
TRUST AGREEMENT

by and between

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.

as Trustee

and the

CITY OF PASADENA

Dated as of _____ 1, 2011

**\$ _____ City of Pasadena
Taxable Pension Obligation Bonds, Series 2011**

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TRUST AGREEMENT

This Trust Agreement (the "Trust Agreement") is made and entered into as of _____ 1, 2011, by and between The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as Trustee (the "Trustee"), and the City of Pasadena, a political subdivision duly organized and existing under and by virtue of the Constitution and laws of the State of California and its Charter (the "City");

WITNESSETH:

WHEREAS, the City is obligated pursuant to Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code (collectively, the "Retirement Law"), to make payments to the City of Pasadena Fire and Police Retirement System (the "System"); and

WHEREAS, pursuant to that certain Contribution Agreement by and between the City and System, dated as of March 18, 1999 (the "Former Contribution Agreement"), the City agreed to make reasonable efforts to cause to be issued pension obligation bonds sufficient to generate net proceeds of \$100 million to fund the unfunded accrued actuarial liability to the System; and

WHEREAS, in August 1999, the City issued its City of Pasadena Taxable Pension Funding Bonds, Series 1999, in the aggregate principal amount of \$101,940,000 to refinance additional unfunded actuarial accrued liability ("UAAL") payable to the System under the Contribution Agreement and thereby providing funds to the System for investment; and

WHEREAS, in August 2004, the City issued an additional \$41 million of City of Pasadena Taxable Pension Funding Bonds, Series 2004 (Index Bonds) to refinance additional UAAL payable to the System under the Contribution Agreement, by refunding debentures issued by the City to the System in an equivalent amount and thereby providing funds to the System for investment; and

WHEREAS, as of October __, 2011, the City and the System entered into an amended contribution agreement (No. ____) (the "Contribution Agreement") which, subject to the terms and conditions thereof, superseded and replaced the Former Contribution Agreement, and under which, subject to certain conditions, the City agreed to issue bonds in a sufficient amount to generate a net proceeds to be paid to the System, after payment of costs of issuance, of \$46.6 million; and

WHEREAS, the City now desires to evidence its obligation to the System to pay additional UAAL owed by the City to the System by issuing one or more debentures to the System in an aggregate amount not to exceed \$50 million; and

WHEREAS, the City further desires to issue bonds (the "Bonds") in one or more series or subseries in an aggregate principal amount not to exceed the lesser of (a) \$50 million, and (b) the amount of UAAL to the System existing as of the time of issuance of the Bonds, plus the

cost of issuance of the Bonds, for the purpose of refunding as much as all of the City's remaining UAAL obligations to the System and thereby providing funds to the System for investment; and

WHEREAS, in order to provide for the execution, authentication and delivery of the Bonds, to establish and declare the conditions and terms upon which the Bonds are to be issued and to secure the payment of the interest thereon and the principal or accreted value thereof, the City has authorized the execution and delivery of this Trust Agreement; and

WHEREAS, all acts and proceedings required by law necessary to make the Bonds, when executed by the City and authenticated and delivered by the Trustee hereunder, valid, binding and legal obligations of the City payable in accordance with their terms, and to constitute the Trust Agreement a valid and binding agreement of the parties hereto for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of the Trust Agreement has been in all respects duly authorized.

NOW, THEREFORE, THIS TRUST AGREEMENT WITNESSETH, that in order to secure the payment of the interest on and the principal or accreted value of all Bonds at any time issued and outstanding hereunder according to their tenor, and to secure the performance and observance of all the agreements and covenants herein and therein set forth, and to declare the conditions and terms upon and subject to which the Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants contained herein and of the purchase and acceptance of the Bonds by the respective registered holders thereof, and for other valuable considerations, the receipt whereof is hereby acknowledged, the City does hereby agree and covenant with the Trustee, for the benefit of the respective registered holders from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any Supplemental Trust Agreement and of any certificate, opinion, request or other document herein or therein mentioned have the meanings herein specified:

“Accreted Value” means, with respect to any Capital Appreciation Bond or Convertible Capital Appreciation Bond, as of the date of calculation, the initial principal amount thereof plus the interest accreted thereon to such date of calculation from the date of such Bond at the yield to maturity thereof compounded semiannually, as determined in accordance with the table of accreted values for such Bond prepared by the Original Purchasers at the time of sale thereof, assuming in any year that such Accreted Value increases in equal daily amounts on the basis of a year of three hundred sixty (360) days composed of twelve (12) calendar months of thirty (30) days each.

“Act” means Articles 10 and 11 (commencing with Section 53570) of Chapter 3 of Division 2 of Title 5 of the Government Code of the State.

“Bond Fund” means the City of Pasadena Taxable Pension Funding Bonds, Series 2011, Bond Fund established by the City with the Trustee pursuant to Section 3.01.

“Bonds” means the City of Pasadena Taxable Pension Funding Bonds of any Series authorized by and at any time Outstanding pursuant hereto that are executed, authenticated and delivered in accordance with Article II.

“Business Day” means any day other than (i) a Saturday or a Sunday, (ii) a day on which banking institutions in the city or cities in which the Corporate Trust Office of the Trustee, the principal corporate trust office of the Paying Agent or the office of the Credit Provider to which requests for payment are to be directed is located or banking institutions in New York, New York, are authorized or required by law to close, or (iii) a day on which the New York Stock Exchange is closed.

“Capital Appreciation Bond” means a Fixed Rate Bond, if any, the interest component of which is compounded semiannually on each Interest Payment Date through the maturity date of such Bond as specified in the table of Accreted Values for such Bond.

“Certificate of the City” means an instrument in writing signed by either the City Manager of the City or the Director, or by any other officer of the City duly authorized by the City Council of the City for that purpose.

“City” means the City of Pasadena, a political subdivision duly organized and existing under and by virtue of the Constitution and laws of the State and its Charter.

“Closing Date” means the date on which the Bonds are initially delivered to the Original Purchasers.

“Continuing Disclosure Agreement” means that certain Continuing Disclosure Agreement between the City and the Trustee dated _____, 2011.

“Contribution Agreement” means the certain amended Contribution Agreement between the City and the System, dated as of October __, 2011 (No. _____).

“Conversion Date” means the date on which a new Mode becomes effective for a Series of Variable Rate Bonds, and with respect to a Series of Variable Rate Bonds in a Multiannual Rate Mode, the date on which a new Rate Period becomes effective for such Series of the Bonds.

“Convertible Capital Appreciation Bond” means a Fixed Rate Bond the interest component of which is compounded semiannually on each Interest Payment Date during the Accretion Period as specified in the table of Accreted Values for such Bond, and thereafter the interest component of which is payable semiannually on each Interest Payment Date through the maturity date of such Bond.

“Corporate Trust Office” means the principal corporate trust office of the Trustee in Los Angeles, California, provided, that the Trustee may designate in writing to the City and the

Holders such other office or agency from time to time for purposes of registration, transfer, exchange, payment or redemption of any of the Bonds.

“Credit Facility” means, with respect to any Series of Bonds, any letter of credit, surety bond, insurance policy or other credit facility, or any combination thereof, issued by the Credit Provider to the Paying Agent and then in effect securing or guaranteeing the payment of principal of and interest on such Series of Bonds.

“Credit Provider” means any bank, insurance company or other financial institution or other entity providing a Credit Facility.

“Current Interest Bond” means a Fixed Rate Bond the interest component of which is payable semiannually on each Interest Payment Date through the maturity date of such Bond.

“Debenture” means the Pension Obligation Debenture dated _____, 2011, issued by the City in favor of the System in the principal amount of \$46,600,000.

“Delivery Date” means, with respect to a Variable Rate Bond tendered for purchase, the Purchase Date or any subsequent Business Day on which such Variable Rate Bond is delivered to the Paying Agent, as provided in the forms of Flexible Rate Mode Bonds, Weekly Rate Mode Bonds and Multiannual Rate Mode Bonds contained in Appendix A.

“Director” means the Director of Finance of the City.

“Effective Date” means, with respect to a Series of Variable Rate Bonds in a Flexible Rate Mode, a Weekly Rate Mode or a Multiannual Rate Mode, the date on which a new Rate Period for such Series of Variable Rate Bonds takes effect.

“Event of Bankruptcy” means the filing of a petition in bankruptcy or the commencement of a proceeding under the United States Bankruptcy Code or any other applicable law concerning insolvency, reorganization or bankruptcy by or against the City.

“Event of Default” means an event described as such in Section 7.01.

“Financial Newspaper” means The Wall Street Journal, or any other newspaper or journal printed in the English language publishing financial news that is selected by the Trustee, who shall be under no liability by reason of such selection.

“Fiscal Year” means the twelve-month period terminating on June 30 of each year, or any other annual accounting period hereafter designated by the City as its Fiscal Year in accordance with applicable law.

“Fitch” means Fitch Ratings, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“Fixed Rate” means a rate of interest on a Fixed Rate Mode Bond that is set by the Remarketing Agent for the remaining term of such Bond, calculated on the basis of a 360-day year consisting of twelve 30-day months.

“Fixed Rate Bonds” means the Series 2011A (Fixed Rate) Current Interest Bonds, and any Series 2011A (Fixed Rate) Capital Appreciation Bonds and Series 2011A (Fixed Rate) Convertible Capital Appreciation Bonds.

“Fixed Rate Conversion Date” means, with respect to a Series of Variable Rate Bonds, the date upon which a Fixed Rate becomes effective for such Series of Variable Rate Bonds.

“Fixed Rate Mode” has the meaning set forth in the form of Fixed Rate Mode Bonds contained in Appendix A.

“Fixed Rate Mode Bonds” means a Series of Variable Rate Bonds in a Fixed Rate Mode.

“Flexible Rate” means a rate of interest on a Flexible Rate Mode Bond that is set by the Remarketing Agent for periods of from one (1) to two hundred seventy (270) days, calculated on the basis of a 360-day year and actual days elapsed.

“Flexible Rate Mode” has the meaning set forth in the form of Flexible Rate Mode Bonds contained in Appendix A.

“Flexible Rate Mode Bonds” means a Series of Variable Rate Bonds in a Flexible Rate Mode.

“Holder” means any person who shall be the registered owner of any Outstanding Bond, as shown on the registration books maintained by the Trustee pursuant to Section 2.16.

“Independent Certified Public Accountant” means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State or a comparable successor, appointed and paid by the City, and who, or each of whom --

- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as a member of the City Council, officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

“Information Services” means Financial Information, Inc.’s “Daily Called Bond Service,” 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor;

FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, 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 the redemption of bonds or the prepayment of certificates of participation as the City may designate in a Certificate of the City filed with the Trustee.

“Interest Payment Account” means the account by that name in the Bond Fund established pursuant to Section 3.02.

“Interest Payment Date” means a date on which interest is due on any of the Bonds.

“Liquidity Facility” means any surety bond, liquidity facility or other instrument, or any combination thereof, issued by the Liquidity Provider to the Paying Agent and then in effect securing or under which funds are available to pay the purchase price of any Variable Rate Bonds tendered or deemed tendered and not remarketed.

“Liquidity Provider” means any bank, insurance company or other financial institution or other entity providing a Liquidity Facility.

“Liquidity Provider Bond” means any Variable Rate Bond purchased with proceeds provided by a drawing under the Liquidity Facility which is registered to the Liquidity Provider or its nominee.

“Liquidity Provider Bond Rate” means the rate of interest paid to the Liquidity Provider on any Liquidity Provider Bonds.

“Maximum Interest Rate” means the maximum interest rate on a Series of Variable Rate Bonds in the Flexible Rate Mode, the Weekly Rate Mode, the Multiannual Rate Mode or the Fixed Rate Mode, which rate is twelve per cent (12%) per annum, except that the maximum interest rate on any Liquidity Provider Bonds shall be 20% per annum.

“Mode” means the period for and the manner in which the interest rates on a Series of Variable Rate Bonds is determined.

“Multiannual Rate” means a rate of interest on a Multiannual Rate Mode Bond that is set by the Remarketing Agent for periods of one (1) year or integral multiples thereof designated by the City (except that the first Rate Period may vary as provided herein), computed on the basis of a 360-day year consisting of twelve 30-day months.

“Multiannual Rate Mode” has the meaning set forth in the form of Multiannual Rate Mode Bonds contained in Appendix A.

“Multiannual Rate Mode Bonds” means a Series of Variable Rate Bonds in a Multiannual Rate Mode.

“Obligations” means, for any Fiscal Year, the amount of interest and principal or Accreted Value payable on the Bonds during such Fiscal Year (including amounts payable on the Variable Rate Bonds through and including the next succeeding May 15 payment date); provided, that for each Fiscal Year in which a Series of Variable Rate Bonds shall bear interest in a Flexible Rate Mode or in a Weekly Rate Mode, (i) for any period in which a Swap Agreement is in effect with respect to such Series of Variable Rate Bonds, the amount of interest payable on such Series of Variable Rate Bonds for such period shall be deemed to be equal to the amount required to be paid by the City to the Qualified Counterparty pursuant to such Swap Agreement for such period; and (ii) if no Swap Agreement is in effect for such period, the amount of interest payable on such Series of Variable Rate Bonds shall be the average of the actual interest rate paid on such Bonds for the preceding twelve months plus one hundred (100) basis points.

“Opinion of Counsel” means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, appointed and paid by the City and satisfactory to and approved by the Trustee (who shall be under no liability by reason of such approval).

“Original Purchasers” means the underwriters named in the contracts of purchase for the Bonds, as original purchasers of the Bonds.

“Outstanding,” when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 6.02) all Bonds (including Bonds referred to in Section 8.01(c)) except:

- (1) Bonds theretofore canceled and destroyed by the Trustee or surrendered to the Trustee for cancellation and destruction;
- (2) Bonds paid or deemed to have been paid within the meaning hereof;
- (3) Bonds in lieu of or in substitution for which other Bonds shall have been executed by the City and authenticated and delivered by the Trustee pursuant hereto; and
- (4) Tendered Bonds not delivered to the Paying Agent on the Purchase Date, so long as sufficient money is then on deposit with the Paying Agent for the payment of the Purchase Price thereof.

Notwithstanding anything to the contrary contained herein, in any calculation of Outstanding Bonds hereunder, the Accreted Value of any Capital Appreciation Bond or of any Convertible Capital Appreciation Bond, as the case may be, shall be deemed to be the principal amount thereof.

“Paying Agent” means The Bank of New York Mellon Trust Company, N.A., or any successor or successors thereto appointed from time to time pursuant to Section 5.05.

“Permitted Investments” means any of the following obligations as and to the extent that such obligations are at the time legal investments for moneys held hereunder and then proposed to be invested therein:

(1) The following obligations may be used as Permitted Investments for all purposes, including as defeasance investments in refunding escrow accounts:

(A) Cash (insured at all times by the Federal Deposit Insurance Corporation or otherwise collateralized with obligations described in paragraph (ii) below), or

(B) Direct obligations of (including obligations issued or held in book entry form on the books of) the Department of the Treasury of the United States of America, or

(C) Senior debt obligations of other Government Sponsored Agencies.

(2) The following obligations may also be used as Permitted Investments for all purposes other than defeasance investments in refunding escrow accounts:

(A) United States Treasury Bills, Bonds, and Notes or those for which the full faith and credit of the United States are pledged for payment of principal and interest.

(B) Obligations issued by the Government National Mortgage Association (GNMA), the Federal Farm Credit Bank System (FFCB), the Federal National Mortgage Association (FNMA), the Federal Home Loan Mortgage Association (FHLMC), the Student Loan Marketing Association (SLMA) and the Tennessee Valley Authority (TVA) and the Federal Home Loan Bank.

(C) Bills of exchange or time drafts drawn on and accepted by commercial banks, otherwise known as banker’s acceptances. Banker’s acceptances purchased may not exceed 180 days to maturity or 40% of the cost value of the portfolio. No more than 30% shall be invested in any one commercial bank pursuant to Section 53601(f) of the Government Code.

(D) Investments in Repurchase agreements or securities lending agreements may be made when the term of the agreement does not exceed one year. The market value of the securities used as collateral for the repurchase agreements shall be monitored by the investment staff and shall not be allowed to fall below 102% of the value of the repurchase agreement. A PSA Master Repurchase Agreement is required between the City and the broker dealer or financial institution for all Repurchase agreements transacted.

(E) Reverse repurchase agreements or securities lending agreement which specifies terms and conditions may be transacted with broker/dealers and financial institutions but can not exceed 20% of the portfolio base value on the

date entered into with the conditions as specified in Section 53601(i)(3)(B) of the Government Code.

(F) Local Agency Investment Fund (LAIF) which is a State of California managed investment pool may be used up to the maximum permitted by California State Law.

(G) Time deposits, non-negotiable and collateralized in accordance with the California Government Code, may be purchased through banks or savings and loan associations. Since time deposits are not liquid, no more than 25% of the investment portfolio may be invested in this investment type.

(H) Medium Term Corporate Notes, with a maximum remaining maturity of five years or less may be purchased. Securities eligible for investment shall be rated "A" or better by Moody's or Standard and Poor's rating services. Purchase of medium term notes may not exceed 30% of the cost value of the portfolio and no more than 5% of the cost value of the portfolio may be invested in notes issued by one corporation. Commercial paper holdings should also be included when calculating the 5% limitation. Negotiable Certificates of Deposit issued by nationally or state chartered banks or state or federal savings institutions. Purchases of negotiable certificates of deposit may not exceed 30% of total portfolio.

(I) Shares of beneficial interest issued by diversified management companies investing in the securities and obligations as authorized by subdivisions (a) to (j) inclusive, of the Government Section or subdivision (m) or (n) and that comply with the investment restrictions of this article and Article 2 (commencing with Section 53630). To be eligible for investment pursuant to this subdivision, these companies shall either:

- Attain the highest ranking or the highest letter and numerical rating provided by not less than two of the three largest nationally recognized rating services.
- Retain an investment advisor registered with the Securities and Exchange Commission with no less than five years' experience investing in the securities and obligations as authorized by subdivisions (a) to (j), inclusive, and with assets under management in excess of five hundred million dollars (\$500,000,000). The purchase price of shares of beneficial interest purchased pursuant to this subdivision shall not include any commission that these companies may charge and shall not exceed 20 percent of the agency's surplus money that may be invested pursuant to this section. No more than 10% of the portfolio may be invested in any one mutual fund at the date of purchase.

(J) Registered state warrants or treasury notes or bonds, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the state or by a department, board, agency, or authority of the state.

(K) Bonds, notes, warrants or other indebtedness of any local agency within this state, including bonds payable solely out of the revenues from a revenue-producing property owned, controlled, or operated by the local agency, or by a department, board, agency, or authority of the local agency.

(L) Any mortgage pass-through security, collateralized mortgage obligation mortgage-backed or other pay-through bond, equipment lease-backed certificate, consumer receivable pass-through certificate, or consumer receivable-backed bond of a maximum of five years maturity. Securities eligible for investment under this subdivision shall be issued by an issuer having an "A" or higher rating for the issuer's debt as provided by an a nationally recognized rating service and rated in a rating category of "AA" or its equivalent or better by a nationally recognized rating service. Purchase of securities authorized by this subdivision may not exceed 20% of the agency's surplus money that may be invested pursuant to this section.

(M) Contracts issued by insurance companies that provide the policyholder with the right to receive a fixed or variable rate of interest and the full return of principal at the maturity date.

(N) Notwithstanding anything to the contrary contained in this section, Section 53635 of the Government Code, or any other provision of law, moneys held by a trustee or fiscal agent and pledged to the payment or security of bonds or other indebtedness, or obligations under a lease, installment sale, or other agreement of a local agency, or certificates of participation in those bonds, indebtedness, or lease installment sale, or other agreements, may be invested in accordance with the statutory\ provisions governing the issuance of those bonds, indebtedness, or lease installment sale, or other agreement, or to the extent not inconsistent therewith, or if there are no specific statutory provisions, in accordance with the ordinance, resolution, indenture, or agreement of the local agency providing for the issuance.

(O) Notes, bonds, or other obligations that are at all times secured by a valid first priority security interest in securities of the types listed by Section 53651 of the Government Code as eligible securities for the purpose of securing local agency deposits having a market value at least equal to that required by Section 53652 of the Government Code for the purpose of securing local agency deposits. The securities serving as collateral shall be placed by delivery or book entry into the custody of a trust company or the trust department of a bank which is not affiliated with the issuer of the secured obligation, and the security interest shall be perfected in accordance with requirements of the Uniform Commercial

Code or federal regulations applicable to the types of securities in which the security interest is granted.

“Principal Payment Account” means the account by that name in the Bond Fund established pursuant to Section 3.02.

“Principal Payment Date” means a date on which the principal (and, in the case of a Capital Appreciation Bond, the Accreted Value) is due at maturity on any of the Bonds.

“Purchase Date” means, while a Series of Variable Rate Bonds is in a Flexible Rate Mode, a Weekly Rate Mode or a Multiannual Rate Mode, the date on which such Series of the Bonds is required to be purchased pursuant to mandatory or optional tender in accordance with the provisions set forth in the forms of Flexible Rate Mode Bonds, Weekly Rate Mode Bonds and Multiannual Rate Mode Bonds contained in Appendix A.

“Purchase Price” has the meaning set forth in the forms of Flexible Rate Mode Bonds, Weekly Rate Mode Bonds and Multiannual Rate Mode Bonds contained in Appendix A.

“Qualified Counterparty” means the counterparty (approved in writing by the Credit Provider) to a Swap Agreement.

“Rate Period” means, when used with respect to any particular rate of interest for a Series of Variable Rate Bonds in a Flexible Rate Mode, a Weekly Rate Mode or a Multiannual Rate Mode, the period during which such rate of interest determined for such Series of the Bonds will remain in effect as described herein.

“Rating Agencies” means Fitch and Standard & Poor’s, or, in the event that either Fitch or Standard & Poor’s no longer maintains a rating on the Bonds, any other nationally recognized bond rating agency then maintaining a rating on the Bonds selected by the City, but in each instance only so long as Fitch, Standard & Poor’s or such other nationally recognized bond rating agency then maintains a rating on the Bonds.

“Refunding Fund” means the City of Pasadena Taxable Pension Funding Bonds, Series 2011, Refunding Fund established by the City in the treasury of the City pursuant to Section 2.11.

“Reimbursement Agreement” means any reimbursement agreement, credit agreement, commitment letter or other agreement between the City and a Credit Provider or Liquidity Provider or undertaking by the City, under which the City is obligated to reimburse such Credit Provider or Liquidity Provider for payments made by such Credit Provider or Liquidity Provider from drawings or advances made under a Credit Facility or Liquidity Facility.

“Remarketing Agent” means any remarketing agent, or any successor or successors thereto appointed from time to time pursuant to Section 5.06.

“Representation Letters” means the letters of representation to The Depository Trust Company, New York, New York, from the City and from the Trustee relating to the Bonds.

“Retirement Law” means the Article XV of the City Charter and Article II, Chapter 2.250 of the Pasadena Municipal Code.

“SB481 Receipts” shall have the meaning ascribed to this term in the Contribution Agreement.

“Securities Depositories” means: The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Telecopy: (516) 227-4039 or 4190; or, in accordance with then current guidelines of the Securities and Exchange Commission, any other securities depository that the City may designate in a Certificate of the City delivered to the Trustee.

“Series” means any of the Bonds designated herein at the time of the original issuance of such Bonds as a separate Series of the Bonds.

“Series 2011 Bonds” means, collectively, the Series 2011A (Fixed Rate) Bonds and the Series 2011B (Variable Rate) Bonds.

“Series 2011A (Fixed Rate) Bonds” means the Series of Fixed Rate Bonds of such designation in the aggregate principal amount of \$_____.

“Series 2011A (Fixed Rate) Current Interest Bonds” means the Current Interest Fixed Rate portion of the Series of the Bonds of such designation in the aggregate principal amount of \$_____.

“Series 2011B (Variable Rate) Bonds” means the Series of Variable Rate Bonds of such designation in the aggregate principal amount of \$_____.

“Standard & Poor’s” means Standard & Poor’s Corporation, its successors and their assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Authority.

“State” means the State of California.

“Supplemental Trust Agreement” means any trust agreement then in full force and effect which has been duly executed and delivered by the Trustee and the City amendatory hereof, but only if and to the extent that such Supplemental Trust Agreement is specifically authorized hereunder.

“Swap Agreement” means a written agreement for the purpose of managing or reducing the City’s exposure to fluctuations in interest rates or for any other interest rate investment, asset or liability managing purpose entered into either on a current or forward basis by the City and a Qualified Counterparty that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, options on such payments or any combination thereof, or any similar device.

“System” means the City of Pasadena Fire and Police Retirement System.

“Tendered Bond” means any Bond tendered or deemed tendered for purchase pursuant to Article II.

“Treasurer” means the Treasurer of the City.

“Trust Agreement” means this Trust Agreement made and entered into as of August 1, 2011, by and between the Trustee and the City, as originally executed and as it may from time to time be amended by all Supplemental Trust Agreements executed pursuant to the provisions hereof.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., or any other association or corporation which may at any time be substituted in its place as provided in Section 5.01.

“Variable Rate Bonds” means the Series 2011B (Variable Rate) Bonds.

“Weekly Rate” means a rate of interest on a Weekly Rate Mode Bond that is set by the Remarketing Agent for a period of seven (7) days, calculated on the basis of a 365 or 366-day year, as applicable, and actual days elapsed.

“Weekly Rate Mode” has the meaning set forth in the form of Weekly Rate Mode Bonds contained in Appendix A.

“Weekly Rate Mode Bonds” means a Series of Variable Rate Bonds in a Weekly Rate Mode.

“Written Request of the City” means an instrument in writing signed by the City Executive of the City or the Director, or by any other officer of the City duly authorized by the City Council of the City for that purpose.

Section 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, the Trust Agreement shall be deemed to be and shall constitute a contract by and among the City, the Trustee and the Holders from time to time of all Bonds authorized, executed, authenticated and delivered hereunder and then Outstanding to provide for the payment of the interest on and the principal or Accreted Value of all Bonds which may from time to time be authorized, executed, authenticated and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the City shall be for the equal and proportionate benefit, protection and security of all Holders of the Bonds without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number or date thereof or the time of authorization, execution, authentication or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

GENERAL BOND PROVISIONS

Section 2.01. Authorization and Purpose of Bonds. The City has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, that the City is now duly authorized, pursuant to each and every requirement of the Act, to issue the Bonds in the form and manner and for the purpose provided herein, that the Bonds shall be entitled to the benefit, protection and security of the provisions hereof, that the City is duly authorized pursuant to law to enter into the Trust Agreement, that the Bonds and the provisions hereof are legal, valid and binding obligations of the City in accordance with their terms and that the Bonds constitute obligations of the City imposed by law.

Section 2.02. Assignment and Pledge for the Bonds. The City hereby irrevocably assigns and pledges to the Trustee, in trust for the security of the Holders and the Credit Provider upon the terms hereof, all the City's rights, title and interest in and to all money and securities for deposit in, or deposited in, the Bond Fund and any investment earnings thereon, and any collateral security for, and all proceeds of, any of the foregoing. The Trustee shall hold all the rights, title and interest received under this section and all money and securities (exclusive of money to which the Trustee is entitled in its own right as fees, indemnity, reimbursement or otherwise) received from the City or derived from the exercise of the City's powers hereunder in trust for the security of the Holders and the Credit Provider in accordance with the provisions hereof. The City shall from time to time execute, deliver, file and record such instruments as the Trustee may reasonably require to confirm, perfect or maintain the security created hereby and the assignment and pledge hereby of the rights, title and interest assigned and pledged by the City to the Trustee and the Credit Provider hereunder.

Section 2.03. Terms of the Bonds. The Bonds shall be issued in fully registered form and the Bonds of each Series shall be numbered in any manner deemed appropriate by the Trustee.

The Series 2011A (Fixed Rate) Current Interest Bonds shall mature (subject to prior redemption as provided herein) on the dates and shall bear interest (payable on May 15, 2012, and semiannually thereafter on November 15 and May 15 of each year through the maturity dates thereof) at the interest rates per annum as follows:

Maturity Date (May 15)	Principal Amount	Interest Rate
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%
	\$	%

The Series 2011B (Variable Rate) Bonds shall be in the initial principal amount of \$_____ shall mature on May 15, 20__, and shall be initially issued in a Multiannual Rate Mode for an initial Rate Period ending on May 15, 20__, with an initial Multiannual Rate of _____% per annum, and shall bear interest (payable as provided herein) and shall be subject to prior redemption and mandatory tender as provided herein.

The Series 2011A (Fixed Rate) Current Interest Bonds shall be in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof. The Variable Rate Bonds shall be in the denomination of one hundred thousand dollars (\$100,000) or any integral multiple of one thousand dollars (\$1,000) in excess of one hundred thousand dollars (\$100,000) while in the Flexible Rate Mode, five thousand dollars (\$5,000) or any integral multiple thereof while in the Fixed Rate and Multiannual Rate Modes and one hundred thousand dollars (\$100,000) or any integral multiple thereof while in the Weekly Rate Mode. The Bonds shall be dated the Closing Date, and the principal or Accreted Value thereof shall be payable on their respective Principal Payment Dates as provided herein.

The interest on the Series 2011A (Fixed Rate) Current Interest Bonds shall be payable in lawful money of the United States of America on their respective Interest Payment Dates, as set forth in the form of the Current Interest Bonds contained in Appendix A. The interest on the Variable Rate Bonds shall be payable in lawful money of the United States of America on their respective Interest Payment Dates, as set forth in the forms of the Variable Rate Bonds contained in Appendix A. The principal or Accreted Value of the Bonds shall be payable in lawful money of the United States of America on their Principal Payment Dates upon surrender of the Bonds at the Corporate Trust Office of the Trustee. Interest on overdue principal or Accreted Value of any Bond shall bear interest payable in lawful money of the United States of America at the rate last established for that Bond before the principal or Accreted Value thereof became overdue until duly paid or provided for.

Principal and interest on any other Series of Bonds shall be as set forth in the Supplemental Trust Agreement authorizing such Series.

The obligations of the City under the Bonds, including the obligation to make all payments of the interest on and the principal or Accreted Value of the Bonds when due or upon prior redemption, are obligations of the City imposed by law and are absolute and unconditional, without any right of set-off or counterclaim. The Bonds do not constitute an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation, and neither the Bonds nor the obligation of the City to make payment of the interest on or the principal or Accreted Value of the Bonds constitutes an indebtedness of the City, the State, or any of its political subdivisions within the meaning of any constitutional or statutory debt limitation or restriction.

Section 2.04. Interest Rates on the Variable Rate Bonds. (a) Flexible Rate Mode Bonds. The Remarketing Agent shall determine the Flexible Rate (not in excess of the Maximum Interest Rate) for a Series of Variable Rate Bonds in the Flexible Rate Mode as provided in the form of Flexible Rate Mode Bonds contained in Appendix A and shall notify the Paying Agent thereof electronically or by telephone not later than 1:00 P.M. (New York time) on the Effective Date thereof, and if by telephone, promptly confirmed in writing. The Paying Agent shall give written notice of the new Flexible Rate to the City, the Trustee, the Credit Provider and the Liquidity Provider, and the Trustee shall give written notice of the new Flexible Rate to the Holders, and each determination and redetermination of a new Flexible Rate shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Credit Provider, the Liquidity Provider and the Holders. If the Remarketing Agent fails for any reason to determine a Flexible Rate or Rate Period for any Variable Rate Bond while it is in the Flexible Rate Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, such Variable Rate Bond shall be deemed to be in a Flexible Rate Mode with a Rate Period of one (1) day and the Flexible Rate shall be equal to, as determined by the Remarketing Agent, one hundred per cent (100%) of the rate on thirty (30) day high-grade unsecured commercial paper notes sold through dealers by major corporations published in a Financial Newspaper on the day on which such rate is determined, or if such rate is not published on that day, the most recent publication in a Financial Newspaper of such rate. In determining the Flexible Rate and the applicable Rate Periods and remarketing Variable Rate Bonds in a Flexible Rate Mode, the Remarketing Agent shall (1) not offer Rate Periods which extend beyond the fifth (5th) day preceding the expiration date of the Liquidity Facility or, if applicable, the Credit Facility or exceed the number of days' coverage under the Liquidity Facility or, if applicable, the Credit Facility, (2) not offer Rate Periods extending beyond the final maturity of such Bonds, and (3) follow any written directions of the Director (not inconsistent with the preceding clauses (1) and (2)) as to the Rate Periods to be made available.

A Series of Variable Rate Bonds in a Flexible Rate Mode may be converted on any Effective Date at the election of the City from a Flexible Rate Mode to a Weekly Rate Mode, a Multiannual Rate Mode or a Fixed Rate Mode as provided in the form of the Flexible Rate Mode Bonds contained in Appendix A, so long as no Event of Default exists hereunder. No such conversion to a Weekly Rate Mode shall be effective unless the City shall have delivered to the

Paying Agent by 11:00 A.M. (New York time) on the Conversion Date a Liquidity Facility with an expiration date not earlier than one (1) year from the Conversion Date in the case of a Series of Variable Rate Bonds converted to a Weekly Rate Mode. Written notice of a conversion of a Series of Variable Rate Bonds from the Flexible Rate Mode shall be given by the City to the Trustee, the Credit Provider, the Liquidity Provider, the Paying Agent, the Remarketing Agent and the Rating Agencies not less than twenty (20) nor more than thirty (30) Business Days prior to the proposed Conversion Date, which date shall be specified by the City in such notice, and the Trustee shall give notice of a conversion of such Series of Variable Rate Bonds from a Flexible Rate Mode and the mandatory tender of the Bonds of such Series of Variable Rate Bonds for purchase on such Conversion Date to the Holders of the Bonds of such Series of Variable Rate Bonds not less than ten (10) Business Days prior to the Conversion Date. Prior to the Conversion Date, the Remarketing Agent shall not specify Rate Periods for a Series of Variable Rate Bonds in the Flexible Rate Mode to be converted extending beyond the Conversion Date.

Notwithstanding the foregoing, if the preconditions to conversion to a new Mode established by the preceding paragraph are not met by 11:00 A.M. (New York time) on the proposed Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee, the Remarketing Agent and the Liquidity Provider by telephone, promptly confirmed in writing, and such Series of Variable Rate Bonds shall be subject to mandatory tender as provided herein and in the form of Flexible Rate Mode Bonds contained in Appendix A.

On each Effective Date, the Bonds of a Series of Variable Rate Bonds in the Flexible Rate Mode shall be subject to mandatory tender for purchase as provided in the form of Flexible Rate Mode Bonds contained in Appendix A. At least twenty (20) Business Days prior to any mandatory tender date, the Paying Agent shall give notice to the Trustee, and at least ten (10) Business Days prior to such mandatory tender date, the Trustee shall give notice to the Holders of the mandatory tender of such Series of Variable Rate Bonds.

(b) Weekly Rate Mode Bonds. The Remarketing Agent shall determine the Weekly Rate (not in excess of the Maximum Interest Rate) on a Series of Variable Rate Bonds in the Weekly Rate Mode as provided in the form of Weekly Rate Mode Bonds contained in Appendix A and shall notify the Paying Agent thereof electronically or by telephone not later than 4:00 P.M. (New York time) on the Business Day preceding the Effective Date thereof, and if by telephone, promptly confirmed in writing. The Paying Agent shall give written notice of the new Weekly Rate to the City, the Trustee, the Liquidity Provider and the Credit Provider, and the Trustee shall give written notice of the new Weekly Rate to the Holders. Each determination and redetermination of a new Weekly Rate shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Credit Provider, the Liquidity Provider and the Holders. If the Remarketing Agent fails for any reason to determine a Weekly Rate for any Variable Rate Bond while it is in the Weekly Rate Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, such Variable Rate Bond shall be deemed to be in a Flexible Rate Mode with a Rate Period of one (1) day and the Flexible Rate shall be equal to, as determined by the Remarketing Agent, one hundred per cent (100%) of the rate on thirty (30) day

high-grade unsecured commercial paper notes sold through dealers by major corporations published in a Financial Newspaper on the day on which such rate is determined, or if such rate is not published on that day, the most recent publication in a Financial Newspaper of such rate.

A Series of Variable Rate Bonds in a Weekly Rate Mode may be converted on the first Business Day of any calendar month at the election of the City from a Weekly Rate Mode to a Multiannual Rate Mode, a Flexible Rate Mode or a Fixed Rate Mode as provided in the form of Weekly Rate Mode Bonds contained in Appendix A, so long as no Event of Default exists hereunder. No such conversion to a Flexible Rate Mode shall be effective unless the City shall have delivered to the Paying Agent by 11:00 A.M. (New York time) on the Conversion Date a Liquidity Facility with an expiration date not earlier than one (1) year from the Conversion Date in the case of a Series of Variable Rate Bonds converted to a Flexible Rate Mode. Written notice of a conversion of a Series of Variable Rate Bonds from the Weekly Rate Mode shall be given by the City to the Trustee, the Credit Provider, the Liquidity Provider, the Paying Agent, the Remarketing Agent and the Rating Agencies not less than twenty (20) nor more than thirty (30) Business Days prior to the proposed Conversion Date, which date shall be specified by the City in such notice, and the Trustee shall give notice of a conversion of such Series of Variable Rate Bonds from a Weekly Rate Mode and the mandatory tender of the Bonds of such Series of Variable Rate Bonds for purchase on such Conversion Date to the Holders of such Series of Variable Rate Bonds not less than ten (10) Business Days prior to the Conversion Date.

Notwithstanding the foregoing, if the preconditions to conversion to a new Mode established by the preceding paragraph are not met by 11:00 A.M. (New York time) on the proposed Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee, the Remarketing Agent and the Liquidity Provider by telephone, promptly confirmed in writing, and such Series of Variable Rate Bonds shall be subject to mandatory tender as provided herein and in the form of Weekly Rate Mode Bonds contained in Appendix A. The Bonds of a Series of Variable Rate Bonds in the Weekly Rate Mode are subject to mandatory tender for purchase as provided in the form of Weekly Rate Mode Bonds contained in Appendix A on a date that is not more than fifteen (15) days nor less than five (5) days prior to the expiration or termination of the Credit Facility or Liquidity Facility (other than the early termination of the Liquidity Facility as a result of certain early termination events approved by the Rating Agencies) or on the effective date of the substitution of a Credit Facility or Liquidity Facility. At least twenty (20) days prior to any mandatory tender date, the Paying Agent shall give notice to the Trustee, and at least ten (10) Business Days prior to such mandatory tender date, the Trustee shall give notice to the Holders of the mandatory tender of such Series of Variable Rate Bonds.

The Bonds of a Series of Variable Rate Bonds in the Weekly Rate Mode are subject to tender, at the election of the Holder thereof, in the manner and subject to the limitations described in the form of Weekly Rate Mode Bonds contained in Appendix A, and the Holders of Tendered Bonds shall receive on the Delivery Date one hundred percent (100%) of the principal amount of the Tendered Bonds plus accrued interest to the Purchase Date; provided, that if the Purchase Date is an Interest Payment Date, accrued interest shall be paid separately, and not as part of the Purchase Price on such date. The Paying Agent shall accept all Tendered Bonds

properly tendered to it for purchase as provided in the form of Weekly Rate Mode Bonds and in this paragraph; provided, that the Paying Agent shall not accept any Tendered Bonds and the Purchase Price therefor shall not be paid if at the time of tender or on the Purchase Date the principal of such Bonds shall have been accelerated and such acceleration shall not have been annulled. The election notice delivered to the Paying Agent as provided in the form of Weekly Rate Mode Bonds prior to the Purchase Date of Tendered Bonds shall be in substantially the form provided in the form of Weekly Rate Mode Bonds contained in Appendix A. As soon as practicable after receiving notice of a tender of Bonds under this section, the Paying Agent shall notify the Remarketing Agent, the City, the Liquidity Provider and the Trustee by telephone, promptly confirmed in writing, of the amount of Tendered Bonds and the specified Purchase Date thereof.

(c) Multiannual Rate Mode Bonds. The Remarketing Agent shall determine the Multiannual Rate (not in excess of the Maximum Interest Rate) on a Series of Variable Rate Bonds in the Multiannual Rate Mode as provided in the form of Multiannual Rate Mode Bonds contained in Appendix A and shall notify the Paying Agent thereof electronically or by telephone not later than 2:00 P.M. (New York time) two (2) Business Days preceding the Effective Date thereof, and if by telephone, promptly confirmed in writing. The Paying Agent shall give written notice of the new Multiannual Rate to the City, the Trustee, the Liquidity Provider and the Credit Provider, and the Trustee shall give written notice of the new Multiannual Rate to the Holders. Each determination and redetermination of a new Multiannual Rate shall be conclusive and binding on the City, the Trustee, the Paying Agent, the Credit Provider, the Liquidity Provider and the Holders. If the Remarketing Agent fails for any reason to determine a Multiannual Rate for any Variable Rate Bond while it is in the Multiannual Rate Mode, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, such Variable Rate Bond shall be deemed to be in a Flexible Rate Mode with a Rate Period of one (1) day and the Flexible Rate shall be equal to, as determined by the Remarketing Agent, one hundred per cent (100%) of the rate on thirty (30) day high-grade unsecured commercial paper notes sold through dealers by major corporations published in a Financial Newspaper on the day on which such rate is determined, or if such rate is not published on that day, the most recent publication in a Financial Newspaper of such rate.

A Series of Variable Rate Bonds in a Multiannual Rate Mode may be converted on any Effective Date at the election of the City from the Multiannual Rate Mode to a Weekly Rate Mode, a Flexible Rate Mode or a Fixed Rate Mode and may be converted within the Multiannual Rate Mode to a new Rate Period with the same or a different length as provided in the form of Multiannual Rate Mode Bonds contained in Appendix A, so long as no Event of Default exists hereunder. No such conversion to a Weekly Rate Mode or a Flexible Rate Mode shall be effective unless the City shall have delivered to the Paying Agent by 11:00 A.M. (New York time) on the Conversion Date a Liquidity Facility with an expiration date not earlier than one (1) year from the Conversion Date in the case of a Series of Variable Rate Bonds to be converted to a Flexible Rate Mode or a Weekly Rate Mode. Written notice of a conversion of a Series of Variable Rate Bonds from the Multiannual Rate Mode or a change in Rate Period within the Multiannual Rate Mode shall be given by the City to the Trustee, the Credit Provider, the Liquidity Provider, the Paying Agent, the Remarketing Agent and the Rating Agencies not less

than twenty (20) nor more than thirty (30) Business Days prior to the proposed Conversion Date, which date shall be specified by the City in such notice, and the Trustee shall give notice of a conversion of such Series of Variable Rate Bonds from the Multiannual Rate Mode and the mandatory tender of the Bonds of such Series of Variable Rate Bonds for purchase on such Conversion Date to the Holders of such Series of Variable Rate Bonds not less than ten (10) Business Days prior to the Conversion Date.

Notwithstanding the foregoing, if the preconditions to conversion to a new Mode or a new Rate Period within the Multiannual Rate Mode established by the preceding paragraph are not met by 11:00 A.M. (New York time) on the proposed Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee, the Remarketing Agent and the Liquidity Provider by telephone, promptly confirmed in writing, and such Series of the Variable Rate Bonds shall be subject to mandatory tender as provided herein and in the form of Multiannual Rate Mode Bonds contained in Appendix A.

On each Effective Date, the Bonds of a Series of Variable Rate Bonds in the Multiannual Rate Mode are subject to mandatory tender for purchase as provided in the form of Multiannual Rate Mode Bonds contained in Appendix A. The Bonds of a Series of Variable Rate Bonds in the Multiannual Rate Mode also subject to mandatory tender for purchase on a date that is not more than fifteen (15) days nor less than five (5) days prior to the expiration or termination of any Credit Facility or Liquidity Facility (other than the early termination of a Liquidity Facility which results from certain early termination events approved by the Rating Agencies) or on the effective date of the substitution of any Credit Facility or Liquidity Facility. At least twenty (20) Business Days prior to any mandatory tender date, the Paying Agent shall give notice to the Trustee, and at least ten (10) Business Days prior to such mandatory tender date, the Trustee shall give notice to the Holders of the mandatory tender of such Series of the Bonds.

(d) Conversion to Fixed Rate Mode. The interest rate on a Series of Variable Rate Bonds may be converted by the City to a Fixed Rate (not in excess of the Maximum Interest Rate) as provided in the forms of Flexible Rate Mode Bonds, Weekly Rate Mode Bonds and Multiannual Rate Mode Bonds contained in Appendix A and in this subsection. Upon receipt of the notice of conversion to the Fixed Rate Mode from the City, the Remarketing Agent shall determine the Fixed Rate not later than 2:00 P.M. (New York time) two (2) Business Days before the Conversion Date, which Fixed Rate shall be the lowest rate which in the judgment of the Remarketing Agent, on the basis of prevailing financial market conditions, would permit the sale of such Series of Variable Rate Bonds being so converted as of the Effective Date on the basis of their terms as converted. If the Remarketing Agent fails for any reason to determine the Fixed Rate, or if for any reason such manner of determination shall be determined to be invalid or unenforceable, such Variable Rate Bonds shall be deemed to be in a Flexible Rate Mode with a Rate Period of one (1) day and the Flexible Rate shall be equal to, as determined by the Remarketing Agent, one hundred per cent (100%) of the rate on ten (10) Business Days high-grade unsecured commercial paper notes sold through dealers by major corporations published in a Financial Newspaper on the day on which such rate is determined, or if such rate is not published on that day, the most recent publication in a Financial Newspaper of such rate.

On the date of determination thereof, the Remarketing Agent shall notify the City, the Trustee and the Paying Agent by telephone confirmed in writing of the Fixed Rate, and the Trustee shall notify the Holders of the Series of Variable Rate Bonds to be converted to a Fixed Rate Mode. The determination of the Fixed Rate shall be conclusive and binding on the City, the Trustee, the Paying Agent and the Holders. The Fixed Rate shall become effective on the Fixed Rate Conversion Date and shall remain in effect for the remaining term of the Fixed Rate Mode Bonds.

Notwithstanding the foregoing, if the preconditions to conversion to the Fixed Rate Mode established by this subsection are not met by 11:00 A.M. (New York time) on the proposed Conversion Date, the Paying Agent shall deem the proposed conversion to have failed and shall immediately notify the Trustee by telephone promptly confirmed in writing, and such Series of Variable Rate Bonds shall be subject to mandatory tender as provided herein and in the form of such Series of Variable Rate Bonds to be converted contained in Appendix A.

(e) Liquidity Provider Bonds. Any Liquidity Provider Bonds shall bear interest at the Liquidity Provider Bond Rate.

Section 2.05. Drawings on the Credit Facility for the Variable Rate Bonds. In the event the Credit Facility for any Variable Rate Bonds is a direct-pay letter of credit, the Paying Agent shall not later than 4:00 P.M. (New York time) on the Business Day next preceding any date on which payments of the interest on or principal of any Variable Rate Bonds (other than Variable Rate Bonds in the Multiannual Mode if no Credit Facility covering regular principal and interest payments is available therefor and Variable Rate Bonds in the Fixed Rate Mode) are due, whether at maturity or upon prior redemption, draw on the Credit Facility in accordance with its terms an amount sufficient to pay in full the interest and principal then coming due on such Bonds, and the Paying Agent shall immediately notify the City and the Trustee by telephone promptly confirmed in writing if it has not been paid by the Credit Provider for such a draw on the Letter of Credit by 10:00 A.M. (New York time) on the date such payment on the Variable Rate Bonds is due. All amounts received by the Paying Agent under any drawings under the Credit Facility as provided in this section shall be held uninvested in a separate, segregated fund and used solely to pay the interest on and the principal of the Variable Rate Bonds.

The Trustee shall transfer funds from the Bond Fund to the Paying Agent for the payment of the interest on and the principal of the Variable Rate Bonds to the extent amounts drawn on any such Credit Facility are insufficient to pay the same, and in conjunction therewith shall give the Paying Agent written notice of the amount of funds being transferred. The Paying Agent shall apply such payments received from the Trustee and amounts drawn on any such Credit Facility, in the following order: (i) money drawn on such direct-pay letter of credit, and (ii) any other money in the Bond Fund. The Paying Agent shall pay the Holders by no later than 2:30 P.M. (New York time) on the date such payment on the Variable Rate Bonds is due.

Amounts shall be payable under any Credit Facility, as set forth in a certificate of such Credit Provider.

Section 2.06. Purchase of Variable Rate Bonds Tendered. The Remarketing Agent shall give notice to the Paying Agent and the City electronically or by telephone, and if by telephone, promptly confirmed in writing, specifying the principal amount of Tendered Bonds as for which the Remarketing Agent has found purchasers, the amounts the Remarketing Agent has received for the purchase of Tendered Bonds, and any deficiency in amounts available to pay the Purchase Price of Tendered Bonds at or before (A) 1:00 P.M. (New York time) on each Purchase Date for Tendered Bonds that are to be in the Flexible Rate Mode immediately after the Purchase Date, (B) 4:00 P.M. (New York time) one (1) Business Day before the Purchase Date for Tendered Bonds that are to be in the Weekly Rate Mode immediately after the Purchase Date, or (C) 2:00 P.M. (New York time) two (2) Business Days before the Purchase Date for Tendered Bonds that are to be in the Multiannual Rate Mode or the Fixed Rate Mode immediately after the Purchase Date. In the case of any such deficiency, the Remarketing Agent shall also give such notice to the City and the Liquidity Provider, if any. The City shall thereupon give notice to the Paying Agent electronically or by telephone, and if by telephone, promptly confirmed in writing, specifying the amount of SB481 Receipts then held by the City and available, and the City shall deposit the lesser of (a) the amount of SB481 Receipts so specified, or (b) the amount thereof which reflects the deficiencies in the amount available from remarketing proceeds to pay the Purchase Price of Tendered Bonds on the Purchase Date.

Following application of any SB481 Receipts, the Paying Agent shall draw upon the Liquidity Facility (unless the Variable Rate Bonds are in a Multiannual Mode and no Liquidity Facility is available therefor) an amount sufficient to purchase the Tendered Bonds that are not remarketed not later than 1:30 P.M. (New York time) on the Purchase Date, and in respect of which there are not sufficient SB481 Receipts tendered to the Trustee by the City to pay the Purchase Price therefor, and in determining the amount necessary to purchase such Tendered Bonds, the Paying Agent shall take into account any amounts drawn under the Credit Facility to pay interest on such Bonds on the Purchase Date; provided, that if the Paying Agent has not received any remarketing information from the Remarketing Agent it shall assume that no Tendered Bonds have been repurchased. The Remarketing Agent shall deliver to the Paying Agent all amounts received by the Remarketing Agent as proceeds of the remarketing of Bonds at or before 2:00 P.M. (New York time) on the Purchase Date for Tendered Bonds, and the City shall not have any right, title or interest in any such remarketing proceeds. The City shall deliver available SB481 receipts at or before 2:00 P.M. (New York time) on the Purchase Date for Tendered Bonds.

In the event the preconditions to conversion to a new Mode or a new Rate Period within the Multiannual Rate Mode established by Section 2.04 hereof are not met and the proposed conversion has been deemed to have failed, the Paying Agent shall by 2:00 P.M. (New York time) on the proposed Conversion Date draw on the Liquidity Facility, if any, an amount which is sufficient to pay the Purchase Price on such date on all Variable Rate Bonds that were to have been converted; provided, that in determining the amount to be drawn on the Liquidity Facility, the Paying Agent shall first advise the City of the failed conversion whereupon the City shall give notice to the Paying Agent electronically or by telephone, and if by telephone, promptly confirmed in writing, specifying the amount of SB481 Receipts then held by the City and available, and the City shall deposit the lesser of (a) the amount of SB481 Receipts so specified,

or (b) the amount thereof which reflects the deficiencies in the amount available to pay the Purchase Price of Tendered Bonds on the Purchase Date, and such amounts of SB481 Receipts shall be used to reduce the amount to be drawn on the Liquidity Facility; provided further, that in no event shall the failure of a Series of Variable Rate Bonds to be converted to another Mode or to a new Rate Period within the Multiannual Rate Mode for any reason be deemed to be, in and of itself, an Event of Default hereunder. In the event the Variable Rate Bonds are in a Multiannual Mode and sufficient funds are not available from remarketing proceeds and SB481 Receipts for payment of the Purchase Price upon the mandatory tender of such Bonds on any Effective Date or Conversion Date, the City may elect, but shall have no obligation whatsoever, to provide from its own funds money (exclusive of SB481 Receipts which shall be governed as otherwise provided in this Section 2.06) to pay the Purchase Price of any such Bonds not remarketed. If the City has so elected, it shall deliver such funds to the Paying Agent at or before 2:00 P.M. (New York time) on the Purchase Date for Tendered Bonds. If no Liquidity Facility is available for payment of the Purchase Price of Tendered Bonds in the Multiannual Mode, failure to pay such Purchase Price shall not be deemed to be, in and of itself, an Event of Default hereunder.

All amounts received by the Paying Agent under any drawings under the Liquidity Facility, all amounts received by the Paying Agent from the Remarketing Agent and all amounts provided by the City as provided in this section shall be held uninvested in segregated funds, separate from each other and from all other funds, and used solely to pay the Purchase Price of such Variable Rate Bonds.

At or before 2:30 P.M. (New York time) on the Purchase Date and upon receipt by the Paying Agent of the Purchase Price of the Tendered Bonds for which the Remarketing Agent has not received the Purchase Price that are delivered to it, the Paying Agent shall pay the Purchase Price of the Variable Rate Bonds to the Holders thereof as provided in the applicable forms of Variable Rate Bonds contained in Appendix A. The Paying Agent shall apply in order, first, money paid to it by the Remarketing Agent or new purchasers of the Variable Rate Bonds tendered as proceeds of the remarketing of such Bonds by the Remarketing Agent, second, SB481 Receipts transferred by the City to the Trustee, third, any other funds provided by the City (including the proceeds of any refunding of such Variable Rate Bonds), and fourth, money drawn on the Liquidity Facility for the purpose of purchasing Tendered Bonds (including amounts drawn on the Liquidity Facility or any Credit Facility to pay accrued interest on the Tendered Bonds). If sufficient funds are not available for the purchase of all Bonds tendered on any Delivery Date, no purchase shall be consummated and the Variable Rate Bonds shall be deemed to be in a Flexible Rate Mode with a Rate Period of one (1) day and the Flexible Rate shall be equal to, as determined by the Remarketing Agent, one hundred per cent (100%) of the rate on ten (10) Business Days high-grade unsecured commercial paper notes sold through dealers by major corporations published in a Financial Newspaper on the day on which such rate is determined, or if such rate is not published on that day, the most recent publication in a Financial Newspaper of such rate until such time as the Remarketing Agent has successfully remarketed such Variable Rate Bonds at another rate.

Section 2.07. Remarketing of Variable Rate Bonds Tendered; Liquidity Provider Bonds. While the Variable Rate Bonds are in the Flexible Rate Mode, the Weekly Rate Mode or the Multiannual Rate Mode, the Remarketing Agent shall solicit offers to purchase and use its best efforts to find a purchaser for the Tendered Bonds and the Liquidity Provider Bonds; provided, that Bonds shall not be remarketed to the City. Any such purchase shall be made by payment of the Purchase Price in immediately available funds to the Paying Agent at the time specified herein, which Purchase Price shall be equal to the principal amount to be purchased together with the interest accrued on such principal amount to the Purchase Date. By 2:00 P.M. (New York time) on the Purchase Date, all Variable Rate Bonds remarketed under this section shall be made available by the Paying Agent to the purchasers thereof, and Variable Rate Bonds not remarketed shall be held by the Paying Agent. Variable Rate Bonds previously purchased with money drawn under the Liquidity Facility shall not be delivered upon remarketing, except as provided in this Section.

Variable Rate Bonds, the Purchase Price of which is paid from amounts drawn on a Liquidity Facility, shall be registered in the name of the Liquidity Provider, or its designee, by the Paying Agent (whether or not such Bonds are delivered by the tendering Holder) and shall constitute the Liquidity Provider Bonds hereunder. All Liquidity Provider Bonds shall bear interest at the Liquidity Provider Bond Rate. Upon receipt by the Paying Agent of notice from the Remarketing Agent that a purchaser has been found for Liquidity Provider Bonds held by the Paying Agent, the Paying Agent shall register and deliver such Bonds to such purchaser (at which time such Bonds shall cease to be Liquidity Provider Bonds) upon receipt by the Paying Agent of the Purchase Price of such Bonds; provided, that no Liquidity Provider Bond shall be so registered and delivered unless the Liquidity Facility has been reinstated in an amount sufficient to cover the purchase price of such Variable Rate Bonds upon the tender thereof, a new Liquidity Facility as been delivered or such Variable Rate Bonds have been remarketed in a Multiannual Rate Mode. The Paying Agent shall immediately notify (subsequently confirmed in writing) the Remarketing Agent whenever (i) it is prohibited from registering and delivering Bonds pursuant hereto, and (ii) if the Paying Agent has been so prohibited, upon the restoration of its power hereunder to register and deliver Bonds. Bonds purchased with amounts drawn under the Liquidity Facility and registered in the name of the Liquidity Provider or its designee pursuant to the Reimbursement Agreement shall be delivered to and held by the Paying Agent as custodian for the Liquidity Provider.

Notwithstanding anything herein to the contrary, Variable Rate Bonds previously purchased with moneys drawn under the Liquidity Facility shall not be delivered upon remarketing unless and until the Liquidity Facility has been reinstated in full for the amount of such Bonds being remarketed, a new Liquidity Facility for such Bonds has been delivered or such Bonds have been remarketed in a Multiannual Mode.

Any Tendered Bonds, the Purchase Price of which is paid with amounts provided by the City pursuant to Section 2.06 hereof, shall be surrendered for cancellation to the Trustee.

No Variable Rate Bonds in the Weekly Rate Mode scheduled to be redeemed or converted to a different Mode may be remarketed after receipt by the Remarketing Agent of notice of redemption or conversion of such Bonds to a specified Mode from the City unless the