
LETTER OF CREDIT REIMBURSEMENT AGREEMENT

Dated as of February 1, 2006

Between

CITY OF PASADENA

and

CITIBANK, N.A.

relating to
\$[Par Amount]
Pasadena Public Financing Authority
Variable Rate Demand Lease Revenue Bonds
(Rose Bowl Refinancing and Improvement Projects), Series 2006

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Exhibit A - Form of Irrevocable Transferable Letter of Credit

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LETTER OF CREDIT REIMBURSEMENT AGREEMENT

LETTER OF CREDIT REIMBURSEMENT AGREEMENT dated as of February 1, 2006 (the "Agreement" or "Reimbursement Agreement") between the CITY OF PASADENA, a municipal corporation duly organized and existing under its charter and the Constitution and laws of the State of California (the "City") and CITIBANK, N.A., a national banking association organized under the laws of the United States of America (the "Bank").

WITNESSETH

WHEREAS, pursuant to a certain Bond Indenture dated as of February 1, 2006 (the "Indenture") between the Pasadena Public Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and Deutsche Bank National Trust Company, as trustee (the "Trustee"), the Authority has authorized the issuance of its \$[Par Amount] Pasadena Public Financing Authority Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects), Series 2006 (the "Bonds"); and

WHEREAS, in order to support the payment of the principal of and accrued interest on, or the Purchase Price of, the Bonds as the same shall become due and payable pursuant to the provisions of the aforesaid Indenture, the City has requested that the Bank issue in favor of the Trustee, for the account of the City and for the benefit of the holders from time to time of the Bonds, an irrevocable direct-pay letter of credit in the initial stated amount of \$[Stated Amount]; and

WHEREAS, in order to induce the Bank to issue the aforesaid letter of credit, the City has agreed to reimburse the Bank for all amounts advanced by it under such letter of credit and to pay interest on such amounts as well as certain costs, fees and expenses, all as provided herein;

NOW, THEREFORE, in consideration of the mutual promises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

DEFINITIONS

For purposes of this Agreement, capitalized terms used herein which are not defined herein shall have the meanings set forth in the Indenture or the Sublease. In addition, the following terms shall have the following meanings:

"Additional Rental" shall mean the additional rental payable by the City under and pursuant to Section 5.01(b) of the Sublease.

"Agreement" or "Reimbursement Agreement" shall mean this Letter of Credit Reimbursement Agreement dated as of February 1, 2006, between the City and the Bank, as the same may be supplemented and amended from time to time in accordance with its terms.

“Authority” shall mean the Pasadena Public Financing Authority, a joint exercise of powers a authority duly organized and existing under and by virtue of the laws of the State of California.

“Authority Resolution” shall mean Resolution No. [_____] of the governing body of the Authority adopted on February 6, 2006, approving the execution, delivery and performance of the Related Documents to which the Authority is a party and the consummation of the transactions contemplated thereby and by the Official Statement.

“Authorized Representatives” (i) with respect to the City, the City Treasurer, the City Manager or the Acting Finance Director of the City, or any other person designated as an Authorized Representative of the City by a certificate of the City signed by the City Treasurer, the City Manager or the Acting Finance Director and filed with the Trustee and the Bank and (ii) with respect to the Authority shall mean, the Chairperson, the Vice Chairperson, the Executive Director or the Acting Treasurer or any other person designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by the Chairperson, the Vice Chairperson, the Executive Director or the Acting Treasurer and filed with the Trustee and the Bank.

“Bank” shall mean Citibank, N.A. and any substitute bank party to this Agreement and the Letter of Credit in accordance with this Agreement, provided, however, that “Bank” shall not include any bank that is not a party to the Letter of Credit.

“Bank Bonds” shall mean the Bonds which are purchased with the proceeds of a Drawing on the Letter of Credit when the proceeds from remarketing of tendered Bonds are insufficient to pay the Purchase Price of all tendered Bonds.

“Base Rate” shall mean, for any day, a rate per annum equal to the higher of (a) Federal Funds Effective Rate plus 0.50% per annum, or (b) Prime Rate.

“Base Rental Payments” shall mean the base rental payments payable by the City under and pursuant to Section 5.01(a) of the Sublease.

“Bonds” shall mean the \$[Par Amount] Pasadena Public Financing Authority Variable Rate Demand Lease Revenue Bonds (Rose Bowl Refinancing and Improvement Projects), Series 2006, as authorized by the Indenture.

“Business Day” shall mean a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State, the State of New York or in any state in which the office of the Bank, the Remarketing Agent, the Tender Agent, if any, the Auction Agent, if any, or the Trustee is located are authorized to remain closed or a day on which the New York Stock Exchange is not closed.

“City” shall mean the City of Pasadena, a municipal corporation duly organized and existing under its charter and the Constitution and laws of the State of California.

“City Hall Improvements” shall have the meaning set forth in Exhibit C to the Sublease.

“City Obligations” shall mean any debt or obligations of the City on a parity with the Base Rental Payments and Additional Rental which are supported by the fair rental value of the Leased Property other than the obligation to make Base Rental Payments and Additional Rental.

“City Resolution” shall mean Resolution No. [_____] of the Council of the City adopted on February 6, 2006, approving the execution, delivery and performance of the Related Documents to which the Authority is a party and the consummation of the transactions contemplated thereby and by the Official Statement.

“Default Rate” shall mean for any day, a fluctuating rate per annum equal to the Base Rate for such day plus 3% per annum.

“Draw Rate” means, with respect to the Unreimbursed Amounts of any Drawing, (a) on any day prior to the date that is 60 days from and including the date of such Drawing, a fluctuating rate of interest equal to the Base Rate; (b) on any day on or after the date that is 61 days from the date of such Drawing through and including the day that is 180 days from the date of such Drawing, a fluctuating rate of interest equal to the Base Rate plus one percent (1.0%); and (c) thereafter, a fluctuating rate of interest equal to the Base Rate plus two percent (2.0%); provided that from and after the earlier to occur of (x) the Stated Termination Date and (y) the occurrence of an Event of Default, the Draw Rate shall equal the Default Rate.

“Drawing” shall mean a drawing under the Letter of Credit in accordance with its terms to pay the principal amount of and accrued interest on, or the Purchase Price of, the Bonds.

“Event of Default” shall have the meaning set forth in Section 10.01 hereof.

“Expiration Date” shall have the meaning set forth in the Letter of Credit.

“Federal Funds Effective Rate” means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank

“Indenture” shall mean the Bond Indenture dated as of February 1, 2006 by and between the Authority and the Trustee, as the same may be amended or supplemented from time to time in accordance with the terms thereof.

“Independent Insurance Consultant” shall mean an independent insurance consultant selected and employed by the City and approved by the Bank which approval shall not be unreasonably withheld, experienced in the field of risk management.

“Issuance Date” shall have the meaning set forth in Section 2.01(a) hereof.

“Lease” shall mean the Lease of the Leased Property dated as of February 1, 2006 between the City and the Authority, as amended from time to time.

“Leased Property” shall mean the real property, together with any improvements thereon or to be located thereon, as described in Exhibit A to the Sublease.

“Letter of Credit” shall mean the Letter of Credit issued by the Bank pursuant to this Agreement, as amended from time to time.

“Letter of Credit Commitment” shall mean the commitment of the Bank to issue the Letter of Credit in an initial stated amount of \$[Stated Amount], comprised of \$[Par Amount] available to pay the principal amount of or the principal portion of the Purchase Price of the Bonds and \$[Interest Amount] available to pay interest accruing on the Bonds calculated on the basis of a 365/366-day year at twelve percent (12%) for [_____] days or the interest portion of the Purchase Price thereof, as such amount may be decreased by the payment and retirement of Outstanding Bonds.

“Material Adverse Change” shall mean the occurrence of any event or change resulting in a material and adverse change (in the reasonable opinion of the Bank) in the business, condition (financial or otherwise), operations or prospects of the City with respect to the moneys relating to its General Fund or relating to the Leased Property since the last day of the period reported in the financial statements of the City received by the Bank and described in Section 7.01(f) or received by the Bank pursuant to Section 8.01(b), whichever is later or which materially and adversely effects the enforceability of the Related Documents or the ability of the City to perform its obligations hereunder or thereunder.

“Maximum Annual Debt Service” shall mean the greatest amount of principal and interest becoming due and payable on the Bonds and all other City Obligations which become due (for purposes of this definition of “Maximum Annual Debt Service,” herein collectively referred to as “Debt”) in the fiscal year of the City in which the calculation is made or any subsequent fiscal year of the City; provided, however, that for the purposes of computing Maximum Annual Debt Service:

(a) with respect to all City Obligations other than Bank Bonds then held by the Bank, if the City Obligations bear a variable interest rate, the interest rate on such City Obligations shall be assumed to be the greater of (i) 6% or (ii) 125% of the interest rate applicable to the City Obligations on the date that Maximum Annual Debt Service is to be determined (the “Assumed Rate”); provided that in the event a City Obligation is incurred in connection with an interest rate swap or cap agreement in which the City has agreed to pay a fixed interest rate or has locked in a capped interest rate if the Bank and each rating agency which then maintains a rating on the Bonds has reviewed and approved such agreement, then the interest rate for purposes of computing Maximum Annual Debt Service shall be such fixed or capped interest rate for the period that such interest rate swap or cap agreement is contracted to remain in full force and effect and thereafter shall be the Assumed Rate; and with respect to City Obligations outstanding which do not bear interest at a variable interest rate, the actual daily rate of interest borne

by such City Obligations during the twelve (12) month period ending with the month preceding the date of calculation; and

(b) with respect to the Bank Bonds then held by the Bank, the interest rate on such Bonds shall be assumed to be 125% of the daily average interest rate applicable to such Bonds during the twelve (12) month period ending with the month preceding the date of calculation.

“Notice of Extension” shall mean a notice from the Bank to the Trustee in substantially the form of Annex J to the Letter of Credit.

“Official Statement” shall mean the official statement of the Authority dated [____], 2006 relating to the issuance of the Bonds, including any supplement or amendment thereto.

“Participant” shall mean each bank purchasing a participation from the Bank pursuant to a Participation Agreement, and each Subparticipant.

“Participation Agreement” shall mean any participation agreement between the Bank and any other bank purchasing a participation and named therein, relating to this Agreement, the Letter of Credit, the Indenture and the Bonds.

“Participation Percentage” shall mean the percentage represented as the Participation Percentage of such Participant or the Bank in the Bank’s rights and obligations under this Agreement as set forth in a certificate executed and delivered by the Bank to the City, which percentage is subject to change by the execution and delivery of another such certificate, effective as of the date of delivery thereof; provided that, in no event and at no time shall the sum of the Participation Percentages of all of the Participants and the Bank equal in excess of 100%; it being understood and agreed that the City may rely fully on any such certificate and shall have no duty of inquiry or investigation with respect to the genuineness or correctness thereof, notwithstanding notice or knowledge to the effect that such certificate, is not genuine or correct.

“Person” shall mean an individual, a corporation, a partnership, an association, a trust, a government, a municipal corporation, a governmental agency or instrumentality or any other entity or organization.

“Project” shall mean, collectively, the Rose Bowl Improvements and the City Hall Improvements.

“Prime Rate” means the rate established by the Bank, from time to time as its publicly announced prime rate; the Bank may lend to its customers at rates that are at, above or below the Prime Rate.

“Prior Certificates” shall mean the City of Pasadena 1991 Variable Rate Demand Certificates of Participation (Rose Bowl Improvements Project) and the City of Pasadena 1996 Certificates of Participation (Additional Rose Bowl Improvements Project) refunded with the proceeds of the Bonds.

“Purchase Agreement” shall mean the Bond Purchase Agreement, dated February [], 2006, by and among Merrill Lynch, Pierce, Fenner & Smith Incorporated, the Authority and the City, relating to the sale of the Bonds.

“Purchase Price” shall mean the purchase price of Bonds tendered for payment pursuant to Section 4.06, 4.08 or 4.10 of the Indenture.

“Quarterly Payment Date” shall mean the first day of April, July, October and January in each year; provided that if the first day of such month is not a Business Day, then the next succeeding Business Day in such month.

“Related Documents” shall mean this Reimbursement Agreement, the City Resolution, the Authority Resolution, the Indenture, the Bonds, the Lease, the Sublease, the Letter of Credit, the Purchase Agreement, the Tax Certificate, the Swap Documents and the Remarketing Agreement.

“Remarketing Agent” shall mean Merrill Lynch, Pierce, Fenner & Smith Incorporated, or any successor remarketing agent appointed by the Authority and the City with respect to the Bonds in accordance with the terms of the Remarketing Agreement.

“Remarketing Agreement” shall mean the Remarketing Agreement dated as of February 1, 2006 by and between the Remarketing Agent and the Authority, and acknowledged by the Trustee and the Tender Agent.

“Rose Bowl Improvements” shall have the meaning set forth in Exhibit C to the Sublease.

“Stated Amount” shall mean the amount set forth in the Letter of Credit, as such amount is reduced and reinstated from time to time in accordance with the Letter of Credit.

“Stated Termination Date” shall have the meaning set forth in the Letter of Credit.

“Sublease” shall mean the Sublease of the Leased Property dated as of February 1, 2006 between the Authority and the City, as amended from time to time.

“Subparticipant” shall mean each bank which purchases from a Participant (other than a Subparticipant) a participation in such Participant’s interests in a Participation Agreement pursuant to a Subparticipation Agreement.

“Subparticipation Agreement” shall mean each agreement between a bank which has purchased a participation pursuant to a Participation Agreement and any Subparticipant, pursuant to which such Subparticipant shall purchase from such bank a participation in such bank’s interests in a Participation Agreement.

“Substitute Credit Facility” shall have the meaning set forth in the Indenture.

“Swap Documents” shall mean any interest rate swap agreement, currency swap agreement, forward payment conversion agreement, futures contract, contract providing for

payments based on levels of or changes in interest rates, currency exchange rates, stock or other indices, or contract to exchange cash flows or a series of payments, and contract including, without limitation, interest rate floor or cap, option, put or call to hedge payment, currency rate, spread or similar exposure, hereafter entered into by and between the City and [_____], the obligations (other than termination payments) of the City under which are secured by [City Obligations on a parity with the Base Rental Payments and Additional Rental].

“Tender Agent” shall mean Deutsche Bank National Trust Company, in its capacity as tender agent under the Indenture and any successor or successors thereto as shall be appointed pursuant to the Indenture.

“Trustee” shall mean Deutsche Bank National Trust Company, in its capacity as trustee and paying agent under the Indenture and any successor or successors thereto as shall be appointed pursuant to the Indenture.

“Unreimbursed Amount” shall mean the aggregate amount of all Drawings on the Letter of Credit for which the Bank has not been reimbursed by or on behalf of the City, including, without limitation, Drawings to pay the Purchase Price of Bonds which become Bank Bonds.

ARTICLE II

LETTER OF CREDIT, FEES

SECTION 2.01. Amount and Terms of Letter of Credit.

(a) The Bank agrees, on the terms and subject to the conditions hereinafter set forth, to issue the Letter of Credit on February 16, 2006 (the “Issuance Date”). The Letter of Credit will be issued in an initial Stated Amount equal to \$[Stated Amount], comprised of \$[Par Amount] available to pay the remaining outstanding principal amount of or the principal portion of the Purchase Price of the Bonds and \$[Interest Amount] available to pay interest accruing on the Bonds calculated on the basis of a 365/366-day year at twelve percent (12%) per annum for [_____] days or the interest portion of the Purchase Price thereof. The Letter of Credit shall be issued to the Trustee for the account of the City, and shall be substantially in the form of Exhibit A hereto, with such changes to such form as the City and the Bank shall agree in writing are necessary or advisable.

(b) The Stated Termination Date shall initially be February 16, 2009; provided that such date shall be subject to extension upon the request of the City in the sole and absolute discretion of the Bank. Any request to extend the Stated Termination Date made by the City shall be made by written notice to the Bank no earlier than ninety (90) days prior to the second anniversary of the Issuance Date (and in no event later than ninety (90) days prior to the existing Stated Termination Date). The Bank shall have the option, in its sole discretion and on such terms and conditions as the Bank and the City may mutually agree upon, to extend the Stated Termination Date of the Letter of Credit past its then current Stated Termination Date upon any request of the City for a period of one (1) year or such other period as the parties may agree. If the Bank elects to extend the Letter of Credit, the Bank shall give written notice, within thirty (30) days of the City’s request, to the City and the Trustee of such election and the Bank shall

provide to the Trustee on such date a Notice of Extension. The failure of the Bank to give such Notice of Extension shall be deemed a denial of the City's request for extension. The covenants and obligations of the City contained in this Agreement shall continue in full force and effect upon any extension, renewal or substitution of the Letter of Credit as provided in this Section 2.01(b), except insofar as the Bank and the City may agree.

(c) The City may at any time at its option provide a Substitute Credit Facility in full and complete substitution for the Letter of Credit. As a condition to any delivery of a Substitute Credit Facility, the City shall pay or cause to be paid all Unreimbursed Amounts hereunder (including, without limitation, the principal of and accrued interest on Bank Bonds) and all other sums owed to the Bank pursuant to this Agreement, including any fee payable pursuant to Section 2.02(f) hereof. The City hereby agrees to give the Bank thirty (30) days' prior written notice of any such proposed substitution, and upon such substitution, the Letter of Credit shall expire.

SECTION 2.02. Fees. The City shall also pay as Additional Rental under the Sublease directly to the Bank the following amounts:

(a) on demand, any and all reasonable charges and expenses incurred by the Bank (including, without limitation, reasonable attorneys' fees and expenses) in enforcing any rights under the Indenture, the Sublease or the Reimbursement Agreement;

(b) upon each transfer of the Letter of Credit, or each amendment to the Letter of Credit, a fee of \$2,500, plus any fees, costs and expenses incurred by the Bank in connection therewith;

(c) a Letter of Credit fee at the per annum rate of 0.16% of the Stated Amount, such fee to be calculated as of the close of business on each day from and including the Issuance Date to and including the Expiration Date of the Letter of Credit, on the basis of a 365/366 day year, payable quarterly in arrears by 3:00 p.m., New York time on each Quarterly Payment Date, with the final payment being due and payable on the Expiration Date for the period ending on such date; provided, that the initial payment shall be made on April 1, 2006 for the period from and including the Issuance Date through March 31, 2006;

(d) a draw fee of \$250 for each drawing under the Letter of Credit payable quarterly in arrears by 3:00 p.m., New York time, on each Quarterly Payment Date with the last payment being due and payable on the Expiration Date;

(e) on demand, to the extent permitted by law, interest at the Default Rate from time to time in effect, on any and all amounts required to be paid to the Bank hereunder from and after the due date thereof until paid in full, whether before or after the Expiration Date; and

(f) if the Letter of Credit is terminated by the City or if the Stated Amount of the Letter of Credit is reduced as a result of the optional redemption of Bonds prior to the first anniversary of the Issuance Date, or February 16, 2007, a fee payable to the Bank within thirty (30) days from the date of termination or reduction of the Letter of Credit

equal to the annual Letter of Credit fee the Bank would have received, based on the Stated Amount of the Letter of Credit as of the Issuance Date and a per annum rate of 0.16%, during the first year but for such termination or reduction, less any Letter of Credit fees previously received by the Bank with respect to the Letter of Credit; provided, however, that if the City elects to replace the Letter of Credit due to (i) the downgrading of the Bank's long-term, senior unsecured debt ratings below AA+/F1+ by Fitch, Inc. and AA/A-1+ by Standard & Poor's Ratings Services or (ii) due to the Bank's imposition of additional payments pursuant to Section 2.03 hereof, the City shall not be subject to such fee.

SECTION 2.03. Additional Payments.

(a) If on or after the date hereof, the adoption of any applicable law, rule or regulation, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by the Bank with any request or directive made on or after the date hereof (whether or not having the force of law) of any such authority, central bank or comparable agency:

(i) shall subject the Bank to any tax, duty or other charge with respect to the Bonds, the Letter of Credit or this Agreement, or shall change the basis of taxation of payments to the Bank under this Agreement or any Bank Bonds (except for changes in the rate of tax on the overall net income of the Bank); or

(ii) shall impose, modify or deem applicable any reserve (including, without limitation, any such requirement imposed by the Board of Governors of the Federal Reserve System), or similar requirement against the assets of, deposits, with or for the account of, or credit extended by, the Bank or shall impose on the Bank any other condition affecting its obligations with respect to the Bonds, the Letter of Credit or this Agreement;

and the result of any of the foregoing is to increase the cost to the Bank of performing its obligations with respect to the Bonds, the Letter of Credit or this Agreement, or to reduce the amount of any sum received or receivable by the Bank with respect to the Bonds, the Letter of Credit or this Agreement, by an amount deemed by the Bank to be material, then, within thirty (30) days after demand by the Bank (or, if such increased costs will continue to be incurred by the Bank, in arrears on a monthly basis as agreed between the City and the Bank) the City shall pay to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction, subject to the following sentence. All payments required under this subsection (a) shall constitute Additional Rental under Section 5.01 of the Sublease, and shall be payable to the extent provided in the Sublease.

(b) If the Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or any request or directive regarding capital adequacy (whether or not having the force of law) of any

such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on capital of the Bank (or its parent) as a consequence of the Bank's obligations hereunder to a level below that which the Bank (or its parent) could have achieved but for such adoption, change, request or directive (taking into consideration its policies with respect to capital adequacy) by an amount deemed by the Bank to be material, then from time to time, within thirty (30) days after demand by the Bank (or if such reductions in the rate of return on capital of the Bank (or its parent) will continue to be suffered by the Bank (or its parent), in arrears on a monthly basis as agreed between the City and the Bank), the City shall pay to the Bank such additional amount or amounts as will compensate the Bank (or its parent) for such reduction, subject to the following sentence. All payments required under this subsection (b) shall constitute Additional Rental under Section 5.01 of the Sublease, and shall be payable to the extent provided in the Sublease.

(c) The Bank will use its best efforts to notify the City within thirty (30) days of the Bank's obtaining knowledge of any event occurring after the date hereof which will entitle the Bank to compensation pursuant to this Section 2.03; provided that the failure of the Bank to notify the City within such thirty (30) day period shall not relieve the City from any liability for payment of such compensation. A certificate of the Bank claiming compensation under this Section 2.03 and setting forth the additional amount or amounts to be paid to it hereunder shall be conclusive in the absence of manifest error. In determining such amount, the Bank may use any reasonable average and attribution methods that are nondiscriminatory and consistently applied.

SECTION 2.04. Letter of Credit Commitment. The commitment of the Bank to issue the Letter of Credit hereunder is a commitment in the initial aggregate amount of \$[Stated Amount] and the Stated Amount of the Letter of Credit plus the total Unreimbursed Amount at any time during the term of this Agreement may not exceed the total Letter of Credit Commitment as in effect from time to time.

SECTION 2.05. Drawings Under the Letter of Credit.

(a) Subject to the provisions of Section 2.05(b) hereof, if demand for payment under the Letter of Credit is made as provided therein and in conformity with the requirements thereof, payment shall be made by the Bank to the Trustee or the Tender Agent (as the case may be), in immediately available funds, at such times as provided in and in accordance with the provisions of the Letter of Credit. All payments made by the Bank under the Letter of Credit shall be made with the Bank's own funds.

(b) In the event that the City elects to optionally redeem Bonds pursuant to the terms of the Indenture (other than a redemption in the event of a refunding of the Bonds, whether due to a change in the tax laws which would render the interest on the Bonds taxable or otherwise), notice to the Owners of Bonds (and subsequently, demand for payment under the Letter of Credit) may be given by the Trustee only at such time as the Trustee holds in the Redemption Fund funds from the City, or such other funds as the Bank agrees in writing are from acceptable sources, in an amount sufficient to reimburse the Bank for the proposed Drawing under the Letter of Credit to pay the redemption price of the Bonds to be so optionally redeemed in an amount equal to the principal amount thereof plus accrued interest thereon.

(c) With respect to a Drawing under the Letter of Credit to pay the Purchase Price of Bonds tendered under Section 4.06, 4.08 or 4.10 of the Indenture, the Bonds so purchased shall be registered in the name of the Bank and shall be held by the Tender Agent as custodian for the Bank pursuant to the Indenture.

ARTICLE III

REIMBURSEMENT

SECTION 3.01. Principal of and Interest on Unreimbursed Amounts.

If the Trustee draws moneys under the Letter of Credit and the Bank honors the draw, then, and in each such case, the Bank shall be subrogated to the rights of the Owners, and the City shall pay, or have the Trustee pay to the Bank, Base Rental Payments with respect to the Leased Property as follows:

(a) on the date a request for draw is honored by the Bank for any purpose other than to pay the Purchase Price of such Bonds tendered under Section 4.06, 4.08 or 4.10 of the Indenture, in the amount drawn under the Letter of Credit; provided, the City shall receive credit to the extent of amounts in the Interest Fund, the Principal Fund and the Redemption Fund which are transferred by the Trustee to and received by the Bank by 3:00 p.m., New York time, on the same day as the Bank honors a draw under the Letter of Credit;

(b) an amount equal to interest at the Draw Rate on all amounts drawn on the Letter of Credit if such amounts drawn are paid to the Bank later than 3:00 p.m., New York time, payable on demand, but if no demand is made, on the next succeeding Interest Payment Date, until the Bank is reimbursed in full for such amounts;

(c) (i) on the date on which any Bank Bond is remarketed, is converted to the Fixed Rate Mode (as defined in the Indenture), or a Substitute Credit Facility is delivered in accordance with the Indenture, an amount equal to the principal amount of such Bank Bonds, and (ii) on any such date and on the first Business Day of each month following a month during which the Bank owns Bank Bonds, an amount equal to the product of (x) the Draw Rate (or at the Default Rate during any period in which an Event of Default under the Reimbursement Agreement has occurred and is continuing or if Bank Bonds were acquired as a consequence of a mandatory purchase under Section 4.10(b) of the Indenture) and (y) the principal amount of Bank Bonds so owned by the Bank, such product to be multiplied by a fraction, the numerator of which is the number of days appropriate to the interest rate or rates applicable to the Bank Bond and the denominator of which is 360, and interest at the applicable interest rate shall accrue from the date on which Bonds became Bank Bonds or from the last date to which interest has been paid whichever is later, provided, however, that nothing in this subsection (c) shall prevent the City from reimbursing the Bank for draws under the Letter of Credit to pay the portion of the Purchase Price constituting principal of the Bonds being tendered pursuant to Section 4.06, 4.08 or 4.10 of the Indenture on the same day as such draw occurs and if such payment is made to the Bank by 3:00 p.m., New York time, on such day, then there

shall be no interest payable on account of funds advanced by the Bank for such purpose but if the amount paid to the Bank is not received by the Bank on such day until after 3:00 p.m., New York time, then such principal amount of the draw shall bear interest at the applicable rate specified in this subsection (c). All payments required under this subsection (c) shall constitute Base Rental Payments under Section 5.01 of the Sublease; and

Notwithstanding the foregoing all Base Rental Payments payable under the Sublease for each Lease Year shall not exceed the fair rental value, as may then be determined, of the Leased Property plus the undischarged portion of the Excess Amount.

Notwithstanding clauses (a), (b) and (c) of this Section, if on the date of a draw there does not exist nor is continuing any Event of Default or any event which with the passage of time or giving of notice or both would constitute an Event of Default, any amounts drawn under the Letter of Credit to pay the portion of the Purchase Price constituting principal of Bonds tendered under Section 4.06, 4.08 or 4.10 of the Indenture which become Bank Bonds shall be payable in accordance with Section 3.02 hereof.

Payments made by the Trustee to the Bank pursuant to the terms of the Indenture shall, to the extent of any such payments, be in satisfaction of the City obligations with respect to draws under the Letter of Credit and Bank Bonds; provided that in the event the Trustee shall fail for any reason to make any such payment to the Bank, to the extent permitted by law, the City shall nevertheless be responsible for paying all sums required to be paid to the Bank hereunder, subject to the provisions of the Sublease.

SECTION 3.02. Payment of Unreimbursed Amounts with Respect to Bank Bonds. Pursuant to Section 5.01(a) of the Sublease, the City has agreed to reimburse the Bank for Drawings under the Letter of Credit to pay the Purchase Price of Bonds which become Bank Bonds. Certain of the provisions of Section 5.01(a) of the Sublease are incorporated herein by reference and provide as follows:

If on the 90th day following the date of purchase of any Bank Bonds (the “Term Out Date”), there does not exist nor is continuing any Event of Default or any event which with the passage of time or giving of notice or both would constitute an Event of Default, the City shall cause the Authority to optionally redeem such Bank Bonds in twenty (20) equal quarterly principal installments based on the principal amount of such Bank Bonds on the Term Out Date, together with accrued interest thereon, commencing on the first Interest Payment Date following the Term Out Date and on each third Interest Payment Date thereafter so that all Bank Bonds are redeemed by the fifth anniversary of the first Interest Payment Date following the Term Out Date, and shall pay Base Rental Payments in amount sufficient to pay the redemption price of such Bonds so optionally redeemed in an amount equal to the principal amount thereof plus accrued interest thereon. Notwithstanding the foregoing all Base Rental Payments payable under the Sublease shall not exceed the annual fair rental value, as may then be determined, of the Leased Property plus the undischarged portion of the Excess Amount.

SECTION 3.03. Place and Manner of Payment. All payments by or on behalf of the City to the Bank hereunder shall be made in immediately available funds in lawful currency of the

United States to the account of the Bank at the following office (or at such other address as the Bank may designate):

[insert wire instructions]

Each such payment shall be made by 3:00 p.m., New York time, on the date such payment is due. Funds received after such time shall, be deemed received on the next succeeding Business Day. Except as may be otherwise provided herein, interest on amounts owed hereunder or with respect to Bank Bonds shall be computed on the basis of a year of 360 days and the actual number of days elapsed.

SECTION 3.04. Security for Obligations of the City. The obligations of the City under this Agreement, including without limitation, the City's obligations to make payments to the Bank under Section 5.01(b) of the Sublease, are payable in accordance with the provisions of this Agreement and the Indenture solely as Base Rental Payments or Additional Rental pursuant to the Sublease and the amounts on deposit with the Trustee in the various Funds and Accounts (including the investments thereof) held by the Trustee under the Indenture, and the Base Rental Payments and the Additional Rental payable to the Bank and the amounts on deposit in the various Funds and Accounts (including the investments thereof) held by the Trustee under the Indenture have been pledged and assigned to Bank under the Indenture secure such payment; all such security is to be a valid and binding pledge and assignment. The Bank shall be subrogated to the rights of the holders of the Bonds. The Base Rental Payments and the Additional Rental payable to the Bank and the amounts on deposit in the various Funds and Accounts (including the investments thereof) held by the Trustee under the Indenture shall be immediately subject to the lien of the pledge made hereby without any further act, and the lien of this pledge shall be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the City, irrespective of whether such parties have notice thereof. In addition to the security described above, the Sublease provides that the Bank is a third-party beneficiary to such agreement with full right, power and authority to enforce the rights and obligations of the Sublease as if the Bank had been an original party thereto.

ARTICLE IV

CONDITIONS PRECEDENT

SECTION 4.01. Conditions Precedent to Issuance of Letter of Credit. The Bank's obligation to issue the Letter of Credit as set forth in Section 2.01 hereof is subject to the conditions precedent that, on or prior to the Issuance Date of the Letter of Credit, the Bank shall receive the following documents, all in form and substance satisfactory to the Bank:

- (a) a copy the City Resolution and copies of all documents evidencing other necessary action with respect to this Agreement, certified by the City Clerk or an Assistant City Clerk of the City as being in full force and effect, and a copy of the Authority Resolution, certified by the Secretary of the Authority as being in full force and effect;

(b) (i) a certificate of an Authorized Representative of the City certifying that on and as of the Issuance Date (A) each of the City's representations and warranties contained herein and in any Related Document to which it is a party or the Official Statement is true and correct, (B) no Event of Default has occurred and is continuing and (C) no event has occurred and is continuing which, with the passage of time or giving of notice or both, would constitute an Event of Default and (ii) a certificate of an Authorized Representative of the Authority certifying that on and as of the Issuance Date (A) each of the Authority's representations and warranties contained in any Related Document to which it is a party or the Official Statement is true and correct, (ii) no event of default under any Related Document to which it is a party has occurred and is continuing and (iii) no event has occurred and is continuing which, with the passage of time or giving of notice or both, would constitute an event of default under any Related Document to which it is a party;

(c) (i) a certificate of the City Clerk or an Assistant City Clerk of the City certifying the names and the signatures of each Authorized Officer and (ii) a certificate of the Secretary of the Authority certifying the names and the signatures of each Authorized Representative of the Authority.

(d) (i) an opinion of the City Attorney of the City, dated the Issuance Date and addressed to the Bank, as to such matters as the Bank may reasonably request, and (ii) an opinion of counsel to the Authority, dated the Issuance Date and addressed to the Bank, as to such matters as the Bank may reasonably request;

(e) reliance letter of Orrick, Herrington & Sutcliffe LLP, bond counsel, dated the Issuance Date and addressed to the Bank, allowing the Bank to rely on the final approving opinion and as to the enforceability of this Agreement;

(f) an executed original of this Agreement and executed copies of the other Related Documents and the Official Statement;

(g) evidence that the Bonds have been assigned ratings of AA+/F1+ by Fitch, Inc. and AA/A-1+ by Standard & Poor's Ratings Services;

(h) a pro forma CLTA leasehold owner's title insurance policy and a marked-up unconditional binder for such insurance from a title insurance company acceptable to the Bank in respect of the Leased Property, in an aggregate amount at least equal to the Stated Amount and with such coverage and endorsements as the Bank may reasonably request;

(i) the Bank shall have received the full amount of all fees payable pursuant to issuance fee as set forth in Section 2.02(c); and

(j) copies of all insurance policies required by Section 6.03 of the Sublease, in form, substance and amounts approved by the Bank, naming the Bank as a loss payee, together with certificates of insurance evidencing such coverage and addressed to the Bank as certificateholder and a certificate of the City as to the following:

(i) the self-insurance program provides coverage for worker's compensation up to \$500,000 per occurrence and the City has an insurance policy with General Reinsurance and Fireman's Fund which provides additional coverage for worker's compensation claims which are over \$500,000;

(ii) the City's umbrella property insurance policy for certain public buildings, including the Leased Property, (A) provides all perils coverage in the aggregate amount of \$250,000,000, (B) provides for full replacement without offsets or deduction for any reason and (C) does not require any co-insurance;

(iii) the City's self-insurance program with respect to liability provides coverage up to \$5,000,000 and the City has insurance policies with Insurance Company of Pennsylvania and Lexington Insurance Company to provide coverage for up to an additional \$10,000,000 for liability; and

(iv) the City's \$250,000,000 umbrella insurance policy provides for rental continuation insurance for all risks insured by such policy up to the full amount of such policy, but in no event for a period less than twenty-four (24) months;

(k) the Bank shall have received evidence of the prepayment in full of the Prior Certificates and the termination of the sublease with respect thereto, the termination of the letter of credit supporting the Prior Certificates and the payment in full of any amounts owing to the issuers of such letter of credit and the recordation of termination agreements with respect to the sublease, lease and assignment agreement relating to the Prior Certificates, including executed copies of any escrow agreements relating thereto and reliance letters on any opinions of Orrick, Herrington & Sutcliffe LLP, bond counsel, and counsel to the escrow agents delivered in connection therewith; and

(l) such further documentation, certifications or opinions as the Bank may reasonably request in satisfaction and compliance by the City of its obligations to be performed on or before the Issuance Date.

All certificates to be provided by the City, or the City Clerk or an Assistant City Clerk of the City, to the Bank pursuant to this Section 4.01, and the opinions of counsel to be rendered hereunder, shall be dated as of the Issuance Date of the Letter of Credit.

ARTICLE V

INDEMNIFICATION

The City shall indemnify and hold harmless the Bank and any Participants or Subparticipants and their respective officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, costs or expenses (including reasonable attorneys' fees) whatsoever which the Indemnified Party may incur (or which may be claimed against the Indemnified Party by any person or entity whatsoever) which arises out of or in connection with the transactions contemplated by this Agreement and the Letter of Credit, including, without limitation, (i) any untrue statement or

alleged untrue statement of any material fact contained or incorporated by reference in the Official Statement or any other offering circular or document used in connection with the Bonds, or in any supplement or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver the Official Statement or any other offering circular or document to any offeree or purchaser of Bonds (but excluding any information included in the Official Statement or such other offering circular relating to the Bank and provided in writing by the Bank for inclusion therein); (ii) the execution and delivery or transfer of, or payment or failure to pay under the Letter of Credit; (iii) the issuing, offering, sale, remarketing or resale of the Bonds; or (iv) the proposed use of the proceeds of the Bonds or any amounts drawn under the Letter of Credit; provided that the City shall not be required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (1) the willful misconduct or gross negligence of the Bank or (2) the Bank's grossly negligent failure to pay under the Letter of Credit after the presentation to it by the Trustee of a Drawing strictly complying with the terms and conditions of the Letter of Credit. All payments required under this Article V shall constitute Additional Rental under Section 5.01(b) of the Sublease.

ARTICLE VI

OBLIGATIONS ABSOLUTE

SECTION 6.01. Obligations Absolute. To the fullest extent permitted by applicable law, the obligations of the City to pay or to reimburse the Bank pursuant to this Agreement in the amount of any Drawing on the Letter of Credit plus interest accrued on such amount pursuant to Section 3.02 hereof shall be unconditional and irrevocable, and shall survive the termination of this Agreement and shall be paid or performed strictly in accordance with the terms of this Agreement under all circumstances, including, without limitation, the following circumstances:

- (i) any lack of validity or enforceability of any of the Related Documents;
- (ii) any amendment or waiver of or any consent to departure from the terms of any of the Related Documents;
- (iii) the existence of any claim, set-off, defense or other right which the City or any other person may have at any time against the Authority, the Trustee, any beneficiary or any transferee of the Letter of Credit (or any persons or entities for whom the Trustee, any such beneficiary or any such transferee may be acting), the Bank or any Participant or any other person or entity, whether in connection with this Agreement, the Related Documents or the Official Statement or the transactions contemplated hereby or thereby or any unrelated transaction;
- (iv) any demand, statement or any other document presented under the Letter of Credit proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect;