent Sales Tax Revenues. A bond structured with a pledge of Measure G monies may potentially qualify for a municipal bond insurance policy, which could further lower METRO's borrowing costs.

Passive Validation – Adoption of this Resolution is intended to start the 60-day "passive validation" period required under California Code of Civil Procedure Section 863. This provision requires an interested person to bring an action to determine the validity of the matters approved herein, including, but not limited to, the validity of the Bond Indenture and the Bonds (as such terms are defined in the Resolution), and the legality and validity of this Resolution, the use of the proceeds of the Bonds, the pledge of the Measure G Revenues as security for the Bonds, and the payment of the principal of, and interest on, the Bonds.

If no action is taken (i.e., protest received) by an interested within 60 days of the approval of this Resolution, the validity of the Bonds, Indenture and Revenue Pledges shall be considered legally valid, after which the Bonds may be sold.

Final Board Approval – Pursuant to this Resolution, Board will approve the issuance of the 2022 Bonds and any Additional Bonds in the future to refund METRO's outstanding obligations to CalPERS.

Although one bond issue is currently contemplated, Bond Counsel has included language regarding Additional Bonds to eliminate the need to go through a passive validation again to pledge Measure G revenues for any potential issuances in the future.

However, this resolution does not expressly grant the legal authority to sell any bonds. Staff must return to the Board to seek authorization to sell the 2022 Bonds in January (or February) 2022. At this meeting, the financing team will have determined the anticipated final structure of the 2022 Bonds (i.e., amount, term, ratings, and expected interest rate). Staff will present this information together with the preliminary official statement (POS) for final approval by the Board.

Once METRO receives the second Board Approval, and the 60 day period provided for in California Code of Civil Procedure Section 863 has elapsed, METRO will be able to sell the 2022 Bonds to refinance its obligations to CalPERS.

IV. STRATEGIC PLAN PRIORITIES ALIGNMENT

The proposed action aligns with the following Strategic Priorities:

- Financial Stability, Stewardship & Accountability

V. FINANCIAL CONSIDERATIONS/IMPACT

Based on current market interest rates, METRO is projected to save an estimated \$18.5 million in interest payments over the life of the 2022 Bonds. METRO must go through the ratings process and receive a credit rating in order to sell the 2022 Bonds in the capital markets. Nonetheless, the interest rate on the 2022 Bonds will not be determined until the actual day of pricing of the 2022 Bonds, at which point the projected savings from the refinancing of METRO's obligations to CalPERS will be finalized. Payment will be made using the operating account Professional Technical Fees (503031).

VI. CHANGES FROM COMMITTEE

None.

VII. ALTERNATIVES CONSIDERED

The two alternatives are:

1. Issue the 2022 Bonds secured by a pledge and lien on Measure G Revenues, which will result in a lower bond rating and higher interest costs as compared to a traditional pension obligation bond payable from, but not secured by, legally available funds of the District.

2. Continue as is and pay more than \$32 million in interest on the UAL, which does not benefit retirees and taxpayers.

VIII. ATTACHMENTS

ATTACHMENT A: Indenture of Trust

ATTACHMENT B: Good Faith Estimate 2021

ATTACHMENT C: Resolution with Appendix A

IX. APPROVALS

Chuck Farmer, CFO



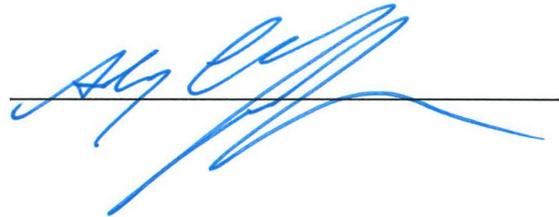
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Approved as to fiscal impact:
Chuck Farmer, CFO



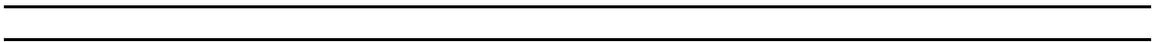
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Alex Clifford, CEO/General Manager



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INDENTURE OF TRUST

Dated as of _____ 1, 20__

between the

THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

and

[TRUSTEE],
as Trustee

Relating to

**[\$[PAR]]
The Santa Cruz Metropolitan Transit District
Sales Tax Revenue Bonds (Measure G), Series 20__
(Federally Taxable)**



Attachment A

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Attachment A

INDENTURE OF TRUST

This INDENTURE OF TRUST (this "Indenture") dated as of _____ 1, 20___, is between THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT, a transit district duly organized and existing under the laws of the State of California (the "District"), and [TRUSTEE], a national banking association organized and existing under the laws of the United States of America, as trustee (the "Trustee").

BACKGROUND:

WHEREAS, the Santa Cruz Metropolitan Transit District (the "District") was created pursuant to the Santa Cruz Metropolitan Transit District Act of 1967 (the "Act"), commencing with Section 98000 of the Public Utilities Code (the "Code") of the State of California (the "State"); and

WHEREAS, the Board of Directors of the District may establish a retirement system for the officers and employees of the District and provide for the payment of annuities, pensions, retirement allowances, disability payments, and death benefits or any of them pursuant to Chapter 5 of the Act, commencing with Section 98180 of the Code; and

WHEREAS, pursuant to Section 98184 of the Code, the District is authorized to participate in and make all or part of its employees members of the California Employees' Retirement System by contract entered into between the District and the board of administration of the system under the State Employees' Retirement Law, and the District may perform all acts necessary or convenient for such participation; and

WHEREAS, the Public Employees Retirement Law is codified in Part 3 of Division 5 of Title 2 of the Government Code of the State, commencing with Section 20000 of the Government Code of the State (hereinafter referred as, the "Retirement Law"); and

WHEREAS, Section 20058(b) of the Retirement Law states that the terms "State Employees' Retirement System" and "State Employees' Retirement Law" in every statute enacted prior to the enactment of the Retirement Law, like the Act, shall be construed to refer to and mean the "Public Employees' Retirement System" and the "Public Employees Retirement Law," respectively; and

WHEREAS, pursuant to the authority granted under Chapter 5 of the Act, the District previously adopted a retirement plan pursuant to the Retirement Law and elected to become a contracting member of the California Public Employees' Retirement System ("PERS"), and as such the District is obligated to make certain payments to PERS (the "PERS Obligations"); and

WHEREAS, the Board of Directors is authorized under Article 8.5 of Chapter 6 the Act, commencing with Section 98290 of the Code, to adopt a retail and use tax ordinance provided that two-thirds of the electors voting on the measure vote to authorize its enactment at a special election called for that purpose by the Board of Directors; and

WHEREAS, pursuant to Section 98290 of the Code, the Board adopted Ordinance No. 78-3-1 on March 17, 1978 (the "Measure G Ordinance"), imposing a retail transaction

Attachment A

and use tax at a rate of 0.5 percent that is applicable in the District (the “Measure G Revenues”), and the Measure G Ordinance was submitted to the electors of the District in the form of Measure G and was approved by greater than a two-thirds vote at an election held on June 6, 1978; and

WHEREAS, the Measure G Revenues are available for any lawful purpose of the District, including the payment by the District of the PERS Obligations; and

WHEREAS, the District is authorized under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, commencing with Section 53570 of said Code (the “Bond Law”), to issue its bonds for the purpose of refunding certain outstanding obligations of the District, including the PERS Obligations; and

WHEREAS, under Chapter 5.5 (commencing with Section 5450) of Division 6 of Title 1 of the Government Code of the State, a pledge of collateral by any public body to secure, directly or indirectly, the payment of the principal or redemption price of, or interest on, any bonds shall be valid and binding in accordance with the terms of the pledge document from the time the pledge is made for the benefit of the pledgees and successors thereto; and

WHEREAS, in order to refund the PERS Obligations and thereby realize interest savings, and to refund its normal cost for fiscal year _____ and accomplish a more prudent amortization of its unfunded actuarial accrued liability in respect of the PERS Obligations, the District has determined to issue its \$[PAR] aggregate principal amount of Santa Cruz Metropolitan Transit District Sales Tax Revenue Bonds (Measure G), Series 20__ (Federally Taxable) (the “Bonds”) under the Bond Law and this Indenture, and under a Resolution adopted by the Board of Directors of the District on _____, 2021; and

WHEREAS, principal of and interest and redemption premiums (if any) on the Bonds shall be secured by a pledge of, and lien and security interest in, all of the District’s rights, title and interest in the Measure G Revenues, and the funds and accounts provided for in this, pursuant to Section 5451 of the Government Code of the State; and

WHEREAS, the District has determined that all acts and proceedings required by law necessary to make the Bonds, when executed by the District, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal limited obligations of the District, and to constitute this Indenture a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done or taken.

A G R E E M E N T :

In order to secure the payment of the principal of and the interest and redemption price (if any) on all the Outstanding Bonds under this Indenture according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the Bonds are to be issued and received, and in consideration of the 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 District and the Trustee hereby covenant and agree with one another, for the respective Owners from time to time of the Bonds, as follows:

Attachment A

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION

SECTION 1.01. *Definitions.* Unless the context clearly otherwise requires or unless otherwise defined herein, the capitalized terms defined in Appendix A attached to this Indenture have the respective meanings specified in Appendix A when used in this Indenture.

SECTION 1.02. *Authorization.* Each of the parties represents and warrants that it has full legal authority and is duly empowered to enter into this Indenture, and has taken all actions necessary to authorize the execution hereof by the officers and persons signing it.

SECTION 1.03. *Interpretation.*

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

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

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

ARTICLE II

AUTHORIZATION AND TERMS OF BONDS

SECTION 2.01. *Authorization and Purpose of Bonds.* The District has reviewed all proceedings heretofore taken and as a result of such review has found, 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 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the District is now duly empowered, under each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture.

The District hereby authorizes the issuance of the Bonds in the aggregate principal amount of \$[PAR] under the Authorizing Resolution and the Bond Law for the purposes of providing funds to refinance the PERS Obligations of the District as provided herein.

Attachment A

The Bonds are designated “The Santa Cruz Metropolitan Transit District Sales Tax Revenue Bonds (Measure G), Series 20__ (Federally Taxable) “.

SECTION 2.02. *Terms of the Bonds.* The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof. The Bonds shall be dated as of the Closing Date and mature on June 1 in the years and in the respective principal amounts and bear interest (calculated on the basis of a 360-day year comprised of twelve 30-day months) at the respective rates per annum, as set forth in the following table:

<u>Maturity Date</u> <u>(June 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
---	-----------------------------------	--------------------------------

Interest on the Bonds is payable from the Interest Payment Date immediately preceding the date of authentication thereof unless:

- (a) a Bond is authenticated on or before an Interest Payment Date and after the close of business on the preceding Record Date, in which event it will bear interest from such Interest Payment Date,
- (b) a Bond is authenticated on or before the first Record Date, in which event interest thereon will be payable from the Closing Date, or
- (c) interest on a Bond is in default as of the date of authentication thereof, in which event interest thereon will be payable from the date to which interest has been paid in full, payable on each Interest Payment Date.

Interest is payable on each Interest Payment Date to the persons in whose names the ownership of the Bonds is registered on the Registration Books at the close of business on the immediately preceding Record Date, except as provided below. Interest on a Bond which is not punctually paid or duly provided for on any Interest Payment Date is payable to the person in whose name the ownership of such Bond is registered on the Registration Books at the close of business on a special record date for the payment of such defaulted interest to be fixed by the Trustee, notice of which is given to such Owner by first-class mail not less than ten days prior to such special record date.

The Trustee will pay interest on the Bonds by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Owners of the Bonds at their respective addresses shown on the Registration Books as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such

Attachment A

account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner. The Trustee will pay principal of the Bonds in lawful money of the United States of America by check of the Trustee upon presentation and surrender thereof at the Office of the Trustee.

SECTION 2.03. *Redemption of Bonds.*

(a) Optional Redemption. The Bonds maturing on or before June 1, _____, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after June 1, _____, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the District, and within a maturity on a pro rata basis among the Beneficial Owners of the Bonds of such maturity, at the option of the District, on any date on or after June 1, _____, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The District shall give the Trustee written notice of its intention to redeem Bonds under this subsection (a), and the manner of selecting such Bonds for redemption from among the maturities thereof and the amount of the redemption premium thereon, at least 45 days prior to the date fixed for redemption.

(b) Mandatory Sinking Fund Redemption. The Term Bonds are subject to mandatory redemption, within a maturity on a pro rata basis among the Beneficial Owners of the Term Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following tables. If some but not all of the Term Bonds have been redeemed under subsection (a) of this Section, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the District to the Trustee).

Term Bonds Maturing June 1, _____

Sinking Fund Redemption Date (June 1)	Principal Amount To Be Redeemed
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Term Bonds Maturing June 1, ____

Sinking Fund
Redemption Date
(June 1)

Principal Amount
To Be Redeemed

(c) Notice of Redemption. The Trustee on behalf and at the expense of the District will mail (by first class mail) notice of any redemption to the respective Owners of Bonds designated for redemption at their respective addresses appearing on the Registration Books, to the Securities Depositories and the Municipal Securities Rulemaking Board, at least 20 but not more than 60 days prior to the date fixed for redemption; *provided, however*, that neither failure to receive any such notice so mailed nor any defect therein will affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice must state the date of the notice, the redemption date, the redemption place and the redemption price and must designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and must require that such Bonds be then surrendered at the Office of the Trustee identified in such notice for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue from and after the redemption date.

(d) Right to Rescind Notice of Optional Redemption. The District may send a conditional notice of an optional redemption of Bonds under subsection (a) of this Section. The District may rescind any notice of the optional redemption of Bonds under subsection (a) of this Section by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of optional redemption will 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 will not constitute an Event of Default. The District and the Trustee have no liability to the Owners or any other party related to or arising from such rescission of redemption. The Trustee will mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent under subsection (c) of this Section.

(e) Manner of Redemption. Whenever provision is made in this Section 2.03 for the redemption of less than all of the Bonds of a maturity, the Trustee shall select the Bonds of such maturity to be redeemed on a pro rata basis among the Beneficial Owners of the Bonds of such maturity. For purpose of such selection, all Bonds will be deemed to be comprised of separate \$5,000 denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

So long as the Bonds are registered in book-entry-only form and so long as the Depository or a successor securities depository is the sole registered Owner of the Bonds, partial redemptions will be done in accordance with procedures of the Depository. It is the District's intent that redemption allocations made by the Depository be made in

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accordance with the proportional provisions described herein. However, neither the District nor the Trustee has a duty to assure, and can provide no assurance, that DTC will allocate redemptions among Beneficial Owners on such a proportional basis, and neither the District nor the Trustee shall have any liability whatsoever to Beneficial Owners in the event redemptions are not done on a proportionate basis for any reason. The portion of any registered Bonds of a denomination of more than \$5,000 to be redeemed will be in the principal amount of \$5,000 or any integral multiple thereof.

(f) Partial Redemption of Bonds. If only a portion of a Bond is called for redemption, then upon surrender of such Bond the District will execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the District, a new Bond or Bonds of the same series and maturity date, of authorized denominations in aggregate principal amount equal to the unredeemed portion of the Bond to be redeemed.

(g) Effect of Redemption. From and after the date fixed for redemption, if notice of redemption has been duly mailed and funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption have been duly provided, 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 no interest shall accrue thereon from and after the redemption date specified in such notice. Unless otherwise directed in writing by the District, the Trustee shall cancel and destroy all Bonds redeemed under this Section 2.03.

SECTION 2.04. *Book Entry System.*

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

With respect to Bonds the ownership of which is registered in the name of the Nominee, the District and the Trustee have no responsibility or obligation to any Depository System Participant or to any person on behalf of which the Nominee holds an interest in the Bonds. Without limiting the generality of the immediately preceding sentence, the District and the Trustee have no responsibility or obligation with respect to (i) the accuracy of the records of the Depository, the Nominee or any Depository System Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any Depository System Participant or any other person, other than a Bond Owner 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 if the District elects to redeem the Bonds in part, (iv) the payment to any Depository System Participant or any other person, other than a Bond Owner 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 District 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 of and premium, if any, 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

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whatsoever. The Trustee shall pay the principal of and the 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 will 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 Bond Owner shall receive a Bond evidencing the obligation of the District to make payments of principal, interest and premium, if any, under this Indenture. Upon delivery by the Depository to the District 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 will become the Nominee hereunder for all purposes; and upon receipt of such a notice the District will 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 District will execute and deliver to such Depository a letter representing such matters as 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 District or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Bond Owners. Upon the written acceptance by the Trustee, the Trustee shall agree to take all action reasonably necessary for all representations of the Trustee in such letter with respect to the Trustee to at all times be complied with. In addition to the execution and delivery of such letter, the District 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. If either (i) the Depository determines not to continue to act as Depository for the Bonds, or (ii) the District determines to terminate the Depository as such, then the District will thereupon discontinue the book-entry system with such Depository. In such event, the Depository shall cooperate with the District 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 District 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 hereof.

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

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

SECTION 2.04. *Form and Execution of Bonds.* The Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, are set forth in Appendix B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

The Chief Financial Officer of the District shall execute, and the Secretary of the Board of Directors of the District shall attest each Bond. Any or all of such signatures may be made manually or may be affixed by facsimile thereof. If any officer whose signature appears on a Bond ceases to be such officer before the Closing Date, such signature will nevertheless be as effective as if the officer had remained in office until the Closing Date. A Bond may be signed and attested on behalf of the District by such persons as at the actual date of the execution of that Bond are the proper officers of the District, duly authorized to execute debt instruments on behalf of the District, although on the date of that Bond any such person was not an officer of the District.

Only those Bonds bearing a certificate of authentication in the form set forth in Appendix B, manually executed and dated by the Trustee, are valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee is conclusive evidence that such Bonds have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

SECTION 2.05. *Transfer and Exchange of Bonds.*

(a) Transfer. A 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 that Bond to the Trustee at its Office for cancellation, accompanied by delivery of a written instrument of transfer in a form acceptable to the Trustee, duly executed. The Trustee shall collect any tax or other governmental charge on the transfer of any Bonds under this Section. Whenever any Bond or Bonds are surrendered for transfer, the District will execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of like series, interest rate, maturity and aggregate principal amount. The District will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer of Bonds.

(b) Exchange. The Bonds may be exchanged at the Office of the Trustee for a like aggregate principal amount of Bonds of other authorized denominations and of the same series, interest rate and maturity. The Trustee shall collect any tax or other governmental charge on the exchange of Bonds under this subsection (b). The District will pay the cost of printing Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange of Bonds.

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SECTION 2.06. *Registration Books.* The Trustee will keep or cause to be kept, at its Office, sufficient records for the registration and registration of transfer of the Bonds, which shall at all times during normal business hours, and upon reasonable notice, be open to inspection by the District. The Trustee will register the ownership and transfer of the Bonds on the Registration Books under such reasonable regulations as it may prescribe.

SECTION 2.07. *Bonds Mutilated, Lost, Destroyed or Stolen.* If a Bond is mutilated, the District, at the expense of the Owner of that Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like tenor in exchange and substitution for the Bond so mutilated, upon surrender to the Trustee of the Bond so mutilated. The Trustee shall cancel every mutilated Bond surrendered to it and deliver such mutilated Bond to or upon the order of the District. If a Bond is lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and if indemnity satisfactory to the Trustee is given, the District, at the expense of the Owner, will execute, and the Trustee will thereupon authenticate and deliver, a new Bond of like tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Bond issued under this Section and of the expenses which may be incurred by the Trustee in connection therewith. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen will constitute an original additional contractual obligation on the part of the District whether or not the Bond so alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and are equally and proportionately entitled to the benefits of this Indenture with all other Bonds issued under this Indenture.

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

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF BONDS; ISSUANCE OF PARITY DEBT

SECTION 3.01. *Issuance of Bonds.* Upon the execution and delivery of this Indenture, the District shall execute and deliver Bonds in the aggregate principal amount of \$[PAR] to the Trustee and the Trustee shall authenticate and deliver the Bonds to the Original Purchaser upon receipt of a Request of the District therefor.

SECTION 3.02. *Deposit and Application of Proceeds.* Upon receipt of the proceeds of the Bonds on the Closing Date, the Trustee shall deposit the proceeds into a special fund to be held by the Trustee and known as the Bond Proceeds Account which the Trustee shall establish and hold in trust hereunder, to be applied as follows:

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

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- (b) The Trustee shall apply the amount of \$_____, constituting the remainder of the proceeds of sale of the Bonds, to the satisfaction of the District's obligations under the PERS Contracts by effecting a wire transfer of such proceeds to PERS, in accordance with a Request of the District.
- [(c) The Trustee shall deposit the amount of \$_____ in the Reserve Account.]

After making the foregoing transfers, the Trustee shall close the Bond Proceeds Account.

SECTION 3.03. *Establishment and Application of Costs of Issuance Fund.* The Trustee shall establish, maintain and hold in trust a separate fund designated as the "Costs of Issuance Fund" into which the Trustee shall deposit a portion of the proceeds of sale of the Bonds under Section 3.02(a). The Trustee shall disburse amounts in the Costs of Issuance Fund from time to time to pay the Costs of Issuance of the Bonds upon submission of a Request of the District 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. The Trustee may conclusively rely on such Requests of the District and shall be fully protected in relying thereon. On **[six-month anniversary of Closing Date]**, or upon the earlier Request of the District, the Trustee shall transfer all amounts remaining in the Costs of Issuance Fund to the Project Fund, and shall thereupon close the Costs of Issuance Fund.

SECTION 3.04. *Validity of Bonds.* The validity of the authorization and issuance of the Bonds is not dependent upon the expenditure of the proceeds thereof to pay PERS Obligations, or upon the performance by any person of its obligation with respect to the PERS Obligations.

SECTION 3.05. *Issuance of Parity Debt.* The District may issue Parity Debt in such principal amount as it determines, which are secured in whole or in part by a pledge of and lien on the Measure G Revenues, subject to the following conditions precedent:

- (a) No Event of Default (or no event with respect to which notice has been given and which, once all notice of grace periods have passed, would constitute an Event of Default) has occurred and is continuing.
- (b) The Measure G Revenues, as shown in audited financial statements of the District for the most recent Fiscal Year for which audited financial statements are available, are at least equal to ___% of Maximum Annual Debt Service on all Bonds and Parity Debt which will be Outstanding following the issuance of the Parity Debt.
- (c) The Supplemental Indenture or other document authorizing the issuance of such Parity Debt shall provide that:
 - (i) interest on the Parity Debt is payable on June 1 and December 1 in each year of the term of the Parity Debt, except that interest during the first twelve month period may be payable on any June 1 or December 1;

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- (ii) the principal of the Parity Debt is payable on June 1 in any year in which principal is payable; and
- [(iii) an amount is deposited in a reserve fund from the proceeds of the sale of the Parity Debt in an amount set forth in the Supplement Indenture, or a Qualified Reserve Account Credit Instrument is issued to fund the reserve fund in such amount.]

Any Parity Debt issued by the District shall be secured by a pledge of and lien on the Measure G Revenues which is on a parity with the pledge and lien which secures the Bonds. However, such Parity Debt will not be secured by or payable from amounts held in the Interest Account, the Principal Account or the Reserve Account which are established hereunder for the Bonds.

SECTION 3.06. *Issuance of Subordinate Debt.* The District may from time to time issue its bonds, notes or other obligations which are payable from Measure G Revenues, in such principal amount as the District may determine, provided that such bonds, notes or other obligations are unsecured or are secured by a pledge of or lien on any Measure G Revenues which is subordinate to the pledge and lien which secures the Bonds and any Parity Debt.

ARTICLE IV

SECURITY FOR THE BONDS; FLOW OF FUNDS; INVESTMENTS

SECTION 4.01. *Security of Bonds; Equal Security.* For the security of the Bonds, the District hereby grants a first pledge of and lien on, and a security interest in, all of the Measure G Revenues and all of the moneys on deposit in the Revenue Fund, on a parity with the pledge, lien and security interest which secures any Parity Debt. Such pledge, lien and security interest are for the equal security of the Bonds and any Parity Debt without preference or priority for number, date of execution or date of delivery.

In addition, the Bonds (but not any Parity Debt) are secured by a first pledge of and lien on, and a security interest in, all of the moneys on deposit in the Debt Service Fund and the Interest Account, the Principal Account and the Reserve Account. Except for the Measure G Revenues and such other moneys, no funds of the District are pledged to, or otherwise liable for, the payment of principal of or interest on the Bonds and the redemption price thereof.

In consideration of the acceptance of the Bonds by those who hold the same from time to time, this Indenture constitutes a contract between the District 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 District are 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.

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SECTION 4.02. *Deposit of Measure G Revenues; Surplus.* The District has previously established the Revenue Fund, which it will continue to hold and maintain for the purposes and uses set forth herein. The District shall deposit all Measure G Revenues in the Revenue Fund promptly upon the receipt thereof, and shall apply amounts in the Revenue Fund solely for the uses and purposes set forth herein and purposes set forth in the documents relating to any issue of Parity Debt.

At such time during any Bond Year that the aggregate amount held by the District in the Revenue Fund equals or exceeds the amount required to be transferred to the Trustee in such Bond Year under Section 4.03, the remaining Measure G Revenues received by the District during such Bond Year shall be released from the pledge and lien which secures the Bonds and any Parity Debt, and may be applied by the District for any lawful purposes.

SECTION 4.03. *Debt Service Fund; Transfer of Amounts to Trustee.* There is hereby established a separate fund to be known as the "Debt Service Fund" which shall be held by the Trustee in trust for the benefit of the Bond Owners. The Trustee shall hold the Debt Service Fund for the uses and purposes set forth herein, so long as any of the Bonds remain Outstanding. In addition to any transfers required to be made in respect of outstanding Parity Debt, the District shall withdraw from the Revenue Fund and transfer to the Trustee the following amounts at the following times, for deposit by the Trustee in the following respective special accounts within the Debt Service Fund, which accounts are hereby established with the Trustee with respect to the Bonds, in the following order of priority:

- (a) Interest Account. On or before the fifth Business Day preceding each date on which interest on the Bonds is due and payable, the District will transfer to the Trustee for deposit in the Interest Account an amount which, when added to the amount then on deposit in the Interest Account, equals the aggregate amount of the interest coming due and payable on the Outstanding Bonds on such date. The Trustee will apply amounts in the Interest Account solely for the purpose of paying the interest on the Bonds when due and payable.
- (b) Principal Account. On or before the fifth Business Day preceding each date on which principal of the Bonds becomes due and payable at maturity or upon mandatory sinking fund redemption, the District will transfer to the Trustee for deposit in the Principal Account an amount which, when added to the amount then on deposit in the Principal Account, equals the amount of principal coming due and payable on such date on the Outstanding Bonds, including the principal amount of the Term Bonds which are subject to mandatory sinking fund redemption on that date under Section 2.03(b). The Trustee will apply amounts in the Principal Account solely for the purpose of paying the principal of the Bonds at the maturity thereof and the principal of the Term Bonds upon the mandatory sinking fund redemption thereof.
- (c) Reserve Account. If the Trustee has actual knowledge that the amount on deposit in the Reserve Account at any time falls below the

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Reserve Requirement, the Trustee shall promptly notify the District of that fact. Upon receipt of any such notice, the District will transfer to the Trustee an amount of available Measure G Revenues sufficient to maintain the amount of the Reserve Requirement on deposit in the Reserve Account. The Trustee will apply amounts in the Reserve Account solely (i) for the purpose of making transfers to the Interest Account and the Principal Account, in such order of priority, on the Business Day immediately preceding each date on which the principal of or interest on the Bonds is due and payable hereunder, if there is then a deficiency in either of such accounts, or (ii) at any time for the retirement of all the Outstanding Bonds. So long as no Event of Default has occurred and is continuing, the Trustee shall withdraw any amount in the Reserve Account in excess of the Reserve Requirement no later than the fifth Business Day preceding each Interest Payment Date and deposit such amount in the Interest Account.

On the date on which all of the Outstanding Bonds mature, the District may (but is not required to) direct that the Trustee apply amounts in the Reserve Account to pay the principal of the Bonds on such date. Any amounts remaining in the Reserve Account following payment of the Outstanding Bonds in full shall be withdrawn therefrom by the Trustee and paid to the District to be expended by the District to pay its PERS Obligations.]

[SECTION 4.04. *Qualified Reserve Account Credit Instrument.* The District may at any time tender to the Trustee a Qualified Reserve Account Credit Instrument in replacement for all a portion of the funds then on deposit in the Reserve Account. The Trustee shall comply with all documentation relating to a Qualified Reserve Account Credit Instrument as required to maintain such Qualified Reserve Account Credit Instrument in full force and effect and as required to receive payments thereunder in the event and to the extent required to make any payment when and as required under Section 4.03(c). Upon the expiration of any Qualified Reserve Account Credit Instrument, the District will either (i) replace such Qualified Reserve Account Credit Instrument with a new Qualified Reserve Account Credit Instrument, or (ii) deposit or cause to be deposited with the Trustee an amount of funds equal to the amount of the Reserve Requirement, to be derived from the first available Measure G Revenues. Amounts paid to the District from the Reserve Account shall be expended by the District to pay the PERS Obligations.]

SECTION 4.05. *Investment of Moneys in Funds.*

The Trustee shall invest moneys in the funds and accounts established and held by it hereunder in Permitted Investments specified in the Request of the District (which Request will be deemed to include a certification that the specified investment is a Permitted Investment) delivered to the Trustee at least two Business Days in advance of the making of such investments. If and to the extent set forth in a Request of the District filed with the Trustee, the District may designate an investment advisor or investment advisory firm that is authorized to act on its behalf for purposes of directing the investment of amounts in any of the funds and accounts established hereunder and held by the Trustee. In the absence of any direction from the District concerning the investment of

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amounts held by the Trustee hereunder, the Trustee shall invest any such amounts solely in Permitted Investments described in subsection (f) of the definition thereof.

The District shall invest amounts held by it under this Indenture in any obligations or securities in which the District is legally authorized to invest funds within its control under the laws of the State of California.

Obligations purchased as an investment of moneys in any fund or account will be deemed to be part of such fund or account. Whenever in this Indenture the District is required to transfer any moneys to the Trustee, such transfer may be accomplished by transferring a like amount of Permitted Investments. All interest or gain derived from the investment of amounts in any of the funds or accounts held by the Trustee hereunder will be retained in the respective fund or account from which such investment was made; except that the Trustee shall deposit all interest or gain from the investment of amounts in the Reserve Account in the Interest Account to the extent not required to cause the balance in the Reserve Account to equal the Reserve Requirement. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon receipt by the Trustee of a Request of the District. 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 under this Section.

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

The Trustee or any of its affiliates may act as sponsor, advisor or manager in connection with any investments made by the Trustee hereunder.

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ARTICLE V

OTHER COVENANTS OF THE DISTRICT

SECTION 5.01. *Punctual Payment.* The District will punctually pay or cause to be paid the principal, premium (if any) and interest to become due in respect of all the Bonds in strict conformity with the terms of the Bonds and this Indenture. The District will faithfully observe and perform all of the conditions, covenants and requirements of this Indenture and all Supplemental Indentures. Nothing herein contained prevents the District from making advances of other legally available funds to make any payment referred to herein.

SECTION 5.02. *Budget and Appropriation.* So long as any Bonds remain Outstanding hereunder, the District shall adopt all necessary budgets and make all necessary appropriations for the payment of principal of and interest and premium (if any) on the Bonds from the Measure G Revenues. If any payment of principal of and interest and premium (if any) on the Bonds requires the adoption by the District of a supplemental budget or appropriation, the District shall promptly adopt the same. The covenants on the part of the District contained in this Section constitute duties imposed by law and it is the duty of each and every public official of the District to take such actions and do such things as are required by law in the performance of the official duty of such officials to enable the District to carry out and perform the covenants and agreements in this Section.

SECTION 5.03. *Compliance with Parity Debt Documents.* The District will faithfully observe and perform all of the conditions, covenants and requirements of the documents authorizing the issuance of any Parity Debt. The District shall not take any action, or omit to take any action within its control, which constitutes or which with the passage of time if not cured would constitute an event of default under and within the meaning of the documents authorizing the issuance of any Parity Debt.

SECTION 5.04. *Collection of Measure G Revenues.* The District shall take all actions and shall execute and deliver all documents as may be required to enable the District to collect the Measure G Revenues and apply the Measure G Revenues to pay debt service on the Bonds when due.

SECTION 5.05. *Books and Accounts.* The District shall keep, or cause to be kept, proper books of record and accounts, separate from all other records and accounts of the District, in which complete and correct entries are made of all transactions relating to the Measure G Revenues. Such books of record and accounts shall at all times during business hours be subject, upon prior written request, to the reasonable inspection of the Trustee (who has no duty to inspect) and the Owners of not less than 10% in aggregate principal amount of the Bonds then Outstanding, or their representatives authorized in writing.

The District will cause to be prepared annually, within nine months after the close of each Fiscal Year so long as any of the Bonds are Outstanding, complete audited financial statements with respect to such Fiscal Year, as of the end of such Fiscal Year. The District will furnish a copy of such statements, upon reasonable request, to the Trustee. The Trustee has no duty to review any such financial statement.

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SECTION 5.06. *Protection of Security and Rights of Owners.* The District shall preserve and protect the security of the Bonds and the rights of the Owners. From and after the date of issuance of the Bonds, the District shall not contest the validity or enforceability of the Bonds or this Indenture.

SECTION 5.07. *Continuing Disclosure.* The District shall comply with and carry out all of the provisions of the Continuing Disclosure Certificate which has been executed and delivered by the District on the Closing Date. Notwithstanding any other provision hereof, failure of the District to comply with such Continuing Disclosure Certificate does not constitute an Event of Default hereunder; *provided, however,* that any Participating Underwriter (as such term is defined in such Continuing Disclosure Certificate) or any Owner or beneficial owner of the Bonds may take such actions as may be necessary and appropriate, including seeking specific performance by court order, to cause the District to comply with its obligations under this Section.

SECTION 5.08. *Further Assurances.* The District shall 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 Bond Owners the rights and benefits provided in this Indenture.

ARTICLE VI

THE TRUSTEE

SECTION 6.01. *Duties, Immunities and Liabilities of Trustee.*

(a) The Trustee shall, prior to the occurrence of an Event of Default, and after the curing or waiving of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties will 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 reasonable corporate trustee would exercise or use.

(b) The District may remove the Trustee at any time, 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 (A) the Trustee ceases to be eligible in accordance with subsection (e) of this Section, (B) becomes incapable of acting, (C) is adjudged a bankrupt or insolvent, (D) a receiver of the Trustee or its property is appointed, or (E) any public officer takes control or charge of the Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation. The District may accomplish such removal by giving 30 days written notice to the Trustee, whereupon the District will appoint a successor Trustee by an instrument in writing.

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(c) The Trustee may at any time resign by giving written notice of such resignation to the District, 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 District will promptly appoint a successor Trustee by an instrument in writing.

(d) Any removal or resignation of the Trustee and appointment of a successor Trustee becomes effective upon acceptance of appointment by the successor Trustee. If no successor Trustee has been appointed and accepted appointment within 45 days following giving notice of removal or notice of resignation as aforesaid, the resigning Trustee, at the expense of the District, or any Owner (on behalf of such Owner and all other Owners) may petition any federal or state court for the appointment of a successor Trustee, and such court may thereupon, after such notice (if any) as it may deem proper, appoint such successor Trustee. Any successor Trustee appointed under this Indenture shall signify its acceptance of such appointment by executing and delivering to the District and to its predecessor Trustee a written acceptance thereof, and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder, and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Trustee, with like effect as if originally named Trustee herein; but, nevertheless, upon the receipt by the predecessor Trustee of the Request of the District 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 District will 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 District will mail or cause the successor Trustee to mail, by first class mail postage prepaid, a notice of the succession of such Trustee to the trusts hereunder to each rating agency which then maintains a rating on the Bonds, and to the Owners at the addresses shown on the Registration Books. If the District fails to mail such notice within 15 days after acceptance of appointment by the successor Trustee, the successor Trustee shall cause such notice to be mailed at the expense of the District.

(e) Any Trustee appointed under the provisions of this Section in succession to the Trustee shall:

- be a company or bank having trust powers,
- have a corporate trust office in the State of California,
- have (or be part of a bank holding company system whose bank holding company has) a combined capital and surplus of at least \$50,000,000, and

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- be subject to supervision or examination by federal or state authority.

If such bank or company publishes a report of condition at least annually, under law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this subsection the combined capital and surplus of such bank or company is 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 subsection (c) of this Section.

The District shall maintain a Trustee qualified under the provisions of the foregoing provisions of this subsection (e), so long as any Bonds are Outstanding.

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

SECTION 6.03. *Liability of Trustee.*

(a) The recitals of facts herein and in the Bonds contained shall be taken as statements of the District, and the Trustee assumes no responsibility for the correctness of the same, nor does it have any liability whatsoever therefor, nor does it make any representations as to the validity or sufficiency of this Indenture or of the Bonds nor does it incur any responsibility in respect thereof, other than as expressly stated herein. The Trustee is, however, responsible for its representations contained in its certificate of authentication on the Bonds. The Trustee is not liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct. The Trustee is not liable for the acts of any agents of the Trustee selected by it with due care. The Trustee may become the Owner of 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. The Trustee, either as principal or agent, may engage in any financial or other transaction with the District.

(b) The Trustee is not liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of 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.

(c) The Trustee is not liable for any action taken by it in good faith and believed by it to be authorized or within the discretion or rights or powers conferred upon it by this Indenture, except for actions arising from the negligence or willful misconduct of the

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Trustee. The permissive right of the Trustee to do things enumerated hereunder shall not be construed as a mandatory duty.

(d) The Trustee will not be deemed to have knowledge of any Event of Default hereunder unless and until a responsible officer of the Trustee has actual knowledge thereof, or unless and until a responsible officer of the Trustee has received written notice thereof at its Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default hereunder or thereunder. The Trustee shall not be responsible for the District's payment of principal and interest on the Bonds, the District's observance or performance of any other covenants, conditions or terms contained herein, or the validity or effectiveness of any collateral given to or held by it. Without limiting the generality of the foregoing, and notwithstanding anything herein to the contrary, the Trustee is not responsible for reviewing the contents of any financial statements furnished to the Trustee under Section 5.05 and may rely conclusively on the Certificate of the District accompanying such financial statements to establish the District's compliance with its financial covenants hereunder, including, without limitation, its covenants regarding the deposit and investment of Measure G Revenues (other than its covenants to transfer such moneys to the Trustee when due hereunder).

(e) No provision in this Indenture requires the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee is entitled to receive interest on any moneys advanced by it hereunder, at the maximum rate permitted by law.

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

(g) The Trustee has no responsibility or liability whatsoever with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to the Bonds, nor shall the Trustee have any obligation to review any such material, and any such review by the Trustee will not be deemed to create any obligation, duty or liability on the part of the Trustee.

(h) Before taking any action under Article VIII hereof the Trustee may require indemnity satisfactory to the Trustee be furnished to it to hold the Trustee harmless from any expenses whatsoever and to protect it against any liability it may incur hereunder.

(i) The immunities extended to the Trustee also extend to its directors, officers, employees and agents.

(j) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty.

(k) The Trustee may execute any of the trusts or powers hereof and perform any of its duties through attorneys, agents and receivers and shall not be answerable for the conduct of the same if appointed by it with reasonable care.

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(l) 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 or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

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

The Trustee is not bound to recognize any person as the Owner of a Bond unless and until such Bond is submitted for inspection, if required, and such person's 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 deems it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the District, which shall be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Indenture in reliance upon such Certificate, but in its discretion the Trustee may (but has no duty to), in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable. The Trustee may conclusively rely on any certificate or report of any Independent Accountant appointed by the District.

SECTION 6.05. *Preservation and Inspection of Documents.* The Trustee shall retain in its possession all documents received by it under the provisions of this Indenture, which are subject during normal business hours, and upon reasonable prior written notice, to the inspection of the District and any Owner, and their agents and representatives duly authorized in writing.

SECTION 6.06. *Compensation and Indemnification.* Absent any agreement to the contrary, the District shall pay to the Trustee from time to time compensation for all services rendered under this Indenture and also all expenses, charges, legal and consulting fees and other disbursements and those of its attorneys (including any allocated costs of internal counsel), agents and employees, incurred in and about the performance of its powers and duties under this Indenture. The Trustee has a first lien on the Measure G 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

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compensation to its experts, attorneys and counsel incurred in declaring such Event of Default and in exercising the rights and remedies set forth in Article VIII. Any such expenses incurred by the Trustee will be deemed to constitute a substantial contribution to the trust estate which secures the Bonds.

The District further covenants to indemnify the Trustee and its officers, directors, agents and employees, from and against any loss, expense and liabilities, whether or not litigated, which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability and of enforcing any remedies hereunder and under any related documents, but excluding any and all losses, expenses and liabilities which are due to the negligence or willful misconduct of the Trustee, its officers, directors, agents or employees. The obligations of the District under this Section shall survive resignation or removal of the Trustee under this Indenture and payment of the Bonds and discharge of this Indenture.

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

ARTICLE VII

MODIFICATION OR AMENDMENT OF THIS INDENTURE

SECTION 7.01. *Amendments Permitted.*

(a) Amendment With Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may be modified or amended by the District and the Trustee upon Request of the District at any time by the execution of a Supplemental Indenture, with the written consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 9.05. Any such Supplemental Indenture becomes effective upon the execution and delivery thereof by the parties thereto and upon consent of the requisite Bond Owners. No such modification or amendment may:

- (i) extend the maturity of a Bond or reduce the interest rate thereon, or otherwise alter or impair the obligation of the District to pay the principal thereof, or interest thereon, at the time and place and at the rate and in the currency provided therein, without the written consent of the Owner of such Bond;
- (ii) permit the creation by the District of any mortgage, pledge or lien upon the Measure G Revenues superior to or on a parity with the

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pledge and lien created for the benefit of the Bonds (except as expressly permitted by this Indenture), or reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification; or

- (iii) modify any of the rights or obligations of the Trustee without its written consent.

(b) Amendment Without Bond Owner Consent. This Indenture and the rights and obligations of the District and of the Owners of the Bonds may also be modified or amended at any time by a Supplemental Indenture, without the consent of any Owners of the Bonds, for any one or more of the following purposes:

- (i) to add to the covenants and agreements of the District contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the District;
- (ii) to provide additional security for the Bonds;
- (iii) to cure any ambiguity, or to cure, correct or supplement any defective provision contained in this Indenture, or in any other respect whatsoever as the District deems necessary or desirable, provided under any circumstances that such modifications or amendments do not materially adversely affect the interests of the Owners in the opinion of Bond Counsel filed with the District and the Trustee;
- (iv) to provide for the issuance of Parity Debt under Section 3.05, and to provide the terms and conditions under which such Parity Debt may be issued, including but not limited to the establishment of funds and accounts relating thereto and any other provisions relating solely thereto, subject to and in accordance with the provisions of Section 3.05; or
- (v) to provide for the issuance of a Qualified Reserve Account Credit Instrument under Section 4.04, including but not limited to provisions securing such Qualified Reserve Account Credit Instrument and providing for the repayment of any draws made thereunder.

SECTION 7.02. *Effect of Supplemental Indenture*. From and after the time any Supplemental Indenture becomes effective under 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 under this Article VII, the District may determine that any or all of the Bonds shall bear a notation, by endorsement

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in form approved by the District, as to such amendment or modification and in that case upon demand of the District the Owners of such Bonds shall present such Bonds for that purpose at the Office of the Trustee, and thereupon a suitable notation as to such action shall be made on such Bonds. In lieu of such notation, the District may determine that new Bonds shall be prepared and executed in exchange for any or all of the Bonds and in that case upon demand of the District the Owners of the Bonds shall present such Bonds for exchange at the Office of the Trustee without cost to such Owners.

SECTION 7.04. *Amendment by Mutual Consent.* The provisions of this Article VII do not prevent any Owner from accepting any amendment as to the particular Bond held by such Owner.

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

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES

SECTION 8.01. *Events of Default.* Each of the following events constitutes an Event of Default hereunder:

- (a) Failure to pay any installment of the principal of any Bonds when due, whether at maturity as therein expressed, by acceleration or otherwise.
- (b) Failure to pay any installment of interest on the Bonds when due.
- (c) Failure by the District to observe and perform any of the other covenants, agreements or conditions on its part contained in this Indenture or in the Bonds, if such failure has continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, has been given to the District by the Trustee; *provided, however*, if in the reasonable opinion of the District 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 the District institutes corrective action within such 30-day period and thereafter diligently and in good faith cures the failure in a reasonable period of time.
- (d) The District commences a voluntary case under Title 11 of the United States Code or any substitute or successor statute.
- (e) The occurrence and continuation of an event of default under and as defined in the documents authorizing the issuance of any Parity Debt.

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SECTION 8.02. *Remedies on Default.* Whenever any Event of Default has happened and is continuing, the Trustee has the right, at its option and without any further demand upon or notice to the District, to take any one or more of the following actions:

(a) Acceleration of Maturities. The Trustee may 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 will become immediately due and payable, anything in this Indenture or in the Bonds to the contrary notwithstanding. This provision, however, is subject to the condition that if, at any time after the principal of the Bonds has been so declared due and payable, and before any judgment or decree for the payment of the moneys due has been obtained or entered, the District deposits 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 at the respective rates of interest borne by those Bonds, and the reasonable fees and expenses of the Trustee, including fees and expenses of its attorneys, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Bonds due and payable solely by reason of such declaration) has been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate has been made therefor, then, and in every such case, the Owners of at least a majority in aggregate principal amount of the Bonds then Outstanding, by written notice to the District 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 extends to or affects any subsequent default, or impairs or exhausts any right or power consequent thereon.

(b) Actions at Law or in Equity. The Trustee may take whatever action at law or in equity may appear necessary or desirable to enforce performance and observance of any obligation, agreement or covenant of the District under this Indenture.

(c) Appointment of Receiver. As a matter of right, in connection with the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and the Bond Owners hereunder, the Trustee may cause the appointment of a receiver or receivers of the Measure G Revenues and other amounts pledged hereunder, with such powers as the court making such appointment shall confer.

SECTION 8.03. *Notice of Event of Default.* Immediately upon becoming aware of the occurrence of an Event of Default, but in no event later than five Business Days following becoming aware of such occurrence, the Trustee shall give notice of such Event of Default to the District by telephone confirmed in writing. Such notice shall also state whether the principal of the Bonds has been declared to be or have immediately become due and payable as provided in Section 8.02(a). With respect to any Event of Default described in Section 8.01(a) or (b), the Trustee shall, and with respect to any Event of Default described in Section 8.01(c) the Trustee in its sole discretion may, also give such notice to the Bond Owners, which shall include the statement that interest on the Bonds will cease to accrue from and after the date, if any, on which the Trustee declares the Bonds to become due and payable under Section 8.02 (but only to the extent that principal and any accrued, but unpaid, interest on the Bonds is actually paid on such date).

SECTION 8.04. *Application of Funds Upon Event of Default.* All of the Measure G Revenues and all sums in the funds and accounts established and held by the Trustee hereunder upon the occurrence of an Event of Default, and all sums thereafter received

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by the Trustee hereunder, shall be applied by the Trustee as follows and in the following order:

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

Second, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal, with interest on such overdue amounts at the respective rates of interest borne by those Bonds, and in case such moneys are insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal and interest on overdue amounts without preference or priority among such interest, principal and interest on overdue amounts ratably to the aggregate of such interest, principal and interest on overdue amounts.

SECTION 8.05. *Power of Trustee to Control Proceedings.* If the Trustee, upon the happening of an Event of Default, takes any action, by judicial proceedings or otherwise, in the performance of its duties hereunder, whether upon its own discretion, upon the request of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding, it has 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. The Trustee may 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 8.06. *Limitation on Owners' Right to Sue.* No Owner of a Bond has the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless:

- (a) said Owner has 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 have requested the Trustee in writing to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name;
- (c) said Owners 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

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- (d) the Trustee has failed to comply with such request for a period of 60 days after such written request has been received by, and said tender of indemnity has 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 has any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Bonds.

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

SECTION 8.07. *Non-waiver.* Nothing in this Article VIII or in any other provision of this Indenture or in the Bonds, affects or impairs the obligation of the District, which is absolute and unconditional, to pay from the Measure G Revenues and other amounts pledged hereunder, the principal of and interest and redemption premium (if any) on the Bonds to the Bond Owners when due and payable as herein provided, or affects or impairs the right of action, which is also absolute and unconditional, of the Bond Owners to institute suit to enforce such payment by virtue of the contract embodied in the Bonds.

A waiver of any default by any Owner does 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 by the Bond 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.

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

SECTION 8.08. *Actions by Trustee as Attorney-in-Fact.* Any suit, action or proceeding which any Owner has the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners similarly situated and the Trustee is hereby appointed (and the successive respective Owners by taking and holding the Bonds shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact, subject to the provisions of Article VI. Notwithstanding the foregoing provisions of this Section, the Trustee has no duty to enforce any such right or remedy unless it has been indemnified

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to its satisfaction for any additional fees, charges and expenses of the Trustee related thereto, including without limitation, fees and charges of its attorneys and advisors.

SECTION 8.09. *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 Bond Law or any other law.

ARTICLE IX

MISCELLANEOUS

SECTION 9.01. *Benefits Limited to Parties.* Nothing in this Indenture, expressed or implied, gives any person other than the District, the Trustee and the Owners, any right, remedy, claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the District are for the sole and exclusive benefit of the Trustee and the Owners.

SECTION 9.02. *Successor is Deemed Included in All References to Predecessor.* Whenever in this Indenture or any Supplemental Indenture either the District 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 District or the Trustee binds and inures to the benefit of the respective successors and assigns thereof whether so expressed or not.

SECTION 9.03. *Defeasance of Bonds.* If the District pays and discharges the entire indebtedness on any Bonds in any one or more of the following ways:

- (a) by paying or causing to be paid the principal of and interest on such Bonds, as and when the same become due and payable;
- (b) by irrevocably depositing with the Trustee or an escrow bank, in trust, at or before maturity, an amount of cash which, together with the available amounts then on deposit in the funds and accounts established under this Indenture, in the opinion or report of an Independent Accountant is fully sufficient to pay such Bonds, including all principal, interest and redemption premium, if any ;
- (c) by irrevocably depositing with the Trustee or an escrow bank, in trust, Federal Securities in such amount as an Independent Accountant determines will, together with the interest to accrue thereon and available moneys then on deposit in any of the funds and accounts established under this Indenture, be fully sufficient to pay and discharge the indebtedness on such Bonds (including all principal, interest and redemption premium, if any) at or before maturity; or

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

and if such Bonds are to be redeemed prior to the maturity thereof notice of such redemption has been duly given or provision satisfactory to the Trustee has been made for the giving of such notice, then, at the election of the District, and notwithstanding that any such Bonds have not been surrendered for payment, the pledge of the Measure G Revenues and other funds provided for in this Indenture and all other obligations of the Trustee and the District under this Indenture with respect to such Bonds shall cease and terminate, except only:

- (a) the obligation of the Trustee to transfer and exchange Bonds hereunder,
- (b) the obligation of the District to pay or cause to be paid to the Owners of such Bonds, from the amounts so deposited with the Trustee, all sums due thereon, and
- (c) the obligations of the District to compensate and indemnify the Trustee under Section 6.06.

The District shall file notice of such election with the Trustee. The Trustee shall pay any funds thereafter held by it, which are not required for said purpose, to the District.

To accomplish defeasance, the District shall cause to be delivered (i) a report of an Independent Accountant verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (“Verification”), (ii) an Escrow Deposit Agreement, (iii) an opinion of Bond Counsel to the effect that the Bonds are no longer Outstanding and (iv) a certificate of discharge of the Trustee with respect to the Bonds. Each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the District and the Trustee.

In the case of a defeasance or payment of all of the Bonds Outstanding in accordance with this Section, the Trustee shall pay all amounts held by it in any funds or accounts hereunder, which are not required for said purpose or for payment of amounts due the Trustee under Section 6.06, to the District.

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, consent, 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.

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

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

SECTION 9.05. *Disqualified Bonds.* In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the District shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. The Trustee will not be deemed to have knowledge that any Bond is owned or held by the District unless the Trustee has received written notice to that effect.

SECTION 9.06. *Waiver of Personal Liability.* No member, officer, agent or employee of the District is individually or personally liable for the payment of the principal of or interest or any premium on the Bonds. However, nothing contained herein relieves any such member, officer, agent or employee from the performance of any official duty provided by law.

SECTION 9.07. *Destruction of Canceled Bonds.* Whenever in this Indenture provision is made for the surrender to the District of any Bonds which have been paid or canceled under the provisions of this Indenture, a certificate of destruction duly executed by the Trustee shall be deemed to be the equivalent of the surrender of such canceled Bonds and the District is entitled to rely upon any statement of fact contained in any certificate with respect to the destruction of any such Bonds therein referred to. The District will pay all costs of any microfilming of Bonds to be destroyed.

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

If to the District: The Santa Cruz Metropolitan Transit District
 110 Vernon Street
 Santa Cruz, California 95060

If to the Trustee:

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

Attachment A

sentences, clauses, or phrases of this Indenture may be held illegal, invalid or unenforceable.

SECTION 9.10. *Unclaimed Moneys.* Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of the interest or premium (if any) on or principal of the Bonds which remains unclaimed for two years after the date when the payments of such interest, premium and principal have become payable, if such money was held by the Trustee at such date, or for two 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 District as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the District for the payment of the principal of and interest and redemption premium (if any) on 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 of California.

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IN WITNESS WHEREOF, The Santa Cruz Metropolitan Transit District has caused this Indenture to be signed in its name by its Chief Financial Officer and attested to by its Secretary of the Board of Directors, and [TRUSTEE], in token of its acceptance of the trusts created hereunder, has caused this Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the day and year first above written.

**THE SANTA CRUZ METROPOLITAN
TRANSIT DISTRICT**

By _____
Chief Financial Officer

Attest:

Secretary of Board of Directors

[TRUSTEE],
as Trustee

By _____
Authorized Officer

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APPENDIX A

DEFINITIONS

“Authorizing Resolution” means the Resolution adopted by the Board of Directors of the District on _____, 2021, authorizing the issuance of the Bonds.

“Beneficial Owner” means the beneficial owner of each such Bond, determined under the rules of DTC.

“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 District of nationally-recognized experience in the issuance of obligations issued by public agencies.

“Bond Law” means the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the California Government Code, commencing with Section 53570 of said Code, as in effect on the Closing Date or as thereafter amended.

“Bond Year” means any twelve-month period beginning on June 2 in any year and extending to the next succeeding June 1, both dates inclusive; except that the first Bond Year begins on the Closing Date and ends on June 1, 20__.

“Bonds” means The Santa Cruz Metropolitan Transit District Sales Tax Revenue Bonds (Measure G), Series 20__ (Federally Taxable) issued by the District in the aggregate principal amount of \$[PAR] under the municipal affairs powers of the District as a charter city of the State of California, and under this Indenture.

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

“Certificate of the District” means a certificate in writing signed by the Chair of Board, General Manager, Chief Executive Officer, or Chief Financial Officer of the District, or any other person designated as an authorized officer of the District by a written certificate executed by the General Manager and filed with the Trustee.

“Closing Date” means [Closing Date], being the date on which the Bonds are delivered by the District to the Original Purchaser.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District relating to the authorization, issuance, sale and delivery of the Bonds, including but not limited to: printing expenses; rating agency fees; filing and recording fees; initial fees, expenses and charges of the Trustee and its counsel, including the Trustee’s first annual administrative fee; fees, charges and disbursements of attorneys, financial advisors, accounting firms, consultants and other professionals; Bond Insurance Policy premium; and any other cost, charge or fee in connection with the original issuance of the Bonds.

“Costs of Issuance Fund” means the fund by that name established and held by the Trustee under Section 3.03.

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

“Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository under Section 2.03.

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

“District” means The Santa Cruz Metropolitan Transit District, a transit district organized and existing under the laws of the State of California.

“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: (a) any direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America), for which the full faith and credit of the United States of America are pledged; (b) obligations of any agency, department or instrumentality of the United States of America, the timely payment of principal and interest on which are directly or indirectly secured or guaranteed by the full faith and credit of the United States of America.

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

“Indenture” means this Indenture of Trust between the District and the Trustee, as amended or supplemented from time to time under any Supplemental Indenture entered into under the provisions hereof.

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

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

“Interest Payment Date” means _____ 1, 20__, and each June 1 and December 1 thereafter so long as any of the Bonds remain unpaid.

“Maximum Annual Debt Service” means, with respect to the Outstanding Bonds or Parity Debt, the largest amount of principal and interest coming due with respect to the Outstanding Bonds or Parity Debt during the current or any future Bond Year.

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“Measure G Ordinance” means Ordinance No. 78-3-1 adopted by the Board of Directors on March 17, 1978, and approved by at least two-thirds of electors voting on such proposition in the June 6, 1978 election, as supplemented and amended.

“Measure G Revenues” means the revenues of the District which are derived from a retail transactions and use tax imposed in the District pursuant to the Article 8.5 of Chapter 6 of Part 10 of the Public Utilities Code of the State of California, commencing with Section 98290 of said Code, as now in effect and as it may from time to time hereafter be amended or supplemented, and the Measure G Ordinance, which revenues are allocated to the District under the Measure G Ordinance.

“Nominee” means (a) initially, Cede & Co. as nominee of DTC, and (b) any other nominee of the Depository designated under Section 2.03(a).

“Office” means, with respect to the Trustee, the corporate trust office of the Trustee at the address set forth in Section 9.08, or at such other or additional offices as may be specified by the Trustee in writing to the District; except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term means the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Original Purchaser” means _____, as original purchaser of the Bonds upon the negotiated sale thereof.

“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 have been authorized, executed, issued and delivered by the District hereunder.

“Owner” means, with respect to any Bond, the person in whose name the ownership of such Bond is registered on the Registration Books.

“Parity Debt” means any bonds, notes, loans, advances or other indebtedness issued or incurred by the District which are secured by a pledge of and lien on the Measure G Revenues on a parity with the Bonds under Section 3.05.

“Permitted Investments” means any of the following:

- (a) Federal Securities.
- (b) Any direct or indirect obligations of an agency or department of the United States of America whose obligations represent the full faith and credit of the United States of America, or which are rated A or better by S&P.
- (c) Interest-bearing deposit accounts (including certificates of deposit) in federal or State chartered savings and loan associations or in federal or State of California banks (including the Trustee), provided that: (i)

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the unsecured obligations of such commercial bank or savings and loan association are rated A or better by S&P; or (ii) such deposits are fully insured by the Federal Deposit Insurance Corporation.

- (d) Commercial paper rated “A-1+” or better by S&P.
- (e) Federal funds or bankers acceptances with a maximum term of one year of any bank which an unsecured, uninsured and unguaranteed obligation rating of “A-1+” or better by S&P.
- (f) Money market funds 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 at least AAAm-G, AAAm or AAm, which funds may include funds for which the Trustee, its affiliates, parent or subsidiaries provide investment advisory or other management services.
- (g) Obligations the interest on which is excludable from gross income under Section 103 of the Tax Code, and which are either (a) rated A or better by S&P, or (b) fully secured as to the payment of principal and interest by Permitted Investments described in clauses (a) or (b).
- (h) Obligations issued by any corporation organized and operating within the United States of America having assets in excess of \$500,000,000, which obligations are rated A or better by S&P.
- (i) Bonds or notes issued by any state or municipality which are rated A or better by S&P.
- (j) Any investment agreement with, or guaranteed by, a financial institution the long-term unsecured obligations or the claims paying ability of which are rated A or better by S&P at the time of initial investment, by the terms of which all amounts invested thereunder are required to be withdrawn and paid to the Trustee in the event such rating at any time falls below A.
- (k) The Local Agency Investment Fund of the State of California, created pursuant to Section 16429.1 of the California Government Code, to the extent the Trustee is authorized to register such investment in its name.

“PERS” means the California Public Employees’ Retirement System.

“PERS Contracts” means the contracts, as amended from time to time, entered into by the District and PERS pursuant to the Retirement Law obligating the District to make contributions to PERS in exchange for PERS providing retirement benefits to certain District employees.

“PERS Obligations” means the obligation of the District under the Retirement Law and the PERS Contracts to make payments to PERS with respect to benefits accruing to

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retired District employees who are PERS members, including retired public safety employees and retired miscellaneous employees.

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

“Qualified Reserve Account Credit Instrument” means an irrevocable surety bond, bond insurance policy or other credit instrument issued by a commercial bank or insurance company and deposited with the Trustee under Section 4.04, provided that all of the following requirements are met as of the date such instrument is deposited with the Trustee:

- (a) at the time of issuance the long-term credit rating of such bank or insurance company is in one of the two highest rating categories by S&P, or the claims paying ability of such insurance company is rated in one of the two highest rating category by A.M. Best & Company;
- (b) such surety bond, bond insurance policy or other credit instrument has a term of at least 12 months;
- (c) such surety bond, bond insurance policy or other credit instrument has a stated amount at least equal to the portion of the Reserve Requirement with respect to which funds are proposed to be released under Section 4.04; and
- (d) the Trustee is authorized under the terms of such surety bond, bond insurance policy or other credit instrument to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Interest Account or the Principal Account for the purpose of making payments required under Section 4.03(a) or (b).

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

“Registration Books” means the records maintained by the Trustee under Section 2.06 for the registration and transfer of ownership of the Bonds.

“Request of the District” means a request in writing signed by the Chair of Board of Directors, General Manager, Chief Executive Officer, or Chief Financial Officer of the District, or any other person designated as an authorized officer of the District by a written certificate executed by the General Manager and filed with the Trustee.

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

[“Reserve Requirement” means an amount equal to \$_____, being 10% of the original par amount of the Bonds.]

“Retirement Law” means the California Public Employees Retirement Law, commencing with Section 20000 et. seq of the Government Code of the State.

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“Revenue Fund” means the fund established by the District for the deposit and receipt of Measure G Revenues.

“S&P” means S&P Global Ratings, 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 District may designate in a Request of the District delivered by the District to the Trustee.

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

“State” means the State of California.

“Term Bonds” means the Bonds maturing on June 1 in each of the years ____ and ____.

“Trustee” means [TRUSTEE], as Trustee hereunder, or any successor thereto appointed as Trustee hereunder in accordance with the provisions of Article VI.

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the Trustee mailed by first class mail on each Interest Payment Date to the Registered Owner hereof at the address of such Registered Owner as it appears on the registration books of the Trustee as of the close of business on the preceding Record Date. At the written request of the Owner of Bonds in an aggregate principal amount of at least \$1,000,000, which written request is on file with the Trustee as of any Record Date, the Trustee will pay interest on such Bonds on each succeeding Interest Payment Date by wire transfer in immediately available funds to such account of a financial institution within the United States of America as specified in such written request, which written request will remain in effect until rescinded in writing by the Owner.

This Bond is one of a duly authorized issue of bonds of the District designated as the "The Santa Cruz Metropolitan Transit District Sales Tax Revenue Bonds (Measure G), Series 20__ (Federally Taxable) " (the "Bonds") of an aggregate principal amount of \$[PAR], all of like tenor and date (except for such variation, if any, as may be required to designate varying numbers, maturities or interest rates) and all issued under an Indenture of Trust, dated as of _____ 1, 20__, between the District and the Trustee (the "Indenture"). The Bonds have been authorized to be issued by the District pursuant to a resolution adopted by the Board of Directors of the District on _____, 20__. Reference is hereby made to the Indenture (copies of which are on file at the office of the District) and all supplements thereto for a description of the terms on which the Bonds are issued, the provisions with regard to the nature and extent of the Measure G Revenues, as that term is defined in the Indenture, and the rights thereunder of the owners of the Bonds and the rights, duties and immunities of the Trustee and the rights and obligations of the District thereunder, to all of the provisions of which the Registered Owner of this Bond, by acceptance hereof, assents and agrees.

The Bonds have been issued by the District to finance the acquisition, construction and improvement of qualifying transportation projects of the District for which the Measure G Revenues are authorized to be expended.

This Bond and the interest hereon and all other parity obligations and the interest thereon (to the extent set forth in the Indenture) are payable from, and are secured by a charge and lien on the Measure G Revenues. The District may issue additional obligations on a parity with the Bonds under and in accordance with the Indenture. As and to the extent set forth in the Indenture, all of the Measure G Revenues are exclusively and irrevocably pledged in accordance with the terms hereof and the provisions of the Indenture, to the payment of the principal of and interest on the Bonds and any such parity obligations. Notwithstanding the foregoing, certain amounts out of Measure G Revenues may be applied for other purposes as provided in the Indenture.

This Bond is not a debt of the District, the State of California, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation, and neither said District, said State, nor any of its political subdivisions, is liable hereon nor in any event shall this Bond be payable out of any funds or properties other than the Measure G Revenues.

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

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such Bond, or shall reduce the percentages of the owners required to effect any such modification or amendment.

The Bonds maturing on or before June 1, ____, are not subject to redemption prior to their respective stated maturities. The Bonds maturing on or after June 1, ____, are subject to redemption in whole, or in part among maturities on such basis as set forth in a Request of the District, and within a maturity on a pro rata basis among the Beneficial Owners of the Bonds of such maturity, at the option of the District, on any date on or after June 1, ____, from any available source of funds, at a redemption price equal to the principal amount thereof to be redeemed together with accrued interest thereon to the redemption date, without premium.

The Bonds maturing on June 1 in each of the years ____ and ____ (the "Term Bonds") are subject to mandatory redemption, within a maturity on a pro rata basis among the Beneficial Owners of the Term Bonds of such maturity, at a redemption price equal to 100% of the principal amount thereof to be redeemed, without premium, in the aggregate respective principal amounts and on June 1 in the respective years as set forth in the following tables. If some but not all of the Term Bonds have been redeemed pursuant to optional redemption described in the preceding paragraph, the total amount of all future sinking fund payments will be reduced by the aggregate principal amount of the Term Bonds so redeemed, to be allocated among such sinking fund payments on a pro rata basis in integral multiples of \$5,000 (as set forth in a schedule provided by the District to the Trustee).

**Term Bonds Maturing
June 1, ____**

Sinking Fund Redemption Date (<u>June 1</u>)	Principal Amount <u>To Be Redeemed</u>
--	---

**Term Bonds Maturing
June 1, 2024**

Sinking Fund Redemption Date (<u>June 1</u>)	Principal Amount <u>To Be Redeemed</u>
--	---

As provided in the Indenture, the Trustee is required to mail notice of redemption of any Bonds by first class mail, postage prepaid, not less than 20 nor more than 60 days before the redemption date, to the registered owners of the Bonds to be redeemed, but neither failure to receive such notice nor any defect in the notice so mailed affects the sufficiency of the proceedings for prepayment or the cessation of accrual of interest thereon. Any notice so given by the Trustee with respect to the optional redemption of Bonds may be rescinded under the circumstances and with the effect set forth in the Indenture. If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest hereon will cease to accrue from and after the date fixed for redemption.

Whenever provision is made in the Indenture for the redemption of less than all of the Bonds of a maturity, the Trustee will select the Bonds of such maturity to be redeemed on a pro rata basis among the Beneficial Owners of the Bonds of such maturity. For purpose of such selection, all Bonds will be deemed to be comprised of separate \$5,000

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denominations and such separate denominations will be treated as separate Bonds which may be separately redeemed.

So long as the Bonds are registered in book-entry-only form and so long as DTC (as defined below) or a successor securities depository is the sole registered Owner of the Bonds, partial redemptions will be done in accordance with procedures of the DTC. It is the District's intent that redemption allocations made by DTC be made in accordance with the proportional provisions described in the Indenture. However, neither the District nor the Trustee has a duty to assure, and can provide no assurance, that DTC will allocate redemptions among Beneficial Owners (as defined in the Indenture) on such a proportional basis, and neither the District nor the Trustee shall have any liability whatsoever to Beneficial Owners in the event redemptions are not done on a proportionate basis for any reason.

If an Event of Default occurs under and as defined in the Indenture, 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.

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

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

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

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Trustee for registration of transfer, exchange, or payment, and any certificate 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.

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This Bond is not entitled to any benefit under the Indenture and is not valid or obligatory for any purpose until the certificate of authentication hereon endorsed has been signed by the Trustee.

IN WITNESS WHEREOF, THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT has caused this Bond to be executed in its name and on its behalf with the facsimile signature of its Chief Financial Officer and to be attested to by the facsimile signature of the Secretary of the Board of Directors of the District, all as of the Original Issue Date specified above.

**THE SANTA CRUZ METROPOLITAN
TRANSIT DISTRICT**

By _____
Chief Financial Officer

Attest:

Secretary of Board of Directors

TRUSTEE'S CERTIFICATE OF AUTHENTICATION

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

Dated:

[TRUSTEE],
as Trustee

By _____
Authorized Signatory

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ASSIGNMENT

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

Dated: _____

Signature Guaranteed:

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

Note: The signature(s) on this Assignment shall 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.

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Santa Cruz County Metro Good Faith Estimate 2021

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SOURCES AND USES OF FUNDS**Santa Cruz County Metro
Good Faith Estimate 2021****Sources:**

Bond Proceeds:	
Par Amount	51,820,000.00
	<hr/>
	51,820,000.00

Uses:

Project Fund Deposits:	
Project Fund	51,364,265.00
Delivery Date Expenses:	
Cost of Issuance	325,000.00
Underwriter's Discount	<u>129,083.62</u>
	454,083.62
Other Uses of Funds:	
Additional Proceeds	1,651.38
	<hr/>
	51,820,000.00

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BOND SUMMARY STATISTICS

Santa Cruz County Metro Good Faith Estimate 2021

Dated Date	02/15/2022
Delivery Date	02/15/2022
Last Maturity	08/01/2037
Arbitrage Yield	2.694659%
True Interest Cost (TIC)	2.726953%
Net Interest Cost (NIC)	2.748312%
All-In TIC	2.808756%
Average Coupon	2.720275%
Average Life (years)	8.885
Duration of Issue (years)	7.825
Par Amount	51,820,000.00
Bond Proceeds	51,820,000.00
Total Interest	12,524,138.45
Net Interest	12,653,222.07
Total Debt Service	64,344,138.45
Maximum Annual Debt Service	4,254,088.00
Average Annual Debt Service	4,161,676.22
Underwriter's Fees (per \$1000)	
Average Takedown	
Other Fee	2.491000
Total Underwriter's Discount	2.491000
Bid Price	99.750900

<i>Bond Component</i>	<i>Par Value</i>	<i>Price</i>	<i>Average Coupon</i>	<i>Average Life</i>	<i>PV of 1 bp change</i>
Serial Bonds -10 years	51,820,000.00	100.000	2.720%	8.885	39,305.85
	51,820,000.00			8.885	39,305.85

	<u>TIC</u>	<u>All-In TIC</u>	<u>Arbitrage Yield</u>
Par Value	51,820,000.00	51,820,000.00	51,820,000.00
+ Accrued Interest			
+ Premium (Discount)			
- Underwriter's Discount	-129,083.62	-129,083.62	
- Cost of Issuance Expense		-325,000.00	
- Other Amounts			
Target Value	51,690,916.38	51,365,916.38	51,820,000.00
Target Date	02/15/2022	02/15/2022	02/15/2022
Yield	2.726953%	2.808756%	2.694659%

BOND PRICING**Santa Cruz County Metro
Good Faith Estimate 2021**

<i>Bond Component</i>	<i>Maturity Date</i>	<i>Amount</i>	<i>Rate</i>	<i>Yield</i>	<i>Price</i>
Serial Bonds -10 years:					
	08/01/2023	3,020,000	0.970%	0.970%	100.000
	08/01/2024	3,050,000	1.120%	1.120%	100.000
	08/01/2025	3,085,000	1.480%	1.480%	100.000
	08/01/2026	3,130,000	1.630%	1.630%	100.000
	08/01/2027	3,180,000	1.930%	1.930%	100.000
	08/01/2028	3,245,000	2.040%	2.040%	100.000
	08/01/2029	3,310,000	2.290%	2.290%	100.000
	08/01/2030	3,385,000	2.440%	2.440%	100.000
	08/01/2031	3,470,000	2.590%	2.590%	100.000
	08/01/2032	3,560,000	2.690%	2.690%	100.000
	08/01/2033	3,655,000	2.840%	2.840%	100.000
	08/01/2034	3,755,000	2.990%	2.990%	100.000
	08/01/2035	3,870,000	3.090%	3.090%	100.000
	08/01/2036	3,990,000	3.190%	3.190%	100.000
	08/01/2037	4,115,000	3.290%	3.290%	100.000
		51,820,000			

Dated Date	02/15/2022	
Delivery Date	02/15/2022	
First Coupon	08/01/2022	
Par Amount	51,820,000.00	
Original Issue Discount		
Production	51,820,000.00	100.000000%
Underwriter's Discount	-129,083.62	-0.249100%
Purchase Price	51,690,916.38	99.750900%
Accrued Interest		
Net Proceeds	51,690,916.38	

BOND MATURITY TABLE

Santa Cruz County Metro Good Faith Estimate 2021

<i>Maturity Date</i>	<i>Serial Bonds -10 years</i>
08/01/2023	3,020,000
08/01/2024	3,050,000
08/01/2025	3,085,000
08/01/2026	3,130,000
08/01/2027	3,180,000
08/01/2028	3,245,000
08/01/2029	3,310,000
08/01/2030	3,385,000
08/01/2031	3,470,000
08/01/2032	3,560,000
08/01/2033	3,655,000
08/01/2034	3,755,000
08/01/2035	3,870,000
08/01/2036	3,990,000
08/01/2037	4,115,000
	51,820,000

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BOND SOLUTION

Santa Cruz County Metro Good Faith Estimate 2021

<i>Period Ending</i>	<i>Proposed Principal</i>	<i>Proposed Debt Service</i>	<i>Total Adj Debt Service</i>
08/01/2022		567,193	567,193
08/01/2023	3,020,000	4,250,057	4,250,057
08/01/2024	3,050,000	4,250,763	4,250,763
08/01/2025	3,085,000	4,251,603	4,251,603
08/01/2026	3,130,000	4,250,945	4,250,945
08/01/2027	3,180,000	4,249,926	4,249,926
08/01/2028	3,245,000	4,253,552	4,253,552
08/01/2029	3,310,000	4,252,354	4,252,354
08/01/2030	3,385,000	4,251,555	4,251,555
08/01/2031	3,470,000	4,253,961	4,253,961
08/01/2032	3,560,000	4,254,088	4,254,088
08/01/2033	3,655,000	4,253,324	4,253,324
08/01/2034	3,755,000	4,249,522	4,249,522
08/01/2035	3,870,000	4,252,248	4,252,248
08/01/2036	3,990,000	4,252,665	4,252,665
08/01/2037	4,115,000	4,250,384	4,250,384
	51,820,000	64,344,138	64,344,138

Attachment B

AGGREGATE DEBT SERVICE

Santa Cruz County Metro Good Faith Estimate 2021

<i>Period Ending</i>	<i>Good Faith Estimate 2021</i>	<i>Aggregate Debt Service</i>
08/01/2022	567,192.95	567,192.95
08/01/2023	4,250,057.00	4,250,057.00
08/01/2024	4,250,763.00	4,250,763.00
08/01/2025	4,251,603.00	4,251,603.00
08/01/2026	4,250,945.00	4,250,945.00
08/01/2027	4,249,926.00	4,249,926.00
08/01/2028	4,253,552.00	4,253,552.00
08/01/2029	4,252,354.00	4,252,354.00
08/01/2030	4,251,555.00	4,251,555.00
08/01/2031	4,253,961.00	4,253,961.00
08/01/2032	4,254,088.00	4,254,088.00
08/01/2033	4,253,324.00	4,253,324.00
08/01/2034	4,249,522.00	4,249,522.00
08/01/2035	4,252,247.50	4,252,247.50
08/01/2036	4,252,664.50	4,252,664.50
08/01/2037	4,250,383.50	4,250,383.50
	64,344,138.45	64,344,138.45

PROOF OF ARBITRAGE YIELD**Santa Cruz County Metro
Good Faith Estimate 2021**

<i>Date</i>	<i>Debt Service</i>	<i>Present Value to 02/15/2022 @ 2.6946586629%</i>
08/01/2022	567,192.95	560,235.45
02/01/2023	615,028.50	599,408.22
08/01/2023	3,635,028.50	3,495,609.91
02/01/2024	600,381.50	569,678.90
08/01/2024	3,650,381.50	3,417,659.40
02/01/2025	583,301.50	538,854.25
08/01/2025	3,668,301.50	3,343,727.91
02/01/2026	560,472.50	504,089.80
08/01/2026	3,690,472.50	3,275,090.18
02/01/2027	534,963.00	468,438.66
08/01/2027	3,714,963.00	3,209,749.68
02/01/2028	504,276.00	429,905.16
08/01/2028	3,749,276.00	3,153,838.61
02/01/2029	471,177.00	391,078.40
08/01/2029	3,781,177.00	3,096,666.56
02/01/2030	433,277.50	350,123.50
08/01/2030	3,818,277.50	3,044,460.24
02/01/2031	391,980.50	308,386.23
08/01/2031	3,861,980.50	2,997,976.87
02/01/2032	347,044.00	265,821.70
08/01/2032	3,907,044.00	2,952,853.40
02/01/2033	299,162.00	223,093.90
08/01/2033	3,954,162.00	2,909,533.92
02/01/2034	247,261.00	179,519.77
08/01/2034	4,002,261.00	2,867,145.65
02/01/2035	191,123.75	135,097.31
08/01/2035	4,061,123.75	2,832,474.14
02/01/2036	131,332.25	90,381.35
08/01/2036	4,121,332.25	2,798,547.87
02/01/2037	67,691.75	45,354.31
08/01/2037	4,182,691.75	2,765,198.77
	64,344,138.45	51,820,000.00

Proceeds Summary

Delivery date	02/15/2022
Par Value	51,820,000.00
Target for yield calculation	51,820,000.00

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BOND DEBT SERVICE

Santa Cruz County Metro Good Faith Estimate 2021

<i>Period Ending</i>	<i>Principal</i>	<i>Coupon</i>	<i>Interest</i>	<i>Debt Service</i>
08/01/2022			567,192.95	567,192.95
08/01/2023	3,020,000	0.970%	1,230,057.00	4,250,057.00
08/01/2024	3,050,000	1.120%	1,200,763.00	4,250,763.00
08/01/2025	3,085,000	1.480%	1,166,603.00	4,251,603.00
08/01/2026	3,130,000	1.630%	1,120,945.00	4,250,945.00
08/01/2027	3,180,000	1.930%	1,069,926.00	4,249,926.00
08/01/2028	3,245,000	2.040%	1,008,552.00	4,253,552.00
08/01/2029	3,310,000	2.290%	942,354.00	4,252,354.00
08/01/2030	3,385,000	2.440%	866,555.00	4,251,555.00
08/01/2031	3,470,000	2.590%	783,961.00	4,253,961.00
08/01/2032	3,560,000	2.690%	694,088.00	4,254,088.00
08/01/2033	3,655,000	2.840%	598,324.00	4,253,324.00
08/01/2034	3,755,000	2.990%	494,522.00	4,249,522.00
08/01/2035	3,870,000	3.090%	382,247.50	4,252,247.50
08/01/2036	3,990,000	3.190%	262,664.50	4,252,664.50
08/01/2037	4,115,000	3.290%	135,383.50	4,250,383.50
	51,820,000		12,524,138.45	64,344,138.45

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BEFORE THE BOARD OF DIRECTORS OF THE SANTA CRUZ METROPOLITAN TRANSIT DISTRICT

Resolution No.: _____
On the Motion of Director: _____
Duly Seconded by Director: _____
The Following Resolution is Adopted:

A RESOLUTION AUTHORIZING THE ISSUANCE OF SALES TAX REVENUE BONDS (MEASURE G), SERIES 2022 (FEDERALLY TAXABLE) AND ONE OR MORE SERIES OF ADDITIONAL SALES TAX REVENUE BONDS TO REFINANCE THE OUTSTANDING OBLIGATIONS OF THE DISTRICT TO THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM, AND APPROVING AND DIRECTING RELATED MATTERS

WHEREAS, the Santa Cruz Metropolitan Transit District (the "District") was created pursuant to the Santa Cruz Metropolitan Transit District Act of 1967 (the "Act"), commencing with Section 98000 of the Public Utilities Code (the "Code") of the State of California (the "State"); and

WHEREAS, the Board of Directors of the District may establish a retirement system for the officers and employees of the District and provide for the payment of annuities, pensions, retirement allowances, disability payments, and death benefits or any of them pursuant to Chapter 5 of the Act, commencing with Section 98180 of the Code; and

WHEREAS, pursuant to Section 98184 of the Code, the District is authorized to participate in and make all or part of its employees members of the California Employees' Retirement System by contract entered into between the District and the board of administration of the system under the State Employees' Retirement Law, and the District may perform all acts necessary or convenient for such participation; and

WHEREAS, the Public Employees Retirement Law is set forth in Sections 20000 et seq. of the Government Code of the State (hereinafter referred as, the "Retirement Law"); and

WHEREAS, Section 20058(b) of the Retirement Law states that the terms "State Employees' Retirement System" and "State Employees' Retirement Law" in every statute enacted prior to the enactment of the Retirement Law, like the Act, shall be construed to refer to and mean the "Public Employees' Retirement System" and the "Public Employees Retirement Law," respectively; and

WHEREAS, pursuant to the authority granted under Chapter 5 of the Act, the District previously adopted a retirement plan pursuant to the Retirement Law and elected to become a contracting member of the California Public Employees' Retirement System ("PERS"), and as such the District is obligated to make certain payments to PERS (the "PERS Obligations"); and

WHEREAS, the Board of Directors is authorized under Article 8.5 of Chapter 6 of the Act, commencing with Section 98290 of the Code, to adopt a retail and use tax ordinance provided that two-thirds of the electors voting on the measure vote to authorize its enactment at a special election called for that purpose by the Board of Directors; and

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WHEREAS, pursuant to Section 98290 of the Code, the Board of Directors adopted Ordinance No. 78-3-1 on March 17, 1978 (the “Measure G Ordinance”), imposing a retail transaction and use tax at a rate of 0.5 percent that is applicable in the District (the “Measure G Revenues”), and the Measure G Ordinance was submitted to the electors of the District in the form of Measure G and was approved by greater than a two-thirds vote at an election held on June 6, 1978; and

WHEREAS, prior to the enactment of the Measure G Ordinance, the District was authorized to levy and collect property taxes for any lawful purpose of the District under Article 8 of Chapter 6 of the Act, commencing with Section 98280 of the Code; and

WHEREAS, pursuant to the Measure G Ordinance and Section 98289.5 of the Code, the provisions of Article 8 of Chapter 6 of the Act became inoperative on and after the effective date of the Measure G Ordinance and, as a result, Measure G Revenues replaced the property tax authorized under said article and the Measure G Revenues are available for any lawful purpose of the District, including the payment by the District of the PERS Obligations; and

WHEREAS, the District is authorized under the provisions of Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 of the Government Code of the State, commencing with Section 53570 of said Government Code (the “Bond Law”), to issue its bonds for the purpose of refunding certain outstanding obligations of the District, including the PERS Obligations; and

WHEREAS, under Chapter 5.5 (commencing with Section 5450) of Division 6 of Title 1 of the Government Code of the State, a pledge of collateral by any public body to secure, directly or indirectly, the payment of the principal or redemption price of, or interest on, any bonds shall be valid and binding in accordance with the terms of the pledge document from the time the pledge is made for the benefit of the pledgees and successors thereto; and

WHEREAS, Chapter 5.5 (commencing with Section 5450) of Division 6 of Title 1 of the Government Code of the State was enacted by the State Legislature pursuant to Assembly Bill 4018 on September 17, 1990 and effective on January 1, 1991; and

WHEREAS, said Assembly Bill 4018 (i) acknowledged that various provisions of law affecting public entities either contain no specification regarding the creation or enforceability of the pledges of revenues to secure the payment of bonds by local public agencies or make no provision whatever for pledges, and (ii) the Legislature’s intent that said Chapter 5.5 prescribe the extent to which pledges of collateral which are made by public bodies in a pledge document in conjunction with their issuance of bonds are enforceable; and

WHEREAS, in order to refund the PERS Obligations and thereby realize interest savings, the District proposes to issue its Santa Cruz Metropolitan Transit District Sales Tax Revenue Bonds (Measure G), Series 2022 (Federally Taxable) (the “2022 Bonds”) under the Bond Law for the purpose of refinancing the PERS Obligations in whole or in part; and

WHEREAS, the District expects that the need will arise in the future to issue additional bonds (the “Additional Bonds”) under the Bond Law for the purpose of refinancing the PERS Obligations in whole or in part; and

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WHEREAS, pursuant to Section 5451 of the Government Code of the State, the 2022 Bonds and Additional Bonds shall be secured by a pledge of, and lien and security interest in, all of the District's rights, title and interest in the Measure G Revenues pursuant to the hereinafter defined Bond Indenture for such bonds; and

WHEREAS, in order to comply with Section 5852.1 of the Government Code of the State, certain information relating to the proposed 2022 Bonds is set forth in Appendix A attached to this Resolution, and such information is hereby disclosed and made public.

NOW THEREFORE, BE IT RESOLVED by the Board of Directors of the Santa Cruz Metropolitan Transit District as follows:

Section 1. Recitals. The foregoing recitals are true and correct and this Board of Directors hereby so finds and determines.

Section 2. Authorization of Bonds. The Board of Directors hereby authorizes the issuance of the 2022 Bonds and one or more series of Additional Bonds in the future (the 2022 Bonds, the Additional Bonds, and any refunding bonds thereof are hereinafter referred to, collectively as, the "Bonds") under the Bond Law for the purpose of refinancing all or a portion of the PERS Obligations which are due and owing to PERS at the time of issuance thereof; provided, however, that the principal amount of any series of Bonds shall not at the time of issuance of any such series of Bonds exceed the aggregate amount of (i) the unfunded accrued actuarial liability and the normal cost for the then-current fiscal year represented by the PERS Obligations as of such time of issuance, as reported to the District by PERS, (ii) the amount required to pay capitalized interest on each series of Bonds, (iii) the amount required to fund a debt service reserve fund or account for each series of Bonds, if any, and (iv) the amount required to pay all costs of issuing such Bonds (including, but not limited to, underwriter's discount and original issue discount, and premiums for bond insurance and debt service reserve policies or surety bonds, if any). Any bonds issued under the Bond Law to refund Bonds shall constitute Bonds as defined in this Resolution. The title of each series of Bonds may be changed to reflect the year in which the Bonds are issued, and to reflect the appropriate series designation, as directed by the CEO/General Manager and the Chief Financial Officer of the District (each, an "Authorized Officer"), acting alone. It is the intent of the District that interest on each series of Bonds be subject to all applicable federal income taxation.

Section 3. Material Provisions of Bonds. Each series of Bonds shall be issued under an Indenture of Trust (the "Bond Indenture") between the District and a corporate trustee identified by an Authorized Officer of the District as trustee (the "Trustee"), which the Board of Directors hereby approves in substantially the form on file with the Secretary of the Board of Directors, together with any changes therein or additions thereto deemed advisable by an Authorized Officer. An Authorized Officer, acting alone, is hereby authorized and directed for and on behalf of the District to execute, and the Secretary of the Board of Directors is hereby authorized and directed to attest, if applicable, the final form of Bond Indenture. The execution of a Bond Indenture by an Authorized Officer shall be conclusive evidence of the approval of any such changes or additions. Each series of Bonds shall be subject to the following limitations:

- (a) Each series of Bonds shall mature over a term not exceeding 35 years from the date of their original issuance.
- (b) Interest on each series of Bonds will be calculated at a fixed rate, which shall not exceed the maximum rate of interest permitted by law.

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- (c) Principal of and interest and redemption premiums (if any) on the Bonds shall be secured by a pledge of, and lien and security interest in, all of the District's rights, title and interest in the Measure G Revenues, and the funds and accounts provided for in the Bond Indenture, pursuant to Section 5451 of the Government Code of the State. Additionally, each series of Bonds may at the option of the District also be payable from any other source of legally available funds of the District to the extent provided in the Bond Indenture for such series of Bonds.
- (d) Proceeds of each series of the Bonds, except to the extent required to pay capitalized interest on such Bonds, fund a debt service reserve fund or account, the costs of issuing such Bonds, and underwriting such Bonds, shall be deposited with the Trustee or in one or more trusts established under Section 115 of the Internal Revenue Code and applied to refinance the PERS Obligations of the District in whole or in part.

In addition, each Authorized Officer is hereby authorized to enter into an agreement with State Department of Tax and Fee Administration (the "CDTFA") authorizing the CDTFA, or a trustee on behalf of the CFDTFA, to transfer the Measure G Revenues directly to the Trustee for one or more series Bonds, if necessary or desirable in connection with the sale, execution and delivery of such series of Bonds.

Section 4. Sale of the Bonds; Engagement of Underwriter. In connection with the issuance and sale of the Bonds, the Board of Directors hereby authorizes the Authorized Officers to select one or more underwriters to purchase the Bonds (collectively, the "Underwriter").

Section 5. Approval of Additional Documents. From time to time, District staff shall cause the following to be submitted to the Board of Directors for final approval of each series of Bonds: (i) an agreement for the purchase of one or more series of Bonds by the Underwriter; (ii) a Preliminary Official Statement relating to one or more series of Bonds, to be prepared by the District's disclosure counsel; (iii) the final form of the Bond Indenture for such series of Bonds; and (iv) such other agreements and documents as are necessary or convenient to implement the issuance, sale and delivery of one or more series of Bonds from time to time. All actions heretofore taken by Authorized Officers and by any other officers, employees or agents of the District with respect to the issuance of the Bonds, or in connection with or related to any of the agreements or documents referenced herein, are hereby approved, confirmed and ratified.

Section 6. Effective. This Resolution shall take effect immediately upon its passage and adoption. Adoption of this resolution is intended to start the 60 day period provided for in California Code of Civil Procedure Section 863 for an interested person to bring an action to determine the validity of the matters approved herein, including, but not limited to, the validity of the Bond Indenture and the Bonds, and the legality and validity of this Resolution, the use of the proceeds of the Bonds, the pledge of the Measure G Revenues as security for the Bonds, and the payment of the principal of, and interest on, the Bonds.

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PASSED AND ADOPTED by the Board of Directors of the Santa Cruz Metropolitan Transit District on December 17, 2021, by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

APPROVED _____
DONNA LIND
Board Chair

ATTEST _____
ALEX CLIFFORD
CEO/General Manager

APPROVED AS TO FORM:

JULIE SHERMAN
General Counsel

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APPENDIX A

Government Code Section 5852.1 Disclosure

The good faith estimates set forth herein are provided with respect to the 2022 Bonds, constituting the initial series of Bonds, in accordance with California Government Code Section 5852.1. Such good faith estimates have been provided to the District by the Municipal Advisor in consultation with the Underwriter.

Principal Amount. The Municipal Advisor has informed the District that its good faith estimate of the aggregate principal amount of the initial series of the 2022 Bonds to be sold is \$51,820,000 (the “Estimated Principal Amount”).

True Interest Cost of the 2022 Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2022 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the true interest cost of the 2022 Bonds, which means the rate necessary to discount the amounts payable on the respective principal and interest payment dates to the purchase price received for the 2022 Bonds, is 2.73% (TIC).

Finance Charge of the 2022 Bonds. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2022 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the finance charge for the 2022 Bonds, which means the sum of all fees and charges paid to third parties (or costs associated with such 2022 Bonds), is \$455,735. Such fees and charges include fees for bond and disclosure counsel, municipal advisor, trustee, the District’s general counsel and staff time related to bond issuance, printing, and underwriting.

Amount of Proceeds to be Received. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2022 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the amount of proceeds expected to be received for sale of the 2022 Bonds, less the finance charge of the 2022 Bonds, as estimated above, and any reserves or capitalized interest paid or funded with proceeds of such 2022 Bonds, is \$51,364,265.

Total Payment Amount. The Municipal Advisor has informed the District that, assuming that the Estimated Principal Amount of the 2022 Bonds is sold, and based on market interest rates prevailing at the time of preparation of such estimate, its good faith estimate of the total payment amount, which means the sum total of all payments that the District will make to pay debt service on the 2022 Bonds, plus the finance charge for such 2022 Bonds, if not paid with the proceeds of such 2022 Bonds, calculated to the final maturity of such 2022 Bonds, is \$64,344,138.

The foregoing estimates constitute good faith estimates only. The actual principal amount of the 2022 Bonds issued and sold, the true interest cost thereof, the finance charges thereof, the amount of proceeds received therefrom and total payment amount with respect thereto may differ from such good faith estimates due to (a) the actual date of the sale of such 2022 Bonds being different than the date assumed for purposes of such estimates, (b) the actual principal amount of such 2022 Bonds sold being different from the Estimated Principal Amount, (c) the actual amortization of such 2022 Bonds being different than the amortization assumed for purposes of such estimates, (d) the actual market interest rates at the time of sale of such 2022 Bonds being different than those estimated for purposes of such estimates, (e) other market conditions, or (f)

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delays in the financing, or a combination of such factors. The actual date of sale of the 2022 Bonds and the actual principal amount of the 2022 Bonds sold will be determined by the District based on the timing of the need for proceeds of the 2022 Bonds and other factors. The actual interest rates borne by the 2022 Bonds will depend on market interest rates at the time of sale thereof. The actual amortization of the 2022 Bonds will also depend, in part, on market interest rates at the time of sale thereof. Market interest rates are affected by economic and other factors beyond the control of the District.