

Memorandum
Office of Jenine Windeshausen
Treasurer-Tax Collector
County of Placer



To: The Honorable Board of Supervisors

From: Jenine Windeshausen, Treasurer-Tax Collector

Date: May 9, 2006

Subject: Tobacco Securitization

Action Requested:

- 1) Conduct a public hearing pursuant to Government Code section 6586.6 to determine if the use of joint powers authority (the California County Tobacco Securitization Agency) bond proceeds to finance public capital improvements provides significant benefits to the citizens of the County.
- 2) Adopt the attached resolution to:
 - a. Approve and authorize the amendment and restatement of the Sale Agreement entered into as of June 1, 2002, between the County and the Gold Country Settlement Funding Corporation, and authorizing the execution of the Amended and Restated Sale Agreement,
 - b. Authorize the County Treasurer to invest the sale proceeds in a manner consistent with the bond documents,
 - c. Approve professional services contracts with Sidley Austin LLP as bond and disclosure counsel to the County and the California County Tobacco Securitization Agency, and with Capitol Public Finance Group, LLC for financial advisory services to the County in connection with the securitization transactions, and to appointment Lehman Brothers as lead managing underwriter for the Series 2006 Bonds,
 - d. Authorize and direct the Clerk of the Board to attest the signatories of the Amended and Restated Sale Agreement and other related documents as necessary,
 - e. Authorize and direct, the Authorized County Officers to do any and all things to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the terms and intent of the resolution and the consummation of the securitization transactions including, but not limited to, the execution of contracts with bond rating agencies, econometric and consulting firms and the execution of any certifications which are consistent, upon the advice of County Counsel and bond counsel, with the requirements of the Amended and Restated Sale Agreement, the Amended and Restated Loan Agreement, the Amended and Restated Indenture and the Contract of Purchase. Ratify, confirm and approve any actions taken by such officers in furtherance of any of the transactions authorized in the resolution, which have been taken to date.

Background:

On May 7th 2002, your Board directed staff to securitize County Tobacco Settlement Revenues based on a recommendation from staff that Tobacco Securitization was an important component of the County's comprehensive Capital Facilities Financing Plan. The County then securitized expected annual Tobacco Settlement Revenues through 2036. The total bonds issued were \$41.59 million. In return for the sale of the Tobacco Settlement Revenues, the County received \$35,492,365 in bond proceeds. The bond proceeds have been used to provide a portion of the financing for various County facilities including the Community Development Resource Center, the Main Jail Housing Unit 4, the Auburn Justice Center, South Placer Justice Center Site Acquisition and relocation of the DPW Yard in the Tahoe area.

Staff is now recommending that the County take action to securitize subsequent Tobacco Settlement Revenues that are expected between 2036 and 2056 with bond proceeds expected to yield approximately \$9 million in additional tobacco securitization proceeds net of all costs. Again, the County plans to use the proceeds as a component of the Capitol Facilities Financing Plan to provide some of the financing necessary to complete the Auburn Justice Center, the South Placer Justice Center including Courthouse and Adult Detention Center construction and construction of the Children's Emergency Shelter, and of the Animal Shelter.

California counties who have securitized tobacco settlement revenues use a specific securitization structure. This structure uses a joint powers authority, the California Counties Tobacco Securitization Agency and a non-profit public benefit corporation, the Gold Country Settlement Funding Corporation. These counterparty entities are needed as intermediaries to the securitization transactions because counties do not have the legal authority to directly pledge Tobacco Settlement Revenues for the repayment of bonds.

The California Counties Tobacco Securitization Agency's (the Agency) membership consists of nine California counties (Alameda, Fresno, Kern, Los Angeles, Marin, Merced, Placer, Sonoma, Stanislaus) for the sole purpose of facilitating the securitization of Tobacco Settlement Revenues for these counties. The County formed the non-profit corporation, the Gold Country Settlement Funding Corporation (the Corporation) during the process of its first tobacco securitization. The Corporation's officers consist of the County Executive Officer Tom Miller, the Assistant County Executive Officer Holly Heinzen and one member of the public, currently Ed Horton.

The additional securitization of the Tobacco Settlement Revenues involves a series of transactions facilitated by various agreements to accomplish the securitization:

- 1) The Agency sells tax-exempt bonds to an underwriter (Lehman Brothers) and receives bond proceeds.
- 2) The Agency will use the bond proceeds from the sale to:
 - a. Pay the costs of issuing the bonds,
 - b. Fund the bond reserve fund,
 - c. Pay back the original bonds in full,
 - d. And then will loan the remaining bond proceeds from the securitization of additional years to the Corporation.
- 3) The Corporation will use the additional loan amount to purchase all of the County's rights and interests in the Tobacco Settlement Revenues until the bonds have been repaid which will occur at a date later than original securitization.

- 4) The Corporation will use the County's interest in the Tobacco Settlement Revenues to pay back the loan to the Agency.
- 5) The Agency will use the loan repayments to repay the bonds.
- 6) The County will use the net proceeds from the sale of the additional years of Tobacco Settlement Revenues to the Corporation to construct facilities.

Securitizing a period of revenues subsequent to the current securitization will require re-securitizing the Tobacco Settlement Revenues that have already been securitized plus the additional years' revenues. This arrangement will effectively refinance the current securitization and then add additional years of revenue to the securitization. The two main factors in realizing additional proceeds from a new securitization is the sale of additional revenue years and recent increases in the County's population. The County receives a pro-rata share of the Tobacco Settlement Revenues received in California. The pro-rata share is based on population.

The rate on the new bonds is expected to be slightly less than the original issue, however other costs associated with the financing will bring the costs for the refinanced portion of the securitization to approximately breakeven. However, the additional borrowing accomplishes capital facilities financing without affecting the General Fund. Additionally, the securitization shifts risks associated with declines in future Tobacco Settlement Revenues to bond holders.

The approval of the attached resolutions by your Board will authorize the County to proceed with the transactions summarized above. The resolutions provide that the execution of the Amended and Restated Sale Agreement is contingent upon the following parameters: the principal amount of the bonds will not exceed \$65 million, the net interest cost will not exceed 6.25%, the underwriter's compensation shall not exceed 0.7% of the original principal amount plus expenses, the final maturity will not be later than the year 2056, the net proceeds (excluding required reserves) shall not be less than \$6 million.

The California Counties Tobacco Securitization Agency (the Agency): By approving the attached resolutions, the Board is authorizing its previously appointed representatives, the County Treasurer-Tax Collector Jenine Windeshausen and the County Auditor-Controller Kathy Martinis, on the Agency Board to take actions at a meeting scheduled for May 10th, 2006, necessary to amend and restate the Indenture between the Agency and the Trustee, the Bank of New York Trust Company.

The Gold Country Settlement Funding Corporation: The Board of Directors of the Corporation will be scheduled to act on a resolution amending and restating the Secured Loan Agreement between the Corporation and the Agency. This meeting is also scheduled for May 10th, 2006.

The Amended and Restated Sale Agreement: The County originally entered into the Sale Agreement on May 28, 2002 at the time of the initial tobacco securitization. The Amended and Restated Sale Agreement (the Agreement) provides for the sale and absolute transfer of the County's tobacco settlement revenues from payments made under the Master Settlement Agreement between the States and the major cigarette manufacturers to the Corporation. The Agreement includes legally established and market accepted representations and covenants made by a seller of assets to a buyer. The Agreement is also designed to establish the

"bankruptcy remoteness" of the County from the Agency and the Corporation. The Agreement also indemnifies the Agency and the Corporation and their respective officers and directors from liability arising from breaches by the County of its representations, warranties and covenants under the Agreement or from a misapplication of bond proceeds by the County resulting in interest on the Bonds being declared taxable.

Other Bond Documents: The transaction also requires approval, subject to the parameters set forth in the Resolution, the form of the following documents:

- 1) **The Amended and Restated Secured Loan Agreement** by which a loan is made from the Agency to the Corporation to provide funds to the Corporation for the purchase of the County's Tobacco Settlement Revenues.
- 2) **The Amended and Restated Indenture** pursuant to which the Agency issues the Bonds.
- 3) **The Contract of Purchase** between the Agency and Lehman Brothers (the Underwriter) whereby the Bonds are sold by the Agency to the Underwriter. The Contract of Purchase also makes customary representations and warranties to induce the Underwriter to purchase the Bonds.
- 4) **The Form of the Offering Circular** which describes the securitization and the issuance of the bonds and is used by the Agency and the Underwriter to make a public offering of the Bonds.

Authorization of the Treasurer: The proceeds of the sale will be deposited and held separately in the Treasury. The Resolution includes authorization for the Treasurer to invest the proceeds of the sale consistent with the requirements of the bond documents to ensure that the tax-exempt status of the bonds is maintained. The sale proceeds will remain invested until needed for the designated capital expenditures.

Contracts for Professional Services: The Resolution provides for the appointment of Lehman Brothers as the lead managing underwriter and for the engagement of Sidley Austin LLP to serve as transaction counsel for the County and the Agency, and for the engagement of Capitol Public Finance Group LLC to provide financial advisory services to the County.

Securitization Schedule: The Agency is expected to price the Bonds on May 17, 2006 with an expected closing and funding on June 1, 2006.

Fiscal Impact:

The County has previously recognized and received the benefits of utilizing the Tobacco Settlement Revenues as a component of the Capital Facilities Financing Plan. The benefits of further securitizing the County's Tobacco Settlement Revenues to the County General Fund include deferral and reduction of future borrowing, increased building reserves, and project fund ending balances, and lower debt service as a percentage of General Fund revenues. This approach also helps the County to maintain its practice of remaining fiscally conservative.

The costs of issuance are netted out of the bond proceeds and do not impact the County budget. Ongoing annual expenses are netted out of the annual Tobacco Settlement Revenues before paying bondholders and therefore do not impact the County Budget.

Environmental:

This action is exempt from CEQA pursuant to CEQA Guidelines Section 15061(b)(3).

Respectfully submitted,

Jenine Windeshausen,
Treasurer-Tax Collector

Attachments:

- 1) County Resolution Approving and Authorizing Execution of the Amendment and Restatement of the Sale Agreement and Other Related Transactions.
- 2) Form of the Amended and Restated Sale Agreement
- 3) Professional Services Contract: Sidley Austin LLP for bond counsel and related services
- 4) Professional Services Contract: Capitol Public Finance Group LLC for financial advisory services
- 5) Form of the California County Tobacco Securitization Agency Tobacco Settlement Asset-Backed Bonds Preliminary Offering Circular

On File with the Clerk of the Board:

- 1) County Resolution Approving and Authorizing Execution of the Amendment and Restatement of the Sale Agreement and Other Related Transactions.
- 2) Gold Country Settlement Funding Corporation Resolution Approving the Amended and Restated Secured Loan Agreement between the Agency and the Corporation and Approving the Amended and Restated Sale Agreement between the Corporation and the County.
- 3) Resolution of the California County Tobacco Securitization Agency Authorizing the Issuance of not more than \$60 Million Tobacco Settlement Asset-Backed Bonds, Approving the Forms and Authorizing the Execution of the Amended and Restated Indenture, the Amended and Restated Secured Loan Agreement, and the Amended and Restated Sale Agreement, and Approving: a professional services agreement for Bond Counsel Services, the Contract of Purchase and an Escrow Agreement, Approving the Form of and Authorizing Distribution of a Preliminary Offering Circular, and Authorizing the Execution, Delivery and Approval of other related documents and actions.
- 4) Form of the Amended and Restated Sale Agreement between the County and the Corporation
- 5) Form of the Amended and Restated Secured Loan Agreement between the Corporation and the Agency
- 6) Form of the Amended and Restated Indenture between the Agency and the Trustee
- 7) Form of Contract of Purchase between the Agency and the Underwriter
- 8) Form of Escrow Agreement

545

**BEFORE THE BOARD OF SUPERVISORS
COUNTY OF PLACER, STATE OF CALIFORNIA**

In the matter of:

Resolution No. _____

A RESOLUTION APPROVING THE AMENDMENT AND RESTATEMENT OF THE SALE AGREEMENT ENTERED INTO AS OF JUNE 1, 2002, BETWEEN THE COUNTY AND THE GOLD COUNTRY SETTLEMENT FUNDING CORPORATION, AUTHORIZING THE EXECUTION THEREOF, AND APPROVING CERTAIN OTHER RELATED TRANSACTIONS.

The following **Resolution** was duly passed by the Board of Supervisors of the County of Placer at a regular meeting held, _____, by the following vote on roll call:

Ayes:

Noes:

Absent:

Signed and approved by me after its passage.

Chairman of the Board of Supervisors

Attest:
Clerk of the Board

THE BOARD OF SUPERVISORS OF THE COUNTY OF PLACER, STATE OF CALIFORNIA, DOES HEREBY RESOLVE THAT:

WHEREAS, the County of Placer, California (the "County") is a political subdivision duly organized and existing under the Constitution and laws of the State of California; and

WHEREAS, on May 28, 2002, the Board of Supervisors (the "Board") of the County adopted Resolution No. 2002-129 (the "Resolution") entitled: A RESOLUTION APPROVING JOINING THE CALIFORNIA COUNTY TOBACCO SECURITIZATION AGENCY, THE FORMATION OF THE GOLD COUNTRY SETTLEMENT FUNDING CORPORATION, THE EXECUTION OF A SALE AGREEMENT, AND OTHER RELATED TRANSACTIONS; and

WHEREAS, pursuant to the Resolution, the County entered into the Sale Agreement, dated as of June 1, 2002 (the "Sale Agreement"), with the Gold Country Settlement Funding Corporation (the "Corporation"), and the Corporation entered into the Secured Loan Agreement, dated as of June 1, 2002 (the "Loan Agreement"), with the California County Tobacco Securitization Agency (the "Agency"); and

WHEREAS, the Agency, pursuant to the Indenture, dated as of June 1, 2002 (the "Indenture"), between the Agency and The Bank of New York Trust Company, N.A. (as successor to BNY Western Trust Company), as trustee (the "Trustee"), issued its Tobacco Settlement Asset-Backed Bonds (Gold Country Settlement Funding Corporation) Series 2002 (the "Series 2002 Bonds"); and

WHEREAS, the Agency now desires to amend and restate the Indenture in order to issue its Tobacco Settlement Asset-Backed Bonds (Gold Country Settlement Funding Corporation) Series 2006 (the "Series 2006 Bonds") for the purpose, among others, of refunding the Series 2002 Bonds; and

WHEREAS, in connection therewith the Corporation and the Agency desire to amend and restate the Loan Agreement in order to permit the proceeds of the Series 2006 Bonds to be loaned to the Corporation; and

WHEREAS, the County desires to amend and restate the Sale Agreement in order to facilitate the transactions described above; and

WHEREAS, after a public hearing, the County has determined that "significant public benefits" may accrue to the County as a result of financing a portion of the costs of 1) construction of the Auburn Justice Center, 2) construction of the South Placer Justice Center, including the Courthouse and the Adult Detention Center, 3) construction of the Children's Emergency Shelter, and 4) acquiring the site for and construction of the Animal Shelter (collectively, the "Project"); and

WHEREAS, upon the consummation of the transactions described above, the County will receive, by virtue of its ownership of the Residual Trust (as defined in the Sale Agreement), certain moneys which the County intends to provide for the financing of the Project; and

WHEREAS, all acts, conditions and things required by the Constitution and laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the County is now duly authorized and empowered, pursuant to each and every requirement of law,

547

to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED as follows:

SECTION 1. Declaration of Board. The Board of Supervisors hereby specifically finds and declares that the actions authorized hereby constitute and are public affairs of the County and that the statements, findings and determinations of the County set forth in the preambles above and of the documents approved herein are true and correct.

SECTION 2. Sale Agreement; Parameters of Sale and Bond Issuance. The form of Amended and Restated Sale Agreement presented to this meeting and on file with the Clerk of the Board of Supervisors is hereby approved. The Chairman of the Board of Supervisors, the Vice Chairman of the Board of Supervisors, the County Executive Officer, the Assistant County Executive Officers and any other County officer or official of the County authorized by the Chairman of the Board of Supervisors (each an "Authorized Officer") are each hereby authorized and directed, for and in the name and on behalf of the County, to execute, acknowledge and deliver the Amended and Restated Sale Agreement in substantially said form, with such changes therein as such executing officer may require or approve (including such changes as may be required by the rating agencies rating the Series 2006 Bonds), such approval to be conclusively evidenced by the execution and delivery thereof; provided that (i) the amount received by the County for the financing of the Project shall not be less than \$6 million, (ii) the true interest cost on the Series 2006 Bonds shall not be more than 6.25%; (iii) the underwriters' compensation for selling the Series 2006 Bonds shall not exceed 0.7% of the initial principal amount of the Series 2006 Bonds; (iv) the final maturity of the Series 2006 Bonds shall not be later than June 1, 2056; and (v)(a) the Series 2006 Bonds shall be structured substantially as provided in the form of Amended and Restated Indenture and Series 2006 Supplement thereto presented to this meeting and on file with the Clerk of the Board of Supervisors, (b) the loan to the Corporation shall be made substantially as provided in the form of Amended and Restated Loan Agreement presented to this meeting and on file with the Clerk of the Board, and (c) the sale of the Series 2006 Bonds to the underwriter will be made upon substantially the terms provided in the form of Contract of Purchase, by and between the Agency and Lehman Brothers, as underwriter, presented to this meeting and on file with the Clerk of the Board. The forms of the Amended and Restated Indenture, the Series 2006 Supplement, the Amended and Restated Loan Agreement, the Contract of Purchase and the Offering Circular for the Series 2006 Bonds now or later on file with the Clerk of the Board shall be subject to only such changes as the County Counsel shall approve. The execution and delivery of the Amended and Restated Sale Agreement by an Authorized Officer shall evidence conclusively the satisfaction of the conditions set forth in clause (v) above. Prior to the sale and issuance of the Series 2006 Bonds, the Authorized Officers will cause to be filed with Clerk of the Board, for informational purposes, a copy of the Offering Circular to be used in connection with the sale of the Series 2006 Bonds.

SECTION 3. Investment of Proceeds. The Treasurer of the County is hereby authorized to invest the Series 2006 Bond proceeds received by the County by virtue of its ownership of the Residual Trust, notwithstanding anything to the contrary in the County Investment Guidelines, in municipal obligations of any state or local government, consistent with the maintenance of tax

548

exemption on the Series 2002 Bonds and the Series 2006 Bonds and the limitations set forth in the Amended and Restated Indenture and the Amended and Restated Sale Agreement. The securities so purchased by the Treasurer shall mature at such times as the Treasurer deems prudent, and, unless otherwise authorized by the Board, shall not have a maturity later than the final maturity of the Series 2006 Bonds.

SECTION 4. Approval of Professional Services Contracts, Managing Underwriter. One or more Authorized Officers are hereby authorized (i) to negotiate and enter into a professional services contract with the law firm of Sidley Austin LLP, to provide services as "bond counsel" and as "disclosure counsel" to the County and the Agency, and (ii) to negotiate and enter into a professional services contract with Capitol Public Finance Group, LLC for the purposes of providing financial advisory services to the County in connection with the transactions authorized hereby. The County consents to the appointment of Lehman Brothers as lead managing underwriter for the Series 2006 Bonds.

SECTION 5. Attestation and Seal. The Clerk of the Board of Supervisors is hereby authorized and directed to attest the signature of each authorized signatory and to affix and attest the seal of the County, as may be required or appropriate in connection with the execution and delivery of the Amended and Restated Sale Agreement and any other related documents, as necessary.

SECTION 6. Further Actions. The Authorized Officers are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or advisable in order to consummate, carry out, give effect to and comply with the terms and intent of this resolution and the consummation of the transactions contemplated hereby including, but not limited to, the execution of contracts with bond rating agencies and econometric and consulting firms and the execution of any certifications which are consistent, upon the advice of County Counsel and bond counsel, with the requirements of the Amended and Restated Sale Agreement, the Amended and Restated Loan Agreement, the Amended and Restated Indenture and the Contract of Purchase. Any actions heretofore taken by such officers in furtherance of any of the transactions authorized herein are hereby ratified, confirmed and approved.

SECTION 7. Effective Date. This resolution shall take effect immediately upon its passage.

Certified Copy of the Resolutions and Minutes
of the Meeting of the Board of Supervisors of
the County of Placer

I, Ann Holman, hereby certify that I am the Clerk to the Board of Supervisors of the County of Placer (the "County"), a political subdivision duly organized and validly existing under the laws of the State of California, and, as such I am authorized to execute this Certificate on behalf of the County.

I hereby further certify that Resolution No. 2006-_____ adopted May 9, 2006, is the full, true and correct copy of such resolution adopted at the above-stated regular meeting of the Board of Supervisors of the County, as indicated on the attached copies thereof, of which meetings all of the members of the Board of Supervisors of the County had due notice and at which a majority of the members thereof were present.

I further certify that an agenda for each of said meetings was posted at least 72 hours prior to the date of the respective meeting in a place in the City of Auburn, California, freely accessible to members of the public and that a short description of said ordinance or resolutions, as the case may be, appeared in said respective agendas.

I further certify that I have carefully compared the attached copies with the original minutes of said meetings on file and of record in my office; that said resolutions are full, true and correct copies of the original resolutions, adopted at said meetings and entered in said minutes; and that said resolutions have not been amended, modified or rescinded since the date of adoption, and each of them is now in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the County this 9th day of May, 2006.

COUNTY OF PLACER

By: _____
Clerk to the Board of Supervisors

(Seal)

COUNTY OF PLACER,
as Seller

and the

GOLD COUNTRY SETTLEMENT FUNDING CORPORATION,
as Purchaser

AMENDED AND RESTATED SALE AGREEMENT

Entered into as of June 1, 2002

Amended and Restated as of ___ 1, 2006

AMENDED AND RESTATED SALE AGREEMENT

THIS AMENDED AND RESTATED SALE AGREEMENT, entered into as of June 1, 2002, as amended and restated as of ___ 1, 2006 (this "Agreement"), is entered into by and between:

(1) COUNTY OF PLACER, a political subdivision of the State of California (the "Seller"); and the

(2) GOLD COUNTRY SETTLEMENT FUNDING CORPORATION, a California nonprofit public benefit corporation (the "Purchaser").

RECITALS

A. The Seller is the owner of the County Tobacco Assets.

B. The payments under the County Tobacco Assets are subject to numerous adjustments pursuant to the terms of the MSA, including, without limitation, the Volume Adjustment, the Inflation Adjustment and the NPM Adjustment (each as defined in the MSA) and are further subject to delay or reduction in the event of the bankruptcy of a PM.

C. The Seller desires to reduce the amount and the duration of its payment risks associated with the County Tobacco Assets and its credit risks associated with the PMs, thereby enhancing the relationship between its risk and return with respect to the payments it is entitled to receive pursuant to the County Tobacco Assets.

D. The Seller desires effectively to insure itself against the risk of a substantial decline in the payments it is entitled to receive pursuant to the PM and to provide a source of funds from which to meet the social needs of its population.

E. The Purchaser was formed to assist the Seller in financing the meeting of its social program and self-insurance needs and in furtherance thereof desires to purchase, in a single installment, all right, title and interest of the Seller in the County Tobacco Assets.

F. The Seller is willing to sell, and the Purchaser is willing to purchase, the County Tobacco Assets upon the terms specified in this Agreement.

AGREEMENT

NOW, THEREFORE, in consideration of the above Recitals and the mutual covenants herein contained, the parties hereto hereby agree as follows:

1. Definitions.

(a) Whenever used in this Agreement, the following words and phrases, unless the context otherwise requires, shall have the following meaning:

“Ownership Interest” shall have the meaning set forth in the Trust Agreement.

“Residual Trust” shall mean the trust established by the Purchaser pursuant to the Trust Agreement and which, as a result of its ownership of the Residual Certificate (as defined in the Trust Agreement), is entitled to receive the revenues of the Purchaser that are in excess of the Purchaser’s expenses, debt service and contractual obligations pursuant to the Loan Agreement.

“Trust Agreement” means the Declaration and Agreement of Trust relating to the Residual Trust by and between the Trustee and the Purchaser, dated as of June 1, 2002, as such agreement may be amended and restated pursuant to the provisions thereof.

“Trust Officer” means, in the case of the Trustee, any officer in the Corporate Trust Administration Department of the Trustee with direct responsibility for the administration of the Trust Agreement on behalf of the Trustee.

“Trustee” means The Bank of New York (Delaware), its successors in interest and any successor trustee under the Trust Agreement.

(b) For all purposes of this Agreement, except as otherwise expressly provided herein or unless the context otherwise requires, capitalized terms not otherwise defined herein shall have the meanings ascribed to such terms in that certain indenture, entered into as of June 1, 2002, as amended and restated as of ___ 1, 2006, between The California County Tobacco Securitization Agency and The Bank of New York Trust Company, N.A. (successor to BNY Western Trust Company) (the “Indenture”), as it may be amended or supplemented from time to time in accordance with the terms thereof.

(c) The words “hereof,” “herein,” “hereunder” and words of similar import when used in this Agreement shall refer to this Agreement as a whole and not to any particular provision of this Agreement; Section and Exhibit references contained in this Agreement are references to Sections and Exhibits in or to this Agreement unless otherwise specified; and the term “including” shall mean “including without limitation.”

(d) Any agreement, instrument or statute defined or referred to herein or in any instrument or certificate delivered in connection herewith means such agreement, instrument or statute as from time to time may be amended, modified or supplemented and includes (in the case of agreements or instruments) references to all attachments thereto and instruments incorporated therein; and any references to a Person are also to its permitted successors and assigns.

2. Sale and Purchase. The Seller has sold, and the Purchaser has purchased, on June 26, 2002 (the "Original Closing Date"), for consideration paid by the Purchaser of \$35,492,365.17 in cash and the delivery by the Purchaser to the Seller of the Ownership Interest (collectively, the "Purchase Price"), all right, title and interest of the Seller in, to and under the MOU, the ARIMOU, the MSA and the Consent Decree including, without limitation, the rights of the Seller to be paid the money due to it under the MOU, the ARIMOU, the MSA and the Consent Decree from and after June 26, 2002 (collectively and severally, the "County Tobacco Assets").

3. Conveyance of County Tobacco Assets and Payment of Purchase Price. In consideration of the payment and delivery by the Purchaser to the Seller of the Purchase Price, the Seller did hereby (a) transfer, grant, bargain, sell, assign, convey, set over and deliver to the Purchaser, absolutely and not as collateral security, without recourse except as expressly provided herein, and the Purchaser did hereby purchase, accept and receive, all of the Seller's right, title and interest in, to and under the County Tobacco Assets, and (b) assign to the Purchaser, to the extent permitted by law (as to which no representation is made), all present or future rights, if any, of the Seller to enforce or cause the enforcement of payment of the County Tobacco Assets pursuant to the MOU and the ARIMOU. On the date of issuance of the Series 2002 Bonds, the Seller also transferred to the Purchaser as a capital contribution the amount of \$527,770.

4. Representations and Warranties of the Purchaser. The Purchaser represents and warrants to the Seller that, effective as of each of the Original Closing Date and as of ____, 2006 (the "Second Closing Date"), (a) it is duly organized, validly existing and in good standing in the jurisdiction of its organization, (b) it has full power and authority to enter into this Agreement and to perform its obligations hereunder, (c) neither the execution and delivery by it of this Agreement, nor the performance by it of its obligations hereunder, shall conflict with or result in a breach or default under any of its organizational documents, or any law, rule, regulation, judgment, order or decree to which it is subject or any agreement or instrument to which it is a party, and (d) this Agreement, and its execution, delivery and performance hereof have been duly authorized by it, and this Agreement has been duly executed and delivered by it and constitutes its legal, valid and binding obligation enforceable against it in accordance with the terms hereof, subject to the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws relating to or affecting creditors rights generally or the application of equitable principles in any proceeding, whether at law or in equity.

5. Representations and Warranties of the Seller. The Seller hereby represents and warrants to the Purchaser, as of each Closing Date, as follows:

(a) The Seller is validly existing as a political subdivision under the laws of the State, with full power and authority to execute and deliver this Agreement and to carry out its terms.

(b) The Seller has full power, authority and legal right to sell and assign the County Tobacco Assets to the Purchaser and has duly authorized such sale and

assignment to the Purchaser by all necessary action; and the execution, delivery and performance by the Seller of this Agreement has been duly authorized by the Seller by all necessary action.

(c) This Agreement has been duly executed and delivered by the Seller and, assuming the due authorization, execution and delivery of this Agreement by the Purchaser, constitutes a legal, valid and binding obligation of the Seller enforceable against the Seller in accordance with its terms, subject to the effect of bankruptcy, insolvency, reorganization, moratorium, fraudulent conveyance and other similar laws relating to or affecting creditors rights generally or the application of equitable principles in any proceeding, whether at law or in equity.

(d) No consent, approval, authorization, order, registration or qualification of or with any court or governmental agency or body is required for the consummation by the Seller of the transactions contemplated by this Agreement, except for those which have been obtained and are in full force and effect.

(e) The consummation by the Seller of the transactions contemplated by this Agreement and the fulfillment of the terms hereof do not in any material way conflict with, result in any material breach by the Seller of any of the material terms and provisions of, nor constitute (with or without notice or lapse of time) a default by the Seller under any indenture, agreement or other instrument to which the Seller is a party or by which it is bound; nor violate any law, order, rule or regulation applicable to the Seller of any court or of any federal or state regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller.

(f) There are no material proceedings or investigations pending against the Seller before any court, regulatory body, administrative agency or other governmental instrumentality having jurisdiction over the Seller: (i) asserting the invalidity of this Agreement, or, to the best of its knowledge, the Loan Agreement, the Indenture or the Bonds, (ii) seeking to prevent the consummation of any of the transactions contemplated by this Agreement, or, to the best of its knowledge, the Loan Agreement, the Indenture or the Bonds or (iii) seeking any determination or ruling that would materially and adversely affect the validity or enforceability of this Agreement, or, to the best of its knowledge, the Loan Agreement, the Indenture or the Bonds. There are no initiatives pending that would affect the Seller's sale of the County Tobacco Assets or the use of the Purchase Price.

(g) Prior to the sale of the County Tobacco Assets to the Purchaser, the Seller was the sole owner of the County Tobacco Assets, and has such right, title and interest as provided in the MOU and the ARIMOU. From and after the conveyance of the County Tobacco Assets by the Seller to Purchaser on the Original Closing Date, the Seller shall have no interest in the County Tobacco Assets.

(h) Except to the extent that the State has the right to reallocate moneys paid under the MOU and the ARIMOU, as provided in the MOU and the ARIMOU, prior to the sale of the County Tobacco Assets to the Purchaser, the Seller

held title to the County Tobacco Assets free and clear and without liens, pledges, charges, security interests or any other impediments of any nature concerning the County Tobacco Assets thereon. Except as set forth in this Agreement, the Seller has not sold, transferred, assigned, set over or otherwise conveyed any right, title or interest of any kind whatsoever in all or any portion of the County Tobacco Assets, nor has the Seller created, or to its knowledge permitted the creation of, any lien thereon.

(i) The Seller acts solely through its authorized officers or agents.

(j) The Seller maintains records and books of account separate from both the Purchaser and the Issuer.

(k) The financial statements and books and records of the Seller prepared after the Original Closing Date shall reflect the separate existence of the Purchaser and the Issuer.

(l) The Seller maintains its respective assets separately from the assets of both the Purchaser and the Issuer (including through the maintenance of separate bank accounts); and the Seller's funds and assets, and records relating thereto, have not been and are not commingled with those of the Purchaser or the Issuer.

(m) The Seller's principal place of business and chief executive office is located at 175 Fulweiler Avenue, Auburn, California 95603-4581.

(n) The Seller shall treat the sale of the County Tobacco Assets as a sale for tax reporting and accounting purposes, and title to the County Tobacco Assets shall not be a part of the debtor's estate in the event of the filing of a bankruptcy petition by or against the Seller under any bankruptcy law.

(o) The Seller has received reasonably equivalent value for the County Tobacco Assets.

(p) The Seller does not act as an agent of the Purchaser or the Issuer in any capacity, but instead presents itself to the public as an entity separate from the Purchaser and the Issuer.

(q) The Seller has not guaranteed and shall not guarantee the obligations of the Purchaser or the Issuer, nor shall it hold itself out or permit itself to be held out as having agreed to pay or as being liable for the debts of the Purchaser or the Issuer; and the Seller has not received nor shall the Seller accept, any credit or financing from any Person who is relying upon the availability of the assets of the Issuer or the Purchaser to satisfy the claims of such creditor.

(r) All transactions between or among the Seller, on the one hand, and the Issuer and/or the Purchaser on the other hand (including, without limitation, transactions governed by contracts for services and facilities, such as payroll, purchasing, accounting, legal and personnel services and office space) shall be on terms and conditions (including, without limitation, terms relating to amounts to be paid thereunder)

which are believed by each such party thereto to be both fair and reasonable and comparable to those available on an arms-length basis from Persons who are not affiliates.

6. Covenants of the Seller.

(a) The Seller shall not take any actions or omit to take any actions which adversely affect the interests of the Purchaser in the County Tobacco Assets and in the proceeds thereof. The Seller shall not take any action or omit to take any action that shall adversely affect the ability of the Purchaser, and any assignee of the Purchaser, to receive payments made under the MOU, the ARIMOU, the MSA and the Consent Decree; provided, however, that nothing in this Agreement shall be deemed to prohibit the Seller from undertaking any activities (including educational programs, regulatory actions, or any other activities) intended to reduce or eliminate smoking or the consumption or use of tobacco or tobacco related products.

(b) The Seller shall not take any action or omit to take any action and shall use its reasonable efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under the MSA, the MOU or the ARIMOU, or that would result in the amendment, hypothecation, subordination, termination or discharge of, or impair the validity or effectiveness of, the MSA, the MOU or the ARIMOU, nor, without the prior written consent of the Purchaser or its assignee, amend, modify, terminate, waive or surrender, or agree to any amendment, modification, termination, waiver or surrender of, the terms of the MSA, the MOU or the ARIMOU, or waive timely performance or observance under such documents, in each case if the effect thereof would be materially adverse to the Bondholders. Nothing in this Agreement shall impose a duty on the Seller to seek to enforce the MSA or to seek enforcement thereof by others, or to prevent others from modifying, terminating, discharging or impairing the validity or effectiveness of the MSA.

(c) Upon request of the Purchaser or its assignee, the Seller shall execute and deliver such further instruments and do such further acts as may be reasonably necessary or proper to carry out more effectively the purposes and intent of this Agreement. The Seller shall take all actions necessary to preserve, maintain and protect the title of the Purchaser to the County Tobacco Assets.

(d) The Seller shall at all times do and perform all acts and things permitted by law and this Agreement which are necessary or desirable in order to assure that interest paid on the Series 2002 Bonds and any Bonds designated as Tax-Exempt Bonds (or any of them) will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Seller agrees that it will comply with the provisions of the Seller Tax Certificate which are incorporated herein.

(e) The Seller shall execute the Seller Tax Certificate containing all necessary and appropriate covenants, agreements, representations, statements of intention and reasonable expectations and certifications of fact for bond counsel to render its opinions that interest on the Series 2002 Bonds and any Bonds designated as Tax-Exempt Bonds is excluded from gross income for federal income tax purposes pursuant to Section 103 of the Tax Code, including but not limited to matters relating to the use and investment of the proceeds of Bonds and any other moneys of the Seller, and the use of any and all property financed or refinanced with the proceeds of the Series 2002 Bonds or the Series 2006 Bonds received by the Seller as part of the Purchase Price or otherwise.

(f) On or before the Original Closing Date, the Seller sent (or caused to be sent) an irrevocable instruction to the Attorney General of the State pursuant to Sections 4.B.(2)(i)(aa) and 4.B.(2)(i)(bb) of the ARIMOU, to cause the California Escrow Agent to disburse all of the County Tobacco Assets from the California Escrow to the Indenture Trustee, together with notice of the sale of the County Tobacco Assets to the Purchaser and the assignment and grant of a security interest in such assets to the Issuer, and by the Issuer to the Indenture Trustee, and an acknowledgement that such instructions shall only be further modified with the countersignature of a designated representative of the Indenture Trustee until the Indenture Trustee gives notice to the Attorney General of the State that there are no longer any Bonds Outstanding under the Indenture, after which any further modification must be countersigned by a representative of the Purchaser. The Seller hereby relinquishes and waives any control over the County Tobacco Assets, any authority to collect the County Tobacco Assets, and any power to revoke or amend the instructions to the Attorney General contemplated by this paragraph. The Seller shall not rescind, amend or modify the instruction described in the first sentence of this paragraph. In the event that the Seller receives any proceeds of any County Tobacco Assets, the Seller shall hold the same in trust for the benefit of the Purchaser, the Issuer and the Indenture Trustee as their interests may appear and shall promptly remit the same to the Indenture Trustee as assignee of the Purchaser.

(g) The Seller acknowledges that certain of the proceeds received by the Seller as part of the Purchase Price hereunder or otherwise continue to be proceeds of Bonds in the hands of the Seller and agrees to invest such amounts solely in Eligible Investments to the extent that such proceeds are subject to the investment limitation requirements of the Seller Tax Certificate.

(h) The Seller hereby covenants and agrees that it will not at any time institute against the Purchaser, or join in instituting against the Purchaser, any bankruptcy, reorganization, arrangement, insolvency, liquidation, or similar proceeding under any United States federal or state bankruptcy or similar law.

(i) The Seller shall object in any relevant bankruptcy case to the consolidation of the assets of the Purchaser or the Issuer with those of the Seller.

7. Notices of Breach.

(a) Upon discovery by the Seller or the Purchaser that the Seller has breached any of its covenants or that any of its representations or warranties are materially false or misleading, in a manner that materially and adversely affects the value of the County Tobacco Assets, the discovering party shall give prompt written notice thereof to the other party, the Indenture Trustee, the Trustee and the Rating Agencies.

(b) The Seller shall not be liable to the Purchaser, the Issuer, the Indenture Trustee, the Trustee or the Bondholders for any loss, cost or expense resulting solely from the failure of the Indenture Trustee to promptly notify the Seller upon the discovery by a Responsible Officer of the Indenture Trustee of a breach of any covenant or any materially false or misleading representation or warranty contained herein as required hereby.

8. Liability of Seller; Indemnification. The Seller shall be liable in accordance herewith only to the extent of the obligations specifically undertaken by the Seller under this Agreement, as follows: the Seller shall indemnify, defend and hold harmless the Purchaser, the Issuer, the Trustee and the Indenture Trustee and their respective officers, directors, employees and agents from and against any and all costs, expenses, losses, claims, damages and liabilities to the extent that such cost, expense, loss, claim, damage or liability arose out of, or was imposed upon any such Person by the Seller's breach of any of its covenants contained herein or any materially false or misleading representation or warranty of the Seller contained herein. The Seller shall indemnify, defend and hold harmless the Purchaser, the Issuer, the Trustee and the Indenture Trustee and their respective officers, directors, employees and agents from and against any and all costs, expenses, losses, claims, damages and liabilities arising out of or incurred in connection with the Seller's obligations under the Seller Tax Certificate, including any rebate or other obligation to the United States Department of the Treasury, resulting from actions by or omissions of the Seller, including from the investment of the proceeds of the Series 2002 Bonds or the Series 2006 Bonds by the Seller and the use of any and all property financed or refinanced with the proceeds of such Bonds received by the Seller as part of the Purchase Price.

9. Limitation on Liability.

(a) The Seller and any officer or employee or agent of the Seller may rely in good faith on the advice of counsel, or on any document of any kind prima facie properly executed and submitted by any Person respecting any matters arising hereunder.

(b) No officer or employee of the Seller shall have any liability for the representations, warranties, covenants, agreements or other obligations of the Seller hereunder or in any of the certificates, notices or agreements delivered pursuant hereto, as to all of which recourse shall be had solely to the assets of the Seller.

10. Seller's Acknowledgment. The Seller hereby agrees and acknowledges that the Purchaser has assigned and granted a security interest in its rights

hereunder and its rights to the County Tobacco Assets to the Issuer pursuant to the terms of the Loan Agreement, and that the Issuer has assigned and granted a security interest in the same to the Indenture Trustee pursuant to the Indenture. The Seller further agrees and acknowledges that the Issuer, the Trustee, the Indenture Trustee and the Bondholders have relied and shall continue to rely upon each of the foregoing representations and warranties, and further agrees that such Persons are entitled so to rely thereon. Each of the above representations and warranties shall survive any assignment and grant of a security interest in this Agreement or the County Tobacco Assets to the Issuer and by the Issuer to the Indenture Trustee, and shall continue in full force and effect, notwithstanding any subsequent termination of this Agreement and the other Basic Documents. The above representations and warranties shall inure to the benefit of Issuer and the Indenture Trustee.

11. Purchaser's Acknowledgment. The Purchaser hereby agrees and acknowledges that the Seller has irrevocably transferred, granted, bargained, sold, assigned, conveyed, and delivered to the Purchaser the County Tobacco Assets without recourse, and, except as expressly set forth above, without representation or warranty of any kind or description.

12. Intent to Effect Irrevocable, Absolute Sale and Not a Transfer as Collateral or Security. The Seller and the Purchaser hereby confirm their intent and agree that the Seller has irrevocably transferred, granted, bargained, sold, assigned, conveyed and delivered to the Purchaser the County Tobacco Assets absolutely and not as collateral security.

13. Receipt. The Seller has acknowledged receipt of the Purchase Price, and the Purchaser has acknowledged receipt of the County Tobacco Assets.

14. Notices. All demands, notices and communications upon or to the Seller, the Purchaser, the Indenture Trustee or the Trustee under this Agreement shall be in writing, personally delivered or mailed by certified mail, return receipt requested, and shall be deemed to have been duly given upon receipt:

- (a) in the case of the Seller, to:
- County of Placer
175 Fulweiler Avenue
Auburn, California 95603-4581
Attention: County Executive Officer
- (b) in the case of the Purchaser, to:
- Gold Country Settlement Funding Corporation
175 Fulweiler Avenue
Auburn, California 95603-4581
Attention: President

- (c) in the case of the Indenture Trustee, to: The Bank of New York Trust Company, N.A.
700 South Flower Street, Suite 500,
Los Angeles, California 90017
Attention: Corporate Trust Department
- (d) in the case of the Trustee, to: The Bank of New York (Delaware)
502 White Clay Center, Route 273
Newark, DE 19711
Attention: Corporate Trust Administration Department
- (e) in the case of the Rating Agencies, to: [Standard & Poor's Ratings Services
55 Water Street
New York, New York 10041
Attention: Asset-Backed Surveillance Group, 41st Floor
New York, NY 10004]
- [Fitch Ratings
One State Street Plaza, 32nd Floor
New York, NY 10004
Attention: ABS Surveillance]

or, as to each of the foregoing, at such other address as shall be designated by written notice in conformance with this Section to the other parties.

15. Amendments. This Agreement may be amended by the Seller and the Purchaser, with the consent of the Indenture Trustee and the Trustee: (a) to cure any ambiguity; (b) to correct or supplement any provisions in this Agreement; (c) to correct or amplify the description of the County Tobacco Assets; (d) to add additional covenants for the benefit of the Purchaser; or (e) for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions in this Agreement that shall not, as evidenced by a Rating Confirmation delivered to the Indenture Trustee, adversely affect in any material respect payment of the Bonds.

Promptly after the execution of any such amendment, the Purchaser shall furnish written notification of the substance of such amendment to the Rating Agencies.

16. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Seller, the Purchaser and their respective successors and permitted assigns. The Seller acknowledges that the Purchaser has granted a security interest in its rights under this Agreement to the Lender pursuant to the Loan Agreement and consents to such grant of a security interest. The Seller may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of

the Purchaser. Except as specified herein, the Purchaser may not assign or transfer any of its rights or obligations under this Agreement without the prior written consent of the Seller.

17. Third Party Rights. Each of the Issuer, the Indenture Trustee and the Trustee is an express and intended third party beneficiary under this Agreement. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any Person, other than the parties hereto, the Issuer, the Indenture Trustee and the Trustee, and their permitted successors and assigns hereunder, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement or under or by virtue of any provision herein.

18. Partial Invalidity. If at any time any provision of this Agreement is or becomes illegal, invalid or unenforceable in any respect under the law of any jurisdiction, neither the legality, validity or enforceability of the remaining provisions of this Agreement nor the legality, validity or enforceability of such provision under the law of any other jurisdiction shall in any way be affected or impaired thereby.

19. Counterparts. This Agreement may be executed in any number of identical counterparts, any set of which signed by all the parties hereto shall be deemed to constitute a complete, executed original for all purposes.

20. Entire Agreement. This Agreement sets forth the entire understanding and agreement of the parties with respect to the subject matter hereof and supersedes any and all oral or written agreements or understandings between the parties as to the subject matter hereof.

21. Governing Law. This Agreement shall be governed by and construed in accordance with the laws of the State.

IN WITNESS WHEREOF, the Seller and the Purchaser have caused this Amended and Restated Sale Agreement to be duly executed as of ___ 1, 2006.

COUNTY OF PLACER

By: _____
Authorized Officer

GOLD COUNTRY SETTLEMENT FUNDING CORPORATION

By: _____
Authorized Officer

Project: CCTSA Tobacco Securitization Gold Country
Settlement Funding Corporation, Series 2006

Administering Agency: Treasurer-Tax Collector

Contract No.

Contract Description: Financial Advisory and Bond Transaction Services
Related to the CCTSA Tobacco Securitization Gold
Country Settlement Funding Corporation, Series 2006

CONSULTANT SERVICES AGREEMENT

THIS AGREEMENT is made at Auburn, California, as of April 1, 2006, by and between the County of Placer, ("County"), and Capitol Public Finance Group, LLC ("Consultant"), who agree as follows:

1. **Services.** Subject to the terms and conditions set forth in this Agreement, Consultant shall provide the services described in Exhibit A. Consultant shall provide said services at the time, place, and in the manner specified in Exhibit A.

2. **Payment.** County shall pay Consultant for services rendered pursuant to this Agreement at the time and in the amount set forth in Exhibit B. The payment specified in Exhibit B shall be the only payment made to Consultant for services rendered pursuant to this Agreement. Consultant shall submit all billings for said services to County in the manner specified in Exhibit B; or, if no manner be specified in Exhibit B, then according to the usual and customary procedures which Consultant uses for billing clients similar to County.

3. **Facilities, Equipment and Other Materials, and Obligations of County.** Except as set forth in Exhibit C, Consultant shall, at its sole cost and expense, furnish all facilities, equipment, and other materials which may be required for furnishing services pursuant to this Agreement. County shall furnish Consultant only those facilities, equipment, and other materials, and shall perform those obligations listed in Exhibit C according to the terms and conditions set forth in Exhibit C.

4. **General Provisions.** The general provisions set forth in Exhibit D are part of this Agreement. Any inconsistency between said general provision and any other terms or conditions of this Agreement shall be controlled by the other term or condition insofar as it is inconsistent with the general provisions.

5. **Exhibits.** All exhibits referred to herein are attached hereto and by this reference incorporated herein.

564

6. **Time for Performance.** Time is of the essence, and, subject to County's compliance with Exhibit C and to the provisions of paragraph 3 of Exhibit D, failure of Consultant to perform any services within the time limits set forth in Exhibit A shall constitute material breach of this contract.

Executed as of the day first above stated:

COUNTY OF PLACER

By: _____
County Executive Officer

CONSULTANT*

By: _____
Name: Jeffrey S. Small
Title: Managing Director

By: _____
Name:
Title: Secretary

Approved As to Form

County Counsel

*Agreement must be signed by two corporate officers if a corporation; one must be the secretary of the corporation, and the other may be either the President or Vice President, unless an authenticated corporate resolution is attached delegating authority to a single officer to bind the corporation.

565

EXHIBIT A

SCOPE OF SERVICES

Capitol Public Finance Group, LLC shall provide general financial consulting and bond transaction services to County in connection with the issuance of the CCTSA Tobacco Securitization Gold Country Settlement Funding Corporation, Series 2006 bonds. Such consulting and transaction services shall consist of the following:

A review of refunding costs, and evaluation of the tax base, examination of short-term and long-term cash flow schedules, identification and classification of existing and potential revenue sources, development of financial strategies, public information meetings and hearings, and assistance with a comprehensive financial plan.

Should the County decide to refund the bonds: transactional services, including, along with bond counsel and other consultants, the legal structure of the issuance, determination of an issuance schedule, coordination of efforts of the finance team, reinvestment of issue proceeds, application for credit enhancement, coordination of issue registration with the Depository Trust Company, New York, coordination with the CUSIP service bureau for issue identification, assistance with the preparation and distribution of a preliminary and final official statement, advise the County on the placement and pricing of the bonds, coordination for the proper transfer of funds, and other closing related matters associated with the issuance as the County, in its ultimate discretion, deems appropriate.

EXHIBIT B

PAYMENT FOR SERVICES RENDERED

Payment for services will be made in accordance with the following:

Total fees for services and expenses not to exceed \$45,000.00.

Fee for Service:

Project Fee of \$45,000.00 payable at bond closing. In the event there is no closing, time spent to date will be billed at our hourly rate of \$135.00 not to exceed the contract amount.

Expenses:

All expenses incurred by Capitol Public Finance Group, LLC are included in the Fee for Service. In the event there is no bond closing, expenses incurred to date will be billed at cost with supporting receipts.

Capital Public Finance Group, LLC shall submit an invoice not more than 30 days after the event specified above and County shall remit payment within 30 days of receipt of invoice. Each invoice shall identify the CCTCA Tobacco Securitization Gold Country Settlement Funding Corporation, Series 2006 as the work project, the payment event and the amount due as specified above.

There shall be no additional charges or expenses of any kind including, but not limited to expenses for telephone, travel, postage or printing.

Invoices shall be submitted to County care of:

Placer County Treasurer
2976 Richardson Drive
Auburn, CA 95603

EXHIBIT C

FACILITIES, EQUIPMENT, AND OTHER
MATERIALS, AND OBLIGATIONS OF COUNTY

(Specify all equipment and facilities to be provided or made available by County,
and any other County obligations.)

The County has no obligation to provide facilities or equipment to Capitol Public Finance
Group, LLC.

The County will make all pertinent information and data available to Capitol Public
Finance Group, LLC, as necessary to complete the work described in Exhibit A.

EXHIBIT D

GENERAL PROVISIONS

1. **Independent Contractor.** At all times during the term of this Agreement, Consultant shall be an independent contractor and shall not be an employee of the County. County shall have the right to control Consultant only insofar as the results of Consultant's services rendered pursuant to this Agreement. County shall not have the right to control the means by which Consultant accomplishes services rendered pursuant to this Agreement.

2. **Licenses, Permits, Etc.** Consultant represents and warrants to County that it has all licenses, permits, qualifications, and approvals of whatsoever nature, which are legally required for Consultant to practice its profession. Consultant represents and warrants to County that Consultant shall, at its sole cost and expense, keep in effect or obtain at all times during the term of this Agreement, any licenses, permits, and approvals which are legally required for Consultant to practice its profession at the time the services are performed.

3. **Time.** Consultant shall devote such time to the performance of services pursuant to this Agreement as may be reasonably necessary for the satisfactory performance of Consultant's obligations pursuant to this Agreement. Neither party shall be considered in default of this Agreement to the extent performance is prevented or delayed by any cause, present or future, which is beyond the reasonable control of the party.

4. **Insurance.** Consultant shall file with County a Certificate of Insurance, with companies acceptable to County, with a Best's Rating of no less than A:VII showing the following coverage:

A. **Workers' Compensation and Employers' Liability Insurance**

1) Workers' Compensation Insurance shall be provided, as required, by any applicable law or regulation. Employers' liability insurance shall be provided in amounts not less than five hundred thousand dollars (\$500,000) each accident for bodily injury by accident, five hundred thousand dollars (\$500,000) policy limit for bodily injury by disease, and five hundred thousand dollars (\$500,000) each employee for bodily injury by disease.

2) If there is an exposure of injury to Consultant's employees under the U.S. Longshoremen and Harbor Workers' Compensation Act, the Jones Act, or under laws, regulations or statutes applicable to maritime employees, coverage shall be included for such injuries or claims.

3) Each Workers' Compensation policy shall be endorsed with the following specific language:

Cancellation Notice "This policy shall not be canceled or materially changed without first giving thirty (30) days' prior written notice to the County."

4) Consultant shall require all SUBCONSULTANTS to maintain adequate Workers' Compensation Insurance. Certificates of Workers Compensation shall be filed forthwith with the County upon demand.

B. General Liability Insurance

1) Comprehensive General Liability or Commercial General Liability insurance shall be provided covering all operations by, or on behalf of Consultant, covering bodily injury liability and property damage liability for the limits of liability indicated below and including coverage for contractual liability insuring the obligations assumed by Consultant in this Agreement.

2) One of the following forms is required:

- a) Comprehensive General Liability;
- b) Commercial General Liability (Occurrence); or
- c) Commercial General Liability (Claims Made).

3) If Consultant carries a Comprehensive General Liability policy, the limits of liability shall not be less than a Combined Single Limit for bodily injury, property damage, and Personal Injury Liability of:

- a) One million dollars (\$1,000,000) each occurrence;
- b) One million dollars (\$1,000,000) aggregate.

4) If Consultant carries a Commercial General Liability (Occurrence) policy:

- a) The limits of liability shall not be less than:
 - i) One million dollars (\$1,000,000) each occurrence (combined single limit for bodily injury and property damage);
 - ii) One million dollars (\$1,000,000) for Products-Completed Operations;
 - iii) One million dollars (\$1,000,000) General Aggregate.
- b) If the policy does not have an endorsement providing that the General Aggregate Limit applies separately to this contract, or if defense costs are included in the aggregate limits, then the required aggregate limits shall be two million dollars (\$2,000,000).

5) Special Claims Made Policy Form Provisions:

Consultant shall not provide a Commercial General Liability (Claims Made) policy without the express prior written consent of County, which consent, if given, shall be subject to the following conditions:

- a) The limits of liability shall not be less than:

- i) One million dollars (\$1,000,000) each occurrence (combined single limit for bodily injury and property damage);
 - ii) One million dollars (\$1,000,000) aggregate for Products-Completed Operations;
 - iii) One million dollars (\$1,000,000) General Aggregate.
- b) The insurance coverage provided by Consultant shall contain language providing coverage up to six (6) months following the completion of the contract in order to provide insurance coverage for the hold harmless provisions herein if the policy is a claims made policy.

C. Endorsements:

Each Comprehensive or Commercial General Liability policy shall be endorsed with the following specific language:

1) "The County, its officers, agents, employees and volunteers, and the County of Placer, its officers, agents, employees and volunteers, are to be covered as insureds for all liability arising out of operations, or on behalf of, the named insured in the performance of this Agreement."

2) "The insurance provided by the Consultant, including any excess liability or umbrella form coverage, is primary coverage to the County with respect to any insurance or self-insurance programs maintained by County, and no insurance held or owned by County shall be called upon to contribute to a loss."

3) "This policy shall not be canceled or materially changed without first giving thirty (30) days' prior written notice to County."

D. Automobile Liability Insurance

1) Automobile Liability insurance shall be provided covering bodily injury and property damage in an amount no less than one million dollars (\$1,000,000) combined single limit for each occurrence.

2) Covered vehicles should include owned, non-owned, and hired automobiles/trucks.

E. Professional Liability Insurance (Errors and Omissions)

1) Professional Liability Insurance for Errors and Omissions coverage shall be provided in the amount of not less than two million dollars (\$2,000,000) in aggregate.

2) The insurance coverage provided by Consultant shall contain language providing coverage up to six (6) months following the completion of the contract in order to provide insurance coverage for the hold harmless provisions herein if the policy is a claims made policy.

5. Indemnity. Consultant hereby agrees to protect, defend, indemnify, and hold the County free and harmless from any and all losses, claims, liens, demands, and

causes of action of every kind and character including, but not limited to, the amounts of judgments, penalties, interest, court costs, legal fees, and all other expenses incurred by the County arising in favor of any party, including claims, liens, debts, personal injuries, death, or damages to property (including employees or property of the County) and without limitation by enumeration, all other claims or demands of every character occurring or in any way incident to, in connection with or arising directly or indirectly out of this contract or agreement. Consultant agrees to investigate, handle, respond to, provide defense for, and defend any such claims, demand, or suit at the sole expense of the Consultant. Consultant also agrees to bear all other costs and expenses related thereto, even if the claim or claims alleged are groundless, false, or fraudulent. This provision is not intended to create any cause of action in favor of any third party against Consultant or the County or to enlarge, in any way, the Consultant's liability but is intended solely to provide for indemnification of the County from liability for damages or injuries to third persons or property arising from Consultant's performance pursuant to this contract or agreement.

As used above, the term "County" means Placer County or its officers, agents, employees and volunteers.

6. **Consultant Not Agent.** Except as County may specify in writing, Consultant shall have no authority, express or implied, to act on behalf of County in any capacity whatsoever as an agent. Consultant shall have no authority, express or implied, pursuant to this Agreement to bind County to any obligation whatsoever.

7. **Assignment Prohibited.** Consultant may assign its rights and obligations under this Agreement only upon the prior written approval of County, said approval to be in the sole discretion of County.

8. **Personnel.**

A. Consultant shall assign only competent personnel to perform services pursuant to this Agreement. In the event that County, in its sole discretion, at any time during the term of this Agreement, desires the removal of any person or persons assigned by Consultant to perform services pursuant to this Agreement, including those members of the Project Team as explained below, Consultant shall remove any such person immediately upon receiving notice from County of the desire of County for removal of such person or persons.

B. Notwithstanding the foregoing, if specific persons are designated as the "Project Team" in Exhibit A, Scope of Services, Consultant agrees to perform the work under this agreement with those individuals identified. Reassignment or substitution of individuals or sub consultants named in the Project Team by Consultant without the prior written consent of County shall be grounds for cancellation of the agreement by County, and payment shall be made pursuant to Paragraph 10 Termination only for that work performed by Project Team members.

9. **Standard of Performance.** Consultant shall perform all services required pursuant to this Agreement in the manner and according to the standards observed by a competent practitioner of the profession in which Consultant is engaged in the geographical area in which Consultant practices its profession. All products of whatsoever nature which Consultant delivers to County pursuant to this Agreement shall be prepared in a substantial first class and workmanlike manner and conform to the standards or quality normally observed by a person practicing in Consultant's profession.

10. **Termination.**

A. County shall have the right to terminate this Agreement at any time by giving notice in writing of such termination to Consultant. In the event County shall give notice of termination, Consultant shall immediately cease rendering service upon receipt of such written notice, pursuant to this Agreement. In the event County shall terminate this Agreement:

1) Consultant shall deliver copies of all writings prepared by it pursuant to this Agreement. The term "writings" shall be construed to mean and include: all records, handwriting, typewriting, printing, photostating, photographing, and every other means of recording upon any tangible thing any form of communication or representation, including letters, words, pictures, sounds, or symbols, or combinations thereof.

2) County shall have full ownership and control of all such writings delivered by Consultant pursuant to this Agreement.

3) County shall pay Consultant the reasonable value of services rendered by Consultant to the date of termination pursuant to this Agreement not to exceed the amount documented by Consultant and approved by County as work accomplished to date; provided, however, that in no event shall any payment hereunder exceed the amount of the agreement specified in Exhibit B, and further provided, however, County shall not in any manner be liable for lost profits which might have been made by Consultant had Consultant completed the services required by this Agreement. In this regard, Consultant shall furnish to County such financial information as in the judgment of the County is necessary to determine the reasonable value of the services rendered by Consultant. The foregoing is cumulative and does not affect any right or remedy, which County may have in law or equity.

B. Consultant may terminate its services under this Agreement upon thirty (30) working days advance written notice to the County.

11. **Non-Discrimination.** Consultant shall not discriminate in its employment practices because of race, religious creed, color, national origin, ancestry, physical handicap, medical condition, marital status, or sex in contravention of the California Fair Employment and Housing Act, Government Code section 12900 et seq.

12. **Records.** Consultant shall maintain, at all times, complete detailed records with regard to work performed under this agreement in a form acceptable to County, and County shall have the right to inspect such records at any reasonable time. Notwithstanding any other terms of this agreement, no payments shall be made to Consultant until County is satisfied that work of such value has been rendered pursuant to this agreement. However, County shall not unreasonably withhold payment and, if a dispute exists, the withheld payment shall be proportional only to the item in dispute.

13. **Ownership of Information.** All professional and technical information developed under this Agreement and all work sheets, reports, and related data shall become the property of County, and Consultant agrees to deliver reproducible copies of such documents to County on completion of the services hereunder. The County agrees to indemnify and hold Consultant harmless from any claim arising out of reuse of the information for other than this project.

14. **Waiver.** One or more waivers by one party of any major or minor breach or default of any provision, term, condition, or covenant of this Agreement shall not operate as a waiver of any subsequent breach or default by the other party.

15. **Conflict of Interest.** Consultant certifies that no official or employee of the County, nor any business entity in which an official of the County has an interest, has been employed or retained to solicit or aid in the procuring of this agreement. In addition, Consultant agrees that no such person will be employed in the performance of this agreement without immediately notifying the County.

16. **Entirety of Agreement.** This Agreement contains the entire agreement of County and Consultant with respect to the subject matter hereof, and no other agreement, statement, or promise made by any party, or to any employee, officer or agent of any party, which is not contained in this Agreement, shall be binding or valid.

17. **Attorney's Fees.** If any party to this Agreement commences legal proceedings to enforce any of its terms or for damages for its breach, the prevailing party shall be entitled to recover reasonable attorney's fees, including those incurred on appeal, if any.

18. **Governing Law.** This Agreement is executed and intended to be performed in the State of California, and the laws of that State shall govern its interpretation and effect. Any legal proceedings on this agreement shall be brought under the jurisdiction of the Superior Court of the County of Placer, State of California, and Consultant hereby expressly waives those provisions in California Code of Civil Procedure §394 that may have allowed it to transfer venue to another jurisdiction.

PROFESSIONAL SERVICES AGREEMENT

AMONG

SIDLEY AUSTIN LLP,

PLACER COUNTY, AND

THE CALIFORNIA COUNTY TOBACCO SECURITIZATION AGENCY

THIS AGREEMENT is made and entered into this 1st day of April, 2006, among Sidley Austin LLP, a limited liability partnership (hereinafter, the "Firm"), Placer County (the "County") and The California County Tobacco Securitization Agency (the "Agency").

WHEREAS, the County desires to retain the Firm as "bond counsel" and as "disclosure counsel" to provide legal assistance, hereinafter outlined, upon the terms and conditions hereinafter set forth, relating to the issuance by the Agency of its proposed Tobacco Settlement Asset-Backed Bonds (Gold Country Settlement Funding Corporation) Series 2006 (the "Bonds") for the purpose, among others, of refunding the Agency's outstanding Tobacco Settlement Asset-Backed Bonds (Gold Country Settlement Funding Corporation) Series 2002 (the "Series 2002 Bonds"); and

WHEREAS, the Firm represents that it is ready, willing and able to perform said work and possesses expertise in the field of such bond financing; and

NOW THEREFORE, in consideration of the promises and of the mutual covenants, terms and conditions hereinafter contained, the parties agree as follows:

1. Scope of Services.

A. The County and the Agency jointly employ the Firm to provide the following legal services, as required, with respect to each series of bonds and the related transactions:

Bond Counsel Services

(1) Consultation with the County, the Gold Country Settlement Funding Corporation (the "Corporation"), the Agency, County Counsel, the County and Agency's financial advisor, the Agency's underwriters or any other persons designated by the County or Agency concerning the Bonds and the security, timing, terms and structure of such series;

(2) Preparation of resolutions to be adopted by the County, the Corporation and the Agency;

(3) Review of those matters that are related to the issuance and sale of the Bonds, the offering circular describing the Bonds and participation in meetings reviewing such offering circular. While the Firm will not be responsible for the content of such offering circular, it will provide advice necessary to allow the County and the Agency to make reasonable and proper disclosure;

(4) Attendance at and participation in meetings with rating agencies and prospective investors;

(5) Attendance at County, Corporation and Agency board meetings, when necessary;

(6) Negotiation of the purchase contract for any negotiated sale of the Bonds;

(7) Examination of the proofs of the Bonds, preparation of final closing papers, organizing and conducting the bond closing and rendering a final legal opinion at the time of delivery of and receipt of payment for the Bonds with respect to the tax status thereof, the validity and enforcement thereof, as well as an opinion as to other matters relating to the Agency, the Corporation and the County incident to the issuance of the

Bonds as may be required by the underwriters and the rating agencies which are customarily delivered by bond counsel in similar transactions;

(8) Preparation of final transcripts;

(9) Providing the County and the Agency with advice on continuing disclosure requirements imposed by federal or state law relating to the sale and issuance of the Bonds; and

(10) Providing such other legal services as may be incidental to the foregoing.

Disclosure Counsel Services

(1) Assist in preparing the offering circular relating to the Bonds from information and source material provided to the Firm, and provide the County, the Agency and the underwriters for the bonds with a 10(b)-5 letter, in customary form, with respect to the offering circular;

(2) Prepare the continuing disclosure agreement to ensure compliance with secondary market disclosure requirements;

(3) Attend meetings at which the financing documents are discussed; and

(4) Provide such other legal services as may be incidental to the foregoing.

B. The Firm will provide other legal services, special advice or opinions requested by the County, the Corporation or the Agency with respect to the bonds.

2. Assignment of Duties. The County or the Agency reserve the right to assign duties as between the Firm and any other attorneys representing the County or the Agency in matters arising under this contract. In all services, the Firm shall be deemed to be representing the Agency or the County, as the case may be.

3. Excluded Services.

The services of the Firm provided for herein will not include: representation of the County, the Corporation or the Agency (i) in any legal action challenging the validity of the sale of the Bonds or the other transactions contemplated hereby, or (ii) in connection with any inquiry or proceeding made or initiated by the Internal Revenue Service concerning the tax-exempt status of the Bonds, or any rebate required to be paid by the Agency with respect thereto; or (iii) in connection with any proceeding challenging the tax-exempt status of the Corporation under State law; or (iv) in connection with the investment of the proceeds of the Bonds following the closing.

Notwithstanding the foregoing, the Firm will work with the County, the Corporation and the Agency to ensure that such parties comply with federal law and regulations regarding tax-exempt securities and that such parties avoid courses of action that could jeopardize the tax-exempt status of a particular issue or the County's future ability to issue tax-exempt securities.

4. Compensation. The Firm agrees that, subject to the qualifications and assumptions set forth herein, the Firm's fee will be \$220,000 plus disbursements described in the second following paragraph up to a cap of \$5,000. Included among these assumptions and qualifications are (i) a closing for the bond transaction no later than July 1, 2006, and (ii) no substantial change in opinion requirements of the bond rating agencies in connection with a tobacco securitization. In the event that the transaction does not close by July 1, 2006, then the parties will negotiate an upward adjustment to the fee in good faith; if the County at any time decides to abandon the financing, then the Firm will be paid a "breakage fee" equal to 60% of its time charges incurred to date based upon its standard hourly rates (but in no event more than 60% of \$220,000), plus out-of-pocket disbursements incurred to date. (not to exceed \$5000).

The Firm will provide to the Corporation a computer printout which will detail the exact hours spent by attorneys and paralegals and the expense disbursements incurred.

The foregoing maximum fee amount for services shall not include the Firm's out-of-pocket expenses, which include: travel expenses; long distance telephone call charges; secretarial overtime; reproduction costs or document costs incurred on the Firm's word processing equipment used to prepare documents; filing fees; printing charges; and like expenditures. Furthermore, legal advice and opinions rendered in connection with any investment contract or similar derivative instrument executed at closing shall be additionally compensated at a fixed fee of \$5,000 per contract, or if the provider of the contract is the same for two contracts, for \$7,500 for two contracts. Legal services in connection with any other type of derivative will be additionally compensated at the hourly rates set forth herein.

5. Other Costs to be Paid by the County or the Agency. The County or the Agency shall pay all costs and expenses incurred by them and incident to the issuance of the Bonds, including the cost of preparing bonds for execution and delivery, all printing costs and publication costs and the fees and expenses of other persons retained by the Agency or the County, and the fees of trustee and counsel to the business trust.

6. Waiver. The Firm agrees that waiver by the County or the Agency of any one or more of the conditions of performance under this Agreement shall not be construed as waiver of any other condition of performance under this Agreement.

7. Notice to Parties. In all cases where written notice is to be given under this Agreement, service shall be deemed sufficient if said notice is deposited in the United States mail, postage paid. When so given, such notice shall be effective from the date of mailing of the same. For

the purpose hereof, unless otherwise provided by notice in writing from the respective parties, notice to the County or the Agency shall be addressed to:

Anthony La Bouff, Esq.
County Counsel
Placer County
175 Fulweiler Avenue
Auburn, California 95603

Notice to the Firm shall be addressed to:

Eric D. Tashman, Esq.
Sidley Austin LLP
555 California Street, Suite 2000
San Francisco, California 94104

Nothing herein contained shall preclude or render inoperative service or such notice in the manner provided by law.

8. Independent Contractor. It is understood and agreed by and between the parties hereto that the Firm, in the performance of this Agreement, shall act as, and be an independent contractor and not an agent or employee of the County, the Corporation or the Agency.

All acts of the Firm, its agents, officers and employees and all other actions on behalf of the Firm relating to the performance of this Agreement, shall be performed as independent contractors not as agents, officers, or employees of the County, the Corporation or the Agency. The Firm, by virtue of this Agreement, has no authority to bind or incur any obligation on behalf of the County, the Corporation or the Agency. It should be understood by both the Firm and the Corporation that this Agreement shall not, under any circumstances, construed or considered to create an employer-employee relationship or joint venture. It is further understood and agreed that the Firm must issue W-2 Forms or other forms as required by law for income and employment tax purposes for all of the Firm's assigned personnel under the terms and conditions of this Agreement.

9. Personnel. Eric D. Tashman will be the partner-in-charge of the financing and charged with supervision and/or performance of duties under this contract. He will consult with and be assisted by such other partners, associates and/or employees as he deems necessary, but he shall remain committed to this contract unless the County and the Agency consent to a substitution, which consent shall be at the County and Agency's sole discretion.

10. Discrimination Prohibited. In performing the services required hereunder, the Firm shall not discriminate against any person on the basis of race, color, religion, sex, national origin or ancestry, age or physical handicap.

11. Reports and Information. At such times and in such forms as the County or the Agency may require, there shall be furnished to the County and the Agency such statements, records, reports, data and information as such parties may request pertaining to matters covered by this Agreement.

12. Compliance with Laws. In performing the services required hereunder, the Firm shall comply with all applicable laws, ordinances and codes of the federal, state and local governments.

13. Changes. The County and the Agency may, from time to time, request changes in the services to be performed hereunder. Such changes, including any increase or decrease in the amount of the Firm's compensation, which are mutually agreed upon by the County and the Agency and the Firm shall be incorporated in written amendments to this Agreement, signed by such parties.

14. Nonexclusivity. The County may employ other bond or tax counsel from time to time for specific situations, as required.

15. Term. This Agreement shall remain in effect until terminated by either the Firm or either the County and the Agency upon 30 days written notice by any such party.

16. Termination for Cause. The County and the Agency shall have the right at any time to terminate the services of the Firm in their sole discretion and without cause effective immediately upon notification of termination by any reasonable means. In such event, all finished or unfinished documents, data, maps, studies, surveys, drawings, models, photographs and reports prepared by the Firm under this Agreement shall become the County's and Agency's property, as appropriate. The Firm will be entitled to receive just and equitable compensation for any work satisfactorily completed hereunder, as reasonably determined by the County and the Agency.

17. Entire Agreement. This Agreement contains the entire understanding between the parties with respect to the subject matter herein. There are no representations, agreements or understandings (whether oral or written) between or among the parties relating to the subject matter of this Agreement which are not fully expressed herein. This Agreement may not be amended except pursuant to a written instrument signed by both parties.

18. Construction and Severability. If any part of this Agreement is held to be invalid or unenforceable, such holding will not affect the validity or enforceability of any other part of this Agreement so long as the remainder of the Agreement is reasonably capable of completion.

19. Enforcement. The non-prevailing party in any action or proceeding brought to enforce the rights or remedies of either party in connection with this Agreement shall pay costs and expenses, including reasonable attorneys fees, as awarded by the court.

20. Insurance Requirements. The Firm shall provide at its own expense and maintain at all times the following insurance with insurance companies licensed in the State of California and

shall provide evidence of such insurance as may be required by the County. The policies or certificates thereof shall provide that, thirty (30) days prior to cancellation or material change in the policy, notices of same shall be given to the County by certified mail, return receipt requested, for all of the following stated insurance policies.

- a. Errors and omissions insurance in a type and company as suitable to the County;
- b. Professional liability insurance from and after the execution of this Agreement and until termination of this Agreement in an amount not less than \$25 million.

21. Waiver of Conflict; General Conflict Provisions. The County and the Agency hereby acknowledge, consent to and agree to the representation of both parties by the Firm, and waive any right to object to or raise any defense or claim against the Firm for such representation.

The Firm shall immediately notify the County and the Agency if any services to be performed under this Agreement involves an actual or potential conflict of interest, financial or otherwise under the California Rules of Professional Conduct. The Firm shall not engage in any activity under this Agreement that involves any actual or potential conflict of interest under such Rules unless the Firm first makes a full and complete disclosure of all relevant facts and obtains a written waiver of such conflict in advance from the County and the Agency. The County and the Agency have been advised that the Firm represents numerous other clients including other public entities in the state of California and that many of these clients rely on the Firm for general representation. It may develop in the future that an adverse relationship may develop between the County and/or the Agency and one of the Firm's other clients. If the Firm is not representing the County and/or the Agency in that matter and the matter in which the County and/or the Agency and the other client have adverse interests is not substantially related to the Firm's representation of the County and/or the Agency under this Agreement, the County and the

Agency agree that the Firm may represent the other client. With respect to any other conflict or potential conflict situation that the Firm may bring to the attention of the County and the Agency under this paragraph, the County and the Agency agree that they will give practical and reasonable consideration to any request from the Firm for consent to the Firm's handling of the other matter giving rise to the conflict or potential conflict, but nothing herein shall require the County or the Agency to provide consent to a conflict that, under the California Rules of Professional Conduct, is one to which a client may choose not to consent.

22. Applicable Law. This Agreement shall be governed by and construed and enforced in accordance with the laws of the State of California, and all other applicable laws, rules, regulations and/or ordinances.

23. Indemnity. Special Counsel shall indemnify and hold harmless County from any and all damages or liability arising out of claims relating to the services set forth in this Agreement to the extent ultimately determined to have resulted from negligent acts or omissions, malpractice or intentional acts of Special Counsel in rendering the services set forth in this Agreement.

[SIGNATURE PAGE TO FOLLOW]

IN WITNESS WHEREOF, the parties hereto have caused the Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

COUNTY OF PLACER

By: _____
Tom Miller
County Executive Officer

APPROVED AS TO FORM:

Anthony La Bouff, County Counsel

By: _____

ATTEST:

Ann Holman, Clerk of the Board of Supervisors

By: _____

**THE CALIFORNIA COUNTY TOBACCO
SECURITIZATION AGENCY**

By: _____
Commissioner

SIDLEY AUSTIN LLP

By: _____
Eric D. Tashman

