

Remarketing Agent, on or before the redemption date or Purchase Date, gives notice to the purchaser that the Bonds will be redeemed or converted, and such purchaser will be required to surrender its Bonds for payment on the applicable redemption date or to tender its Bonds for mandatory purchase on the applicable Conversion Date, as the case may be.

Section 2.08. Release of Liquidity Facility upon Conversion of Variable Rate Bonds to Another Mode. If any Series of the Variable Rate Bonds is converted to a Multiannual Mode or Fixed Rate Mode, the Paying Agent shall (at the direction of the City) release the Liquidity Facility with respect to such Series of the Variable Rate Bonds being so converted unless by its terms, such Liquidity Facility is to apply to the Bonds as converted. Notice of any such release shall be sent by the Trustee to each Rating Agency.

Section 2.09. Replacement of Credit or Liquidity Facility for Variable Rate Bonds. Upon satisfaction of the requirements set forth in this section and in the Reimbursement Agreement, the City may (except during the period between the giving of notice of mandatory tender for purchase on account of the expiration of the Credit Facility or Liquidity Facility and the Purchase Date) replace a Credit Facility or Liquidity Facility then in effect with a substitute Credit Facility or Liquidity Facility; provided, that (1) the Credit Facility or Liquidity Facility being replaced shall in no event be terminated or released until the City has given not less than twenty (20) Business Days' written notice to the Trustee, the Paying Agent and the Remarketing Agent, and the Paying Agent has received the proceeds of all outstanding drawings on the Credit Facility or Liquidity Facility being replaced, (2) if the Variable Rate Bonds are then in the Weekly Rate Mode, the Paying Agent has given not less than ten (10) Business Days' written notice of the termination or release of the Credit Facility or Liquidity Facility to Holders of such Bonds in the Weekly Rate Mode, and (3) if the Variable Rate Bonds are then in the Flexible Rate Mode or the Multiannual Rate Mode, such Credit Facility or Liquidity Facility shall in no event be terminated or released earlier than on an Effective Date for all such Bonds. The Bonds of a Series of Variable Rate Bonds are 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 the Credit Facility or Liquidity Facility (other than the early termination of a Liquidity Facility which results from certain early termination in events approved by the Rating Agencies) or on the effective date of the substitution of a Credit Facility or Liquidity Facility.

Prior to the replacement of any Credit Facility or Liquidity Facility the City shall deliver to the Trustee and the Paying Agent: (i) an Opinion of Counsel on the substitute Credit Facility or Liquidity Facility to the effect that it constitutes a legal, valid and binding obligation of the provider thereof enforceable in accordance with its terms; (ii) a certificate of the Credit Provider or Liquidity Provider providing the Credit Facility or Liquidity Facility to be replaced that all amounts due under any Reimbursement Agreement have been paid and that the City has fulfilled all its obligations arising out of any such Reimbursement Agreement or to such Credit Provider or Liquidity Provider; and (iii) written evidence from the Rating Agencies of the rating on the Bonds to be in effect following such replacement. In the event that a separate Credit Facility and Liquidity Facility have been provided for any Series of Bonds, the City shall also deliver to the Trustee and Paying Agent, prior to the replacement of such Liquidity Facility, the consent of the

Credit Provider to such substitute Liquidity Facility. Notice of the substitution or replacement of a Credit Facility or Liquidity Facility shall be sent by the Trustee to each Rating Agency.

Notwithstanding any other provision hereof, the purchase price of all Bonds in a Weekly Rate Mode and Flexible Rate Mode shall be payable from amounts available under a Liquidity Facility.

Section 2.10. Redemption of Bonds.

Optional Redemption. The Series 2011A (Fixed Rate) Current Interest Bonds maturing prior to May 15, 20__ shall not be subject to redemption before their respective stated maturities. The Series 2011A (Fixed Rate) Current Interest Bonds maturing on or after May 15, 20__ shall be subject to redemption prior to their stated maturity, at the option of the City, from and to the extent of any source of available funds, as a whole or in part, on any date on or after May 15, 20__, and if in part by lot within such maturity, at a redemption price equal to 100% of the principal amount of the Series 2011A (Fixed Rate) Current Interest Bonds to be redeemed, plus accrued interest thereon to the date fixed for redemption, without premium.

Mandatory Redemption. The Series 2011A (Fixed Rate) Current Interest Bonds maturing by their terms on May 15, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity date, in part on May 15, of each year on or after May 15, 20__, from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata among Holders, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without a redemption premium:

Mandatory Sinking Fund Payment Date (May 15)	Mandatory Sinking Fund Payment
_____	_____
	\$
	\$
	\$
	\$

The Series 2011B (Variable Rate) Bonds maturing by their terms on May 15, 20__, are subject to mandatory sinking fund redemption prior to their stated maturity date, in part on May 15 of each year on or after May 15, 20__, from mandatory sinking fund payments to be made by the City in the amounts set forth below, pro rata among Holders, at a redemption price equal to the principal amount thereof to be redeemed, plus accrued interest thereon to the date fixed for redemption, without a redemption premium:

Mandatory Sinking
Fund Payment Date
(May 15)

Mandatory Sinking
Fund Payment

\$
\$
\$
\$
\$
\$
\$

While any Series of Variable Rate Bonds is in the Flexible Rate Mode or the Multiannual Rate Mode (which for this purpose shall include a change from one Rate Period to another Rate Period), unless otherwise provided in the form of Bond evidencing Bonds of such Series, such Bonds are subject to: (a) optional redemption by the City as a whole or in part prior to their maturity date at the end of the Rate Period applicable thereto at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption and (b) mandatory redemption on the Conversion Date at a price equal to the principal amount thereof plus accrued interest thereon to the date fixed for redemption. While any Series of Variable Rate Bonds is in the Weekly Rate Mode, such Bonds are subject to redemption by the City as a whole or in part on any Interest Payment Date prior to their maturity date at a price equal to the principal amount thereof plus accrued interest thereon to the redemption date. While any Series of Variable Rate Bonds is in the Fixed Rate Mode, such Bonds are subject to optional redemption by the City as a whole or in part at such times and at such prices as the City shall determine at the time of conversion of such Bonds to the Fixed Rate Mode. Notwithstanding the foregoing, the City will not optionally redeem any Variable Rate Bonds without the prior written consent of Credit Provider unless all funds required to pay the principal and interest on such Bonds are on deposit with the Trustee prior to the mailing of any redemption notice.

Whenever less than all Outstanding Bonds of a Series of Bonds are to be redeemed at any one time, the Bonds to be redeemed shall be on a pro rata basis among all maturities of the same Series, and the Trustee shall select the Bonds of the same Series and maturity for redemption by lot in such manner as the Trustee shall determine, except that, in all cases, any Liquidity Provider Bonds shall be first redeemed; provided, that the portion of any such Bonds to be redeemed shall be in authorized denominations and all such Bonds remaining Outstanding after any redemption in part shall be in authorized denominations.

The Trustee shall give notice of redemption of any Bonds or any portions thereof by mail to the Holders in accordance with Section 10.06 and shall give notice by mail to the Information Services and the Securities Depositories at least ten (10) days before the redemption date of Bonds. Each notice of redemption shall state the date of such notice, the Bonds to be redeemed, the date of issue of such Bonds, the redemption date, the redemption price, the place of redemption (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the maturity or maturities, and, if less than all of any Series of Bonds of such maturity are

to be redeemed, the distinctive numbers of the Bonds of such maturity to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount or Accreted Value thereof to be redeemed, and shall require that such Bonds be then surrendered at the address of the Trustee specified in the redemption notice. Each such notice shall also state that on such redemption date there will become due and payable on each of such Bonds the redemption price thereof or of the specified portion of the principal amount or Accreted Value thereof in the case of a Bond to be redeemed in part only, together with interest accrued thereon to the redemption date, and that from and after such redemption date interest thereon shall cease to accrue.

Upon surrender of any Bonds redeemed in part only, the City shall execute and the Trustee shall authenticate and deliver to the Holder thereof, at the expense of the City, a new Bond or Bonds of the same Series and maturity date of authorized denominations equal in aggregate principal amount or Accreted Value at maturity to the unredeemed portion of the Bond surrendered.

From and after the date fixed for redemption of any Bonds or any portions thereof, if notice of such redemption shall have been duly given and funds available for the payment of the redemption price of the Bonds or such portions thereof so called for redemption shall have been duly provided, no interest shall accrue on such Bonds or such portions thereof from and after the redemption date specified in such notice.

Section 2.11. Procedure for the Issuance of Bonds and Series of Bonds; Application of Bond Proceeds and Series of Bond Proceeds. At any time after the sale of the Bonds in accordance with the Act, the City shall execute the Bonds for issuance hereunder and shall deliver them to the Trustee, and thereupon the Bonds shall be authenticated and delivered by the Trustee to the Original Purchasers thereof upon the Written Request of the City and upon receipt of the net payment therefor from the Original Purchasers thereof (as provided in such Written Request). Upon receipt of payment for the Bonds from the Original Purchasers thereof, the Trustee shall set aside and deposit the net proceeds received from such sale in the following order of priority:

(i) The Trustee shall deposit with the Director the amount of \$ _____, to be applied by the City to pay the costs of issuance of the Bonds.

(ii) The Trustee shall deposit the remainder of the proceeds of the Bonds in a fund designated the "City of Pasadena Taxable Pension Funding Bonds, Series 2011, Refunding Fund" (which fund is hereby established hereunder, and shall be maintained by the Trustee until the Debenture is refunded). On the Closing Date, at the direction of the Director, the Trustee shall promptly take all actions required to withdraw from the Refunding Fund and transfer to the custodian for the System an amount equal to the principal amount of the Debenture, against surrender of the Debenture to the City.

Net proceeds from the issuance of any Series of Bonds issued pursuant to a Supplemental Trust Agreement shall be set aside and deposited in accordance with such Supplemental Trust Agreement

At any time after the sale of any Series of Bonds in accordance with the Act, the City shall execute such Series of Bonds for issuance under a Supplemental Trust Agreement and shall deliver them to the Trustee, and thereupon such Series of Bonds shall be authenticated and delivered by the Trustee to the Original Purchasers thereof, but only upon the receipt by the Trustee of:

a) an Opinion of Counsel to the effect that (a) the City has the right and power to enter into the Trust Agreement, and the Trust Agreement has been duly authorized, executed and delivered by the City and constitutes a valid and binding agreement of the City enforceable in accordance with its terms; and (b) the Bonds of such Series are valid and binding obligations of the City as provided in the Trust Agreement, and are entitled to the benefits of Trust Agreement and the applicable benefits of the Act, and such Bonds have been duly and validly authorized and issued in accordance with law, including the Act, and in accordance with the Trust Agreement; provided, that such opinion (1) may take exception for limitations imposed by or resulting from bankruptcy, insolvency, moratorium, reorganization or other laws affecting creditors' rights generally and (2) need not express any opinion as to the availability of any specific remedy;

b) A written order as to the delivery of such Bonds, signed by the City Manager of the City or the Director, or by any officer of the City duly authorized by the City Council of the City for that purpose;

c) A copy of the Supplemental Trust Agreement authorizing such Bonds executed by the City, which shall, among other provisions, specify: (a) the authorized principal amount, designation and Series of such Bonds; (b) the purpose or purposes for which such Series of Bonds is being issued, (c) the dated date and the maturity date or dates of the Bonds of such Series, (d) the interest rate or rates, if any, and the interest payment dates therefor (including the record date for interest payments), provided that with respect to Variable Rate Bonds, such Supplemental Indenture shall specify also the method of determining the Variable Rate, including a Maximum Interest Rate and, if the City so determines, a Minimum Interest Rate applicable thereto, and the method of determining the interest payment dates therefor; (e) the denominations of, and the manner of dating, numbering and lettering, the Bonds of such Series; (f) the trustee and the place of payment of the principal or redemption price, if any, of, and interest, if any, on, the Bonds of such Series; (g) the redemption price or prices, if any, and, the redemption terms for the Bonds of such Series; (h) the amount and due date of each mandatory sinking fund payment, if any, for Bonds of like maturity of such Series, provided that each mandatory sinking fund payment due date shall fall upon an interest payment date for such Bonds; (i) if so determined by the City, provisions for the sale of the Bonds of such Series; and (j) if so determined by the City, the form or forms of the Bonds of such Series, and of the Trustee's certificate of authentication, which form or forms shall be, respectively, substantially in the form or forms set forth herein, with such variations, omissions and insertions as are required or permitted by the Act or this Trust Agreement;

d) A Certificate of the City stating that the City not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Trust Agreement and applicable to the City; and

e) Such further documents, moneys and securities as are required by the provisions of any Supplemental Trust Agreement executed pursuant to Article VI.

Section 2.12. Forms of Bonds. The Bonds and the certificate of authentication and assignment and other details to appear thereon shall be substantially in the forms set forth in Appendix A hereto attached and by this reference incorporated herein.

Section 2.13. Execution of Bonds. The Director is hereby authorized and directed to execute each of the Bonds on behalf of the City by his manual or facsimile signature and the Clerk of the City Council of the City is hereby authorized and directed to countersign each of the Bonds on behalf of the City by his or her manual or facsimile signature and to affix the seal of the City thereto by impression or by a facsimile reproduction thereof. In case any officer whose signature appears on the Bonds shall cease to be such officer before the delivery of the Bonds to the purchasers thereof, such signature shall nevertheless be valid and sufficient for all purposes as if such officer had remained in office until the delivery of the Bonds.

Only those Bonds bearing thereon a certificate of authentication in the form hereinabove recited, executed manually and dated by the Trustee, shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and the execution of such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, executed and delivered hereunder and are entitled to the benefit, protection and security hereof.

Section 2.14. Transfer and Payment of Bonds. Any Bond may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.16 by the person in whose name it is registered, in person or by such person's duly authorized attorney, upon surrender of such Bond for cancellation at the Corporate Trust Office of the Trustee accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee; provided, that the Trustee shall require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege. Whenever any Bond shall be surrendered for transfer, the City shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of the same Series and maturity date of authorized denominations equal in aggregate principal amount or Accreted Value at maturity to the Bond surrendered.

The City and the Trustee may deem and treat the Holder of any Bond as the absolute owner of such Bond for the purpose of receiving payment thereof and for all other purposes, whether such Bond shall be overdue or not, and neither the City nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and the principal or Accreted Value of such Bond shall be made only to such Holder, which payments shall be valid

and effectual to satisfy and discharge liability on such Bond to the extent of the sum or sums so paid.

The cost of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any transfer shall be paid by the City. The Trustee may refuse to transfer any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or to transfer any Bonds selected by the Trustee for redemption.

Section 2.15. Exchange of Bonds. Any Bond may, in accordance with its terms, be exchanged at the Corporate Trust Office of the Trustee for a new Bond or Bonds of the same Series and maturity date of authorized denominations equal in aggregate principal amount or Accreted Value at maturity to the Bond surrendered; provided, that the Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege.

The cost of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any exchange shall be paid by the City. The Trustee may refuse to exchange any Bonds during the period fifteen (15) days prior to the date established by the Trustee for the selection of Bonds for redemption, or to exchange any Bonds selected by the Trustee for redemption.

Section 2.16. Bond Registration Books. The Trustee will keep at its Corporate Trust Office sufficient books for the registration and transfer of the Bonds which shall during normal business hours be open to inspection by the City, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the Bonds in such books as hereinabove provided.

Section 2.17. Mutilated, Destroyed, Stolen or Lost Bonds. If any Bond shall become mutilated, the Trustee, at the expense of the Holder, shall thereupon authenticate and deliver a new Bond or Bonds of the same Series and maturity date of authorized denominations equal in aggregate principal amount or Accreted Value at maturity to the Bond so mutilated in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated, and every mutilated Bond so surrendered to the Trustee shall be canceled.

If any Bond shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Trustee, at the expense of the Holder, shall thereupon authenticate and deliver a new Bond of the same Series and maturity date of authorized denominations equal in aggregate principal amount or Accreted Value at maturity to the Bond so lost, destroyed or stolen in lieu of and in substitution for the Bond so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new Bond delivered under this section and of the expenses which may be incurred by the City and the Trustee in the

premises. Any Bond delivered under the provisions of this section in lieu of any Bond alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits hereof with all other Bonds of the same Series secured hereby, and neither the City nor the Trustee shall be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and replacement Bond shall be treated as one and the same.

Section 2.18. Temporary Bonds. The Bonds issued hereunder may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the City, shall be in fully registered form and may contain such reference to any of the provisions hereof as may be appropriate. Every temporary Bond shall be executed and authenticated as authorized by the City in accordance with the terms hereof. If the City issues temporary Bonds it will execute and furnish definitive Bonds of the same Series without delay and thereupon the temporary Bonds may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds definitive Bonds. Until so exchanged, the temporary Bonds shall be entitled to the same benefits hereunder as definitive Bonds delivered hereunder.

Section 2.19. Validity of Bonds. The recital contained in the Bonds that the same are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and all Bonds shall be incontestable from and after their issuance. The Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) shall have been delivered to the Original Purchasers and the proceeds of sale thereof received.

Section 2.20. Special Provisions for Book-Entry Only System for the Bonds. (a) Except as otherwise provided in subsections (b) and (c) of this section, all of the Bonds initially issued shall be registered in the name of Cede & Co., as nominee for The Depository Trust Company, New York, New York (“DTC”), or such other nominee as DTC shall request pursuant to the Representation Letters. Payment of the interest on any Bond registered in the name of Cede & Co. shall be made on each Interest Payment Date for such Bonds to the account, in the manner and at the address indicated in or pursuant to the Representation Letters.

(b) The Bonds of each Series initially shall be issued in the form of a single authenticated fully registered bond for each stated maturity of the Bonds, representing the aggregate principal amount or Accreted Value of the Series of such Bonds of such maturity. The Trustee and the City may treat DTC (or its nominee) as the sole and exclusive owner of the Bonds registered in its name for the purposes of payment of the interest on and principal or Accreted Value of such Bonds, selecting the Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Holders hereunder, registering the transfer of Bonds, obtaining any consent or other action to be taken by Holders of the Bonds and for all other purposes whatsoever, and neither the Trustee nor the City shall be affected by any notice to the contrary. Neither the Trustee nor the City shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this section, securities brokers and dealers, banks,

trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Bonds under or through DTC or any Participant, or any other person which is not shown on the registration records as being a Holder, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the interest on or the principal or Accreted Value of any of the Bonds, (iii) any notice which is permitted or required to be given to Holders of Bonds hereunder, or (iv) any consent given or other action taken by DTC as Holder of Bonds. The Trustee shall pay the interest on and principal or Accreted Value of the Bonds only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letters, and all such payments shall be valid and effective to satisfy fully and discharge the City's obligations with respect to the interest on and principal or Accreted Value of the Bonds to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Bonds will be transferable to such new nominee in accordance with subsection (f) of this section.

(c) In the event that the City determines that it is in the best interests of the beneficial owners of the Bonds that they be able to obtain definitive Bonds, the Trustee shall, upon receipt of a Written Request of the City, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of definitive Bonds, and in such event the Bonds shall be transferable in accordance with subsection (f) of this section. DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice of such discontinuance to the Trustee or the City and discharging its responsibilities with respect thereto under applicable law, and in such event the Bonds shall be transferable in accordance with subsection (f) of this section. Whenever DTC requests the Trustee or the City to do so, the Trustee and the City will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Bonds then Outstanding, and in such event the Bonds shall be transferable to such securities depository in accordance with subsection (f) of this section, and thereafter, all references in the Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision hereof to the contrary, so long as all Bonds Outstanding are registered in the name of any nominee of DTC, all payments with respect to the interest on and the principal or Accreted Value of each such Bond and all notices with respect to each such Bond shall be made and given, respectively, to DTC as provided in the Representation Letters.

(e) The Trustee and the City are each hereby authorized and requested to execute and deliver the Representation Letters and, in connection with any successor nominee for DTC or any successor depository, enter into comparable arrangements, and shall have the same rights with respect to its actions thereunder as it has with respect to its actions hereunder.

(f) In the event that any transfer or exchange of Bonds is authorized under subsection (b) or (c) of this section, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the Bonds to be transferred or exchanged and

appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.14 and 2.15. In the event that definitive Bonds are issued to Holders other than Cede & Co., its successor as nominee for DTC as holder of all the Bonds, another securities depository as holder of all the Bonds, or the nominee of such successor securities depository, the provisions of Sections 2.14 and 2.15 shall also apply to, among other things, the registration, exchange and transfer of the Bonds and the method of payment of the interest on and the principal or Accreted Value of the Bonds.

ARTICLE III

ACCOUNTS AND FUNDS

Section 3.01. Bond Fund; Deposits in the Bond Fund. The City agrees and covenants that on or before the 5th Business Day preceding each date on which interest on and principal of the Bonds is due and payable, the City shall deposit with the Trustee in immediately available funds an amount of money equal to the interest on or principal or Accreted Value of the Bonds due on such date, and all amounts payable to the Trustee hereunder shall be promptly deposited by the Trustee upon receipt thereof in a special fund designated the "City of Pasadena Taxable Pension Funding Bonds, Series 2011, Bond Fund" (which fund is hereby established, and shall be maintained in trust by the Trustee so long as any Bonds are Outstanding). On any Business Day when any other Obligation (including payments under any Swap Agreement) is due, the City shall make payment thereof to the person to whom such Obligation is due.

Section 3.02. Allocation of Money in Bond Fund. On receipt of each deposit in the Bond Fund, the Trustee shall transfer from such fund and deposit into the following two respective accounts (each of which is hereby established in the Bond Fund, and shall be maintained by the Trustee in trust separate and distinct from the other accounts and funds established hereunder) the following amounts in the following order of priority:

- (i) Interest Payment Account, and
- (ii) Principal Payment Account.

All money in each of such accounts shall be held in trust by the Trustee and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this section.

(a) **Interest Payment Account.** On each Interest Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Interest Payment Account an amount of money which is equal to the amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date, and for this purpose the Trustee shall establish separate subaccounts for each Series of the Bonds then Outstanding; provided, that no deposit need be made into the Interest Payment Account if the amount contained therein is at least equal to the aggregate amount of interest becoming due and payable on all Outstanding Bonds on such Interest Payment Date. All money in the Interest Payment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including interest on any Bonds redeemed prior to maturity) or to make reimbursements to the Credit Provider for drawings by the Paying Agent under the Credit Facility used for this purpose.

(b) **Principal Payment Account.** On each Principal Payment Date, the Trustee shall set aside from the Bond Fund and deposit in the Principal Payment Account an amount of money which is equal to the amount of principal or Accreted Value becoming due and payable on all Outstanding Bonds on such Principal Payment Date, and for this purpose the Trustee shall establish separate subaccounts for each Series of the Bonds; provided, that no deposit need be made into the Principal Payment Account if the amount contained therein is at least equal to the

aggregate amount of principal or Accreted Value becoming due and payable on all Outstanding Bonds on such Principal Payment Date. All money in the Principal Payment Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal or Accreted Value of the Bonds as it shall become due and payable (including principal or Accreted Value of any Bonds redeemed prior to maturity) or to make reimbursements to the Credit Provider for drawings by the Paying Agent under the Credit Facility used for this purpose.

Section 3.03. [Reserved]

Section 3.04. Deposit and Investment of Money in Accounts and Funds. All money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Permitted Investments at the Written Request of the City, except that if no Written Request of the City is received, the Trustee shall invest funds held by it in Permitted Investments described in paragraph (7) of the definition thereof. The Trustee may act as principal or agent in the acquisition or disposition of any such investment and may impose its customary charges therefor, and the Trustee shall incur no liability for losses arising from any investments made pursuant to this section. All such investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder. All earnings on investments shall, as and when received, be deposited in the account or fund from which the investment was made hereunder.

The City acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the City the right to receive brokerage confirmations of security transactions as they occur, the City specifically waives receipt of such confirmations to the extent permitted by law.

ARTICLE IV

COVENANTS OF THE CITY

Section 4.01. Punctual Payment and Performance. The City will punctually pay the interest on and principal or Accreted Value of every Bond issued hereunder in strict conformity with the terms hereof and of the Bonds, and will faithfully observe and perform all the agreements and covenants required to be observed or performed by the City contained herein and in the Bonds.

Section 4.02. Extension of Payment of Bonds. The City shall not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds or by any other arrangement, and in case the maturity of any of the Bonds or the time of payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled, in case of any Event of Default hereunder, to the benefits hereof, except subject to the prior payment in full of the principal or Accreted Value of all of the Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended; provided, that nothing in this section shall be deemed to limit the right of the City to issue Bonds for the purpose of refunding any Outstanding Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the Bonds.

Section 4.03. Additional Debt. The City reserves the right to enter into one or more other indentures or trust agreements for refunding any obligations due to the System, and reserves the right to issue additional obligations payable on a parity with the Bonds for such purpose.

Section 4.04. Amendments to Credit Facility. The City shall not enter into any Reimbursement Agreement or agree to any amendment of a Credit Facility or Reimbursement Agreement which in any way limits the obligation of the Credit Provider to provide funds under the Credit Facility without the prior written consent of the Holders of all Bonds Outstanding and entitled to the benefit thereof.

Section 4.05. Accounting Records and Reports; Reports Regarding SB481 Receipts.
(a) The City will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of all money on deposit in the accounts and funds established hereunder, which such books shall be available for inspection by the Trustee, the Liquidity Provider and the Credit Provider at reasonable hours and under reasonable conditions. Not more than two hundred ten (210) days after the close of each Fiscal Year, the City shall furnish to the Trustee, the Liquidity Provider and the Credit Provider copies of the audited financial statements of the City for such Fiscal Year, including a balance sheet as of the end of such Fiscal Year and such accompanying statements for such Fiscal Year as are required by generally accepted accounting principles, each such statement and balance sheet to be prepared in accordance with generally accepted accounting principles consistently applied and audited by a firm of Independent Certified Public Accountants; provided, that the Trustee shall have no duty to review or examine any such financial statements.

(b) The City will maintain records of, and shall account for separately, all SB481 Receipts received or disbursed by the City, which account shall be known as the "SB481 Fund." All earnings and profits received from the investment of SB481 Receipts, including in the investment pool of the City, shall be accounted for as receipts to the SB481 Fund. Not later than 120 days after the end of each Fiscal Year which ends prior to the repayment, redemption or defeasance in full of the Bonds, the City shall provide to the Trustee, the Liquidity Provider and any Credit Provider a report for the prior Fiscal Year showing the opening balance of SB481 Receipts for such Fiscal Year, additional amounts of SB481 Receipts received by the City during such Fiscal Year, all interest earnings credited to the SB481 Fund during such Fiscal Year and all disbursements from the SB481 Fund during such Fiscal Year, together with an ending balance in the SB481 Fund as of the end of such Fiscal Year. The Trustee shall not be responsible for reviewing the reports provided by the City pursuant to this Section 4.05.

Section 4.06. Prosecution and Defense of Suits. The City will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent involving the failure of the City to fulfill its obligations hereunder; provided, that the Trustee or any Holder at its election may appear in and defend any such suit, action or proceeding.

Section 4.07. Continuing Disclosure. The City will provide to the Trustee, the Liquidity Provider and any Credit Provider the financial information, operating data and event notification as provided for, and within the time periods provided, in the Continuing Disclosure Agreement.

Section 4.08. Remarketing Agreement. At least 150 days prior to any Mandatory Tender Date, the Trustee shall notify the City of such Mandatory Tender Date. Notwithstanding any failure of the Trustee to so notify the City, the City agrees that at least 120 days prior to any Mandatory Tender Date, the City shall, by notice to the Trustee, the Credit Provider and any Remarketing Agent, determine the manner in which it intends to provide for the purchase price of the Variable Rate Bonds subject to such mandatory tender. At least 90 days before any Mandatory Tender Date, to the extent such agreement is not then in effect, the City shall execute an agreement with a Remarketing Agent, which Remarketing Agent shall be reasonably acceptable to the Credit Provider and the Liquidity Provider.

Section 4.09. Waiver of Laws. The City shall not at any time insist upon or plead in any manner whatsoever, or claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force that may affect the agreements and covenants contained herein or in the Bonds, and all benefit or advantage of any such law or laws is hereby expressly waived by the City to the extent permitted by law.

Section 4.10. Budget and Appropriation of Debt Service; Certification to Trustee. The City shall take such action as may be necessary to include in each of its annual budgets the payments required to be made by the City under Section 3.01 herein and to make the necessary annual appropriations for all such payments. If any payment of debt service requires the adoption by the City of a supplemental budget or appropriation, the City will promptly adopt the same. Such covenants constitute duties imposed by law. Promptly following the adoption of an annual budget which includes the appropriations required by this Section, but in any event not later than

July 15 in each Fiscal Year, the City shall execute and deliver to the Trustee a written certificate which evidences the compliance by the City with the foregoing covenants with respect to such Fiscal Year.

Section 4.11. Commercially Reasonable Efforts to Refund or Refinance Series 2011B (Variable Rate) Bonds. With respect to the Series 2011B (Variable Rate) Bonds, prior to any mandatory tender date of such Series 2011B (Variable Rate) Bonds, the City shall use commercially reasonable efforts to either (i) issue obligations to refund the Series 2011B (Variable Rate) Bonds prior to the mandatory tender date, or (ii) provide a Liquidity Facility under which funds may be drawn in connection with the mandatory tender of the Series 2011B (Variable Rate) Bonds.

Section 4.12. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee, the Credit Provider, the Liquidity Provider or any Holder, the City will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee, the Credit Provider, the Liquidity Provider and the Holders all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE V

THE TRUSTEE, THE PAYING AGENT AND THE REMARKETING AGENT

Section 5.01. The Trustee. The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States of America, shall serve as the Trustee for the Bonds hereunder for the purpose of receiving all money and securities which the City is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money and securities as provided herein, with the rights and obligations provided herein, and the City agrees that it will at all times maintain a Trustee having the qualifications required hereby.

The City, with the prior written consent of the Credit Provider and the Liquidity Provider, may at any time (unless there exists any Event of Default) and shall, at the request of the Credit Provider if the Trustee is in breach of trust hereunder, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided, that any such successor shall be a bank or corporation with trust powers or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least seventy-five million dollars (\$75,000,000) and subject to supervision or examination by federal or state authority, and if such bank, corporation or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank, corporation or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the City, the Credit Provider and the

Liquidity Provider and by mailing notice of such resignation in accordance with Section 10.06 to the Holders, and upon receiving such notice of resignation, the City, with the prior written consent of the Credit Provider and the Liquidity Provider, shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee; provided, that if, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby.

Any bank or trust company into which the Trustee may be merged or converted or with which it may be consolidated or any bank or trust company resulting from any merger, conversion or consolidation to which it shall be a party or any bank or trust company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided such bank or trust company shall be eligible under this section, shall be the successor to the Trustee without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

The Trustee is hereby authorized to pay the interest on the Bonds when due as provided herein and to pay the principal or Accreted Value of the Bonds when duly presented for payment at maturity or on prior redemption as provided herein. The Trustee shall cancel all Bonds upon payment thereof at maturity or on prior redemption or upon the surrender thereof to the Trustee by the City, and the Trustee shall destroy all such canceled Bonds and a certificate of destruction shall be delivered to the City. The Trustee shall keep accurate records of all Bonds paid and discharged and canceled and destroyed by it.

The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default that may have occurred, perform such duties and only such duties as are specifically set forth herein, and no implied duties or obligations shall be read herein. The Trustee shall, during the existence of any Event of Default that has not been cured, exercise such of the rights and powers vested in it hereby, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Section 5.02. Liability of Trustee. The recitals of facts, agreements and covenants herein and in the Bonds shall be taken as recitals of facts, agreements and covenants of the City, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity hereof or of the Bonds, and shall not incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the Bonds or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own negligence or willful misconduct, and the Trustee shall not be liable for any error of judgment made in good faith unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Bond is submitted for inspection, if required, and such Holder's title thereto satisfactorily established, if disputed.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of all Outstanding Bonds or the Credit Provider relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or the exercise of any trust or power conferred upon the Trustee hereunder.

The Trustee shall be under no obligation to exercise any of the rights or powers vested in it hereby at the request, order or direction of any of the Holders, or the Credit Provider pursuant to the provisions hereof unless such Holders, or the Credit Provider shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee shall have no obligation or liability to the Holders for the payment of the principal or Accreted Value of or interest with respect to the Bonds from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties hereunder.

The Trustee shall not be deemed to have knowledge of any Event of Default unless and until an officer of the Trustee at its Corporate Trust Office responsible for the administration of its duties hereunder shall have actual knowledge thereof or shall have received written notice thereof. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the agreements, conditions, covenants or terms contained herein or of any of the documents executed in connection with the Bonds, or as to the existence of an Event of Default.

The Trustee may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through attorneys-in-fact, agents or receivers, and shall not be answerable for the negligence or misconduct of any such attorney-in-fact, agent or receiver, if such attorney-in-fact, agent or receiver was selected by the Trustee with due care. The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable for the professional malpractice of any attorney-in-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms hereof if such attorney-in-law or certified public accountant was selected by the Trustee with due care.

The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any money or securities which shall be released to the City in accordance with the provisions hereof.

Whether or not therein expressly so provided, every provision hereof or related documents relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this article.

The Trustee shall be protected in acting upon any bond, certificate (including any Certificate of the City), consent, notice, opinion, order, report, request (including any Written Request of the City), requisition, resolution or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the City, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the City, which certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties hereunder, or in the exercise of its rights or powers.

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

Section 5.03. Compensation and Indemnification of Trustee. The City covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of the powers and duties hereunder, and the City will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence or willful misconduct, including the negligence or willful misconduct of any of its Directors, officers or employees. The City, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee, including its Directors, officers and employees, against any loss, damages, liability or expense incurred without negligence or willful misconduct on the part of the Trustee arising out of or in connection with the acceptance or administration of the trusts created hereby, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder; provided, that the Trustee shall make payments on the Bonds when due, shall cause acceleration of the Bonds and shall cause mandatory redemption of the Bonds prior to seeking any indemnity hereunder. The rights of the Trustee and the obligations of the City under this section shall survive the discharge of the Bonds and the Trust Agreement and the resignation or removal of the Trustee. Notwithstanding anything contained herein, the Trustee shall not have any lien on the

remarketing proceeds of any Tendered Bonds or proceeds received from any draw on the Credit Facility for compensation due to it hereunder.

Section 5.04. Rights of Holders. Notwithstanding any other provision of this Trust Agreement, in determining whether the rights of the Holders will be adversely affected by any action taken pursuant to the terms and provisions of this Trust Agreement, the Trustee shall consider the effect on the Holders as if there were no Credit Facility.

Section 5.05. The Paying Agent. The Bank of New York Mellon Trust Company, N.A., in Los Angeles, California, shall serve as the Paying Agent for the Bonds hereunder. The Paying Agent shall be entitled to the advice of counsel (who may be counsel for any party hereto) and shall not be liable for any action taken in good faith in reliance on such advice. The Paying Agent may rely conclusively on any telephone or written notice, certificate or other document furnished to it hereunder and reasonably believed by it to be genuine. The Paying Agent shall not be liable for any action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed hereunder or omitted to be taken by it by reason of the lack of direction or instruction required for such action, or be responsible for the consequences of any error of judgment reasonably made by it. When any payment or other action by the Paying Agent is called for herein, it may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof, and a permissive right or power to act shall not be construed as a requirement to act. The Paying Agent shall not in any event be liable for the application or misapplication of funds, or for other acts or defaults, by any person, firm or corporation except by its Directors, officers, employees and agents. No recourse shall be had by the City, the Trustee, the Credit Provider, or any Holder for any claim based hereon or on the Bonds against any Director, officer, employee, or agent of the Paying Agent unless such claim is based upon the bad faith, fraud or deceit of such person. For the purposes hereof, matters shall not be considered to be known to the Paying Agent unless they are known to an officer of the Paying Agent at its principal corporate trust office. The Paying Agent shall not require indemnification prior to making a draw under the Credit Facility unless such drawing is prohibited by or violates applicable law or any outstanding or pending court or governmental order or decree.

The City shall pay to the Paying Agent reasonable compensation for its services and pay or reimburse the Paying Agent for its reasonable expenses and disbursements, including reasonable attorneys' fees hereunder. The City shall indemnify and save the Paying Agent harmless against any liabilities and reasonable expenses which it may incur in the exercise of its duties hereunder and which are not due to its negligence or bad faith; provided, that the Paying Agent shall make payments on the Bonds when due, cause mandatory and optional tender of the Bonds and shall draw on the Credit Facility prior to seeking any indemnity hereunder. Any fees, expenses, reimbursements or other charges which the Paying Agent may be entitled to receive from the City hereunder shall be due and payable thirty (30) days after a request for payment has been made by the Paying Agent to the City. Notwithstanding anything contained herein, the Paying Agent shall not have any lien on the remarketing proceeds of any Tendered Bonds or proceeds received from any draw on the Credit Facility for compensation due to it hereunder.

The Paying Agent, which may act by means of agents, shall signify its acceptance of the duties and obligations imposed upon it hereunder by its written instrument of acceptance under which the Paying Agent will agree to:

(i) hold all sums paid to it under the Credit Facility or Liquidity Facility for the payment of the interest on or the principal or Accreted Value or purchase price of the Bonds uninvested in trust in non-commingled funds for the benefit of the Holders until such sums shall be paid to the Holders or otherwise disposed of as herein provided;

(ii) hold all Bonds tendered to it hereunder in trust for the benefit of the respective Holders until money representing the Purchase Price of such Bonds shall have been delivered to or for the account of or to the order of such Holders;

(iii) hold all money delivered to it hereunder for the purchase of Bonds (including amounts drawn on the Credit Facility or Liquidity Facility) in non-commingled funds in trust uninvested for the benefit of the person that shall have so delivered such money until the Bonds purchased with such money shall have been delivered to or for the account of such person;

(iv) hold all Liquidity Provider Bonds in trust for the benefit of the Liquidity Provider until such Liquidity Provider Bonds have been remarketed by the Remarketing Agent, purchased by the City, or redeemed;

(v) keep such books and records as shall be consistent with industry practice and make such books and records available for inspection by the parties hereto and the Remarketing Agent at all reasonable times;

(vi) give all notices required of it herein at the times and in the manner required hereby and send to the Remarketing Agent copies of all such notices; and

(vii) take all other actions and perform all other duties and obligations as may be required of it as Paying Agent hereunder.

In addition, in its instrument of acceptance the Paying Agent shall assign to the Trustee all of its rights to enforce payment under the Credit Facility or Liquidity Facility after the occurrence of an Event of Default. When drawing on the Credit Facility or Liquidity Facility as required hereunder, the Paying Agent shall be acting solely on behalf of, and as the agent of, the Holders. The City shall have no right, title, or interest in any funds drawn under the Credit Facility or Liquidity Facility.

The City may discharge the Paying Agent from time to time and appoint a successor thereto, and shall appoint a successor thereto if the Paying Agent resigns or becomes ineligible; provided, that any such successor shall be approved in writing by the Credit Provider, the Liquidity Provider, the Trustee and the Remarketing Agent. The City shall, at the request of the Credit Provider, remove the Paying Agent for any breach of trust hereunder. The Paying Agent may resign by giving at least sixty (60) days' written notice to the parties hereto, the Remarketing

Agent, the Liquidity Provider and the Credit Provider. Each successor Paying Agent or Paying Agent's affiliate shall be a commercial bank or corporation with trust powers or trust company having a capital and surplus of not less than seventy-five million dollars (\$75,000,000), shall be capable of performing the duties prescribed for it herein in New York, New York, and may, but need not, be the same entity as the Trustee. The Trustee shall mail to the Holders in accordance with Section 10.06 notice of such removal, resignation or appointment of the Paying Agent.

In the event of the resignation or removal of the Paying Agent, the Paying Agent shall pay over, assign, transfer and deliver the Credit Facility and the Liquidity Facility in accordance with its terms and any money and Bonds, including Liquidity Provider Bonds, held by it in such capacity to its successor. No resignation or removal of the Paying Agent shall be effective until a successor has been appointed and has accepted its appointment.

Any corporation, association, partnership or firm which succeeds to the business of the Paying Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Paying Agent hereunder and shall be subject to all the duties and obligations of the Paying Agent hereunder.

In the event that the Paying Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Paying Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the City shall not have appointed its successor within thirty (30) days, the Trustee shall appoint a successor, although the Paying Agent shall still be considered an agent of the City.

All immunities, indemnities, exceptions from liability and other provisions of Section 5.02 insofar as they relate to the Trustee shall apply to the Paying Agent.

Section 5.06. The Remarketing Agent. The City shall appoint, with the consent of the Credit Provider and Liquidity Provider, a Remarketing Agent when any Bonds are in the Flexible Rate Mode, the Weekly Rate Mode, or the Multiannual Rate Mode; provided, however, that a Remarketing Agent for Bonds in the Multiannual Mode need not be appointed prior to ninety (90) days before the last day of the Rate Period. The Remarketing Agent shall be authorized by law to perform all of the duties imposed upon it hereby. In addition, the Remarketing Agent shall have a capitalization of at least one hundred million dollars (\$100,000,000) and outstanding securities rated at least Baa 3 (or a substantially equivalent rating) by Fitch if such a requirement is then necessary to the maintenance of any then existing Fitch rating on the Bonds. The Remarketing Agent, which may act by means of agents, shall signify its acceptance of the duties and obligations imposed upon it hereunder by a written agreement with the City under which the Remarketing Agent will agree, among other things, to:

- (i) determine the Flexible Rate, the Weekly Rate, the Multiannual Rate or the Fixed Rate pursuant to and in accordance herewith and the forms of the Flexible Rate Mode Bonds, the Weekly Rate Mode Bonds, the Multiannual Rate Mode Bonds and the Fixed Rate Mode Bonds contained in Appendix A;

(ii) give all notices to the Trustee, the Paying Agent and Liquidity Provider regarding the determination of interest rates on the Variable Rate Bonds and regarding Tendered Bonds as are required of the Remarketing Agent herein;

(iii) hold all money received hereunder from the remarketing of Tendered Bonds uninvested in trust in non-commingled funds for the benefit of the person or entity which shall have so delivered such money, until such money is paid to the Paying Agent as provided herein;

(iv) keep such books and records with respect to its duties as Remarketing Agent as shall be consistent with prudent industry practice and make such books and records available for inspection by the parties hereto and the Paying Agent at all reasonable times; and

(v) use its best efforts to remarket Bonds in accordance herewith and with any remarketing agreement entered into by the Remarketing Agent and the City.

The Remarketing Agent may enter into custodial agreements with one or more banking or similar institutions for the deposit and holding of the Bonds in order to facilitate the tendering and remarketing of Bonds as provided herein; provided, that in no event shall the City, the Trustee or the Paying Agent be responsible or held liable for any action taken or not taken under any such custodial agreement and in no way shall any such custodial agreement relieve or otherwise alter the obligations and responsibilities of the Remarketing Agent set forth herein.

The City may, with the prior written approval of the Credit Provider and Liquidity Provider, remove the Remarketing Agent at any time by giving at least thirty (30) days' written notice to the Remarketing Agent and the parties hereto and appoint a successor which meets the qualifications set forth in this section and which is reputable and experienced in the remarketing of obligations similar to the Bonds. The City, with the prior written approval of the Credit Provider and Liquidity Provider, shall also appoint a successor with similar qualifications if the Remarketing Agent resigns or becomes ineligible. The City shall give the Credit Provider, Liquidity Provider, the Paying Agent and the Trustee at least two (2) days' notice prior to the appointment of a successor Remarketing Agent. The Remarketing Agent may at any time resign and be discharged of the duties and obligations created hereby by giving at least thirty (30) days' written notice to the parties hereto, the Credit Provider, the Liquidity Provider and the Paying Agent. The Trustee shall mail to the Holders in accordance with Section 10.06 notice of any removal, resignation or appointment of the Remarketing Agent.

Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, shall thereby become vested with all the property, rights and powers of the Remarketing Agent hereunder and shall be subject to all the duties and obligations of the Remarketing Agent hereunder. In the event that the Remarketing Agent shall resign or be removed, or be dissolved, or if the property or affairs of the Remarketing Agent shall be taken under the control of any state or federal court or administrative body because of bankruptcy or

insolvency, or for any other reason, and the City shall not have appointed its successor within thirty (30) days, the Trustee shall apply to a court of competent jurisdiction for such appointment.

ARTICLE VI

AMENDMENT OF THE TRUST AGREEMENT

Section 6.01. Amendment of the Trust Agreement. The Trust Agreement and the rights and obligations of the City and of the Holders may be amended at any time (with the prior written consent of the Credit Provider and Liquidity Provider and notice to the Rating Agencies) by a Supplemental Trust Agreement which shall become binding when the written consents of the Holders of a majority in aggregate principal amount of the Outstanding Bonds, exclusive of Bonds disqualified as provided in Section 6.02, are filed with the Trustee. No such amendment shall (1) extend the maturity of or reduce the interest rate on or amount of interest on or principal, Accreted Value of any Bond without the express written consent of the Holder of such Bond, or (2) reduce the percentage of Bonds required for the written consent to any such amendment.

The Trust Agreement and the rights and obligations of the City and of the Holders may also be amended at any time (with the prior written consent of the Credit Provider and Liquidity Provider and notice to the Rating Agencies) by a Supplemental Trust Agreement which shall become binding without the consent of any Holders, but only to the extent permitted by law and after receipt of an approving Opinion of Counsel that any such amendment is authorized hereunder, including (without limitation) for any one or more of the following purposes --

- (i) to add to the agreements and covenants required herein to be performed by the City other agreements and covenants thereafter to be performed by the City, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved herein to or conferred herein on the City;
- (ii) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained herein and in any Supplemental Trust Agreement or in regard to questions arising hereunder which the City may deem desirable or necessary and not inconsistent herewith;
- (iii) to modify, amend or add to the provisions herein or in any Supplemental Trust Agreement to permit the qualification hereof or thereof under the Trust Indenture Act of 1939, as amended, or any similar federal statutes hereafter in effect, and to add such other terms, conditions and provisions as may be permitted by such statute or similar statute;
- (iv) to make any amendments necessary or appropriate to preserve or protect the exemption of interest on the Bonds from State of California personal income taxes;
- (v) for any other purpose provided that the Amendment does not materially adversely affect the interest of the Holders of Bonds; or
- (vi) to authorize Bonds of a Series and, in connection therewith, provide for the issuance of such Series of Bonds.

The Trustee shall not be required to enter into or consent to the execution of any Supplemental Trust Agreement which, in the sole judgment of the Trustee, might adversely affect the rights, obligations, powers, privileges, indemnities, or immunities provided the Trustee herein.

Section 6.02. Disqualified Bonds. Bonds owned or held by or for the account of the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided in this article, and shall not be entitled to consent to or take any other action provided in this article; provided, that the Trustee shall not be deemed to have knowledge that the City owns such Bonds unless the City is a Holder or the Trustee has received written notice that the City is such a Holder.

Section 6.03. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the City may determine that the Bonds may bear a notation by endorsement in form approved by the City as to such action, and in that case upon demand of the Holder of any Outstanding Bond and presentation of his Bond for such purpose at the Corporate Trust Office a suitable notation as to such action shall be made on such Bond; provided, that if the City shall so determine, new Bonds so modified as, in the opinion of the City, shall be necessary to conform to such action shall be prepared and executed, and in that case upon demand of the Holder of any Outstanding Bond a new Bond or Bonds shall be exchanged at the Corporate Trust Office without cost to each Holder for his Bond or Bonds then Outstanding upon surrender of such Outstanding Bond or Bonds.

Section 6.04. Amendment by Mutual Consent. The provisions of this article shall not prevent any Holder from accepting any amendment as to the particular Bonds held by such Holder, provided that due notation thereof is made on such Bonds.

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

Section 7.01. Events of Default. If any of the following events occur, they shall constitute Events of Default hereunder, namely:

(i) If default shall be made by the City in the due and punctual payment of the interest on any Bond when and as the same shall become due and payable;

(ii) If default shall be made by the City in the due and punctual payment of the principal or Accreted Value of any Bond when and as the same shall become due and payable at maturity or on prior redemption;

(iii) If default shall be made by the City in the performance of any of the agreements or covenants required herein to be performed by the City, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Trustee or the Credit Provider or the Holders of not less than twenty-five per cent (25%) in aggregate principal amount of the Outstanding

Bonds, specifying such default and requiring the same to be remedied; provided, if the default stated in the notice can be corrected, but not within the applicable period, the Trustee and such Holders shall not unreasonably withhold their consent to an extension of such time if corrective action is instituted by the City within the applicable period and diligently pursued until the default is corrected; or

(iv) If an Event of Bankruptcy shall occur, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property and, in the event the Event of Bankruptcy is a proceeding commenced against the City, or the assumption or control proceeding is one commenced against the City, the same shall remain unstayed for a period of 60 days or more.

Notwithstanding the foregoing, if the Trustee or the Paying Agent shall have received written notice from the Credit Provider or Liquidity Provider that the Credit Facility or Liquidity Facility has not been reinstated or will terminate or that an event of default has occurred under the Reimbursement Agreement or with respect to such Credit Facility or Liquidity Facility, such event shall constitute an Event of Default hereunder, but only with respect to the Series of Bonds secured or guaranteed by such Credit Facility or Liquidity Facility.

Section 7.02. Remedies for Events of Default. If an Event of Default occurs and is continuing:

(i) Unsecured Bonds. If no Credit Facility is in effect for a Series of Bonds, the Trustee shall, by written notice to the City and the Paying Agent, declare immediately due and payable the principal and Accreted Value of and accrued interest on all Outstanding Bonds of such Series, whereupon the same shall become immediately due and payable without any further action or notice.

(ii) Secured Bonds. Upon receipt of written notice from the Credit Provider of a Credit Facility for any Series of Bonds that an event of default has occurred hereunder or under the Reimbursement Agreement and directing the Trustee to accelerate such Series of Bonds, the Trustee shall, by written notice to the City and the Paying Agent, declare immediately due and payable the principal of all Outstanding Bonds of such Series and the accrued interest thereon, whereupon such interest and principal shall automatically become immediately due and payable without any further action or notice. Upon acceleration of any such Series of Bonds, the Trustee shall instruct the Paying Agent to draw immediately on the Credit Facility in order to pay when due the aggregate unpaid interest on and principal of such Bonds to the date of payment (which shall be the date of acceleration for Fixed Rate Bonds and any Variable Rate Bonds in the Weekly Rate Mode, the Multiannual Rate Mode and the Fixed Rate Mode and the next Purchase Date for each Variable Rate Bond in the Flexible Rate Mode); provided, that the Paying Agent shall hold in trust for the benefit of Holders of Variable Rate Bonds in the Flexible Rate Mode any amounts so drawn in respect of such Variable Rate Bonds and shall release such amounts only on the applicable Purchase Date for each such Variable Rate Bond, and the Holders of such Variable Rate Bonds shall have no right to make any claim

for such amounts until such Purchase Date. The Trustee shall not accelerate any Series of Bonds secured or guaranteed by a Credit Facility, except upon direction of the Credit Provider.

Section 7.03. Application of Funds Upon Acceleration. All money in the accounts and funds provided in Section 3.02 upon the date of the declaration of acceleration by the Trustee as provided in Section 7.02 and all amounts in the accounts and funds thereafter received by the City hereunder shall be transmitted to the Trustee and shall be applied by the Trustee in the following order--

First, to the payment of the costs and expenses of the Trustee, if any, in carrying out the provisions of this article, including payment of reasonable compensation to its accountants and counsel and any outstanding fees and expenses of the Trustee, and to the payment of the costs and expenses of the Holders in providing for the declaration of such event of default, including reasonable compensation to their accountants and counsel; provided, that in the case of acceleration by the Trustee of any Series of Bonds pursuant to Section 7.02(ii) following an Event of Default, the Trustee shall not use any proceeds of the Credit Facility for the payment of the costs and expenses of the Trustee described in this Section;

Second, upon presentation of the several Bonds, and the stamping thereon of the amount of the payment if only partially paid or upon the surrender thereof if fully paid, to the payment of the whole amount then owing and unpaid upon the Bonds for interest and principal or Accreted Value, with (to the extent permitted by law) interest on the overdue interest and principal or Accreted Value at the rate borne by such Bonds, and in case such money shall be insufficient to pay in full the whole amount so owing and unpaid upon the Bonds, then to the payment of such interest, principal or Accreted Value and (to the extent permitted by law) interest on overdue interest and principal or Accreted Value without preference or priority among such interest, principal, Accreted Value and interest on overdue interest and principal or Accreted Value ratably to the aggregate of such interest, principal, Accreted Value and interest on overdue interest and principal or Accreted Value.

Section 7.04. Institution of Legal Proceedings by Trustee. If one or more of the Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the Outstanding Bonds, and upon being indemnified to its satisfaction therefor, shall (with the prior written consent of the Credit Provider) proceed to protect or enforce its rights or the rights of the Holders of the Bonds hereunder by a suit in equity or action at law, either for the specific performance of any agreement or covenant contained herein, or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder.

Section 7.05. Non-Waiver. Nothing in this article or in any other provision hereof or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on or the principal or Accreted Value of the Bonds to the respective Holders of the Bonds at the respective dates of maturity or on prior redemption as provided herein, or shall

affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract; provided, that the Trustee shall not waive an Event of Default with respect to any Series of Bonds secured by or payable from a Credit Facility without the consent of the Credit Provider and, if applicable, reinstatement in full of such Credit Facility. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned, the Trustee, the City, the Credit Provider and any Holder shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

Section 7.06. Actions by Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is hereby appointed (and the successive Holders, by taking and holding the Bonds issued hereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact.

Section 7.07. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

Section 7.08. Limitation on Holders' Right to Sue. No Holder of any Bond shall have the right to institute any suit, action or proceedings, at law or equity, for any remedy hereunder unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Holders of at least a majority in aggregate principal amount of all Outstanding Bonds and the Credit Provider shall have made written request upon the Trustee to exercise the powers hereinabove granted or to institute such suit, action or proceeding in its own name; (c) such Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and such tender of indemnity shall have been made to, the Trustee; provided, that this limitation shall not apply to the Credit Provider.

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

Section 7.09. Absolute Obligation of City. Nothing contained herein or in the Bonds shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the interest on and the principal or Accreted Value of the Bonds to the respective Holders of the Bonds on their respective Interest Payment Dates and Principal Payment Dates.

Section 7.10. Multiple Credit Providers. In the event there is more than one Credit Facility in effect for the Bonds, any consent, waiver or other action by any Credit Provider shall only be applicable to the Series of Bonds secured or guaranteed by such Credit Provider.

Section 7.11. Consent of Credit Provider Upon Default. Anything in this Trust Agreement to the contrary notwithstanding, upon the occurrence and continuance of an Event of Default as defined herein and during such time as a Credit Facility shall be in full force and effect with respect to a Series of Bonds, and so long as the Credit Provider of such Credit Facility is not in default under such Credit Facility, such Credit Provider shall be entitled to control and direct the enforcement of all rights and remedies granted to the Holders of such Series of Bonds or the Trustee for the benefit of the Holders of such Series of Bonds under this Trust Agreement, including, without limitation: (i) the right to accelerate the principal and Accreted Value of such Series of Bonds as described in this Trust Agreement, and (ii) the right to annul any declaration of acceleration, and such Credit Provider shall also be entitled to approve all waivers of Events of Default with respect to such Series.