CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Disclosure Agreement”) is executed and delivered by the City of Anaheim, California (the “City”) and The Bank of New York Trust Company, N.A., as trustee (the “Trustee”), in connection with the issuance of $__________ aggregate principal amount of Anaheim Public Financing Authority Revenue Bonds, Series 2008 (Water System Project) (the “2008 Bonds”). The 2008 Bonds are being issued pursuant to an Indenture of Trust, dated as of July 1, 2008 (the “Indenture”), by and between the Anaheim Public Financing Authority (the “Authority”) and the Trustee. The City and the Trustee covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the City and the Trustee for the benefit of the Holders and Beneficial Owners of the 2008 Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

SECTION 2. Definitions. In addition to the definitions set forth in the Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section 2, the following capitalized terms shall have the following meanings:

“Annual Report” shall mean any Annual Report provided by the City pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person which (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of any 2008 Bonds (including persons holding 2008 Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any 2008 Bonds for federal income tax purposes.

“Dissemination Agent” shall mean initially, the City, acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the City, which may be the Trustee, and which has filed with the Trustee a written acceptance of such designation.

“Fiscal Year” shall mean the period beginning on July 1 of each year and ending on the next succeeding June 30, or any twelve-month or fifty-two week period hereafter selected by the City, with notice of such selection or change in Fiscal Year to be provided as set forth herein.

“Holder” shall mean either the registered owners of the 2008 Bonds, or, if the 2008 Bonds are registered in the name of The Depository Trust Company or another recognized depository, any applicable participant in such depository system.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.


“Participating Underwriter” shall mean any of the original underwriters of the 2008 Bonds required to comply with the Rule in connection with offering of the 2008 Bonds.

“Repository” shall mean each National Repository and each State Repository, if any.
“Rule” shall mean Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission. As of the date of this Disclosure Agreement, there is no State Repository.


(a) The City shall, or shall cause the Dissemination Agent to, not later than six months after the end of each Fiscal Year (presently by each December 31), commencing with the report for the 2008-09 Fiscal Year, provide to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may include by reference other information as provided in Section 4 of this Disclosure Agreement; provided that the audited financial statements of the City Water Utility Fund may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Fiscal Year changes for the City, the City shall give notice of such change in the manner provided under Section 5 hereof.

(b) Not later than fifteen (15) Business Days prior to the date specified in subsection (a) for providing the Annual Report to Repositories, the City shall provide its Annual Report to the Dissemination Agent (if other than the City). If by fifteen (15) Business Days prior to such date, the Dissemination Agent (if other than the City) has not received a copy of the Annual Report from the City, the Dissemination Agent shall contact the City to determine if the City is in compliance with subsection (a).

(c) If the Dissemination Agent is unable to verify that an Annual Report of the City has been provided to Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository and the Municipal Securities Rulemaking Board in substantially the form attached hereto as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine prior to the date for providing the Annual Report for such year the name and address of each National Repository and each State Repository, if any; and

(ii) by not later than the date required for delivery of the Annual Report to the Repositories pursuant to Section 3(a), file a report with the City (if the Dissemination Agent is other than the City and if the Dissemination Agent is not the Trustee, the Trustee) certifying that the Annual Report has been provided pursuant to this Disclosure Agreement, stating the date it was provided and listing all the Repositories to which it was provided. The Dissemination Agent (if other than the City) shall have no responsibility for the content of any Annual Report.

SECTION 4. Content of Annual Reports.

(a) The City’s Annual Report shall contain or include by reference the following:

(i) The audited financial statements of the City’s Water Utility Fund for the most recently completed Fiscal Year, prepared in accordance with generally accepted accounting
principles for governmental enterprises as prescribed from time to time by any regulatory body with jurisdiction over the City and by the Governmental Accounting Standards Board;

(ii) Updated information comparable to the information in Table 1 entitled “WATER SYSTEM STATISTICS” as it appears in the Official Statement;

(iii) Updated information comparable to the information in Table 2 entitled “WATER PRODUCTION” as it appears in the Official Statement;

(iv) Updated information comparable to the information in Table 3 entitled “WATER SALES” as it appears in the Official Statement;

(v) Updated information comparable to the information in Table 4 entitled “LARGEST WATER CUSTOMERS” as it appears in the Official Statement;

(vi) Updated information comparable to the information in Table 6 entitled “OPERATING EXPENSES” as it appears in the Official Statement; and

(vii) Updated information comparable to the information in Table 8 entitled “CITY OF ANAHEIM WATER UTILITY FUND – FINANCIAL RESULTS OF THE WATER SYSTEM.”

(b) Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues of the City or public entities related thereto, which have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The City shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the City shall give, or cause to be given, notice of the occurrence of any of the following events with respect to the 2008 Bonds, if material:

(i) principal and interest payment delinquencies;

(ii) non-payment related defaults;

(iii) modifications to rights of 2008 Bondholders;

(iv) optional, contingent or unscheduled 2008 Bond calls;

(v) defeasances;

(vi) rating changes;

(vii) adverse tax opinions or events affecting the tax-exempt status of the 2008 Bonds;

(viii) unscheduled draws on the debt service reserves reflecting financial difficulties;

(ix) unscheduled draws on the credit enhancements reflecting financial difficulties;
(x) substitution of credit or liquidity providers, or their failure to perform; or

(xi) release, substitution or sale of property securing repayment of the 2008 Bonds.

(b) Whenever the City obtains knowledge of the occurrence of a Listed Event, the City shall as soon as possible determine if such event would be material under applicable federal securities laws.

(c) If the City has determined that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the City shall promptly notify the Dissemination Agent (if other than the City) in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (e).

(d) If the City determines that the Listed Event would not be material under applicable federal securities laws, the City shall so notify the Dissemination Agent (if other than the City) in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (e).

(e) If the Dissemination Agent has been instructed by the City to report the occurrence of a Listed Event (if the Dissemination Agent is other than the City or, if the Dissemination Agent is the City and the City has determined that knowledge of the occurrence of the Listed Event would be material under applicable federal securities laws), the Dissemination Agent shall file a notice of such occurrence with the National Repositories or the Municipal Securities Rulemaking Board, and the State Repositories, if any. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Holders of affected 2008 Bonds pursuant to the Indenture.

SECTION 6. Termination of Reporting Obligation. The obligations of the City and the Trustee under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the 2008 Bonds. In addition, in the event that the Rule shall be amended, modified or repealed such that compliance by the City with Sections 3, 4 and/or 5 hereof shall no longer be required in any or all respects, then the City’s obligations hereunder shall terminate to a like extent.

SECTION 7. Dissemination Agent. The City may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The initial Dissemination Agent shall be the City.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the City and the Trustee may amend this Disclosure Agreement (and the Trustee shall agree to any amendment so requested by the City which does not impose any greater duties nor any greater risk of liability on the Trustee), and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a) or 4, it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the 2008 Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the 2008 Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and
(c) The amendment or waiver either (i) is approved by the Holders of the 2008 Bonds in the same manner as provided in the Indenture with respect to amendments to the Indenture which require the consent of Holders, or (ii) does not, in the opinion of the Trustee or nationally recognized bond counsel, materially impair the interests of the Holders or Beneficial Owners of the 2008 Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the City shall describe such amendment in its next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information or operating data being presented by the City. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements, (i) notice of such change shall be given in the manner as provided under Section 5, and (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the City from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report, in addition to that which is required by this Disclosure Agreement. If the City chooses to include any information in any Annual Report in addition to that which is specifically required by this Disclosure Agreement, the City shall have no obligation under this Disclosure Agreement to update such information or include it in any future Annual Report.

SECTION 10. Default. In the event of a failure of the City or the Dissemination Agent (if the Dissemination Agent is other than the City) to comply with any provision of this Disclosure Agreement, the Trustee may (and, at the request of any Participating Underwriter or the Holders of at least 25% aggregate principal amount of outstanding 2008 Bonds, shall, but only to the extent funds in an amount satisfactory to the Trustee have been provided to it or it has been otherwise indemnified to its satisfaction from any cost, liability, expense or additional charges of the Trustee whatsoever, including, without limitation, fees and expenses of its attorneys), or any Holder or Beneficial Owner of the 2008 Bonds may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City or the Dissemination Agent (if the Dissemination Agent is other than the City), as the case may be, to comply with its obligations under this Disclosure Agreement. The sole remedy under this Disclosure Agreement in the event of any failure of the City or the Dissemination Agent (if the Dissemination Agent is other than the City) to comply with this Disclosure Agreement shall be an action to compel performance. The Trustee shall not owe any fiduciary duty to the Participating Underwriters nor shall its failure to comply with the request of any Participating Underwriter result in a breach of any of its fiduciary duties owed to the Holders.

SECTION 11. Duties, Immunities and Liabilities of Trustee and Dissemination Agent. The Dissemination Agent (if other than the Trustee or the Trustee in its capacity as Dissemination Agent) shall have only such duties as are specifically set forth in this Disclosure Agreement, and the City agrees to indemnify and save the Dissemination Agent and Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys’ fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent or Trustee’s negligence or willful misconduct. The obligations of the City under this Section shall survive resignation or removal of the Dissemination Agent and payment of the 2008 Bonds. If the Trustee performs the duties assigned to it hereunder, the Trustee shall not be responsible to any person for any failure by the City or the Dissemination Agent (if other than the Trustee) to perform duties or obligations imposed hereby.
SECTION 12. **Beneficiaries.** This Disclosure Agreement shall inure solely to the benefit of the City, the Trustee, the Dissemination Agent, the Participating Underwriter and Holders and Beneficial Owners from time to time of the 2008 Bonds, and shall create no rights in any other person or entity. No person shall have any right to commence any action against the Trustee or the Dissemination Agent seeking any remedy other than to compel specific performance of this Disclosure Agreement. Neither the Trustee nor the Dissemination Agent shall be liable under any circumstances for monetary damages to any person for any breach of this Disclosure Agreement.

SECTION 13. **Notices.** All written notices to be given hereunder shall be given in person or by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

To the City: City of Anaheim  
200 South Anaheim Boulevard  
Anaheim, California 92805  
Attention: City Clerk

and: City of Anaheim  
Public Utilities Department  
201 South Anaheim Boulevard  
Anaheim, California 92805  
Attention: Public Utilities General Manager

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

The Trustee and the City may, by notice given hereunder, designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent. Unless specifically otherwise required by the context of this Disclosure Agreement, any notices required to be given hereunder to the Trustee or the City may be given by any form of electronic transmission capable of producing a written record. Each such party shall file with the Trustee information appropriate to receiving such form of electronic transmission.
SECTION 14. **Counterparts.** This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Dated: July __, 2008

CITY OF ANAHEIM

By __________________________
Public Utilities Assistant General Manager—
Finance and Administration

ATTEST:

______________________________
City Clerk

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

By __________________________
Authorized Officer
EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: ANAHEIM PUBLIC FINANCING AUTHORITY

Name of Issue: ANAHEIM PUBLIC FINANCING AUTHORITY REVENUE BONDS, SERIES 2008 (WATER SYSTEM PROJECT)

Date of Issuance: July __, 2008

NOTICE IS HEREBY GIVEN that the City of Anaheim, California (the “City”) has not provided an Annual Report with respect to the above-named 2008 Bonds as required by the Continuing Disclosure Agreement, dated July __, 2008 between the City and The Bank of New York Trust Company, N.A., as trustee. The City anticipates that the Annual Report will be filed by ___________________________.

Dated: _________________

CITY OF ANAHEIM

By: _______________________________

Title: _______________________________