INDENTURE OF TRUST

by and between the

ANAHEIM PUBLIC FINANCING AUTHORITY

and

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

Dated as of July 1, 2008

Relating to

$_________
Anaheim Public Financing Authority
Revenue Bonds, Series 2008
(Water System Project)
INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this “Indenture”), made and entered into as of July 1, 2008, by and between the ANAHEIM PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), and THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association, having a corporate trust office in Los Angeles, California (the “Trustee”);

W I T N E S S E T H:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement dated January 28, 1992, by and between the City of Anaheim (the “City”) and the Anaheim Redevelopment Agency, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”), and is authorized pursuant to Article 4 of the Act (the “Bond Law”) to borrow money for the purpose of financing the Authority’s acquisition of public capital improvements of the City to provide financing for the City’s public capital improvements; and

WHEREAS, the City owns and operates a water system (the “Water System”); and

WHEREAS, the Authority has approved the issuance of its Revenue Bonds, Series 2008 (Water System Project) (the “2008 Bonds”) to assist the City in providing funds to finance the acquisition and construction of additional capital assets of the City of Anaheim, California’s Water System, to provide funds for the Reserve Account and to pay related costs of issuance; and

WHEREAS, the Authority will purchase components of the Water System from the City in consideration for providing proceeds of the 2008 Bonds, and the City will purchase back such components from the Authority in consideration for 2008 Purchase Payments pursuant to the Installment Purchase Agreement; and

WHEREAS, the Authority will establish a trust pursuant to this Indenture and direct the Trustee to issue the 2008 Bonds; and

WHEREAS, in order to provide for the authentication and delivery of the 2008 Bonds, to establish and declare the terms and conditions upon which the 2008 Bonds are to be issued and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has found and determines, and hereby affirms, that all acts and proceedings required by law necessary to make the 2008 Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the valid, binding and legal special obligations of the Authority, and to constitute this Indenture as a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that in order to secure the payment of the principal of and the interest and premium (if any) on all 2008 Bonds at any time issued and outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the 2008 Bonds are to be issued and received, and in consideration
of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the 2008 Bonds by the Owners thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2008 Bonds, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2008 BONDS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Indenture and of any Supplemental Indenture and of the 2008 Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified. In addition, all terms defined in Section 1.1 of the Installment Purchase Agreement and not otherwise defined in this Section 1.01 shall have the respective meanings given such terms in the Installment Purchase Agreement.

“Act” means Article 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as in existence on the Delivery Date or as thereafter amended from time to time.

“Authorized Authority Representative” means the Executive Director of the Authority or any other person or persons designated by the Executive Director or Board of Directors of the Authority and authorized to act on behalf of the Authority by a Written Request signed by the Executive Director of the Authority or by a certified resolution adopted by the Board and delivered to the Trustee; except, that, in matters involving the investment of funds and related matters, the Treasurer of the Authority (or a designee authorized to act on behalf of the Authority by a Written Request signed by the Treasurer and delivered to the Trustee) shall act as the Authorized Authority Representative.

“Authorized City Representative” means the Public Utilities General Manager and any person or persons designated by the Public Utilities General Manager and authorized to act on behalf of the City by a Written Request signed by the Public Utilities General Manager and delivered to the Trustee; except, that, in matters involving the investment of funds and related matters, the Treasurer of the City (or a designee authorized to act on behalf of the City by a Written Request signed by the Treasurer and delivered to the Trustee) shall act as the Authorized City Representative.

“Authorized Officer of the Trustee” means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, every trust officer and every officer and assistant officer of the Trustee.

“Authority” means the Anaheim Public Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement, dated January 28, 1992, by and between the City and the Anaheim Redevelopment Agency, and under the laws of the State.

“Beneficial Owner” shall have the meaning set forth in Section 2.11 hereof.

“Board” means the Board of Directors of the Authority.

“Bond Counsel” means (a) Fulbright & Jaworski L.L.P. or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.
“Bond Law” means the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as in existence on the Delivery Date or as thereafter amended from time to time.

“Bond Register” means the records of the Trustee for the registration and transfer of 2008 Bonds, as described in Section 2.07.

“Business Day” means a day of the year, other than a Saturday or Sunday, on which banks in New York, New York, Los Angeles, California and San Francisco, California, are not required or authorized to remain closed and on which the New York Stock Exchange is not closed.

“Certificate of the Authority” means a certificate in writing signed by the Chairman, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

“City” means the City of Anaheim, a charter city and municipal corporation organized and existing under the laws of the state.

“Code” means the Internal Revenue Code of 1986. Any reference to a provision of the Code shall include the applicable Tax Regulations with respect to such provision.

“Corporate Trust Office” or “Trust Office” means the principal corporate trust office of the Trustee in Los Angeles, California, except that with respect to presentation of 2008 Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted or such other offices as may be specified to the Authority by the Trustee in writing.

“Costs of Issuance” means all costs or expenses paid or incurred in connection with the preparation, authorization, issuance, sale and delivery of the 2008 Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants or underwriters, legal fees and expenses, fees and costs for any guaranty, surety bond, letter of credit or other credit facility, filing and recording costs, rating agency fees, costs of preparation and reproduction of documents, word processing costs, special counsel and other legal fees and expenses, accounting fees, expenses incurred by the City or the Authority in connection with qualification or registration, or determining the exemption from registration or qualification of the 2008 Bonds under the “Blue Sky” laws of any jurisdiction, and fees payable to any other consultants or experts retained in connection with such preparation, authorization, issuance, sale and delivery, and costs of printing.

“Counsel” means an attorney at law, or firm of attorneys, of recognized standing and who are qualified to pass on the legality of the particular matter.

“Credit Facility” means an irrevocable and unconditional letter of credit, a standby purchase agreement, a line of credit, a surety policy, an insurance policy or other similar credit arrangement issued by a Qualified Provider to satisfy all or a portion of the Reserve Requirement.

“Defeasance Securities” means

1. U.S. Treasury Certificates, Notes and Bonds (including State and Local Government Series – “SLGs”).
2. Direct obligations of the Treasury which have been stripped by the Treasury itself, CATS, TIGRS and similar securities.

3. Resolution Funding Corp. (REFCORP) Only the interest component of REFCORP strips which have been stripped by request to the Federal Reserve Bank of New York in book entry form are acceptable.

4. Pre-refunded municipal bonds rated “Aaa” by Moody's and “AAA” by S&P. If however, the issue is only rated by S&P (i.e., there is no Moody's rating), then the pre-refunded bonds must have been pre-refunded with cash, direct U.S. or U.S. guaranteed obligations, or AAA rated pre-refunded municipals to satisfy this condition.

5. Obligations issued by federal agencies including, but not limited to, the following agencies, which are backed by the full faith and credit of the U.S.:
   a. U.S. Export-Import Bank (Eximbank)
      Direct obligations or fully guaranteed certificates of beneficial ownership
   b. Farmers Home Administration (FmHA)
      Certificates of beneficial ownership
   c. Federal Financing Bank
   d. General Services Administration
      Participation certificates
   e. U.S. Maritime Administration
      Guaranteed Title XI financing
   f. U.S. Department of Housing and Urban Development (HUD)
      Project Notes
      Local Authority Bonds
      New Communities Debentures - U.S. government guaranteed debentures
      U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

   “Delivery Date” means July __, 2008, being the date of delivery of the 2008 Bonds to the original purchasers thereof.

   “Depository” means (a) initially, DTC, and (b) any other Securities Depository acting as Depository pursuant to Section 2.11.

   “DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.
“DTC Participants” shall have the meaning set forth in Section 2.11 hereof.

“Event of Default” means any of the events described in Section 8.01.

“Fiscal Year” means any twelve-month period extending from July 1 in one calendar year to June 30 of the succeeding calendar year, both dates inclusive, or any other twelve-month period selected and designated by the Authority as its official fiscal year period.

“Fitch” means Fitch Ratings, Ltd., its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the City, with the approval of the Authority, by notice to the Trustee.

“Government Obligations” means direct obligations of the United States of America and securities fully and unconditionally guaranteed by the United States of America, including obligations issued or held in book-entry form on the books of the U.S. Department of the Treasury; provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee.

“Indenture” means this Indenture of Trust, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture pursuant to the provisions hereof.

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed and paid by the Authority or the City, and who, or each of whom (a) is in fact independent and not under domination of the Authority or the City; (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and (c) is not connected with the Authority or the City as an officer or employee of the Authority or the City but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Independent Counsel” means an attorney duly admitted to the practice of law before the highest court of the state in which such attorney maintains an office and who is not an employee of the Authority, the City or the Trustee.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302; Fitch’s “Called Bond Department,” 5250 Center Drive, Suite 150, Charlotte, NC 28217; S&P’s “Called Bond Record,” 65 Broadway, 16th Floor, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Installment Purchase Agreement” means that certain Installment Purchase Agreement between the City and the Authority, dated as of July 1, 2008, as amended or supplemented from time to time.

“Interest Component” means any 2008 Purchase Payment, or portion thereof, which is designated and paid as interest pursuant to the terms of the Installment Purchase Agreement.

“Interest Payment Date” with respect to the Installment Purchase Agreement and the 2008 Bonds, means April 1 and October 1 in each year, beginning October 1, 2008, and continuing thereafter so long as any 2008 Bonds remain outstanding.
“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns or, if such entity shall be dissolved or liquidated for shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the City, with the approval of the Authority, by notice to the Trustee.

“Outstanding,” when used as of any particular time with reference to 2008 Bonds, means (subject to the provisions of Section 10.07) all 2008 Bonds theretofore executed, issued and delivered by the Authority under this Indenture except (a) 2008 Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation, (b) 2008 Bonds paid or deemed to have been paid within the meaning of Section 10.03, and (c) 2008 Bonds in lieu of or in substitution for which other 2008 Bonds shall have been executed, issued and delivered pursuant to this Indenture or any Supplemental Indenture.

“Owner,” when used with respect to any 2008 Bond, means the person in whose name the ownership of such 2008 Bond shall be registered on the Registration Books.

“Permitted Investments” means any of the following, to the extent permitted by the laws of the State:

A. Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America.

B. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself):

1. U.S. Export-Import Bank (Eximbank)
   Direct obligations or fully guaranteed certificates of beneficial ownership

2. Farmers Home Administration (FmHA)
   Certificates of beneficial ownership

3. Federal Financing Bank

4. Federal Housing Administration Debentures (FHA)

5. General Services Administration
   Participation certificates

6. Government National Mortgage Association (GNMA or “Ginnie Mac”)
   GNMA - guaranteed mortgage-backed bonds
   GNMA - guaranteed pass-through obligations

7. U.S. Maritime Administration
   Guaranteed Title XI financing

8. U.S. Department of Housing and Urban Development (HUD)
   Project Notes
   Local Authority Bonds
   New Communities Debentures - U.S. government guaranteed debentures
U.S. Public Housing Notes and Bonds - U.S. government guaranteed public housing notes and bonds

C. Bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself):

1. Federal Home Loan Bank System  
   Senior debt obligations

2. Federal Home Loan Mortgage Corporation (FHLMC or “Freddie Mac”)  
   Participation Certificates  
   Senior debt obligations

3. Federal National Mortgage Association (FNMA or “Fannie Mae”)  
   Mortgage-backed securities and senior debt obligations

4. Student Loan Marketing Association (SLMA or “Sallie Mae”)  
   Senior debt obligations

5. Resolution Funding Corp. (REFCORP) obligations

6. Farm Credit System  
   Consolidated systemwide bonds and notes

D. Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, and having a rating by S&P of “AAAm-G,” “AAA-m” or “AA-m” or a rating by Moody’s of “Aaa,” “Aa1” or “Aa2,” including funds for which the Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Trustee or such holding company provides investment advisory or other management services.

E. Certificates of deposit secured at all times by collateral described in (A) and/or (B) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks including the Trustee, its parent holding company and their affiliates. The collateral must be held by a third party and the bondholders must have a perfected first security interest in the collateral.

F. Certificates of deposit, savings accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF, which may be from or with the Trustee, its parent holding company and their affiliates.

G. Investment Agreements, including GIC’s, Forward Purchase Agreements and Reserve Fund Put Agreements, with providers (or guarantors thereof) rated “Aa3” or better by Moody’s or “AA” or better by S&P.

H. Commercial paper rated, at the time of purchase, “Prime - 1” by Moody's and “A-1” or better by S&P.

I. Bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies.
J. Federal funds or bankers acceptances with a maximum term of one year of any bank which has an unsecured, uninsured and unguaranteed obligation rating of “Prime - 1” or “A3” or better by Moody’s and “A-1” or “A” or better by S&P including the Trustee, its parent holding company and their affiliates.

K. Repurchase Agreements which satisfy the following criteria:

Repurchase Agreements provide for the transfer of securities from a dealer bank or securities firm (seller/borrower) to a municipal entity (buyer/lender), and the transfer of cash from a municipal entity to the dealer bank or securities firm with an agreement that the dealer bank or securities firm will repay the cash plus a yield to the municipal entity in exchange for the securities at a specified date.

1. Repos must be between the municipal entity and a dealer bank or securities firm
   a. Primary dealers on the Federal Reserve reporting dealer list which are rated “A” or better by S&P and Moody’s, or
   b. Banks rated “A” or better by S&P or “A2” or better by Moody’s.

2. The written repo contract must include the following:
   a. Securities which are acceptable for transfer are:
      (1) Direct U.S. governments, or
      (2) Federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC)
   b. The term of the repo may be up to 365 days
   c. The collateral must be delivered to the municipal entity, trustee (if trustee is not supplying the collateral) or third party acting as agent for the trustee (if the trustee is supplying the collateral) before/simultaneous with payment (perfection by possession of certificated securities).
   d. Valuation of Collateral
      (1) The securities must be valued weekly, marked-to-market at current market price plus accrued interest
         (a) The value of collateral must be equal to 104% of the amount of cash transferred by the municipal entity to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by municipality, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are FNMA or FHLMC, then the value of collateral must equal 105%.

L. Local Agency Investment Fund of the State of California (“LAIF”), created pursuant to Section 16429.1 of the California Government Code.
“Principal Component” means with respect to a 2008 Purchase Payment, the portion thereof which is designated and paid as principal pursuant to the terms of the Installment Purchase Agreement.

“Principal Payment Date” means October 1 of each year (beginning, with respect to the 2008 Bonds, October 1, 2011 and ending on October 1, 2038.

“Project Costs” means the costs or expenses paid or incurred by the City in connection with the acquisition of the Water System Assets.

“Project Revenues” means all amounts paid by the City pursuant to Section 4.2 of the Installment Purchase Agreement.

“Qualified Provider” means a state or national bank or trust company or savings and loan association or a foreign bank with a domestic branch or agency which is organized and in good standing under the laws of the United States of America or any state thereof or any foreign country, in each case which has a short-term debt rating at the time of issuance of the Credit Facility of the highest ranking or of the highest letter and numerical rating as provided by Moody’s or by S&P.

“Qualified Obligations Account” means the Qualified Obligations Account established by Ordinance No. 5376.

“Rating Agency” means either S&P or Fitch.

“Record Date” for the 2008 Bonds means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

“Registration Books” means the records maintained by the Trustee pursuant to Section 2.07 for the registration and transfer of ownership of the 2008 Bonds.

“Request of the Authority” means a request in writing signed by the Chairman, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

“Reserve Account Policy” means a policy of insurance or surety bond issued by a municipal bond insurer, obligations insured by which have a rating by any two of Fitch, Moody’s or S&P which at the time of issuance is the highest rating then issued by Fitch, Moody’s or S&P, as applicable, to satisfy all or a portion of the Reserve Requirement.

“Reserve Requirement” means, at any date of determination and as computed by the Authority at the direction of the City, the least of (i) an amount equal to the maximum amount of 2008 Purchase Payments due on any October 1 and the next succeeding April 1 of any year with respect to then outstanding 2008 Bonds, (ii) an amount equal to 10% of the proceeds (within the meaning of Section 148 of the Code) of all 2008 Bonds, or (iii) an amount equal to 125% of the average annual 2008 Purchase Payments due on any October 1 and the next succeeding April 1 of any year with respect to then Outstanding 2008 Bonds; provided, however that such Reserve Requirement or a portion thereof may be provided by one or more Reserve Account Policies or Credit Facilities upon the filing by the Authority with the Trustee of written evidence that the use of such Reserve Account Policies or Credit Facilities to satisfy the Reserve Requirement or any portion thereof will not by itself result in the downgrading or withdrawal of the credit rating then in effect with respect to the 2008 Bonds. In no event shall the amount of the Reserve Requirement in any year be greater than the amount of the Reserve Requirement for any
prior year. For purposes of determining the average annual 2008 Purchase Payments pursuant to clause (iii) above, if any amount remains due on an October 1 or the next succeeding April 1 of any year, such year shall be treated as a full year.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., its successors and assigns or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the City, with the approval of the Authority, by notice to the Trustee.

“Securities Depositories” means The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attn. Call Notification Department, Fax (212) 855-7232, and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other securities depositories as the Authority or the City may designate in a Certificate of the Authority or a Written Request of an Authorized City Representative, as applicable, delivered to the Trustee.

“Series” shall mean all 2008 Bonds designated by descriptive title or otherwise as a series and prepared and issued in a simultaneous transaction, and any 2008 Bonds thereafter prepared and issued in lieu of or in exchange or substitution for such 2008 Bonds, pursuant to the provisions of this Indenture, regardless of variations in maturity, interest rate or other provisions.

“State” means the State of California.

“Supplemental Indenture” means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of Section 7.01.

“Tax Certificate” shall mean the Tax Certificate, executed and delivered by the Authority and the City on the Delivery Date, as amended or supplemented from time to time.

“Tax Regulations” means temporary and permanent regulations promulgated under or with respect to Section 103 and Sections 141 through 150, inclusive, of the Code.

“Trustee” means The Bank of New York Trust Company, N.A. and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article VI.

“Water System Assets” means the components of the Water System to be financed with the net proceeds of the 2008 Bonds, as described in the Installment Purchase Agreement.

“Written Request” means a written instrument signed by an Authorized City Representative or an Authorized Authority Representative, as the case may be.

“2008 Bonds” means the $_________ aggregate principal amount of Anaheim Public Financing Authority Revenue Bonds, Series 2008 (Water System Project) authorized by and at any time outstanding pursuant to the Bond Law and this Indenture.

“2008 Purchase Payments” means the payments so designated in the Installment Purchase Agreement.

Section 1.02. Rules of Construction. All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Section or subdivisions of this
Indenture; and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this
Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.03. Authorization and Purpose of 2008 Bonds. The Authority has reviewed all
proceedings heretofore taken relative to the authorization of the 2008 Bonds and has found, as a result of
such review, and hereby finds and determines that all things, conditions, and acts required by law to exist,
happen and be performed precedent to and in the issuance of the 2008 Bonds do exist, have happened and
have been performed in due time, form and manner as required by law, and the Authority is now
authorized under the Bond Law and each and every requirement of law, to issue the 2008 Bonds in the
manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance
of the 2008 Bonds pursuant to the Bond Law and this Indenture.

Section 1.04. Equal Security. In consideration of the acceptance of the 2008 Bonds by the
Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority,
the Trustee and the Owners from time to time of the 2008 Bonds; and the covenants and agreements
herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate
benefit, security and protection of all Owners of the 2008 Bonds without preference, priority or
distinction as to security or otherwise of any of the 2008 Bonds over any of the others by reason of the
number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause
whatsoever, except as expressly provided therein or herein.

Section 1.05. Conditions Precedent Satisfied. Each party hereto represents that all acts,
conditions and things required of it by law to exist, happen and be performed by it precedent to and in
connection with the execution and entering into of this Indenture have happened and have been performed
in regular and due time, form and manner as required by law, and each party hereto represents that it is
now duly empowered to execute and enter into this Indenture.

Section 1.06. Exhibits. The following Exhibits are attached to and by this reference made a
part of this Indenture:

Exhibit A: Form of 2008 Bonds.

Exhibit B: Form of Requisition.

ARTICLE II
ISSUANCE OF THE 2008 BONDS

Section 2.01. Terms of the 2008 Bonds.

(a) Generally. The 2008 Bonds authorized to be issued by the Authority under and subject to the
Bond Law and the terms of this Indenture shall be designated the “Anaheim Public Financing Authority
Revenue Bonds, Series 2008 (Water System Project)” and shall be issued in the original aggregate
principal amount of __________________ Million Dollars ($_________).

(b) Terms of 2008 Bonds. The 2008 Bonds shall be issued in fully registered form without
coupons in denominations of $5,000 or any integral multiple thereof, so long as no 2008 Bond shall have
more than one maturity date. The 2008 Bonds shall be dated their date of delivery, and shall mature on
October 1 in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360-
day year of twelve 30-day months) at the rates, as follows:
Interest on the 2008 Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such owner as it appears on the Registration Books as of the preceding Record Date; provided, however, that at the written request of the Owner of at least $1,000,000 in aggregate principal amount of Outstanding 2008 Bonds filed with the Trustee prior to any Record Date, interest on such 2008 Bonds shall be paid to such owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request (any such written request shall remain in effect until rescinded in writing by such Owner). Principal of and premium (if any) on any 2008 Bond shall be paid upon presentation and surrender thereof, at maturity, at the corporate Trust Office of the Trustee. The principal of and interest and premium (if any) on the 2008 Bonds shall be payable in lawful money of the United States of America.

Interest with respect to the 2008 Bonds shall accrue on overdue principal at the same rate borne by the particular 2008 Bonds. Each 2008 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is executed on an April 1 or October 1, in which event interest shall accrue from the date of execution thereof; (b) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (c) it is authenticated on or before September 15, 2008, in which event it shall bear interest from its dated date; provided, however, that if, as of the date of authentication of any 2008 Bond, interest thereon is in default, such 2008 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon or if no interest has been paid, from its dated date.

The Authority and the Trustee may treat the registered owner of any 2008 Bond or 2008 Bonds as the absolute owner thereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Section 2.02. Redemption of 2008 Bonds.

(a) Optional Redemption. The 2008 Bonds maturing on and after October 1, 2019 are subject to redemption at the option of the Authority in whole or in part on any date in integral multiples of $5,000, on or after October 1, 2018, from any source of funds, upon notice as provided in this Indenture, at a price
equal to the principal amount to be redeemed, plus accrued but unpaid interest to the Redemption Date, without premium.

(b) Revised Schedule of 2008 Purchase Payments. Upon redemption pursuant to Section 2.02(a), the Authority shall provide the Trustee and the City with a revised Exhibit B to the Installment Purchase Agreement reflecting such redemption.

(c) Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first-class mail) notice of any redemption to the respective Owners of any 2008 Bonds designated for redemption, at their respective addresses appearing on the Registration Books, and to the Securities Depositories and to the Information Services, at least 30 but not more than 60 days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such 2008 Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the Redemption Date, the redemption place and the redemption price and shall designate the CUSIP numbers, the 2008 Bond numbers (but only if less than all of the Outstanding 2008 Bonds are to be redeemed) and the maturity or maturities in the event of redemption of all of the 2008 Bonds of such maturity or maturities in whole of the 2008 Bonds to be redeemed, and shall require that such 2008 Bonds be then surrendered at the Corporate Trust Office for redemption at the redemption price, giving notice also that further interest on such 2008 Bonds will not accrue from and after the redemption date and with regard to optional redemption in the event that funds required to pay the redemption price are not on deposit under the Indenture at the time the notice of redemption is sent, a statement to the effect that the redemption is conditioned upon the receipt of the appropriate funds required to pay the redemption price by the Trustee on or prior to the redemption date.

(d) Selection of 2008 Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the 2008 Bonds, the Trustee shall select the 2008 Bonds to be redeemed to correspond to the Principal Components of 2008 Purchase Payments prepaid by the City in accordance with Section 5.06 of the Installment Purchase Agreement and by lot within a maturity; provided, that in the case of any redemption of any 2008 Bond, or portion thereof, prior to its maturity, the Trustee shall first select those 2008 Bonds delivered to the Trustee by the Authority, and designated by the Authority as satisfying 2008 Purchase Payments, previously redeemed or acquired by the Authority, in lieu of making such redemption, and then the Trustee shall select by lot within a maturity the other 2008 Bonds to be redeemed. Any selection of the 2008 Bonds by the Trustee shall be binding upon the Owners. For purposes of such selection, all 2008 Bonds shall be deemed to be composed of separate $5,000 portions and such portions shall be treated as separate 2008 Bonds which may be separately redeemed.

(e) Partial Redemption of 2008 Bonds. In the event only a portion of any 2008 Bond is called for redemption, then upon surrender of such 2008 Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2008 Bond or 2008 Bonds of the same maturity date, of Authorized Denominations in aggregate principal amounts equal to the unredeemed portion of the 2008 Bond to be redeemed.

(f) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the 2008 Bonds so called for redemption shall have been duly provided, such 2008 Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the principal, interest accrued to the Redemption Date, and premium, if any, and no interest shall accrue thereon from and after the Redemption Date specified in such notice.
All 2008 Bonds redeemed in whole or in part pursuant to the provisions of this Article II shall be canceled by the Trustee and destroyed, and the Trustee shall certify in writing as to their destruction.

Section 2.03. Form of 2008 Bonds. The 2008 Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be in the form set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.04. Execution of 2008 Bonds. The 2008 Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its Chairman and attested with the manual or facsimile signature of its Secretary or any assistant duly appointed by the Board, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the 2008 Bonds shall cease to be such officer before the 2008 Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such 2008 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. Also, any 2008 Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such 2008 Bond shall be the proper officer although on the nominal date of such 2008 Bond such individual shall not have been such officer.

Only such of the 2008 Bonds as shall bear thereon a certificate of authentication in the form set forth in Exhibit A manually executed by the Trustee shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the 2008 Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05. Transfer of 2008 Bonds. Any 2008 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the person in whose name it is registered, in person or by his attorney duly authorized in writing, upon surrender of such 2008 Bond for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed by the registered owner or his duly authorized attorney. No service charge shall be made for any transfer of 2008 Bonds, but the Trustee shall require the Owner requesting such transfer to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing 2008 Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the City. Whenever any 2008 Bond or 2008 Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new 2008 Bond or 2008 Bonds of Authorized Denomination or Denominations of like tenor, maturity and aggregate principal amount.

Section 2.06. Exchange of 2008 Bonds. The 2008 Bonds may be exchanged upon surrender thereof at the Corporate Trust Office of the Trustee for an equal aggregate principal amount of 2008 Bonds of other authorized denominations and of the same tenor and maturity. No service charge shall be made for any exchange of 2008 Bonds, but the Trustee shall require the Owner requesting such exchange to pay any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing 2008 Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the City.

Section 2.07. Registration Books. The Trustee will keep or cause to be kept at its Corporate Trust Office sufficient records for the ownership, registration, transfer, and exchange of the 2008 Bonds, which shall at all reasonable times during regular business hours be open to inspection by the Authority, the City and its designated agent or any owner or his agent duly authorized in writing with reasonable
prior notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, 2008 Bonds as hereinbefore provided.

Section 2.08. 2008 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2008 Bond shall become mutilated, the Authority, at the expense of the Owner of said 2008 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2008 Bond of like Series, tenor and authorized denomination in exchange and substitution for the 2008 Bond so mutilated, but only upon surrender to the Trustee at the Corporate Trust Office of the 2008 Bond so mutilated. Every mutilated 2008 Bond so surrendered to the Trustee shall be cancelled by it and destroyed. If any 2008 Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the 2008 Bond Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2008 Bond of like tenor in lieu of and in substitution for the 2008 Bond so lost, destroyed or stolen (or if any such 2008 Bond shall have matured, instead of issuing a substitute 2008 Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Trustee may require payment of a reasonable fee for each new 2008 Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any 2008 Bond issued under the provisions of this Section in lieu of any 2008 Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the 2008 Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other 2008 Bonds secured by this Indenture.

Section 2.09. Temporary 2008 Bonds. (a) Until definitive 2008 Bonds are prepared, the Authority may sign and may direct the Trustee to authenticate, in the same manner as is provided in this Article II, in lieu of definitive 2008 Bonds, one or more temporary 2008 Bonds substantially of the tenor of the definitive 2008 Bonds in lieu of which such temporary 2008 Bond or 2008 Bonds are issued, in denominations authorized hereunder, so long as no such 2008 Bond shall have its principal becoming payable in more than one year, and with such omissions, insertions and variations as may be appropriate to temporary 2008 Bonds. At the expense of the Authority, the Authority shall prepare and execute and the Trustee shall authenticate and, upon the surrender of such temporary 2008 Bonds and the cancellation of such surrendered temporary 2008 Bonds, the Trustee shall without charge to the Owner thereof, in exchange therefor, deliver definitive 2008 Bonds, of the same principal amount, Series and maturity as the temporary 2008 Bonds surrendered. Until so exchanged, the temporary 2008 Bonds shall in all respects be entitled to the same benefits and security as definitive 2008 Bonds issued pursuant to this Indenture.

(b) If the Authority shall request the issuance of temporary 2008 Bonds in more than one denomination, the Owner of any temporary 2008 Bond or 2008 Bonds may, at his option, surrender the same to the Trustee in exchange for another temporary 2008 Bond or 2008 Bonds of like principal amount, Series and maturity of any other authorized denomination or denominations, and thereupon the Trustee shall issue, in exchange for the temporary 2008 Bond or 2008 Bonds so surrendered and upon payment of any taxes, fees and charges provided for herein, a temporary 2008 Bond or 2008 Bonds of like aggregate principal amount, Series and maturity in such other authorized denomination or denominations as shall be requested by such owner.

(c) All temporary 2008 Bonds surrendered in exchange either for another temporary 2008 Bond or 2008 Bonds or for a definitive 2008 Bond or 2008 Bonds shall be forthwith cancelled by the Trustee and destroyed, and the Trustee shall certify in writing as to their destruction.
Section 2.10. Cancellation of 2008 Bonds. All 2008 Bonds paid, either at or before maturity, shall be delivered to the Trustee when such payment is made and such 2008 Bonds shall thereupon be promptly cancelled and destroyed, and the Trustee shall certify in writing as to their destruction.

Section 2.11. Book-Entry Only System. DTC shall act as the initial Depository for the 2008 Bonds. One 2008 Bond for each maturity of the 2008 Bonds shall be initially executed, authenticated, and delivered as set forth herein with a separate fully registered certificate (in printed or typewritten form). Upon initial execution, authentication, and delivery, the ownership of the 2008 Bonds shall be registered in the Bond Register kept by the Trustee for the 2008 Bonds in the name of Cede & Co., as nominee of DTC or such nominee as DTC shall appoint in writing.

The representatives of the Authority and the Trustee are hereby authorized to take any and all actions as may be necessary and not inconsistent with this Indenture to qualify the 2008 Bonds for the Depository’s book-entry system, including the execution of the Depository’s required representation letter by the Authority.

With respect to 2008 Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, neither the Authority nor the Trustee shall have any responsibility or obligation to any broker-dealer, bank, or other financial institution for which DTC holds 2008 Bonds as Depository from time to time (the “DTC Participants”) or to any person for which a DTC Participant acquires an interest in the 2008 Bonds (the “Beneficial Owners”). Without limiting the immediately preceding sentence, neither the Authority nor the Trustee shall have any responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co., or any DTC Participant with respect to any ownership interest in the 2008 Bonds, (ii) the delivery to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any notice with respect to the 2008 Bonds, (iii) the payment to any DTC Participant, any Beneficial Owner, or any other person, other than DTC, of any amount with respect to the principal of or interest on the 2008 Bonds, or (iv) any consent given or other action taken by the Depository as owner of the 2008 Bonds.

Except as set forth above, the Authority and the Trustee may treat as and deem DTC to be the absolute Owner of each 2008 Bond for which DTC is acting as Depository for the purpose of payment of the principal of and interest on such 2008 Bonds, for the purpose of giving notices of matters with respect to such 2008 Bonds, for the purpose of registering transfers with respect to such 2008 Bonds, and for all purposes whatsoever, and the Authority and the Trustee shall not be affected by any notice to the contrary. The Trustee shall pay all principal of and interest on the 2008 Bonds only to or upon the order of the owners as shown on the Bond Register, and all such payments shall be valid and effective to fully satisfy and discharge all obligations with respect to the principal of and interest on the 2008 Bonds to the extent of the sums or sums so paid.

No person other than an Owner, as shown on the Bond Register, shall receive a physical 2008 Bond. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the transfer provisions in Section 2.05 hereof, references to “Cede & Co.” in this Section 2.11 shall refer to such new nominee of DTC.

DTC may determine to discontinue providing its services with respect to the 2008 Bonds at any time by giving written notice to the Trustee during any time that the 2008 Bonds are Outstanding, and discharging its responsibilities with respect thereto under applicable law. The Authority may terminate the services of DTC with respect to the 2008 Bonds if it determines that DTC is unable to discharge its responsibilities with respect to the 2008 Bonds or that continuation of the system of book-entry transfers through DTC is not in the best interest of the Beneficial Owners, and the Authority shall mail notice of such termination to the Trustee.
Upon the termination of the services of DTC as provided in the previous paragraph, and if no substitute Depository willing to undertake the functions hereunder can be found which is willing and able to undertake such functions upon reasonable or customary terms, or if the Authority determines that it is in the best interest of the Beneficial Owners of the 2008 Bonds that they be able to obtain certificated 2008 Bonds, the 2008 Bonds shall no longer be restricted to being registered in the Bond Register of the Trustee in the name of Cede & Co., as nominee of DTC, but may be registered in whatever name or name the Owners shall designate at that time, in accordance with Section 2.05.

To the extent that the Beneficial Owners are designated as the transferee by the Owners, in accordance with Section 2.05, the 2008 Bonds will be delivered to such Beneficial Owners as soon as practicable.

**ARTICLE III**

**DEPOSIT AND APPLICATION OF PROCEEDS OF 2008 BONDS**

**Section 3.01. Issuance of 2008 Bonds.** The Authority is directed to prepare, and upon the execution and delivery of this indenture, the Authority shall execute the 2008 Bonds, and the Authority shall deliver the 2008 Bonds to the Trustee for authentication and delivery to the original purchaser thereof upon the Request of the Authority.

**Section 3.02. Application of Proceeds of Sale of 2008 Bonds.** In order to induce the City to enter into the Installment Purchase Agreement, and to insure that the Water System Assets will be available for use, the Authority is entering into this Indenture. Upon the receipt of payment for the 2008 Bonds on the Delivery Date, the Authority will cause the Trustee to apply the proceeds of sale thereof, along with certain other funds available, as follows:

(i) to the Acquisition Fund, the amount of $__________;

(ii) to the Reserve Account, the amount of $__________, constituting an amount equal to the Reserve Requirement on the Delivery Date with respect to the 2008 Bonds; and

(iii) to the Costs of Issuance Account, the amount of $__________, constituting an amount sufficient to pay Costs of Issuance with respect to the 2008 Bonds.

**Section 3.03. Validity of 2008 Bonds.** The validity of the authorization and issuance of the 2008 Bonds shall not be affected in any way by any proceedings taken by the City with respect to the application of the proceeds of the Installment Purchase Agreement, and the recital contained in the 2008 Bonds that the same are issued pursuant to the Act shall be conclusive evidence of their validity and of the regularity of their issuance.

**ARTICLE IV**

**REVENUES; FLOW OF FUNDS**

**Section 4.01. Pledge of Revenues; Assignment of Rights.** The 2008 Bonds shall be secured by a pledge (which shall be effected in the manner and to the extent hereinafter provided), charge and lien upon Project Revenues and a pledge of all of the moneys in the Purchase Payment Account and the Reserve Account, including all amounts derived from the investment of such moneys. The 2008 Bonds are also secured by (i) all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder; and (ii) income and gains with respect to the investment of amounts on
deposit in the funds and accounts established hereunder. The 2008 Bonds shall be equally secured by a pledge of, charge and lien upon, the Project Revenues and such moneys without priority for number, date of 2008 Bonds, date of execution or date of delivery; and the payment of the interest on and principal of the 2008 Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Project Revenues and such moneys. So long as any of the 2008 Bonds are Outstanding, the Project Revenues and such moneys shall not be used for any other purpose; except that out of the Project Revenues and such moneys there may be apportioned such sums, for such purposes, as are expressly permitted by this Indenture.

The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the 2008 Bonds, all of the Project Revenues and all of the right, title and interest of the Authority in and to the Installment Purchase Agreement (other than the rights of the Authority under Sections 8.2, 8.3 and 9.4 thereof). The Trustee hereby accepts such assignment and transfer; provided, however, that such assignment shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided herein. The Trustee shall be entitled to and shall receive all of the 2008 Purchase Payments, and any 2008 Purchase Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to and, subject to the provisions hereof, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all the rights of the Authority and all of the obligations of the City under the Installment Purchase Agreement.

Section 4.02. Establishment of Water System Trust Fund. There is hereby established with the Trustee a special trust fund for the 2008 Bonds, which special trust fund shall be designated as the “2008 Water System Trust Fund.” The Trustee shall keep the 2008 Water System Trust Fund separate and apart from all other funds and moneys held by it. Within the 2008 Water System Trust Fund, there are hereby established the following accounts: the Purchase Payment Account, the Reserve Account and the Costs of Issuance Account.

Section 4.03. Purchase Payment Account.

(a) The Trustee shall deposit in the Purchase Payment Account the following:

(i) on the Delivery Date, from the proceeds of the sale of the 2008 Bonds, the amount set forth with respect to the Purchase Payment Account in Section 3.02 hereof; and

(ii) when received, 2008 Purchase Payments made by the City pursuant to Section 4.2 of the Installment Purchase Agreement; and

(iii) when received, moneys transferred from the Costs of Issuance Account pursuant to Sections 4.05(b) hereof; and

(iv) from time to time, moneys transferred from the Reserve Account pursuant to Sections 4.04(b) and 4.04(d) hereof; and

(v) all other moneys received by the Trustee under and pursuant to the provisions of the Installment Purchase Agreement which are required to be or which are accompanied by directions that such moneys are to be paid into the Purchase Payment Account.
(b) The Trustee shall withdraw moneys from the Purchase Payment Account at such times and in such amounts as are necessary to make payments of principal, interest or premium, if any; provided, however, that such payments shall be deemed made first from investment income, if any, transferred to the Purchase Payment Account from the Reserve Account pursuant to Section 4.04(d) hereof.

(c) If, on the day after any Purchase Payment Date, (i) all principal, premium and interest which became due and payable on or before such date have been paid in full, and (ii) there are moneys on deposit in the Purchase Payment Account, and (iii) the amount on deposit in the Reserve Account is less than the Reserve Requirement, then the Trustee shall transfer from the Purchase Payment Account to the Reserve Account the lesser of (i) an amount which, when added to the amount on deposit in the Reserve Account, will equal the Reserve Requirement, or (ii) all amounts on deposit in the Purchase Payment Account.

(d) If, on the day after any Purchase Payment Date (i) all transfers have been made pursuant to Section 4.03(c) hereof, and (ii) there are moneys on deposit in the Purchase Payment Account, then the Trustee shall (i) at the request of the Authority, transfer such funds to the Authority or (ii) apply such funds to reduce the next succeeding 2008 Purchase Payment or Additional Purchase Payment payable by the City.

Section 4.04. Reserve Account. (a) The Trustee shall deposit in the Reserve Account the following:

(i) on the Delivery Date, from the proceeds of the sale of the 2008 Bonds, the amount set forth with respect to such Account in Section 3.02 hereof, constituting an amount equal to the Reserve Requirement with respect to the 2008 Bonds on the Delivery Date; and

(ii) from time to time, any 2008 Purchase Payment, or portion thereof, made after the appropriate Purchase Payment Date in an amount equal to the amount transferred from the Reserve Account to the Purchase Payment Account on such Purchase Payment Date pursuant to Section 4.04(b) hereof; and

(iii) from time to time, moneys transferred from the Purchase Payment Account pursuant to Section 4.03(c) hereof.

(b) If, on any Purchase Payment Date, the amount available in the Purchase Payment Account is less than the amount necessary to pay the principal or the interest to be paid on such date with respect to any 2008 Bond, then the Trustee shall transfer from the Reserve Account to the Purchase Payment Account the lesser of: (i) an amount sufficient to enable the Trustee to pay the principal and interest on such 2008 Bond from the Purchase Payment Account, or (ii) all amounts on deposit in the Reserve Account. In the event of such transfer, the Trustee shall, within five (5) days after making such transfer, provide written notice to the City and the Authority of the amount and date of such transfer.

(c) The Trustee shall, on each Purchase Payment Date, transfer to the Purchase Payment Account amounts in the Reserve Account in excess of the Reserve Requirement, to the extent that such amounts constitute investment income received since the immediately preceding Purchase Payment Date.

(d) Moneys in the Reserve Account in excess of the Reserve Requirement because of a reduction in the Reserve Requirement due to a refunding of 2008 Bonds or otherwise shall be released to the City to be used for any lawful purpose of the City, upon the direction of an Authorized Authority Representative and compliance with the requirements of this Indenture.
Section 4.05. Costs of Issuance Account. (a) The Trustee shall deposit in the Costs of Issuance Account on the Delivery Date, from the proceeds of the sale of the 2008 Bonds, the amount set forth with respect to the Costs of Issuance Account in Section 3.02 hereof.

(b) Costs of Issuance shall be paid from amounts on deposit in the Costs of Issuance Account. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a requisition, in substantially the form attached hereto as Exhibit B, signed by an Authorized Authority Representative stating with respect to each payment to be made: (1) the sequential requisition number, (2) the name and address of the person, firm, corporation or agency to which payment is due or has been made, (3) the amount to be paid, (4) identification of the item to which such payment is to be applied, and (5) that each obligation mentioned therein is a proper charge against the Costs of Issuance Account and has not been the basis of any previous withdrawal from the Costs of Issuance Account. In addition, each requisition shall have attached a copy of each invoice, statement or other billing documentation for which payment is claimed. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. On October 1, 2008, or the earlier determination of the City that all Costs of Issuance have been paid in full, any amount remaining in the Costs of Issuance Account shall be transferred by the Trustee to the Purchase Payment Account, in accordance with a Written Request of the Authority.

Section 4.06. Acquisition Fund. There is hereby established with the Trustee a special trust fund for the 2008 Bonds designated as the “Acquisition Fund.” The Trustee shall keep the Acquisition Fund separate and apart from all other funds and moneys held by it. The Trustee shall pay Project Costs from amounts on deposit in the Acquisition Fund. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a requisition, in substantially the form attached hereto as Exhibit B, signed by an Authorized Authority Representative stating with respect to each payment to be made: (1) the sequential requisition number, (2) the name and address of the person, firm, corporation or agency to which payment is due or has been made, (3) the amount to be paid, (4) identification of the item to which such payment is to be applied, and (5) that each obligation mentioned therein is a proper charge against the Acquisition Fund and has not been the basis of any previous withdrawal from the Acquisition Fund. Each such requisition shall be sufficient evidence to the Trustee of the facts stated therein and the Trustee shall have no duty to confirm the accuracy of such facts. Upon the Authority’s determination that all Project Costs have been paid in full, any amount remaining in the Acquisition Fund shall be transferred by the Trustee to the 2008 Purchase Payment Fund, in accordance with a Written Request of the Authority.

Section 4.07. Deposits of Money. All moneys held by or deposited with the Trustee under the provisions of this Indenture shall be held in trust and applied only in accordance with the provisions of this Indenture, and the funds and accounts established by this Indenture shall be a trust fund for the purposes thereof. All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

Section 4.08. Investments. (a) All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the written direction of the Treasurer of the Authority given to the Trustee in advance of the making of such investments and promptly confirmed in writing, as to any such direction given by facsimile. Each such written direction shall contain the representation of the Authority that the investments identified therein constitute Permitted Investments hereunder. In the absence of any such direction from the Authority, the Trustee shall invest any such moneys in clause (D) of the definition of
Permitted Investments. Obligations purchased as an investment of moneys in any fund shall be deemed to be part of such fund or account.

(a) All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon the Request of the Authority. The Trustee may (but shall not be obligated to) act as principal or agent in the acquisition of any investment. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section.

(b) Moneys in the Purchase Payment Account shall be invested and reinvested by the Trustee to the fullest extent practicable in Permitted Investments which mature not later than such times as shall be necessary to provide moneys when needed for payments to be made from such accounts and in any event not later than the final maturity of the 2008 Bonds, with respect to accrued interest on the 2008 Bonds, if any. Moneys in the Reserve Account shall be invested and reinvested by the Trustee to the fullest extent practicable in Permitted Investments. The Trustee shall make all such investments of moneys held by it in accordance with instructions, confirmed in writing, received from an Authorized Authority Representative.

(c) If the Authority enters into one or more interest rate swap agreements corresponding to the interest payable with respect to one or more subseries of 2008 Bonds or any portion thereof, the amounts received by the Authority, if any, pursuant to such a swap agreement may be applied to the deposits required hereunder.

(d) Nothing in this Indenture shall prevent any Government Obligations acquired as investments of funds held under the Indenture from being issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

(e) Except as otherwise provided in this Indenture, the Trustee shall sell or present for prepayment or transfer as provided in the next sentence any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Authority Representative to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any account held by it. In lieu of such sale or presentment for prepayment, the Trustee may, in making the payment or transfer from any account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto at its acquisition cost if such investment obligations shall mature or be collectable at or prior to the time the proceeds thereof shall be needed and such transfer of investment obligations may be made in book-entry form. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment. The Trustee shall hold all investments in its name as trustee.

(f) The Authority (and the City by its execution of the Installment Purchase Agreement) acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City or Authority the right to receive brokerage confirmations of security transactions as they occur, the City and Authority specifically waive receipt of such confirmations to the extent permitted by law. The Trustee will furnish the City and Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder. The Trustee or its affiliate may act as principal or agent in the acquisition or disposition of any investment in accordance herewith and shall be entitled to its customary charges therefor.

(g) Any investment of moneys in any fund established under this Indenture may be purchased from or through, or sold to, the Trustee or any affiliate of the Trustee, and any such investment made
through the purchase of shares in a fund described in the definition of Permitted Investments may be in a fund for which the Trustee or an affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee received fees from such funds for services rendered, (ii) the Trustee charges and collects fees for services rendered pursuant to this Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Indenture may at times duplicate those provided to such funds by the Trustee or its affiliates.

Section 4.09.  Valuation and Disposition of Investments.  For the purpose of determining the amount in any fund or account established hereunder, the value of investments credited to such fund or account shall be calculated at the par amount thereof, or any other valuation established by prior agreement between the Authority and the Trustee.  Obligations purchased as an investment of moneys in any account created under the provisions of this Indenture shall be deemed at all times to be a part of such account or subaccount and any profit realized from the liquidation of such investment and any income or interest received on account of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged to, such account.

ARTICLE V

COVENANTS OF THE AUTHORITY

Section 5.01.  Punctual Payment.  The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the 2008 Bonds, in strict conformity with the terms of the 2008 Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Project Revenues and the funds and accounts pledged for such payment as provided in this Indenture.

Section 5.02.  Extension of Payment of 2008 Bonds.  Neither the Authority nor the Trustee shall directly or indirectly extend or assent to the extension of the payment dates of any of the 2008 Purchase Payments, the maturity of any of the 2008 Bonds or the time of payment of any claims for interest by the purchase of such 2008 Bonds or by any other arrangement, and in case the maturity of any of the 2008 Bonds or the time of payment of any such claims for interest shall be extended, such 2008 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the 2008 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended.  Nothing in this Section shall be deemed to limit the right of the Authority to issue 2008 Bonds for the purpose of refunding any Outstanding 2008 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the 2008 Bonds.

Section 5.03.  Against Encumbrances.  The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Project Revenues and the funds and accounts pledged or assigned under this Indenture while any of the 2008 Bonds are Outstanding, except the pledge and assignment created by this Indenture.  Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Section 5.04.  Power to Issue 2008 Bonds and Make Pledge and Assignment.  The Authority is duly authorized pursuant to law to issue the 2008 Bonds and to enter into this Indenture and to pledge and assign the 2008 Purchase Payments, the Installment Purchase Agreement and other assets purported to be pledged and assigned, respectively, under this Indenture in the manner and to the extent provided in this Indenture.  The 2008 Bonds and the provisions of this Indenture are and will be the legal, valid and
binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of 2008 Purchase Payment and other assets and all the rights of the 2008 Bond Owners under this Indenture against all claims and demand of all persons whomsoever.

**Section 5.05. Accounting Records and Financial Statements.** The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of 2008 Bonds, the 2008 Purchase Payment and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the City, during regular business hours with reasonable prior notice.

**Section 5.06. No Additional Parity Debt.** Except for the 2008 Bonds, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Project Revenues in whole or in part.

**Section 5.07. Tax Covenants.**

(a) **Special Definitions.** When used in this Section, the following terms have the following meanings:

"**Computation Date**" has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

"**Gross Proceeds**" means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the 2008 Bonds.

"**Investment**" has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

"**Nonpurpose Investment**" means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the 2008 Bonds are invested and that is not acquired to carry out the governmental purposes of the 2008 Bonds.

"**Rebate Amount**" has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

"**Tax Regulations**" means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

"**Yield**" of

(i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(ii) the 2008 Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) **Not to Cause Interest to Become Taxable.** The Authority shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the 2008 Bonds to become includable in
the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any 2008 Bond, the Authority shall comply with each of the specific covenants in this Section.

(c) **No Private Use or Private Payments.** Except as would not cause any 2008 Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall at all times prior to the payment and cancellation of the last 2008 Bond to be paid and canceled:

(i) use its best efforts to ensure that the City exclusively own, operate and possess all property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with Gross Proceeds of the 2008 Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity who is treated as using Gross Proceeds of the 2008 Bonds or any property the acquisition, construction or improvement of which is to be financed or refinanced directly or indirectly with such Gross Proceeds, other than taxes of general application within the jurisdiction of the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

(d) **No Private Loan.** Except as would not cause any 2008 Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not use Gross Proceeds of any 2008 Bond to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (a) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (b) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (c) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) **Not to Invest at Higher Yield.** Except as would not cause any 2008 Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not at any time prior to the final maturity of the 2008 Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of such 2008 Bond within the meaning of said section 148.

(f) **Not Federally Guaranteed.** Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Authority shall not take or omit to take any action that would cause any 2008 Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.
(g) **Information Report.** The Authority shall timely file any information required by section 149(e) of the Code with respect to the 2008 Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(h) **Rebate of Arbitrage Profits.** Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(i) The Authority shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last 2008 Bond is discharged. However, to the extent permitted by law, the Authority may commingle Gross Proceeds of the 2008 Bonds with its other money, provided that the Authority separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Authority shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Trustee may rely conclusively upon the Authority’s determinations, calculations and certifications required by this Section. The Trustee shall have no responsibility to independently make any calculation or determination or to review the Authority’s calculations hereunder. The Authority shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the 2008 Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability of the interest on the 2008 Bonds from the gross income of the owners thereof for federal income tax purposes, the Authority shall pay to the United States the amount that when added to the future value of previous rebate payments made for the 2008 Bonds equals (A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, 100% of the Rebate Amount on such date; and (B) in the case of any other Computation Date, 90% of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the Authority at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority.

(iv) The Authority shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (i) and (ii) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within 180 days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(i) **Not to Divert Arbitrage Profits.** Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not, at any time prior to the final maturity of the 2008 Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm’s length and had the Yield on the 2008 Bonds not been relevant to either party.
(j) **2008 Bonds Not Hedge Bonds.**

(i) The Authority represents that none of the 2008 Bonds are or will become “hedge bonds” within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (i) above, with respect to the 2008 Bonds: (A) on the date of issuance of the 2008 Bonds, the Authority reasonably expects that at least 85% of the spendable proceeds of the 2008 Bonds will be expended within the three-year period commencing on such date of issuance, and (B) no more than 50% of the proceeds of the 2008 Bonds will be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(k) **Elections.** The Authority hereby directs and authorizes any Authorized Authority Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Authorized Authority Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2008 Bonds, in the Tax Certificate relating to the 2008 Bonds or similar or other appropriate certificate, form or document.

**Section 5.08. Further Assurances.** The Authority will adopt, make, execute and deliver or cause to be executed and delivered any and all other and further documents, resolutions, instruments and assurances and promptly do or cause to be done all such other and further things as may be necessary or reasonably required to carry out the purposes or intentions or to facilitate the performance of this Indenture, and for preserving and protecting the rights and interests of the Owners.

**Section 5.09. Amendment of Installment Purchase Agreement.** The Authority shall not consent to the amendment, alteration or modification, in whole or in part, of the Installment Purchase Agreement except (a) to the extent such amendment, alteration or modification shall cure an ambiguity, supply an omission, or cure or correct a defect or inconsistent provision therein, (b) to the extent such amendment, alteration or modification shall insert such provisions clarifying matters or questions arising thereunder as are necessary or desirable and are not contrary to or inconsistent with the Indenture, (c) if, in the opinion in writing of Bond Counsel addressed to the Trustee, such amendment, alteration or modification does not materially adversely affect the rights of the Owners of the 2008 Bonds, or (d) with the written consent of the Owners of a majority in aggregate principal of the 2008 Bonds then outstanding, exclusive of issuer-owned 2008 Bonds. Any such written consent shall be obtained in the manner provided herein for amendments to the Indenture. No such amendment, alteration or modification shall be effective unless and until there shall have been filed with the Trustee an opinion in writing of Counsel addressed to the Trustee stating that such amendment, alteration or modification has been duly and lawfully entered into by the parties thereto, is authorized or permitted by this Indenture and is valid and binding upon the parties thereto in accordance with its terms. For purposes of this Indenture, no change or revision of any Exhibit A made pursuant to Section 4.1(a) of the Installment Purchase Agreement shall constitute an amendment, alteration or modification of the Installment Purchase Agreement.

**Section 5.10. Enforcement.** The Trustee shall promptly collect all amounts due pursuant to the Installment Purchase Agreement subject at all times to Article VI hereof, and upon default hereunder, shall enforce, take all steps, actions and proceedings reasonably necessary to protect and preserve all rights and interests of the Trustee and the Owners under the Installment Purchase Agreement and this Indenture as provided in, and subject to the terms and conditions of, Article VIII.

**Section 5.11. Installment Purchase Agreement.** The Trustee, as assignee of the Authority’s rights pursuant to Section 4.01, shall promptly collect all amounts due from the City pursuant to the Installment Purchase Agreement and, subject to the provisions hereof, shall diligently enforce, and take
all steps, actions and proceedings reasonably necessary for the enforcement of all the rights of the Authority thereunder and for the enforcement of all the obligations of the City thereunder.

ARTICLE VI

THE TRUSTEE AND PAYING AGENT

Section 6.01. Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture and no implied covenants or duties shall be read into the Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

Without limiting the duties of the Trustee stated above, during the existence of any Event of Default hereunder (which has not been cured) and in the absence of bad faith on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture; but in the case of any such certificate or opinion which by any provisions hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture.

At all times, regardless of whether or not any Event of Default shall exist:

(1) the Trustee shall not be liable for any error of judgment made in good faith by an Authorized Officer or Officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining and/or failing to ascertain the pertinent facts;

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Owners of Outstanding 2008 Bonds representing not less than a majority in aggregate principal amount of Outstanding 2008 Bonds relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee under this Indenture; and

(3) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the owners pursuant to the provisions of this Indenture, including, without limitation, the provisions of Article VI hereof, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee shall not be deemed to have knowledge of and shall not be required to take any action with respect to, any Event of Default or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default unless the Trustee shall have actual knowledge of such event or shall have been notified in writing of such event by the City, the Authority or the owners of a majority of the 2008 Bonds Outstanding. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the City of
the terms, conditions, covenants or agreements set forth in Article III or VI of the Installment Purchase Agreement (including, without limitation, the covenants of the City set forth in Sections 3.7 through 3.13 of the Installment Purchase Agreement), other than the covenants of the City to make payments with respect to the 2008 Purchase Payments when due as set forth in Section 5.2 of the Installment Purchase Agreement.

No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, coupon or other paper or document but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

The Trustee shall not be responsible for:

1. the application and handling by the City of any other fund or account designated to be held by the City hereunder or under the Installment Purchase Agreement; or

2. any error or omission by the Authority in making any computation or giving any instruction pursuant to Section 5.07 hereof and may rely conclusively on the rebate instructions and any computations or instructions furnished to it by the Authority in connection with the requirements of Section 5.07 and the Tax Certificate.

The Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, agreements or obligations on the part of the City or the Authority under the Installment Purchase Agreement or this Indenture except as set forth herein, but the Trustee may require of the City or the Authority full information and advice as to the observance or performance of those covenants, agreements and obligations.

Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article VI.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if there shall be reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Every provision of this Indenture that in any way relates to the Trustee is subject to all the paragraphs of this Article.

The Trustee may execute any of the trusts or powers hereof and perform any of its duties by and through attorneys, agents, receivers or employees but shall not be answerable for the conduct of the same if selected with reasonable care, and shall be entitled to advice of counsel concerning all matters of trusts hereof and duties hereunder, and may in all cases pay such reasonable compensation or any attorney, agent, receiver or employee retained or employed by it in connection herewith. The Trustee may act upon the opinion or advice of an attorney, surveyor, engineer or accountant selected by it in the exercise of
reasonable care or, if selected or retained by the City or the Authority, approved by the Trustee in the
exercise of such care. The Trustee shall not be responsible for any loss or damage resulting from any
action or nonaction based on its good faith reliance upon such opinion or advice.

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

The Trustee may become the Owner of 2008 Bonds secured hereby with the same rights which it
would have if not the Trustee.

The Trustee shall be protected in acting upon any requisition, notice, request, consent, certificate,
order, affidavit, letter or other paper or document believed in good faith to be genuine and correct and to
have been signed or sent by the proper person or persons. Any action taken by the Trustee pursuant to
this Indenture upon the request or authority or consent of any person who at the time of making such
request or giving such authority or consent is the owner of any 2008 Bond, shall be conclusive and
binding upon such owner and all future owners of the same 2008 Bond and upon 2008 Bonds issued in
exchange therefor or in place thereof or on registration or transfer thereof.

At any reasonable time after reasonable notice has been provided, the Trustee, and its duly
authorized agents, attorneys, experts, engineers, accountants and representatives, shall have the right fully
to inspect any and all of the property herein conveyed, and to take such memoranda from and with regard
thereto as may be desired provided no undue interruption results therefrom.

The Trustee may rely upon a facsimile transmission with regard to any instruction for any
transfer, disbursement or investment of funds held by the Trustee. The Authority or the City shall
confirm such transmission promptly in writing by mail.

From the effective date of this Indenture, the Trustee, or any successor in interest, shall not be
considered in breach of or in default in its obligations with respect to any obligations created hereunder or
progress in respect thereto, in the event of enforced delay ("unavoidable delay") in the performance of
such obligations due to unforeseeable causes beyond its control and without its fault or negligence,
including, but not limited to, acts of God, or of the public enemy, acts of a government, acts of the other
party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion,
mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities,
sources of energy, material or supplies in the open market, litigation or arbitration involving a party or
others relating to zoning or other governmental action or inaction pertaining to the project, malicious
mischief, condemnation and unusually severe weather or delays of supplies or subcontractors due to such
causes or any similar event and/or occurrences beyond the control of the Trustee.

Section 6.02. Right of Trustee to Rely upon Documents, Etc. Except as otherwise provided
in Section 6.01 hereof:

(a) the Trustee may rely and shall be fully protected in acting upon any resolution, certificate,
statement, instrument, opinion, report, notice, request, consent, order, certificate or other paper or
document believed by it to be genuine and to have been signed or presented by the proper party or parties;
and shall not be bound to investigate the facts of matters stated therein, but, in the discretion of the
Trustee, may make such further inquiry or investigation as to such facts or matters as it deems
appropriate;

(b) any notice, request, direction, election, order or demand of the Authority or the City
mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Authority or
(c) the Trustee may consult with Counsel (who may be counsel for the Authority or the City) and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such Counsel; and

(d) whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized City Representative or an Authorized Authority Representative, as appropriate; and such certificate shall be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture upon the faith thereof.

The Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, in addition to that by the terms hereof required as a condition of such action, by the Trustee deemed desirable with respect to the withdrawal of any cash under this Indenture, or the taking of any other action by the Trustee.

The Trustee may, but shall be under no duty to, require of the City or the Authority full information and advice as to the performance of the covenants, conditions and agreements in this Indenture. However, the Trustee shall have no obligation to perform any of the duties of the City or the Authority under this Indenture.

The Trustee shall have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of the 2008 Bonds.

The Trustee’s rights to immunities and protection from liability hereunder and its rights to payment of its fees and expenses shall survive its resignation or removal and final payment or defeasance of the 2008 Bonds. All indemifications and releases from liability granted herein to the Trustee shall extend to the directors, officers, employees and agents of the Trustee.

Section 6.03. Trustee Not Responsible for Recitals. The recitals contained herein and in the 2008 Bonds shall be taken as the statements of the Authority and the City, and the Trustee assumes no responsibility for the validity or correctness of the same. The Trustee makes no representation as to the validity or sufficiency of this Indenture or of the 2008 Bonds or as to the sufficiency of the Project Revenues or the priority of any lien thereon, or as to the financial or technical feasibility of the Water System or any portion thereof and shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly provided herein. The Trustee shall not be accountable for the use or application of any of the 2008 Bonds delivered hereunder or of the proceeds of such 2008 Bonds except as expressly provided herein.

Section 6.04. Right of Trustee to Acquire 2008 Bonds. The Trustee and its officers and directors may acquire and hold, or become the pledgee of, 2008 Bonds and otherwise deal with the Authority and the City in the manner and to the same extent and with like effect as though it were not the Trustee hereunder.

Section 6.05. Moneys Received by Trustee to be Held is Trust. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they
were received, but need not be segregated from other trust funds except to the extent specifically required by this Indenture or required by law. The Trustee shall be obligated to invest all moneys received by it hereunder in accordance with Section 4.07 hereof. Any interest allowed on any such moneys shall be deposited in the account to which such moneys are credited.

Section 6.06. Compensation and Indemnification of Trustee. The Authority covenants to cause the Trustee to be paid from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee pursuant to the separate agreement entered into between the Authority and the Trustee, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Authority will cause the Trustee to be paid or reimbursed, upon request of the Trustee for all expenses and disbursements incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ, but excluding any fees, expenses and disbursements incurred in connection with the appointment of a separate trustee or co-trustee, which shall be paid by the Trustee). The Authority also covenants to indemnify the Trustee, its directors, officers and employees for, and to hold each of them harmless against, any loss, liability, expense (including reasonable legal fees and expenses) or advance incurred or made without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with (i) the acceptance or administration of this trust, (ii) the condition, management, maintenance or use of or from any work or thing done in connection with the Water System by the Authority, (iii) any act of negligence or willful misconduct of the City or the Authority or any of their agents, contractors, employees, invitees, licensees or officers in connection with the Water System, (iv) the delivery or sale of the 2008 Bonds and the carrying out of any of the transactions contemplated by the 2008 Bonds, this Indenture or the Installment Purchase Agreement; and (v) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure document utilized in connection with the delivery or sale of the 2008 Bonds including the fees, costs and expenses of defending itself against any claim of liability. The obligations of the Authority under this Section 6.06 and Section 6.13 hereof to cause the Trustee to be compensated for services and to be paid or reimbursed for expenses, disbursements and liabilities shall constitute additional obligations hereunder. Such additional obligations shall have priority over the 2008 Bonds in respect of all property and funds held or collected by the Trustee as such, except funds held by the Trustee for the benefit of the Owners of particular 2008 Bonds and except funds held in the Purchase Payment Account. Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all obligations secured hereby may have been fully paid and satisfied and this Indenture may have been released and discharged and the resignation or removal of the Trustee.

Section 6.07. Qualifications of Trustee. There shall at all times be a trustee hereunder which shall be a bank, corporation or trust company organized and doing business under the laws of the United States or any of the states of the United States, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority and, if required by law, qualified to do business in the State. Any successor Trustee to The Bank of New York Trust Company, N.A. shall have a combined capital and surplus of at least fifty million dollars ($50,000,000). If such bank, corporation or trust company publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.07, the combined capital and surplus of such corporation shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. For purposes of this Section 6.07, a bank or trust company shall be considered to have a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 if it is a wholly-owned subsidiary of a corporation.
having a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and such
corporation guarantees in writing the performance of such bank, corporation or trust company of its
obligations hereunder. In case at any time the Trustee shall cease to be eligible in accordance with the
provisions of this Section 6.07, the Trustee shall resign immediately in the manner and with the effect
specified in Section 6.08 hereof.

Section 6.08. Resignation and Removal of Trustee and Appointment of Successor Trustee.
(a) The Trustee may at any time resign by giving written notice to the Authority and by giving to the
Owners of the 2008 Bonds notice by mail of such resignation. Upon receiving such notice of resignation,
the Authority, at the direction of the City (which direction shall not be unreasonably withheld), shall
promptly appoint a successor trustee by an instrument in writing executed by an Authorized Authority
Representative. If no successor trustee shall have been so appointed and shall have accepted appointment
within sixty (60) days after the mailing of such notice of resignation, the resigning trustee may at the
expense of the Authority petition any court of competent jurisdiction for the appointment of a successor
trustee, or any Owner may, on behalf of himself and others similarly situated, petition any such court for
the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may
deem proper and prescribe, appoint a successor trustee.

(b) In case any of the following shall occur --

(1) the Trustee shall cease to be eligible in accordance with the provisions of
Section 6.07 hereof and shall fail to resign after written request therefor by the Authority or by
any owner who has been a bona fide Owner of a 2008 Bond for at least six months,

(2) the Trustee shall become incapable of acting, or shall be adjudged bankrupt or
insolvent, or a receiver of the Trustee or substantially all of its property shall be appointed, or any
public officer shall take charge or control of the Trustee or substantially all of its property or
affairs for the purpose of rehabilitation, conservation or liquidation,

(3) at such time as there is no Event of Default hereunder, the City shall determine to
remove the Trustee,

then, in any such case, the Authority, with the written approval of the City (which approval shall
not be unreasonably withheld), may remove the Trustee and appoint a successor trustee by an instrument
in writing executed by an Authorized Authority Representative, or any such Owner may, on behalf of
himself and all others similarly situated, petition any court of competent jurisdiction for the removal of
the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if
any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Owners of Outstanding 2008 Bonds representing a majority in aggregate principal
amount of Outstanding 2008 Bonds may at any time remove the Trustee and appoint a successor trustee
by an instrument or concurrent instruments in writing signed by such Owners.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to
any of the provisions of this Section 6.08 shall become effective upon acceptance of appointment by the
successor trustee as provided in Section 6.09 hereof.

Section 6.09. Acceptance of Trust by Successor Trustee. Any successor Trustee appointed
as provided in Section 6.08 hereof shall execute, acknowledge and deliver to the Authority, to the City
and to its predecessor Trustee an instrument accepting such appointment hereunder, to which instrument
the predecessor Trustee shall be a party, effectively releasing the predecessor Trustee of its obligations
hereunder and containing such terms and conditions as the predecessor Trustee may reasonably request, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Authority executed by an Authorized Authority Representative or of the City executed by an Authorized City Representative or on the request of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the trustee so ceasing to act. Upon request of any such successor Trustee, the Authority shall execute any and all instruments in writing necessary or desirable for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and duties.

No successor Trustee shall accept appointment as provided in this Section 6.09 unless at the time of such acceptance such successor Trustee shall be eligible under the provisions of Section 6.07 hereof.

Upon acceptance of appointment by a successor Trustee as provided in this Section 6.09, notice of the succession of such Trustee to the trusts hereunder shall be given by the successor Trustee by first class mail to each Rating Agency, as applicable, having a rating in effect for the 2008 Bonds.

Section 6.10. Merger or Consolidation of Trustee. Any corporation into which the Trustee may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which the Trustee shall be a party, or any corporation succeeding to the business of the Trustee, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor Trustee shall be eligible under the provisions of Section 6.07 hereof.

Section 6.11. Obligations of Trustee. Upon payment in full of all 2008 Bonds within the meaning of Section 10.03 hereof, the Trustee shall execute any certificate which the Authority or the City may reasonably request to evidence payment in full of the 2008 Purchase Payments under the terms of the Installment Purchase Agreement.

Section 6.12. Appointment of Co-Trustee. (a) It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Installment Purchase Agreement, and in particular in case of the enforcement of either on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section are adapted to these ends.

(b) In the event that the Trustee appoints an additional individual or institution as a separate trustee or co-trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and shall vest in such separate trustee or co-trustee but only to the extent necessary to enable such separate trustee or co-trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate trustee or co-trustee shall run to and be enforceable by either or both of the Trustee and such separate trustee or co-trustee.
(c) Should any instrument in writing from the Authority be required by the separate trustee or co-trustee so appointed by the Trustee for more fully and certainly vesting in and confirming to him or it such properties, right, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co-trustee, or a successor to either, shall die, become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co-trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co-trustee.

(d) Any appointment by the Trustee of an individual or institution as a separate trustee or co-trustee shall be made only with the prior written consent of the Authority, which consent shall not be unreasonably withheld, or upon court order.

Section 6.13. Paying Agent for 2008 Bonds. The Trustee is hereby appointed as the paying agent (the “Paying Agent”) for the 2008 Bonds.

The Paying Agent shall perform such duties and only such duties as are specifically authorized by the Trustee and in exercising such duties shall be entitled to the immunities and standard of care applicable to the Trustee prior to an Event of Default and after the curing of an Event of Default.

The Authority covenants to cause the Paying Agent to be paid from time to time, and the Paying Agent shall be entitled to, reasonable compensation for all services rendered by it pursuant to the agreement entered into between the Authority and the Paying Agent, subject to the provisions of Section 6.06 hereof, in the exercise and performance of any of the powers and duties hereunder of the Paying Agent, which compensation shall not be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Authority will cause the Paying Agent to be paid or reimbursed, upon request of the Paying Agent for all expenses and disbursements incurred or made by the Paying Agent in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense or disbursement as may arise from its own negligence or willful misconduct. The Authority also covenants to indemnify the Paying Agent for, and to hold it harmless against, any loss, liability, expense (including reasonable legal fees and expenses) or advance incurred or made without negligence or willful misconduct on the part of the Paying Agent, arising out of or in connection with the acceptance or administration of this trust, including the costs and expenses of defending itself against any claim of liability in the premises.

In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there is no successor, to the Trustee.

Section 6.14. Resignation or Removal of Paying Agent; Appointment of Successor. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days written notice to the Trustee and the Authority. Any Paying Agent may be removed at any time by an instrument filed with such Paying Agent and the Trustee. Any successor Paying Agent shall be appointed by the Authority, at the direction of the City and shall be a bank, corporation or trust company duly organized under the laws of the United States or any state or territory thereof, having a capital stock and surplus aggregating at least $10,000,000, and willing and able to accept the office on reasonable and customary terms and authorized by law to perform all the duties imposed upon it by this Indenture.
In the event of the resignation or removal of any Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or to the Trustee. In the event that for any reason there shall be a vacancy in the office of any Paying Agent, the Trustee shall act as such Paying Agent.

**ARTICLE VII**

**MODIFICATION AND AMENDMENT OF THE INDENTURE**

**Section 7.01. Amendment Hereof.** This Indenture and the rights and obligations of the Authority, of the owners of the 2008 Bonds and of the Trustee may be modified or amended at any time by a Supplemental Indenture which shall become binding upon its execution and delivery by the Authority and the Trustee, without consent of any 2008 Bond Owners, to the extent permitted by law but only:

(a) to add to the covenants and agreements of the Authority contained in this Indenture, other covenants and agreements hereafter to be observed, to pledge or assign additional security for the 2008 Bonds (or any portion thereof), or to surrender any right or power herein reserved to or conferred upon the Authority;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in this Indenture, or in any other respect whatsoever, as the Authority may deem necessary or desirable;

(c) to modify, amend or supplement the Indenture in such manner as to permit the qualification of this Indenture under the Trust Indenture Act of 1939, as amended, or any similar federal statute hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute;

(d) to amend any provision hereof relating to the Code, to any extent whatsoever but only if and to the extent such amendment will not adversely affect the exclusion from gross income of interest on any of the 2008 Bonds under the Code, in the opinion of Bond Counsel; or

(e) if, in the opinion in writing of Bond Counsel, such amendment or modification does not materially adversely affect the rights of the Owners of the 2008 Bonds.

Except as set forth in the preceding paragraph of this Section 7.01, this Indenture and the rights and obligations of the Authority and of the Owners of the 2008 Bonds may only be modified or amended at any time by a Supplemental Indenture which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2008 Bonds then Outstanding (determined in accordance with Section 10.08) are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any 2008 Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premium (if any) at the time and place and at the rate and in the currency provided therein of any 2008 Bond without the express written consent of the Owner of such 2008 Bond, (b) reduce the percentage of 2008 Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

Whenever a modification or amendment requires the consent of the Owners and the Trustee, the Authority may at any time enter into a Supplemental Indenture making a modification or amendment permitted by the provisions of this Section 7.01 to take effect when and as provided in this Section 7.01.
A copy of such supplemental Indenture (or brief summary thereof or reference thereto in form approved by the Trustee), together with a request to owners for their consent thereto in form satisfactory to the Trustee, shall be mailed by the Trustee to the Owners (but failure to mail such copy and request shall not affect the validity of the supplemental Indenture when consented to as in this Section 7.01 provided). Such Supplemental Indenture shall not be effective unless and until (a) there shall have been filed with the Trustee (i) the written consents of Owners of the percentages of outstanding 2008 Bonds specified in this Section 7.01 and (ii) an opinion of Counsel stating that such Supplemental Indenture has been duly and lawfully entered into by the parties thereto and filed with the Authority, the City and the Trustee in accordance with the provisions of this Indenture, is authorized or permitted by this Indenture, and is valid and binding upon the parties thereto in accordance with its terms. Each such consent shall be effective only if accompanied by proof of the Owner, at the date of such consent, of the 2008 Bonds with respect to which such consent is given, which proof shall be such as is permitted by Section 10.06 hereof. A certificate or certificates executed by the Trustee and filed with the City and the Authority stating that it has examined such proof and that such proof is sufficient in accordance with Section 10.06 hereof shall be conclusive that the consents have been given by the owners of the 2008 Bonds described in such certificate or certificates of the Trustee. Any such consent shall be binding upon the Owner of the 2008 Bonds giving such consent and, anything in Section 10.06 hereof to the contrary notwithstanding, upon any subsequent Owner of such 2008 Bonds and of any 2008 Bonds issued in exchange therefor (whether or not such subsequent Owner thereof has notice thereof). At any time after the Owners of the required percentages of 2008 Bonds shall have filed their consents to the Supplemental Indenture, the Trustee shall make and file with the Authority and the City a written statement that the Owners of such required percentages of 2008 Bonds have filed such consents. Such written statements shall be conclusive that such consents have been so filed. At any time thereafter, a notice stating in substance that the Supplemental Indenture (which may be referred to as a Supplemental Indenture entered into by the parties thereto on a stated date, a copy of which is on file with the Trustee) has been consented to by the Owners of the required percentages of 2008 Bonds and will be effective as provided in this Section 7.01, shall be given to owners by the Trustee at the expense of the Authority by mailing such notice to Owners (but failure to mail such notice shall not prevent such Supplemental Indenture from becoming effective and binding as in this Section 7.01 provided). The Trustee shall file with the Authority and the City proof of the mailing of such notice. A record, consisting of the certificates or statements required or permitted by this Section 7.01 to be made by the Trustee, shall be proof of the matters therein stated. Such Supplemental Indenture making such amendment or modification shall be deemed conclusively binding upon the Authority, the City and the Trustee and the Owners of all 2008 Bonds at the expiration of forty (40) days after the filing by the Trustee of the proof of the mailing of such last mentioned notice, except in the event of a final decree of a court of competent jurisdiction setting aside such Supplemental Indenture in a legal action or equitable proceeding for such purpose commenced within such forty (40) day period; provided, however, that the Trustee, the Authority and the city during such forty (40) day period and any such further period during which any such action or proceeding may be pending shall be entitled in their absolute discretion to take such action, or to refrain from taking such action, with respect to such Supplemental Indenture as they may deem expedient.

Section 7.02. Effect of Supplemental Agreement. From and after the time any Supplemental Indenture becomes effective pursuant to this Article VII, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding 2008 Bonds, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of any Supplemental Indenture shall be deemed to be part of the terms and conditions of this Indenture for any and all purposes.

Section 7.03. Endorsement or Replacement of 2008 Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the 2008
Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any 2008 Bond Outstanding at such effective date and presentation of his 2008 Bond for the purpose at the Corporate Trust Office of the Trustee, a suitable notation as to such action shall be made on such 2008 Bond. If the Authority shall so determine, new 2008 Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Owner of any 2008 Bond Outstanding at such effective date such new 2008 Bonds shall be exchanged at the Corporate Trust Office of the Trustee, without cost to each 2008 Bond Owner, for 2008 Bonds then outstanding, upon surrender of such Outstanding 2008 Bonds.

Section 7.04. Amendment by Mutual Consent. The provisions of this Article VII shall not prevent any 2008 Bond owner from accepting any amendment as to the particular 2008 Bond held by him, provided that due notation thereof is made on such 2008 Bond.

ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES

Section 8.01. Events of Default. The following events shall be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any 2008 Bond when and as the same shall become due and payable.

(b) Default in the due and punctual payment of any installment of interest on any 2008 Bond when and as such interest installment shall become due and payable.

(c) Failure by the Authority to observe and perform any of the covenants, agreements or conditions on its part in this Indenture or in the 2008 Bonds, other than as referred to in the preceding clauses (a) and (b), for a period of sixty (60) days, after written notice, specifying such failure and requesting that it be remedied has been given to the Authority, by the Trustee; provided, however, that if in the reasonable opinion of the Authority the failure stated in such notice can be corrected, but not within such sixty (60) day period, such failure shall not constitute an Event of Default if corrective action is instituted by the Authority within such sixty (60) day period and diligently pursued until such failure is corrected.

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws or any other applicable law of the United States of America, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the Authority or of the whole or any substantial part of its property.

(e) The occurrence of any Event of Default under the Installment Purchase Agreement.

Section 8.02. Remedies Upon Event of Default. If any Event of Default shall occur, then, and in each and every such case during the continuance of such Event of Default, the Trustee may, and at the written direction of the owners of a majority in aggregate principal amount of the 2008 Bonds at the time outstanding (determined in accordance with Section 10.08), and upon being indemnified to the Trustee’s satisfaction, shall, upon notice in writing to the Authority and the City, pursue any available remedy at law or in equity to enforce the payment of the principal of and interest and premium (if any) on
that such remedies shall not include any remedy of acceleration.

If an Event of Default shall have occurred and be continuing and if requested so to do by the owners of a majority in aggregate principal amount of Outstanding 2008 Bonds (determined in accordance with Section 10.08) and indemnified as provided in Section 6.01, the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article VIII, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the 2008 Bond Owners.

No remedy by the terms of this Indenture conferred upon or reserved to the Trustee (or to the 2008 Bond Owners) is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given to the Trustee or to the 2008 Bond Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power occurring upon any Event of Default shall impair any such right or power or shall be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

Section 8.03. Application of Project Revenues and Other Funds After Default. All amounts received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture or held in any fund or account established by this Indenture shall be applied by the Trustee in the following order upon presentation of the several 2008 Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid:

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Event of Default and in carrying out the provisions of this Article VIII and incurred in and about the performance of its powers and duties under this Indenture, including reasonable compensation to its agents, attorneys and counsel; and

Second, to the payment of the whole amount of interest on and principal of the 2008 Bonds then due and unpaid, with interest on overdue installments of principal and interest to the extent permitted by law at the net effective rate of interest then borne by the Outstanding 2008 Bonds; provided, however, that in the event such amounts shall be insufficient to pay in full the full amount of such interest and principal, then such amounts shall be applied in the following order of priority:

(a) first, to the payment of all installments of interest on the 2008 Bonds then due and unpaid, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full,

(b) second, to the payment of principal of the 2008 Bonds then due and payable, on a pro rata basis in the event that the available amounts are insufficient to pay all such principal in full, and

(c) third, to the payment of interest on overdue installments of principal and interest, on a pro rata basis in the event that the available amounts are insufficient to pay all such interest in full.

Section 8.04. Power of Trustee to Control Proceedings.

In the event that the Trustee, upon the happening of an Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the owners of at least a majority in aggregate principal amount of the 2008 Bonds then Outstanding (determined in accordance with Section 10.08), it shall have full power, in
the exercise of its discretion for the best interests of the Owners of the 2008 Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding 2008 Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any owner of 2008 Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all owners of 2008 Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the 2008 Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the 2008 Bonds for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective owners of the 2008 Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

Section 8.05. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the 2008 Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Project Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.06. Non-Waiver. Nothing in this Article VIII or in any other provision of this Indenture, or in the 2008 Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the 2008 Bonds to the respective Owners of the 2008 Bonds at the respective dates of maturity, as herein provided, out of the Project Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any 2008 Bond Owner shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the 2008 Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or 2008 Bond Owners by the Bond Law or by this Article VIII may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the 2008 Bond Owners, as the case may be.

Section 8.07. Rights and Remedies of 2008 Bond Owners. No Owner of any 2008 Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, the Installment Purchase Agreement or the 2008 Bonds, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the 2008 Bonds then Outstanding (determined in accordance with Section 10.08) shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee; and (e) no direction inconsistent with such written request has been given to the Trustee.
during such sixty (60) day period by the Owners of a majority in aggregate principal amount of the 2008 Bonds then Outstanding (determined in accordance with Section 10.08).

Such notification, request, tender of indemnity and refusal and omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of 2008 Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of 2008 Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the outstanding 2008 Bonds.

The right of any owner of any 2008 Bond to receive payment of the principal of and interest and premium (if any) on such 2008 Bond as herein provided or to institute suit for the enforcement of any such payment, shall not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Indenture.

Section 8.08. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the 2008 Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

[BOND INSURANCE PROVISIONS]
[to come, if needed]

ARTICLE X

MISCELLANEOUS

Section 10.01. Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Project Revenues, and the funds and accounts pledged or assigned under this Indenture, for the payment of principal of or interest on the 2008 Bonds, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Project Revenues, and the funds and accounts pledged or assigned under this Indenture, or otherwise from amounts payable under the Installment Purchase Agreement). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The 2008 Bonds shall be revenue bonds, payable exclusively from the Project Revenues and other funds as in this Indenture provided. Neither the general fund of the Authority nor the general fund of the City is liable, and the credit of the Authority and the City is not pledged, for the payment of the interest and premium (if any) on or principal of the 2008 Bonds. The Owners of the 2008 Bonds shall never have the right to compel the forfeiture of any property of the Authority or the City. The principal of
Section 10.02. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the City and the Owners of the 2008 Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee, the City and the Owners of the 2008 Bonds.

Section 10.03. Discharge of Indenture. If the Authority shall pay and discharge any or all of the Outstanding 2008 Bonds in any one or more of the following ways:

(a) by well and truly paying or causing to be paid the principal of, and the interest and premium (if any) on, such 2008 Bonds as and when the same become due and payable;

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture and the Installment Purchase Agreement, is fully sufficient to pay such 2008 Bonds, including all principal, interest and premium (if any); or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Defeasance Securities in such amount as Bond Counsel or an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture and the Installment Purchase Agreement, be fully sufficient to pay and discharge the indebtedness on such 2008 Bonds (including all principal and interest) at or before their respective maturity dates;

then, at the Request of the Authority, and notwithstanding that any of such 2008 Bonds shall not have been surrendered for payment, the pledge of the Project Revenues and other funds provided for in this Indenture with respect to such 2008 Bonds, and all other pecuniary obligations of the Authority under this Indenture with respect to all such 2008 Bonds, shall cease and terminate, except only the obligation of the Authority to pay or cause to be paid to the owners of such 2008 Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose as aforesaid, and all expenses and costs of the Trustee. Any funds held by the Trustee following any payment or discharge of the outstanding 2008 Bonds pursuant to this Section 10.03, which are not required for said purposes and the payment of the fees and expenses of the Trustee, shall be paid over to the Authority.

Section 10.04. Successor Is Deemed Including in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture the Authority is named or referred to, such reference shall be deemed to include the successor and assignee to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors and assigns whether so expressed or not.

Section 10.05. Content of Certificates. Every certificate with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the
opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, or upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

Section 10.06. Execution of Documents by 2008 Bond Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by 2008 Bond Owners may be in any number of concurrent writings of similar tenor and may be signed or executed by such 2008 Bond Owners in person or by their attorneys duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such attorney, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this section 9.06, or in any other manner satisfactory to the Trustee, which may nevertheless in its discretion require further or other proof in cases where it deems the same desirable.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution, by a guarantee of the signature thereon by a bank or trust company or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of 2008 Bonds shall be proved by the Registration Books. Any request, consent or vote of the owner of any 2008 Bond shall bind every future owner of the same 2008 Bond and the Owner of any 2008 Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the 2008 Bond Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Section 10.07. Disqualified 2008 Bonds. In determining whether the Owners of the requisite aggregate principal amount of 2008 Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, 2008 Bonds which are owned or held by or for the account of the City or the Authority (but excluding 2008 Bonds held in any employees retirement fund) shall be disregarded and deemed not to be outstanding for the purpose of any such determination; provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only 2008 Bonds which the Trustee knows to be so owned or held shall be disregarded. At the time of any consent or other action taken under this Indenture, the Authority and the City shall furnish the Trustee a certificate of an Authorized Authority Representative and Authorized City Representative, upon which the Trustee may rely, describing all 2008 Bonds so to be excluded.
Section 10.08. Determination of Percentage of 2008 Bond Owners; Exclusion of 2008 Bonds. Whenever in this Indenture the consent, direction or other action is required or permitted to be given or taken by a percentage of the Owners of an aggregate principal amount of outstanding 2008 Bonds (including by the Owners of a majority in aggregate principal amount of the Outstanding 2008 Bonds), such percentage shall be calculated on the basis of the principal amount of the outstanding 2008 Bonds determined as of the next succeeding Interest Payment Date.

Section 10.09. Waiver of Personal Liability. No officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the 2008 Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

Section 10.10. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed severable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the 2008 Bonds; but the 2008 Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the 2008 Bonds pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.11. Destruction of Cancelled 2008 Bonds. Whenever in this Indenture provision is made for the surrender to the Trustee of any 2008 Bonds pursuant to the provisions of this Indenture, the Trustee shall promptly cancel and destroy such 2008 Bonds and shall certify in writing as to such destruction.

Section 10.12. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with industry practices; in each case with due regard for the protection of the security of the 2008 Bonds and the rights of every Owner thereof. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the form of multiple funds, accounts or subaccounts therein. Notwithstanding any other provision in this Indenture, the Trustee shall only be required to open new funds or accounts when it receives, or is notified that it will receive, funds or moneys to be deposited and maintained in such funds or accounts.

Section 10.13. Recording and Filing. The Authority shall file, record, register, renew, refile and rerecord all documents as may be required by law in order to maintain the Installment Purchase Agreement and this Indenture, in such manner, at such times and in such places as required and to the extent permitted by law in order to fully perfect, preserve and protect the rights and interests of the owners.
Section 10.14. Payment on Business Days. Whenever in this Indenture any amount is required to be paid on a day which is not a Business Day, such payment shall be required to be made on the Business Day immediately following such day, provided that interest shall cease to accrue as of such day.

Section 10.15. Notices. Any notice, certificate, request, complaint, demand or other communication (other than payments by the Authority) under this Indenture shall be in writing and shall be sufficiently and shall be deemed given when delivered or mailed by first class mail or personal delivery to the party entitled thereto at its address set forth below, or by telecopy or other form of telecommunication, at its number set forth below. Notice shall be effective either (a) upon transmission by telecopy or other form of telecommunication, (b) 48 hours after deposit in the United States mail, postage prepaid, or (c) in the case of personal delivery to any person, upon actual receipt. The Authority, the City or the Trustee may, by written notice to the other parties, from time to time modify the address or number to which communications are to be given hereunder.

If to the Authority: Anaheim Public Financing Authority
200 South Anaheim Boulevard
Anaheim, California 92805
Attention: Secretary
Telecopier: (714) 254-5232

If to the City: City Clerk
City of Anaheim
200 South Anaheim Boulevard
Anaheim, California 92805

and

City of Anaheim
Public Utilities Department
201 South Anaheim Boulevard
Anaheim, California 92805
Attention: Public Utilities General Manager
Telecopier: (714) 765-4138

If to the Trustee: The Bank of New York Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017
Attention: Corporate Trust Department
Telecopier: (213) 630-6210

Section 10.16. Payments of 2008 Bonds; Unclaimed Moneys. (a) If and when the principal and interest on the 2008 Bonds issued pursuant hereto shall become due and payable in accordance with their terms, all amounts payable to the Trustee and the Paying Agent have been paid and the whole amount of the principal and interest due and payable on all of the 2008 Bonds shall have been paid or set aside for payment with the Trustee or a Paying Agent, then and in that case, the right, title and interest of the Trustee under this Indenture shall thereupon cease, terminate and become void, and the Trustee shall convey all property, other than money held by the Trustee or paying Agent for the payment of unpresented 2008 Bonds, and interest therein which it obtained under this Indenture free and clear of all liens thereon which the Trustee may have.

(b) Anything in this Indenture to the contrary notwithstanding, subject to the laws of the State, any moneys held by the Trustee in trust for the payment and discharge of the principal and interest on the 2008 Bonds which remain unclaimed for one year after the date when such payments have become due
and payable, if such moneys were held by the Trustee at such date, or for one year after the date of deposit of such moneys if deposited with the Trustee after said date when such 2008 Bonds become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the 2008 Bond Owners shall look only to the Authority for the payment of such 2008 Bonds; provided, however, that before being required to make any such payment to the Authority, the Trustee shall, at the expense of the Authority, cause to be mailed to the Owners of all such 2008 Bonds, at their respective addresses appearing on the Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date shall not be less than 30 days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Section 10.17. Governing Law. This Indenture shall be construed and governed in accordance with the laws of the State of California.

Section 10.18. Execution in Counterparts. This Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

Section 10.19. Consent of Parties. Whenever the consent or approval of any party to this Indenture is required by the terms of this Indenture, the consent or approval of such party shall not be unreasonably withheld.

Section 10.20. Headings. Headings preceding the text of the several Articles and Sections hereof, and the table of contents, are solely for convenience of reference and shall not constitute a part of this Indenture or affect its meaning, construction or effect.
IN WITNESS WHEREOF, the ANAHEIM PUBLIC FINANCING AUTHORITY has caused this Indenture to be signed in its name by its Executive Director, and THE BANK OF NEW YORK TRUST COMPANY, N.A., in token of its acceptance of the trust created hereunder, has caused this Indenture to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

ANAHEIM PUBLIC FINANCING AUTHORITY

By _________________________________

[SEAL]

Executive Director

Attest:

By _________________________________

Secretary

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

By _________________________________

Authorized Officer
EXHIBIT A

FORM OF 2008 BONDS

No.

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation (“DTC”), to the Authority or its agent for registration of transfer, exchange or payment and any Bond issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof, Cede & Co., has an interest herein.

NEITHER THE PAYMENT OF THE PRINCIPAL OR ANY PART THEREOF NOR ANY INTEREST THEREON CONSTITUTES A DEBT, LIABILITY OR OBLIGATION OF THE CITY OF ANAHEIM OR THE ANAHEIM REDEVELOPMENT AGENCY.

ANAHEIM PUBLIC FINANCING AUTHORITY
Revenue Bond, Series 2008
(Water System Project)

INTEREST RATE:   MATURITY DATE:   DATED DATE:   CUSIP:

October 1, _____ July __, 2008

REGISTERED OWNER:  CEDE & CO.  (TAX I.D. # 13-2555119)

PRINCIPAL AMOUNT:

The ANAHEIM PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the “Authority”), for value received, hereby promises to pay (but only out of the Project Revenues and other moneys and securities hereinafter referred to) to the registered owner identified above or registered assigns (the “Registered Owner”), on the maturity date identified above, the principal amount identified above in lawful money of the United States of America; and to pay interest thereon at the rate of interest identified above in like money semiannually on each April 1 and October 1, commencing October 1, 2008 (each, an “Interest Payment Date”) until payment of such principal amount in full. This Bond shall bear interest from the Interest Payment Date next preceding the date of authentication hereof (unless this Bond is executed on April 1 or October 1, in which event interest shall accrue from the date of execution hereof, or unless this Bond is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to September 15, 2008, in which event it shall bear interest from the dated date hereof; provided, however, that if, as of the date of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid, or made available for payment or if no interest has been paid, from the dated date hereof). Capitalized terms employed herein which are not defined herein shall have the same meanings as in the Indenture of Trust, dated as of July 1, 2008 (the “Indenture”), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”), or the Installment Purchase Agreement.
The principal amount hereof and premium hereon, if any, is payable upon presentation and surrender hereof at the Corporate Trust Office (the “Trust Office”) of the Trustee, in Los Angeles, California or such other place as designated by the Trustee. Interest hereon is payable by check or draft of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Registered Owner hereof at the address of the Registered owner as it appears on the Registration Books of the Trustee as of the fifteenth calendar day of the month preceding such Interest Payment Date; except that at the written request of the Registered Owner of at least $1,000,000 in aggregate principal amount of outstanding Bonds filed with the Trustee prior to the fifteenth calendar day of the month preceding any Interest Payment Date, interest on such Bonds shall be paid to such Registered Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request.

This Bond is one of a duly authorized issue of bonds of the Authority designated the “Anaheim Public Financing Authority Revenue Bonds, Series 2008 (Water System Project)” (the “Bonds”), limited in principal amount to $________ Million Dollars, secured by the Indenture. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Project Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions relating to the joint exercise of powers found in Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the “Act”). The Bonds are special obligations of the Authority and, as and to the extent set forth in the indenture, are payable solely from and secured by a pledge, charge and lien upon the Project Revenues, which consist of 2008 Purchase Payments to be made by the City under the Installment Purchase Agreement, and certain other moneys and securities held by the Trustee as provided in the Indenture. All of the Bonds are equally secured by a pledge of, and charge and lien upon, all of the project Revenues and such other moneys and securities, and the project Revenues and such other moneys and securities constitute a trust fund for the security and payment of the principal of and interest and premium (if any) on the Bonds. The full faith and credit of the Authority and the City is not pledged for the payment of the principal of or interest on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or the City or any of its income, receipts, or revenues except the Project Revenues and such other funds as provided in the Indenture.

Pursuant to the Installment Purchase Agreement, the City is obligated to make the 2008 Purchase Payments solely from Surplus Revenues in the Qualified Obligations Account and moneys held in certain funds and accounts established pursuant to the Indenture, subject to the provisions of the Indenture and the Installment Purchase Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein. The 2008 Purchase Payments shall be made from the proceeds of the sale of the Bonds deposited in the Purchase Payment Account, in the amounts and at the times set forth in the Indenture, and other moneys transferred to or deposited in the Purchase Payment Account pursuant to the Indenture. 2008 Purchase Payments and all other payments with respect to Qualified Obligations shall be equally secured by the Surplus Revenues in the Qualified Obligations Account without priority for number or date of incurrence of such Qualified Obligations. The Surplus Revenues in the Qualified Obligations Account shall be held in trust by the Treasurer of the City for the benefit of the holders of the Bonds and any other Qualified Obligations. Subject to the Installment Purchase Agreement, the obligations of the City to make the 2008 Purchase Payments and Additional Purchase Payments is absolute and unconditional, payable without any rights of set-off, abatement or modification.
the City might have against the Authority, the Trustee or any other party or parties while any 2008 Purchase Payments or Additional Purchase Payments remain unpaid, except that (i) the City will be obligated to make 2008 Purchase Payments solely from the Surplus Revenues in the Qualified Obligations Account, and (ii) the obligation of the City to make 2008 Purchase Payments and to pay Additional Purchase Payments will not in any way be construed to be a debt of the City, the Authority or the State of California, or any political subdivision thereof, in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, the Authority, the State of California, or any political subdivision thereof, nor will anything contained in the Installment Purchase Agreement constitute a pledge of general revenues, funds or monies of the City or the Authority or an obligation of the City or the Authority for which the City or the Authority is obligated to levy or pledge any form of taxation or for which the City or the Authority has levied or pledged any form of taxation.

The Bonds are issuable as fully registered Bonds without coupons in denominations of $5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, Bonds may be exchanged at the Trust Office of the Trustee or such other place as designated by the Trustee for an equal aggregate principal amount of Bonds of other authorized denominations and of the same tenor, series and maturity.

This Bond is transferable by the Registered Owner hereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee or such other place as designated by the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such surrender for transfer a new Bond or Bonds, of authorized denomination or denominations, of like tenor, series, maturity and aggregate principal amount will be issued to the transferee in exchange herefor. Except as set forth in the Indenture, the Authority and the Trustee may treat the Registered owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

The Indenture and the rights and obligations of the Authority and of the Registered Owners of the Bonds and of the Trustee may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or premium (if any) at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Registered Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

It is hereby certified that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been manually signed by the Trustee.
IN WITNESS WHEREOF, the Authority has caused this Bond to be executed in its name and on its behalf by the facsimile signatures of its Chairman and Secretary, all as of the dated date identified above.

ANAHEIM PUBLIC FINANCING AUTHORITY

By _________________________________
Chairman

Attest:

By _________________________________
Secretary
TRUSTEE’S CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned indenture and registered on the Registration Books.

Dated: ____________________, 2008

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

By _________________________________

Authorized Signatory
(FORM OF ASSIGNMENT)

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

____________________________________________________________

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

the within-registered Bond and hereby irrevocably constitutes) and appoints

____________________________________________________________

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

Dated: _______________________

Signature Guaranteed: Signature:

Note: Signature guarantee shall be made by a guarantor institution participating in the Securities Transfer Agents Medallion Program or in such other guarantee program acceptable to the Trustee.

Note: The signature on this assignment must correspond with the name(s) as written on the face of the within registered Bond in every particular without alternation or enlargement or any change whatsoever.
EXHIBIT B
FORM OF REQUISITION
Anaheim Public Financing Authority
Revenue Bonds, Series 2008
(Water System Project)

REQUISITION FOR DISBURSEMENT

The Bank of New York Trust Company, N.A.
700 South Flower Street, Suite 500
Los Angeles, California 90017
Attention: Corporate Trust Department

Subject: [COSTS OF ISSUANCE ACCOUNT][ACQUISITION FUND]
REQUISITION FOR PAYMENT NO. _____

Ladies and Gentlemen:

Pursuant to Section [4.05][4.06] of the Indenture of Trust, dated as of July 1, 2008, by and between the Anaheim Public Financing Authority and you, as Trustee, the undersigned hereby requests payment of the following [Costs of Issuance][Project Costs] (as defined in said Indenture of Trust) to the persons listed on Attachment A hereto.

The undersigned further states that the obligation in the stated amount is an item of [Costs of Issuance][Project Costs] and is a proper charge against the [Costs of Issuance Account][Acquisition Fund], and has not been the basis of any previous withdrawal from the [Costs of Issuance Account][Acquisition Fund].

Dated: ____________________________
ANAHEIM PUBLIC FINANCING AUTHORITY

By ________________________________
Authorized Authority Representative

cc:
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(SEE ATTACHED SUPPORTING DOCUMENTATION)
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