December 2, 2013

David Brodsly, Managing Director
KNN Public Finance
1300 Clay Street, Suite 1000
Oakland, CA 94612

Nedko Nedev
KNN Public Finance
1300 Clay Street, Suite 1000
Oakland, CA 94612

Dear Mr. Brodsly and Mr. Nedev:

Compass Bank, an Alabama banking corporation (the "Bank" or "Lender"), has reviewed the information provided for the City of Santa Barbara ("Borrower") in connection with the proposed refunding of the 2002 Waterfront Revenue Refunding Certificates of Participation. Based on the review to date and subject to the timely receipt of a signed copy of this letter as indicated below, and satisfying the conditions outlined herein, the Bank is pleased to commit to provide up to a $13,500,000 non-bank qualified, tax-exempt financing (the "Financing" or "Obligation") as outlined in this correspondence (this "Commitment Letter").

This Commitment Letter is being provided to the Borrower on a confidential basis. Except as required by law, neither this Commitment Letter nor its contents may be disclosed, except to individuals who are officers, employees or advisors of the Borrower who have a need to know of such matters and then only on the condition that such matters remain confidential.

The Borrower hereby represents and covenants (and it is a condition to the Bank's commitment hereunder) that all financial information and projections, and all other information and general economic or specific industry information (the "Information") that has been or will be made available to the Bank by Borrower and its representatives is or will be, when furnished, complete and correct in all material respects and does not or will not, when furnished, contain any untrue statement of a material fact or omit to state a material fact necessary in order to make the statements contained therein not materially misleading in light of the circumstances under which such statements are made. The Borrower agrees that if at any time prior to the closing of the Financing any of the representations in the preceding sentences would be incorrect if the Information were being furnished, and such representations were being made, at such time, then the Borrower will promptly supplement the Information, as the case may be, so that such representations will be correct at such time. The Borrower understands and acknowledges that in arranging the Financing the Bank may use and rely on the Information without independent verification thereof. Notwithstanding anything herein to the contrary, the Bank's obligation to provide the Financing shall be subject to the condition that from the date hereof to the date of closing the Financing, there shall not have occurred any: (i) material adverse change in the financial condition, operations or general affairs of the Borrower; (ii) event, court decision, proposed law or rule which may have the effect of changing the status of the Financing or the interest thereon or the transaction contemplated herein; or (iii) international or national crisis, suspension of stock exchange trading or banking moratorium materially affecting, in our opinion, the Bank's ability to close the Financing transaction.

By signing below, the Borrower acknowledges and agrees to the terms and conditions of this Commitment Letter and agrees to pay upon demand to the Bank all fees and expenses (including but not limited to all costs and fees of external legal counsel) in connection with this Commitment Letter and the negotiation, documentation and closing thereof of this Financing.

To accept this Commitment Letter, please execute it in the space provided below and return it to us by no later than 4:00pm, Pacific Time, on December 16, 2013. If this Commitment Letter is not accepted in the manner aforesaid, it shall expire and be of no further force and effect as of that date and time. If this Commitment Letter is accepted in the manner aforesaid, the closing and funding of the Financing must occur on or before January 31, 2014. These deadlines may be extended upon Bank's written approval.

We appreciate the opportunity to provide you this Commitment Letter and look forward to working with you to expeditiously close this transaction. Please do not hesitate to contact us if you have any questions or if we may be of further assistance to you at this time.

Sincerely,

James Manning
Senior Vice President

ACCEPTED and AGREED TO on ____________________, 2013:

City of Santa Barbara

By:______________________________

Name:____________________________

Title:_____________________________

BBVA Compass

Borrower:	City of Santa Barbara, California (the "Borrower").
Lender:	Compass Bank through Compass Mortgage Corporation (the "Lender" or the "Bank"). James Manning, Senior Vice President Government & Institutional Banking 2850 E. Camelback Rd., Ste. 140 Phoenix, AZ 85016 Ph: (602) 778-0795 james.manning@bbvacompass.com
Obligation Type:	Tax Exempt Non-Bank Qualified Agreement
Obligation Amount:	Up to $13,500,000 (the "Obligation" or "Financing").
Purpose:	Refund the existing Series 2002 Waterfront Revenue Refunding Certificates of Participation
Maturity:	10/01/27 or approximately 14 years from closing.
Repayment:	The Obligation will amortize over 14 years consistent with the attached sample schedule, calling for semiannual principal and interest payments due on each 04/01 and 10/01 over the Obligation's tenor.
Interest Rate:	Tax Exempt Fixed Rate of 3.42% fixed for the full tenor of the Obligation.** This rate is <u>indicative and subject to change daily</u> depending on market conditions. Upon formal acceptance of this commitment letter and at the Borrower's option, subject to break-funding, fixed rate may be locked up to 60 days prior to closing. ** Indexed to 199 bps over 65% of the prevailing 7-year LIBOR swap rate. Based on the current rate of 2.21% for the swap index as of 12/2/13, the interest rate on funded balances today would be 3.42%.
Upfront Origination Fee:	None.
Targeted Closing:	January 23, 2014 or as requested by the Borrower.
Prepayment:	Obligation is not subject to optional redemption (at the proposed rate) prior to the 10th anniversary of loan closing, after which time the Borrower may prepay the loan without penalty. However, a par call option to prepay without penalty after the 5th or 7th anniversaries of loan closing is available at a 26 bps or 24 bps premium to the proposed interest rate, respectively. The par call option must be selected prior to rate lock.
Security:	Parity 1st-position Net Revenue Pledge on the Borrower's waterfront enterprise system revenues.
Covenants:	• Parity Debt Test of 1.50x; • Net Revenue Rate and Coverage Covenant of 1.25x; and • ½ debt service reserve fund fully funded at closing based on ½ of the lesser of 1) 10% of par amount, 2) maximum annual debt service, or 3) 125% of average annual debt service.
Representations/	The documents will contain those representations and warranties and covenants customarily

Warranties/ Covenants:

found in transactions of this nature, and others appropriate to the transaction, including but not limited to:

- Standard representations including but not limited to: no adverse litigation and District has not defaulted or non-appropriated on past obligations.
- Default rate of 5.00% over the Obligation's proposed rate. Default rate to apply if payment is not made within 10 days of due date in addition to other events of default.
- No material adverse change in financial condition since fiscal year ended 6/30/12.
- Notices of (i) any default on any obligation, (ii) material litigation, (iii) material governmental proceedings and (iv) material adverse effect.
- Maintenance of standard levels of insurance naming the Bank as additional insured including a satisfactory business interruption insurance policy of not less than 12 months.
- Bank will sign a traveling "Big Boy" letter in form acceptable to Bank's counsel.
- Additional representations and warranties, and other affirmative and negative covenants that Bank considers customary and reasonably appropriate for the Credit Facility.

This Obligation is being purchased by BBVA Compass under the following conditions: (i) not being registered or otherwise qualified for sale under the "Blue Sky" laws; (ii) the Lender will hold as one single debt instrument; (iii) no CUSIP numbers will be obtained for the Obligation; (iv) no official Statement or similar offering document has been prepared in connection with the private placement of this Obligation; (v) the Obligation will not close through the DTC or any similar repository and will not be in book entry form. Obligation must be able to be classified as a loan or held-to-maturity security in order to be acceptable to the Lender.

**Note, all of the foregoing are subject to Lender's receipt and satisfactory review.*

Financial Reporting:

- Annual audited financial statements due within 210 days of fiscal year end.
- Annual approved operating budget due within 30 days of fiscal year end.
- Annual Certification of Borrower due within 210 days of FYE that District has met the 1.25x rate coverage covenant.
- Borrower shall furnish at Lender's request such additional information that Lender may from time to time reasonably request.

Annual disclosure information may be provided via EMMA.

Tax Exempt Status / Yield Adjustment Event:

The quoted tax exempt interest rate will be subject to gross-up upon an event of taxability.

Closing Costs:

Borrower will pay all reasonable, out-of-pocket costs and expenses incurred by Lender in connection with due diligence and the preparation of documentation, regardless of whether or not the Obligation is closed, including but not limited to, financial advisory fees if applicable, bond counsel, Lender's counsel and CDIAC fees. Lender's Counsel limited to $15,000.

Conditions Precedent:

Prior to the consummation of the Credit Facility, the following conditions precedent shall have occurred, all of which shall be in form and substance satisfactory to the Lender and its counsel.

- Opinion addressed to the Bank, from counsel to Borrower reasonably acceptable to the Bank, setting forth such opinions as the Bank may require, including opinions concerning the legal status of Borrower, the due authorization, execution and delivery of the Obligation documents, the enforceability of the private placement documents, no conflict with law, no litigation, and the receipt of all necessary governmental approvals.
- Tax Opinion addressed to the Bank from counsel reasonably acceptable to the Bank that interest payable with respect to the debt service payments is excludable from gross income for federal income tax purposes under Section 103 of the Internal Revenue Service

Code and such interest is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations, although for purposes of computing the alternative minimum tax imposed on certain corporations, such interest is taken into account in determining certain income and earnings.

- Properly executed documents in form and substance satisfactory to Bank and/or Bank's counsel evidencing or supporting the Obligation. In terms of service level commitment, Lender's counsel will respond with initial comments within 7 business days of receiving draft legal documents from bond counsel, and within 5 business days of receiving any subsequent iteration of the legal documents.
- Additional conditions precedent that Bank considers customary and reasonably appropriate for the Credit Facility, including further information disclosures.

Ancillary Business: The structure, pricing, and terms contained herein are conditioned upon the establishment of a banking relationship that includes the opportunity to reasonably bid on ancillary financial services in good faith.

Governing Law: This transaction shall be governed by and construed in accordance with the laws of the State of California.

Debt Service Schedule

Date	Principal	Coupon	Interest	Total P+I	Fiscal Total
04/01/2014	145,000.00	3.42%	79,416.97	224,416.97	
06/30/2014					804,775.11
10/01/2014	372,616.23	3.42%	207,741.90	580,358.13	
04/01/2015	372,616.22	3.42%	201,370.17	573,986.39	
06/30/2015					1,152,146.09
10/01/2015	383,161.28	3.42%	194,998.43	578,159.71	
04/01/2016	383,161.28	3.42%	188,446.37	571,607.65	
06/30/2016					1,153,440.82
10/01/2016	399,938.86	3.42%	181,894.31	581,833.17	
04/01/2017	399,938.86	3.42%	175,055.36	574,994.22	
06/30/2017					1,152,808.72
10/01/2017	409,598.10	3.42%	168,216.40	577,814.50	
04/01/2018	409,598.11	3.42%	161,212.28	570,810.39	
06/30/2018					1,148,057.60
10/01/2018	423,039.07	3.42%	154,208.15	577,247.22	
04/01/2019	423,039.08	3.42%	146,974.18	570,013.26	
06/30/2019					1,147,689.17
10/01/2019	437,935.70	3.42%	139,740.21	577,675.91	
04/01/2020	437,935.69	3.42%	132,251.51	570,187.20	
06/30/2020					1,147,174.07
10/01/2020	452,224.06	3.42%	124,762.81	576,986.87	
04/01/2021	452,224.06	3.42%	117,029.78	569,253.84	
06/30/2021					1,144,433.91
10/01/2021	465,883.32	3.42%	109,296.75	575,180.07	
04/01/2022	465,883.31	3.42%	101,330.14	567,213.45	
06/30/2022					1,141,667.47
10/01/2022	481,090.48	3.42%	93,363.54	574,454.02	
04/01/2023	481,090.48	3.42%	85,136.89	566,227.37	
06/30/2023					1,139,860.66
10/01/2023	496,723.04	3.42%	76,910.24	573,633.28	
04/01/2024	496,723.04	3.42%	68,416.28	565,139.32	
06/30/2024					1,137,913.74
10/01/2024	512,852.10	3.42%	59,922.32	572,774.42	
04/01/2025	512,852.10	3.42%	51,152.55	564,004.65	
06/30/2025					1,134,791.29
10/01/2025	528,403.87	3.42%	42,382.77	570,786.64	
04/01/2026	528,403.87	3.42%	33,347.07	561,750.94	
06/30/2026					1,129,420.85
10/01/2026	543,358.55	3.42%	24,311.36	567,669.91	
04/01/2027	543,358.54	3.42%	15,019.93	558,378.47	
06/30/2027					558,378.47
10/01/2027	335,000.00	3.42%	5,728.50	340,728.50	
06/30/2028					899,106.97
Total	**$12,293,649.30**		**$3,139,637.18**	**$15,433,286.48**	

Break-Funding Fee Calculation

If Borrower elects to not go through with the Financing after rate lock other than due to a Force Majeure Event (as defined below), Borrower shall pay to Bank a break-funding fee equal to the Annual Yield Differential (as defined below) multiplied by the Percent Being Prepaid (as defined below), multiplied by the Average Remaining Outstanding Principal Amount (as defined below) multiplied by the number of days the Financing was to be outstanding (the "Maturity Date"), divided by 360.

The "Annual Yield Differential" is the difference (but not less than zero) between the U.S. Treasury yield (from the Federal Reserve daily H.15 report) on the maturity closest to the final maturity of the note at time of rate lock, and the U.S Treasury yield (from the Federal Reserve daily H.15 report) on the maturity closest to the final maturity of the note at the date of notification of election to not enter into the Financing. The Average Remaining Outstanding Principal Amount of the loan is defined as the simple average of the original principal loan balance and the loan balance due at the maturity date. The Percent Being Prepaid shall be determined by dividing the principal amount being prepaid by the existing principal loan amount.

If treasury rates are equal or higher, the customer will incur no charge. The Federal Reserve H.15 report for treasury rates can be accessed from the Fed's website currently @
<**http://www.federalreserve.gov/releases/h15/current/default.htm**>.

Loan amount at origination: $5.0 million
Final maturity: 15 years
Amount Remaining at Maturity: $0.0
15-year US Treasury Rate at time of rate lock: 2.50%

Scenario: 15 days prior to closing and funding, the customer elects to not enter into the financing after previously locking the rate. 15-year Treasury rate at the time of notification is 2.45%.

Prepayment Fee Calculation:
Annual Yield Differential = 5 bps (2.50% - 2.45%)
Percent Being Prepaid = 100%
Average Remaining Outstanding Principal Amount = $2.5 million (average of existing $5.0 million and $0 at maturity)
Days to Maturity / 360 = 15.21 ((15 x 365)/360)
Break Funding Fee = .05% * 100% * $2.5 million * 15.21 = $19,010.42

"Force Majeure Event" means acts of God; acts of public enemies; orders of any kind of the government of the United States of America or the State of California or any political subdivision thereof, or any of their departments, agencies or officials; any outbreak of civil or military insurrections, riots or epidemics; landslides; lightning; earthquake; fire; hurricanes; tornadoes; floods; or any other cause or event not insurable or reasonably within the control of Borrower which makes Borrower unable to consummate the Financing or perform its obligations thereunder.