

**SUBMITTAL TO THE BOARD OF SUPERVISORS
COUNTY OF RIVERSIDE, STATE OF CALIFORNIA**



625

FROM: Executive Office

SUBMITTAL DATE:
October 22, 2007

SUBJECT: FY 2007-08 Teeter Notes and Letter of Credit Replacement

RECOMMENDED MOTION: That Resolution 2007-479 supplementing and amending its Master Teeter Resolution, and providing for terms and conditions of additional Series B Teeter Plan Obligations.

BACKGROUND: Approval of Resolution No. 2007-479 provides for the financing of the FY 2007-08 Teeter Series B Obligations, estimated at \$169.2 million, utilizing the existing Commercial Paper Offering Program. This amount includes the Series B notes of \$136,001,801 FY 07-08 delinquencies and refunding of \$33,222,000 of prior years' property taxes that are still delinquent.

Currently, West LB and Citibank provide Letters of Credit (LOC) for the Teeter Program Commercial Paper (CP) with a combined total capacity of \$89 million. In preparing to issue the FY 2007-08 Teeter Program CP it became evident that the projected delinquent property taxes to be financed under Teeter (\$169.2 million) would surpass the total capacity. As a result a Request for Proposal (RFP) for Letter of Credit services was issued with seven banks responding. After analyzing the responses the Bank of Nova Scotia was chosen as the lowest responsive bidder.

(CONTINUED)


Dean Deines
Deputy County Executive Officer

FORM APPROVED COUNTY COUNSEL
BY DALE A. GARDNER 10/17/07
DATE
Departmental Concurrence

FINANCIAL DATA	Current F.Y. Total Cost:	\$ 6,730,000	In Current Year Budget:	Yes
	Current F.Y. Net County Cost:	\$ N/A	Budget Adjustment:	No
	Annual Net County Cost:	\$ N/A	For Fiscal Year:	07-08

SOURCE OF FUNDS: Tax Loss Reserve Fund	Positions To Be Deleted Per A-30	<input type="checkbox"/>
	Requires 4/5 Vote	<input type="checkbox"/>

C.E.O. RECOMMENDATION:

APPROVE
BY: 
Bill Luna

County Executive Office Signature

- Consent
- Policy
- Consent
- Policy

Dep't Recomm.:
Per Exec. Ofc.:

Prev. Agn. Ref.: | District: | Agenda Number:

3.13

FY 2007-08 Teeter Notes and Letter of Credit Replacement
Page 2

The Bank of Nova Scotia is offering a 5 year LOC with a total capacity of \$200 million. The utilized portion (i.e. the actual amount of CP issued and covered by the LOC) will have an annual fee of 16 basis points (bps), as compared to 32 bps under the current LOC. In addition, the proposal also provides for additional capacity to cover a larger Teeter CP size, if necessary, over the next four fiscal years. This un-utilized component will have an annual fee of 7 basis points, as compared to 24 bps under the current LOC.

The Debt Advisory Committee reviewed and approved the Letter of Credit Replacement at their October 18, 2007 meeting.

RESOLUTION NO. 2007-479
OF
THE COUNTY OF RIVERSIDE

**SUPPLEMENTING AND AMENDING ITS
MASTER TEETER RESOLUTION, AND
PROVIDING FOR THE TERMS AND CONDITIONS OF
ADDITIONAL SERIES B TEETER PLAN OBLIGATIONS**

ADOPTED ON OCTOBER 30, 2007

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RESOLUTION NO. 2007-479

**RESOLUTION OF THE COUNTY OF RIVERSIDE
SUPPLEMENTING AND AMENDING ITS MASTER TEETER RESOLUTION,
AND PROVIDING FOR THE TERMS AND CONDITIONS OF
ADDITIONAL SERIES B TEETER PLAN OBLIGATIONS**

WHEREAS, the Board of Supervisors (the "Board") of the County of Riverside (the "County") has adopted a resolution pursuant to Section 4702 of the California Revenue and Taxation Code, and has thereby elected to follow the procedure for distributing Property Tax levies set forth in Chapter 3 of Part 8 of Division 1 of the California Revenue and Taxation Code, consisting of Sections 4701 through 4717 (the "Law"); and

WHEREAS, the Board elected, pursuant to Section 4702.5 of the Law, to include certain assessments in the procedures authorized under the Law; and

WHEREAS, pursuant to Section 4705 of the Law, for each year in which allocations of taxes and assessments are to be made in accordance with the Law, the amount of taxes and assessments for each fund for which the tax levy has been included is to be apportioned to the credit of each such fund, and the Board shall provide moneys in the County Treasury which shall be available to be drawn on to the extent of the amount of uncollected taxes and assessments credited to each such fund for which a tax levy or an assessment has been included; and

WHEREAS, on July 29, 1997, pursuant to Resolution No. 97-203, as ratified, confirmed and modified by Resolution No. 97-298 adopted on November 4, 1997 (together, the "Master Teeter Resolution") the Board authorized an issuance of Series A Obligations and Series B Obligations in the form of Series A Notes and Series B Notes, respectively; and

WHEREAS, the Master Teeter Resolution contemplated that Series A Obligations and Series B Obligations could be increased to include an amount sufficient to refund any Demand Obligation relating to any fiscal year ending after June 30, 1997, as specified in a Supplemental Resolution; and

WHEREAS, pursuant to Resolution No. 98-283, adopted on August 18, 1998, the Board authorized Series A Obligations and Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 1998; and

WHEREAS, pursuant to Resolution No. 99-385, adopted on September 7, 1999, the Board authorized Series A Obligations and Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 1999; and

WHEREAS, pursuant to Resolution No. 2000-277, adopted September 26, 2000, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2000; and

WHEREAS, pursuant to Resolution No. 2001-290, adopted September 11, 2001, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2001; and

WHEREAS, pursuant to Resolution No. 2002-363, adopted October 8, 2002, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2002; and

WHEREAS, pursuant to Resolution No. 2003-495, adopted October 21, 2003, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2003; and

WHEREAS, pursuant to Resolution No. 2004-496, adopted October 26, 2004, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ended June 30, 2004; and

WHEREAS, pursuant to Resolution No. 2005-493, adopted November 29, 2005, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2005 and to refund Outstanding Series B Notes; and

WHEREAS, pursuant to Resolution No. 2006-405, adopted October 17, 2006, the Board authorized Series B Obligations to refund a Demand Obligation relating to the fiscal year ending June 30, 2006 and to refund Outstanding Series B Notes; and

WHEREAS, the County wishes to include within the definition of Series B Taxes all uncollected property taxes and assessments attributable to the fiscal year ending June 30, 2007; and

WHEREAS, the County wishes to issue a Demand Obligation relating to delinquencies in property taxes and assessments attributable to the fiscal year ending June 30, 2007 and to issue Series B Notes (the "Additional Series B Notes"), the proceeds of which are to be used to refund such Demand Obligation and to refund Outstanding Series B Notes; and

WHEREAS, the County wishes to confirm that the security interest and pledge granted in favor of Holders and the Bank pursuant to Section 302 of the Master Teeter Resolution extends to such Series B Taxes and secures the Additional Series B Notes; and

WHEREAS, the County wishes to replace the Series B-1 Letter of Credit and Series B-2 Letter of Credit with an Alternate Credit Facility; and

NOW, THEREFORE, IT IS RESOLVED and ordered by the Board as follows:

ARTICLE I

AUTHORITY FOR SUPPLEMENTAL RESOLUTIONS; DEFINITIONS

1.01 Authority For This Resolution. This resolution supplements and amends the Master Teeter Resolution and is entered into pursuant to Article VII of the Master Teeter Resolution.

1.02 Definitions.

(a) Except as otherwise provided herein all terms defined in the Master Teeter Resolution shall have the same meanings when used in this Supplemental Resolution as are given in Section 101 of the Master Teeter Resolution, except for the following terms which are used in the Master Teeter Resolution, which shall be amended to read as follows:

“**Series B Taxes**” means (i) the right to collect any uncollected property taxes due to the County and the other Revenue Districts for the fiscal years ended June 30, 1994, 1995, 1996, 1997, 1998, 1999, 2000, 2001, 2002, 2003, 2004, 2005, 2006 and 2007 and such other fiscal years, if any, as may be specified in a Supplemental Resolution, (ii) all amounts received by the County upon the sale of property to recover such property taxes or assessments, and (iii) all amounts received by the County upon the redemption of properties for sale or previously sold to recover such property taxes or assessments, in each case to which the County is entitled, including as a consequence of electing to being governed by the Law, and in each case following the allocation by the County of the receipts of property taxes and assessments between the Revenue Districts and those public districts within the County which have not agreed that the Law shall apply to them; provided, however, that Series B Taxes shall not include (i) the right to collect delinquencies in property taxes due to an Independent District for all fiscal years prior to the fiscal year in which the respective Independent District agreed (pursuant to Section 4715 of the Law) that the Law shall apply to it, (ii) Default Penalties, (iii) interest or Redemption Penalties, (iv) costs and fees paid pursuant to Section 4102(d) and 4112 of the Taxation Code and (v) installment payments made pursuant to Section 4217 et. seq. of the Taxation Code with respect to properties otherwise subject to Series A/B Taxes. Series B Taxes shall not include Series A Taxes or Other Taxes.

ARTICLE II

AUTHORIZATION OF DEMAND OBLIGATION

2.01 Authorization of Demand Obligation. The County shall evidence its obligation to make distributions to Revenue Districts pursuant to the Law in respect of property taxes and assessments attributable to the fiscal year ending June 30, 2007, through the issuance of a Demand Obligation in the principal amount of such distributions. In all respects, the terms and conditions of issuance of such Demand Obligation shall be governed by Article II of the Master Teeter Resolution to the extent the same relates to the Series B Obligations.

ARTICLE III

EXTENSION OF SERIES B TEETER OBLIGATION PLEDGE

3.01 Pledge of Series B Taxes. All Series B Taxes as defined in this Supplemental Resolution shall be governed by the provisions of Section 302 of the Master Teeter Resolution, the security interest and pledge created pursuant to said Section 302 shall hereby extend to Series B Taxes as defined in this Supplemental Resolution, and such security interest and pledge shall hereby extend in favor of Holders of (a) the Demand Obligation referred to in Section 2.01 hereof and issued hereunder, (b) Series B Notes authorized and issued hereunder, and (c) any Credit Provider Obligations relating to Obligations referred to in clauses (a) and (b) above, in all cases on a parity with each other and with the security interest and pledge in favor of Holders of other Series B Obligations.

ARTICLE IV

AUTHORIZATION AND ISSUANCE OF ADDITIONAL SERIES B NOTES AND OTHER DOCUMENTS

4.01 Authorization of Additional Series B Notes. (a) The Board hereby determines that the County shall issue, as Series B Obligations, Additional Series B Notes, provided that the aggregate principal amount (as described in Section 203(1)(a) of the Master Teeter Resolution) of Series B Notes to be issued hereunder and outstanding shall not exceed an aggregate principal amount of \$175,000,000. The Additional Series B Notes shall be issued in accordance with, and subject to the conditions and limitations for Additional Series B Notes set forth in, Article VIII of the Master Teeter Resolution. The Additional Series B Notes shall be Tax-Exempt Notes, and any additional terms and provisions of the Series B Notes shall be set forth in a written certificate of the County Executive Officer.

4.02 Dealers. The Treasurer and the County Executive Officer and their designees are, and each of them acting alone is, authorized to negotiate with Citigroup Global Markets Inc. and Lehman Brothers Inc. (the "Dealers") with respect to the Additional Series B Notes. The Treasurer and the County Executive officer are, and each of them acting alone is, hereby authorized and directed, for and in the name of and on behalf of the County to execute and deliver the Dealer Agreements in substantially the forms presented to this meeting, with such changes therein as the Treasurer or County Executive Officer, in consultation with County Counsel, shall approve (such approval to be conclusively evidenced by the execution and delivery of such agreements); provided that the ongoing annual fees of the Dealers shall not exceed 0.10% of the principal amount of Outstanding Series B Notes.

4.03 Reimbursement Agreement. The form of the Reimbursement Agreement by and between the County and The Bank of Nova Scotia, acting through its New York Agency, as presented to this meeting, is hereby approved. The Treasurer and

the County Executive Officer are, and each of them acting alone is, hereby authorized and directed, for and in the name of and on behalf of the County to execute and deliver the Reimbursement Agreement in substantially the form presented to this meeting, with such changes therein as the Treasurer or County Executive Officer, in consultation with County Counsel, shall approve (such approval to be conclusively evidenced by the execution and delivery of the Reimbursement Agreement).

ARTICLE V

AMENDMENT OF MASTER TEETER RESOLUTION

5.01 Amendment of Master Teeter Resolution.

(a) Section 301(4)(b) is hereby amended to read in full as follows:

“On or before the date which is the earlier of the date of issuance of Series B Notes other than to refund prior Series B Notes or the date set forth in the most recent Tax Certificate, the County shall transfer from the General Fund to the Fiscal Agent an amount equal to the amount of Series A/B Taxes deposited in the General Fund and not theretofore transferred to the Fiscal Agent pursuant to Section 301(4)(a). Such amount shall be deposited by the Fiscal Agent in the Principal Subaccount of the Series B Payment Fund.”

(b) The proviso at the end of Section 601 is hereby amended to read in full as follows:

provided that, in the event such Obligations are supported by a letter of credit, insurance policy or other credit enhancement or liquidity support, the consent of the Provider to such action must be obtained.”

(c) Section 602 is hereby amended to read in full as follows:

“If an Event of Default occurs, the Holders of at least 25% in aggregate principal amount of any affected Series Obligations then Outstanding by notice to the County (with a copy to the Fiscal Agent) may declare the principal of and accrued interest on such Series Obligations to be due and payable immediately; provided that in the event that such Series Obligations are supported by a letter of credit, insurance policy or other credit enhancement or liquidity support, the consent of the Provider to accelerate must be obtained, and the Provider independently may declare the principal of and accrued interest on such Series Obligations to be due and payable immediately, without approval or consent of any other Holder. Upon any such declaration, the principal of and accrued interest on such Series Obligations shall be due and payable immediately. The Provider for such Series Obligations and, with the consent of the Provider, the Holders of at least 25% in aggregate principal amount of such Series Obligations then Outstanding, may rescind an acceleration and its

consequences if any and all payment defaults have been cured and the Letter of Credit has been reinstated in the amount required pursuant to Section 8.01(4), but no such rescission shall extend to or affect any other existing default for which acceleration has been declared or any subsequent default or defaults or impair any rights or remedies consequent thereon.”

(d) Section 807(3) is hereby amended to read in full as follows:

“The Fiscal Agent is hereby authorized and directed to draw on the Letter of Credit in accordance with its terms, in order to receive payment thereunder in amounts sufficient to pay the principal of and interest on the Notes when due.”

(e) Section 807(9) is hereby amended to read in full as follows:

“9. There is hereby established with the Fiscal Agent, as agent and pledge holder for the benefit of the Holders of the Series B Notes and the Bank, a special fund designated as the “Series B Payment Fund.” The Fiscal Agent shall further establish separate accounts within the Series B Payment Fund to be known as the “Series B Note Proceeds Account,” the “Series B Credit Facility Account” and the “Series B Payment Account,” and the Series B Payment Account shall have two subaccounts to be known respectively as the “Principal Subaccount” and “Interest Subaccount.” Moneys in the Series B Payment Fund shall be held by the Fiscal Agent in trust, and shall be applied only for the purposes and as directed in this Resolution. Any moneys deposited in the Series B Note Payment Fund shall be for the equal and ratable benefit of all Holders of the Series B Notes and the Bank, and there is hereby created in favor of such Holders and the Bank a first priority pledge of all amounts in the Series B Payment Fund, which pledge, without any further action being required, shall constitute a first priority lien and security interest for the benefit of such Holders and the Bank, enforceable against the County and all others asserting rights therein; provided, however, that to the extent of any unreimbursed draw on the Letter of Credit, moneys on deposit in the Series B Note Proceeds Account and the Series B Payment Account, collectively, up to the amount of such unreimbursed draw, shall be held for the sole and exclusive benefit of the Bank and provided further, that moneys on deposit in the Series B Credit Facility Account shall be held for the sole and exclusive benefit of the Holders of Series B Notes.

(a) Series B Note Proceeds Account. Upon receipt of the proceeds of Notes issued to refund Series B Notes, the Fiscal Agent shall deposit such proceeds in the Series B Note Proceeds Account to be applied to reimburse the Bank for draws on the Letter of Credit pursuant to (d) below.

(b) Series B Credit Facility Account. The Fiscal Agent shall deposit in the Series B Credit Facility Account, upon receipt thereof, all amounts drawn by the Fiscal Agent under the Letter of Credit to pay Series B Notes. Such amounts shall not be commingled with other moneys in any other fund or account held under this Resolution and shall be applied to the payment of principal of and interest on the Series B Notes as the same shall become due and payable. Any amounts deposited in the Series B Credit Facility Account and not needed for the payment of any Series B Notes shall be immediately returned to the Bank.

(c) Series B Payment Account. (i) Upon the date of initial issuance of Series B Notes, the Fiscal Agent will calculate and notify the County of the amount equal to the interest on the initial Series B Notes which will accrue through the last day of the month in which such Series B Notes are issued, calculated at an assumed rate equal to the actual interest rate or annual yield (as described below) plus .10 of 1%, and the County shall transfer such amount to the Fiscal Agent for deposit into the Interest Subaccount of the Series B Payment Account. For this purpose, Series B Notes maturing prior to last day of such month shall be deemed to mature on the last day of such month and to continue to bear the same rate of interest, and non-interest bearing Series B Notes sold at a discount which mature prior to the last day of such month shall be deemed to mature on the last day of the month and shall be deemed to have the same rate of annual yield to the end of such month as such Series B Notes actually produced. In addition, investment earnings on all funds and accounts held by the Fiscal Agent and relating to the Series Notes, except the Rebate Fund, shall be transferred to such Interest Subaccount on or before the last Business Day of each month.

(ii) On the last Business Day of each month after the month in which Series B Notes are originally issued, the Fiscal Agent shall calculate a sum equal to the interest accruing on Series B Notes during the next calendar month, calculated at an assumed interest rate equal to the actual interest rate or assumed yield (as described below) plus .10 of 1% (the "Monthly Interest Amount"), and the County shall transfer to the Interest Subaccount of the Series B Payment Account an amount which, together with the amount then on deposit in the Interest Subaccount of the Series B Payment Account, is equal to the Monthly Interest Amount. For this purpose, Series B Notes maturing prior to the last day of such month shall be deemed to mature on the last day of such month and to continue to bear the same rate of interest, and non-interest bearing Series B Notes sold at a discount which mature prior to the last day of such month shall be deemed to mature on the last day of such month and shall be deemed to have the same rate of annual yield to the end of such month as such Series B Notes actually produced.

(iii) On the last Business Day of each month, the Fiscal Agent will notify the County of the amount (the "Monthly Interest Payment") which, when added to the amounts then on deposit in the Interest Subaccount of the Series B Payment Account net of any amounts of interest on the Series B Notes accrued but unpaid, will equal the Monthly Interest Amount for the next month.

(iv) On the first Business Day of each month, the County will transfer the Monthly Interest Payment from the General Fund to the Fiscal Agent for deposit in the Interest Subaccount of the Series B Payment Fund.

(d) Repayment of Bank. On the date on which Series B Notes mature, subject to receipt of necessary funds from draws under the Letter of Credit to pay the principal thereof and interest thereon, the Fiscal Agent shall make the following transfers:

(i) The Fiscal Agent shall transfer to the Bank amounts equal to the principal amount of Series B Notes maturing on that day from first the Principal Subaccount of the Series B Payment Fund and second the Series B Note Proceeds Account. In the event there is an insufficient amount in the Principal Subaccount of the Series B Payment Fund and Series B Note Proceeds Account to pay the principal thereof, the Fiscal Agent shall so notify the County which shall immediately transfer by wire such funds.

(ii) The Fiscal Agent shall transfer to the Bank amounts equal to the Interest Amount of Series B Notes maturing on that day from the Interest Subaccount of the Series B Payment Account. In the event there is an insufficient amount in the Interest Subaccount to pay interest on such Series B Notes maturing on that day, the Fiscal Agent shall so notify the County which shall immediately transfer by wire such funds.

Notwithstanding the foregoing, in the event that Series B Notes are outstanding as well as Credit Provider Obligations which are Series B Obligations, amounts in the Principal Subaccount and the Interest Subaccount of the Series B Payment Account, to the extent such amounts are insufficient to pay in full such Series B Notes and such Credit Provider Obligations, shall be used to pay, respectively, the principal of, and interest on, Credit Provider Obligations due and payable as required by the Reimbursement Agreement and not used to reimburse the Bank for draws under the Letter of Credit to pay the principal of and interest on Series B Notes payable on the same day as the payment of such Credit Provider Obligations occurs.

(e) Investment. Notwithstanding Section 814 hereof, amounts held by the Fiscal Agent in the accounts described in paragraphs (a) and (b) above shall be held uninvested and separate and apart from all other funds and accounts.

(f) Subsection (10) is hereby deleted from Section 807.

ARTICLE VI

MISCELLANEOUS

6.01 Accounting. The Board hereby determines that earnings on amounts held in the Teeter Debt Service Fund and the Teeter Tax Loss Reserve Fund, respectively, shall be deposited in such fund or funds as shall be directed by the County Executive Officer.

6.02 Additional Actions. All actions heretofore taken by the officers and agents of the County or the Board of Supervisors with respect to the issuance and sale of the Additional Series B Notes are hereby approved, confirmed and ratified, and the officers, employees and agents of the County and the Board of Supervisors are hereby authorized and directed, for and in the name and on behalf thereof, to do any and all things and take any and all actions and execute any and all certificates, agreements and other documents which they, or any of them, may deem necessary or advisable in order to consummate the lawful issuance and sale from time to time of the Additional Series B Notes in accordance with the Master Teeter Resolution and this Resolution, including, but not limited to, entering into amendments, if any, to the Dealer Agreement, Fiscal Agent Agreement, Certificate Agreement, DTC Representation Letter and substituting, if needed, a new Master Note or Notes for the Additional Series B Notes.

6.03 Effectiveness; Master Teeter Resolution to Remain in Effect.

(a) This Supplemental Resolution shall become effective immediately upon its adoption; provided, however, the amendments contained in Section 1.02 and Article V hereof shall be effective upon the termination of the Series B-1 Letter of Credit and Series B-2 Letter of Credit. Except as expressly provided in this Supplemental Resolution, every term and condition contained in the Master Teeter Resolution shall apply to this Supplemental Resolution and to the additional Demand Obligation and Series B Notes authorized hereby, with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Supplemental Resolution.

(b) This Supplemental Resolution and all of the terms and provisions herein contained shall form part of the Master Teeter Resolution as fully and with the same effect as if all such terms and provisions had been set forth in the Master Teeter Resolution. The Master Teeter Resolution is hereby ratified and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as heretofore amended and supplemented and as amended and supplemented hereby.

6.04 Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the County shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of any of the Demand Obligations or any of the Notes authorized hereby, and the Holders shall retain all the benefit, protection and security afforded to them hereunder or any applicable provisions of law.

6.05 Law Governing. This Supplemental Resolution shall be governed exclusively by the provisions hereof and by the laws of the State of California as the same from time to time exist.

FORM APPROVED COUNTY COUNSEL
BY: DALE A. GARDNER 10/19/07
DALE A. GARDNER DATE

PASSED and ADOPTED by the Board of Supervisors on October 30,
2007.

By: _____
Chairman of the Board of Supervisors

ATTEST:
Nancy Romero,
Clerk of the Board

By: _____
Deputy Clerk