
INDENTURE OF TRUST

by and between

ROSEVILLE FINANCE AUTHORITY

and

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

Dated as of April 1, 2006

**ROSEVILLE FINANCE AUTHORITY
REVENUE BONDS**

\$35,870,000 2006 Series A (Senior Lien Bonds)

\$4,645,000 2006 Series B (Junior Lien Bonds)

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INDENTURE OF TRUST

THIS INDENTURE OF TRUST (this "Indenture"), dated as of April 1, 2006, by and between the ROSEVILLE FINANCE AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority") and THE BANK OF NEW YORK TRUST COMPANY, N.A., a national banking association organized and existing under the laws of the United States of America (the "Trustee");

WITNESSETH:

WHEREAS, the Roseville Finance Authority (the "Authority") is a joint exercise of powers authority duly organized and existing under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to (i) purchase, with the proceeds of its bonds, bonds issued by a local agency and to hold such bonds and (ii) issue bonds to pay the cost of any public capital improvement; and

WHEREAS, pursuant to the Mello-Roos Community Facilities Act of 1982, as amended (the "CFD Act") the City of Roseville (the "City") previously issued its \$33,470,000 City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 1999 (the "Highland Reserve North CFD Prior Bonds") to finance the acquisition or construction of certain facilities for the City's Highland Reserve North Community Facilities District No. 1 ("Highland Reserve North CFD") pursuant to a Fiscal Agent Agreement, dated as of October 1, 1999 (the "Highland Reserve North 1999 Fiscal Agent Agreement"), between the City and U.S. Trust Company, National Association, as the original fiscal agent, predecessor to The Bank of New York Trust Company, N.A., the current fiscal agent (the "Prior Bonds Fiscal Agent"); and

WHEREAS, pursuant to the CFD Act, the City previously issued its \$4,465,000 City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Bonds Series 2000 (the "Woodcreek East CFD Prior Bonds") to finance the acquisition or construction of certain facilities for the City's Woodcreek East Community Facilities No. 1 ("Woodcreek East CFD") pursuant to a Fiscal Agent Agreement, dated as of November 1, 2000 (the "Woodcreek East CFD Fiscal Agent Agreement"), between the City and the Prior Bonds Fiscal Agent; and

WHEREAS, with respect to Highland Reserve North CFD, the City is authorized to issue bonds in the aggregate principal amount of \$35,000,000, and has previously issued bonds in the principal amount of \$33,470,000, leaving \$1,530,000 of authorized but unissued bonds and with respect to Woodcreek East CFD, the City is authorized to issue bonds in the aggregate principal amount of \$6,000,000, and has previously issued bonds in the principal amount of \$5,465,000, leaving \$535,000 of authorized but unissued bonds; and

WHEREAS, for the purpose of financing additional authorized facilities in the Highland Reserve North CFD, the City wishes to issue additional bonds secured by special taxes levied in Highland Reserve North CFD in an amount not to exceed the remaining authorized principal amount in Highland Reserve North CFD; and

WHEREAS, for the purpose of refinancing an obligation of the Woodcreek East CFD to certain developers, the City wishes to issue additional bonds secured by special taxes levied in Woodcreek East CFD in an amount not to exceed the remaining authorized principal amount in Woodcreek East CFD; and

WHEREAS, the City further wishes to refinance the Prior Bonds; and

WHEREAS, for the purpose of financing additional Highland Reserve North Facilities and to refinance the Highland Reserve North CFD Prior Bonds, the City is issuing, pursuant to the CFD Act, its \$33,120,000 principal amount of Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 2006 (the "**Highland Reserve North CFD Bonds**"); and

WHEREAS, for the purpose of refinancing the Woodcreek East CFD Prior Bonds and refinancing an obligation to certain developers of property within the Woodcreek East CFD, the City is issuing, pursuant to the CFD Act, its \$6,245,000 principal amount of City of Roseville Woodcreek East Community Facilities District No. 1 Special Tax Refunding Bonds, Series 2006 (the "**Woodcreek East CFD Bonds**," and together with the Highland Reserve North CFD Bonds, the "**CFD Bonds**" or the "**Local Obligations**"); and

WHEREAS, the Highland Reserve North CFD Prior Bonds are subject to redemption on any date on or before September 1, 2009, in whole or in part, at a redemption price equal to 102% of the principal amount of the Highland Reserve North CFD Prior Bonds to be redeemed, plus accrued interest to the date fixed for redemption; and

WHEREAS, the Woodcreek East CFD Bonds are subject to redemption on any date on or before September 1, 2010, in whole or in part, at a redemption price equal to 102% of the principal amount of the Woodcreek East CFD Bonds to be redeemed, plus accrued interest to the date fixed for redemption; and

WHEREAS, the Authority also wishes to finance acquisition and construction of public capital improvements (the "**Project**") on behalf of the City and, as required by Section 6586.5 of the Bond Law, the City Council of the City, and on March 15, 2006, after holding a public hearing, found that financing the Project will provide significant public benefit in accordance with the criteria specified in Section 6586 of the Bond Law; and

WHEREAS, for the purpose of facilitating the refinancing of the Prior Bonds and financing the Project, the Authority has determined to issue its Revenue Bonds, 2006 Series A (Senior Lien Bonds) in the aggregate principal amount of \$35,870,000 (the "**Series A Bonds**") and its Revenue Bonds, 2006 Series B (Junior Lien Bonds) in the aggregate principal amount of \$4,645,000 (the "**Series B Bonds**," and together with the Series A Bonds, the "**Bonds**"), pursuant to and secured by this Indenture in the manner provided herein; and

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

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

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

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF BONDS; EQUAL SECURITY

Section 1.1. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Indenture and of any Supplemental Indenture and of the Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as it may hereafter be amended from time to time.

"Additional Series A Bonds" has the meaning given that term in Section 5.6 of this Indenture.

"Additional Series B Bonds" has the meaning given that term in Section 5.6 of this Indenture.

"Annual Debt Service" means, for each Bond Year, the sum of (a) the interest payable on the Outstanding Bonds of a Series in such Bond Year, and (b) the principal amount of the Outstanding Bonds of a Series scheduled to be paid in such Bond Year.

"Authority Administrative Expenses" means the fees and expenses of the Trustee, including legal fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and the out of pocket expenses incurred by the Trustee, the City and the Authority in carrying out their duties hereunder including payment of amounts payable to the United States pursuant to Sections 5.7 and 5.8 hereof and any costs associated with the increase or decrease in the balance held in the Reserve Funds (whether in connection with the prepayment of Special Taxes or otherwise).

"Authorized Officer" means (i) with respect to the Authority, the Chairman, Executive Director, Secretary or Treasurer of the Authority or any other Person authorized by the Authority to perform an act or sign a document on behalf of the Authority for purposes of this Indenture and (ii) with respect to the City, its Administrative Services Director/Treasurer, City Manager, Finance Director or City Clerk, or any other Person authorized by the City to perform an act or sign a document on behalf of the City for purposes of this Indenture.

"Authority" means the Roseville Finance Authority, a joint powers authority established under Sections 6500 et seq. of the California Government Code and a Joint Exercise of Powers Agreement originally entered into as of July 1, 1989 and amended and restated as of July 1, 1997, by and between the City and the Redevelopment Agency of the City of Roseville.

"Beneficial Owners" means the actual purchasers of the Bonds whose ownership interests are recorded on the books of the DTC Participants.

"Bond Counsel" means Jones Hall, A Professional Law Corporation, and its successors; or any other attorney at law or firm of attorneys selected by the Authority, of nationally recognized standing in matters pertaining to the federal tax exemption of interest on bonds

issued by states and political subdivisions, and duly admitted to practice law before the highest court of any state of the United States of America.

“Bond Insurance Policy” means that financial guaranty insurance policy to be issued by the Bond Insurer insuring the payment when due of the principal of and interest on the Series A Bonds as provided therein.

“Bond Insurer” means Ambac Assurance Corporation, a Wisconsin domiciled stock insurance corporation, and its successors and assigns.

“Bond Law” means the Marks Roos Local Bond Pooling Act of 1985, constituting Article 4 of the Act (commencing with Section 6584), as it may hereafter be amended from time to time.

“Bond Register” means the registration books for the Bonds maintained by the Trustee in accordance with Section 2.8 hereof.

“Bonds” means collectively, the Series A Bonds and the Series B Bonds, in each case authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture.

“Bond Year” means each twelve month period extending from September 2 in one calendar year to September 1 of the succeeding calendar year, except in the case of the initial Bond Year which shall be the period from the Closing Date to September 1, 2006, both dates inclusive.

“Business Day” means a day which is not a Saturday or Sunday or a day of the year on which the New York Stock Exchange or banks in New York, New York or San Francisco, California, or where the Trust Office is located, are not required or authorized to remain closed.

“Certificate of the Authority” means a certificate in writing signed by an Authorized Officer of the Authority.

“CFD Act” means the Mello-Roos Community Facilities Act of 1982, constituting Chapter 2.5 (commencing with Section 53311), Article 1 of Division 2 of Title 5 of the Government Code of that State of California, as amended from time to time.

“CFD Bonds” or “Local Obligations” means the Highland Reserve North CFD Bonds and the Woodcreek East CFD Bonds.

“CFD Indentures” means the Bond Indentures pursuant to which the CFD Bonds are issued.

“City” means the City of Roseville, a chartered city duly established and existing under the Constitution and laws of the State of California.

“Closing Date” means April 5, 2006.

“Code” means the Internal Revenue Code of 1986 as in effect on the Closing Date or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the Closing Date, together with applicable temporary and final regulations promulgated, and applicable official guidance published, under the Code.

"Community Facilities District" or "CFD" means any one of the Community Facilities Districts.

"Community Facilities Districts" or "CFDs" means, collectively, the Highland Reserve North CFD and the Woodcreek East CFD.

"Costs of Issuance" means the costs and expenses incurred in connection with the issuance and sale of the Bonds, the Local Obligations, and the acquisition of the Local Obligations by the Authority, including the acceptance and initial annual fees and expenses (including legal fees and expenses) of the Trustee, legal fees and expenses, costs of printing the Bonds and the preliminary and final Official Statements, fees of financial consultants, the premium and other amounts payable as a condition to the release of the Bond Insurance Policy, and other fees and expenses set forth in a Request of the Authority.

"Costs of Issuance Fund" means the fund by that name established in Section 3.4.

"Dated Date" means April 5, 2006, the Closing Date.

"Debt Service" means the scheduled amount of interest and amortization of principal payable on the Bonds during the period of computation, excluding amounts scheduled during such period which relate to principal which has been retired before the beginning of such period.

"DTC" means The Depository Trust Company, New York, New York, and its successors and assigns.

"DTC Participants" means securities brokers and dealers, banks, trust companies, clearing corporations and other organizations maintaining accounts with DTC.

"Event of Default" means any Series A Event of Default or Series B Event of Default.

"Fair Market Value" means, with respect to any investment, the price at which a willing buyer would purchase such investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of Section 1273 of the Code) and, otherwise, the term "Fair Market Value" means the acquisition price in a bona fide arm's length transaction (as described above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Code, (iii) the investment is a United States Treasury Security - State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

"Federal Securities" means any of the following:

- (a) Cash (insured at all times by the Federal Deposit Insurance Corporation).

(b) Obligations of, or obligations guaranteed as to principal and interest by, the U.S. or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the U.S. including:

- U.S. treasury obligations
- All direct or fully guaranteed obligations
- Farmers Home Administration
- General Services Administration
- Guaranteed Title XI financing
- Government National Mortgage Association (GNMA)
- State and Local Government Series

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

"Highland Reserve North CFD" means City of Roseville Highland Reserve North Community Facilities District No. 1, a community facilities district formed pursuant to the CFD Act.

"Highland Reserve North CFD Bonds" means the \$33,120,000 City of Roseville Highland Reserve North Community Facilities District No. 1 Special Tax Bonds, Series 2006.

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

"Independent Accountant" means any accountant or firm of such accountants appointed and paid by the Authority, and who, or each of whom –

- (a) is in fact independent and not under domination of the Authority or the City;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and
- (c) is not an officer or employee of the Authority, or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Independent Financial Consultant" means any financial consultant or firm of such consultants appointed and paid by the Authority, and who, or each of whom –

- (a) is in fact independent and not under domination of the Authority or the City;
- (b) does not have any substantial interest, direct or indirect, in the Authority or the City; and
- (c) is not an officer or employee of the Authority or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

"Information Services" means Financial Information, Inc.'s "Daily Called Bond Service", 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; FIS/Mergent, Inc., 5250 77 Center Drive, Suite 150, Charlotte, North Carolina 28217, Attn: Call Notification; Standard & Poor's Securities Evaluation, Inc., 55 Water Street, 45th Floor, New York, New York 10041, Attention: Notification Department; Xcitek, 5 Hanover Square, New York, New York 10004; and, in accordance with then current guidelines of the Securities and Exchange Commission, such other addresses and/or such other services providing information with respect to the redemption of bonds as the Authority may designate in a Certificate of the Authority filed with the Trustee.

"Interest Payment Date" means March 1 and September 1 in each year, beginning September 1, 2006, and continuing thereafter so long as any Bonds remain Outstanding.

"Local Obligations" means, collectively, the CFD Bonds.

"Maximum Annual Debt Service" means, as of the date of any calculation, the largest Annual Debt Service on a Series during the current or any future Bond Year.

"Moody's" means Moody's Investors Service, its successors and assigns.

"Original Purchaser" means, with respect to the Bonds, Piper Jaffray & Co Inc.

"Outstanding", when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 10.7 hereof) all Bonds theretofore executed and issued by the Authority and authenticated and delivered by the Trustee under this Indenture (including any Series A Bonds described in the final paragraph of Section 10.3) except –

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation pursuant to Section 2.9 hereof;

(b) Bonds paid or deemed to have been paid within the meaning of Section 10.3 hereof or Bonds called for redemption for which funds have been provided as described in Section 2.2(g) hereof; and

(c) Bonds in lieu of or in substitution for which other Bonds shall have been executed, issued and delivered pursuant to this Indenture or any Supplemental Indenture.

"Owner" or "Bond Owner", when used with respect to any Bond, means the person in whose name the ownership of such Bond shall be registered on the Bond Register.

"Permitted Investments" means any of the following which at the time of investment are legal investments under the laws of the State of California for the moneys proposed to be invested therein, but only to the extent that the same are acquired at Fair Market Value:

(a) Federal Securities;

(b) obligations of any of the following federal agencies which obligations represent the full faith and credit of the United States of America, including:

- Export-Import Bank;
- Rural Economic Community Development Administration (formerly the Farmers Home Administration);
- U.S. Maritime Administration;
- Small Business Administration;
- U.S. Department of Housing & Urban Development (PHAs);
- Federal Housing Administration;
- Federal Financing Bank;

(c) direct obligations of any of the following federal agencies which obligations are not fully guaranteed by the full faith and credit of the United States of America:

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC);
- Obligations of the Resolution Funding Corporation (REFCORP);
- Senior debt obligations of the Federal Home Loan Bank System;
- Senior debt obligations of other agencies sponsored by the federal government approved by the Bond Insurer;

(d) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks, including the Trustee and its affiliates, which have a rating on their short-term certificates of deposit on the date of purchase of "A-1" or "A-1+" by S&P and "P-1" by Moody's and maturing no more than 360 calendar days after the date of purchase (ratings on holding companies are not considered as the rating of the bank);

(e) commercial paper which is rated at the time of purchase in the single highest classification, "A-1+" by S&P and "P-1" by Moody's, and which matures not more than 270 calendar days after the date of purchase;

(f) investments in a money market fund rated "AAAm" or "AAAm-G" or better by S&P, including funds for which the Trustee or its affiliates receive fees for investment advisory or other services to the fund;

(g) pre-refunded municipal obligations defined as follows: any bonds or other obligations of any state of the United States of America or of any agency, instrumentality or local governmental unit of any such state which are not callable at the option of the obligor prior to maturity or as to which irrevocable instructions have been given by the obligor to call on the date specified in the notice; and

(i) which are rated or guaranteed by an entity rated, based on an irrevocable escrow account or fund (the "Escrow"), in the highest rating category of S&P and Moody's or any successors thereto; or

(ii) (A) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in clause (b) of the definition of Federal Securities, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate; and (B) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if

any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate;

(h) municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of least "A2/A" or higher by both Moody's and S&P;

(i) investment agreements (i) as to investments of Series A Bonds funds, if approved in writing by the Bond Insurer; and (ii) as to investments of Series B Bonds funds, any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the Authority or the Trustee or any successor Trustee and a financial institution or governmental body whose long term debt obligations are rated, or guaranteed by an entity rated, in one of the top two rating categories by a nationally recognized rating service;

(j) other forms of investments, including repurchase agreements (i) as to investments of Series A Bonds funds, if approved in writing by the Bond Insurer; and (ii) as to investments of Series B Bonds funds, any investment which is a legal investment for proceeds of the Bonds at the time of the execution of such agreement, and which investment is made pursuant to an agreement between the Authority or the Trustee or any successor Trustee and a financial institution or governmental body whose long term debt obligations are rated, or guaranteed by an entity rated, in one of the top two rating categories by a nationally recognized rating service; and

(k) shares in a California common law trust established pursuant to Title 1, Division 7, Chapter 5 of the California Government Code which invests exclusively in investments permitted by Section 53635 of Title 5, Division 2, Chapter 4 of the California Government Code, as it may be amended, including but not limited to the California Asset Management Program ("CAMP")

(l) the Local Agency Investment Fund of the State of California.

"Prior Bonds" means the Highland Reserve North CFD Prior Bonds and the Woodcreek East CFD Bonds.

"Prior Bonds Fiscal Agent" means The Bank of New York Trust Company, as fiscal agent with respect to the Prior Bonds.

"Project" means the improvements, the acquisition and construction of which is financed with proceeds of the Bonds.

"Project Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.10 of this Indenture.

"Proportionate Share" means, as of the date of calculation for any issue of the Local Obligations, the ratio derived by dividing the outstanding principal amount of such Local Obligations by the aggregate principal amount of the Outstanding Local Obligations. Highland Reserve North CFD's initial Proportionate Share is 88.53% and Woodcreek East CFD's initial Proportionate Share is 11.47%.

"Purchase Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.5 of this Indenture.

"Qualified Reserve Fund Credit Instrument" means an irrevocable standby or direct-pay letter of credit or surety bond issued by a commercial bank or insurance company and deposited with the Trustee pursuant to Section 4.3(a) or (b), provided that all of the following requirements are met: (a) the long-term credit rating of such bank or insurance company is in one of the two highest rating categories by S&P and Moody's; (b) such letter of credit or surety bond has a term of at least twelve (12) months; (c) such letter of credit or surety bond has a stated amount at least equal to the portion of the Series A Reserve Requirement or the Series B Reserve Requirement, as applicable, with respect to which funds are proposed to be released pursuant to Section 4.3 (a) or (b); (d) the Trustee is authorized pursuant to the terms of such letter of credit or surety bond to draw thereunder an amount equal to any deficiencies which may exist from time to time in the Series A Interest Account, the Series A Principal Account, the Series B Interest Account or the Series B Principal Account, as applicable, for the purpose of making payments required pursuant to Section 4.3(a) or (b), as applicable; (e) written notice of the posting of such Qualified Reserve Fund Credit Instrument is given to S&P and Moody's; and (f) such letter of credit or surety bond is approved by the Bond Insurer.

"Rebate Fund" means the fund by that name established pursuant to Section 5.8 hereof.

"Record Date" means, with respect to any Interest Payment Date, the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, whether or not such day is a Business Day.

"Redemption Fund" means the fund by that name established with respect to any Local Obligation.

"Request of the Authority" means a written request executed by an Authorized Officer of the Authority.

"Request of the City" means a written certificate or request executed by an Authorized Officer of the City.

"Representation Letter" means the representation letter dated as of the Closing Date for a Series among the Authority, the Trustee and DTC.

"Reserve Funds" means, collectively, the Series A Reserve Fund and the Series B Reserve Fund.

"Reserve Requirement" means, collectively, the Series A Reserve Requirement and the Series B Reserve Requirement.

"Resolution of Formation for Highland Reserve North CFD" means Resolution No. 99-350 adopted by the City Council of the City on August 18, 1999 pursuant to which the City formed Highland Reserve North CFD.

"Resolution of Formation for Woodcreek East CFD" means Resolution No. 00-849 adopted by the City Council of the City on October 11, 2000 pursuant to which the City formed Woodcreek East CFD.

"Responsible Officer" means any officer of the Trustee assigned to administer the Trustee's duties under this Indenture.

"Revenue Fund" means the fund by that name established and held by the Trustee pursuant to Sections 3.3 and 4.2 hereof

"Revenues" means: (a) all amounts received from the Local Obligations; (b) any proceeds of the Series A Bonds originally deposited with the Trustee and all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder with respect to the Series A Bonds (other than the Rebate Fund and the Surplus Fund); and (c) investment income with respect to any moneys held by the Trustee in the funds and accounts established hereunder with respect to the Series A Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

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

"Series" means each of the Series A Bonds and the Series B Bonds issued pursuant to this Indenture.

"Series A Bonds" means the Authority's Revenue Bonds, 2006 Series A (Senior Lien Bonds), authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture, and any Additional Series A Bonds issued hereunder.

"Series A Event of Default" means any of the events described in Section 8.1 hereof.

"Series A Interest Account" means the account by that name established and held by the Trustee pursuant to Section 4.2(a) hereof.

"Series A Principal Account" means the account by that name established and held by the Trustee pursuant to Section 4.2(a) hereof.

"Series A Reserve Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.6 hereof.

"Series A Reserve Requirement" means, initially, \$2,677,884.99 and after September 1, 2006, an amount equal to the least of (i) 10% of the initial principal amount of the Series A Bonds, (ii) Maximum Annual Debt Service on the Outstanding Series A Bonds, or (iii) 125% of Average Annual Debt Service on the Outstanding Series A Bonds.

"Series B Bonds" means the Authority's Revenue Bonds, 2006 Series B (Junior Lien Bonds), authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture, and any Additional Series B Bonds issued hereunder.

"Series B Event of Default" means any of the events described in Section 9.1 hereof.

"Series B Interest Account" means the account by that name established and held by the Trustee pursuant to Section 4.2(b) hereof.

"Series B Principal Account" means the account by that name established and held by the Trustee pursuant to Section 4.2(b) hereof.

"Series B Reserve Fund" means the fund by that name established and held by the Trustee pursuant to Section 3.6 hereof.

"Series B Reserve Requirement" means, initially, \$346,773.79 and thereafter increasing from the addition of investment earnings on moneys in the Series B Reserve Fund, until such amount equals the least of (i) 10% of the initial principal amount of the Series A Bonds, (ii) Maximum Annual Debt Service on the Outstanding Series A Bonds, or (iii) 125% of Average Annual Debt Service on the Outstanding Series B Bonds; the least of (i), (ii) or (iii) shall thereafter be the Series B Reserve Requirement.

"Special Taxes" means the taxes authorized to be levied by the CFDs on parcels within the CFDs which have been pledged to repay the CFD Bonds pursuant to the CFD Act.

"Standard & Poor's" and "S&P" means Standard & Poor's Ratings Group, a division of McGraw Hill, its successors and assigns.

"State" means the State of California.

"Subordinated Revenues" means (a) any proceeds of the Series B Bonds originally deposited with the Trustee, (b) all amounts remaining in the Revenue Fund on each September 1 after the deposits required by Section 4.2(a) hereof have been made, (c) all moneys deposited and held from time to time by the Trustee in the funds and accounts established hereunder with respect to the Series B Bonds (other than the Rebate Fund and the Surplus Fund); and (d) investment income with respect to any moneys held by the Trustee in the funds and accounts established hereunder with respect to the Series B Bonds (other than investment income on moneys held in the Rebate Fund and the Surplus Fund).

"Supplemental Indenture" means any indenture, agreement or other instrument hereafter duly executed by the Authority in accordance with the provisions of Article 7 of this Indenture.

"Surplus Fund" means the fund by that name established pursuant to Section 3.8 hereof.

"Trust Office" means the office of the Trustee at which at any particular time its corporate trust business shall be principally administered, which office at the date hereof is located in San Francisco, California, or such other place as designated by the Trustee except that with respect to presentation of Bonds for payment or for registration of transfer and exchange, such term shall mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business shall be conducted.

"Trustee" means The Bank of New York Trust Company, N.A., and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article 6 hereof.

"Woodcreek East CFD" means City of Roseville Woodcreek East Community Facilities District No. 1, a community facilities district formed pursuant to the CFD Act.

"Woodcreek East CFD Bonds" means the \$6,245,000 Woodcreek East Community Facilities District No. 1 Special Tax Bonds, Series 2006.

Section 1.2. Rules of Construction. All references in this Indenture to "Articles," "Sections," and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture; and the words "herein," "hereof," "hereunder," and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.3. Authorization and Purpose of Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines, that all things, conditions and acts required by law to exist, happen and/or be performed precedent to and in the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under the Bond Law and each and every requirement of law, to issue the Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the Bonds pursuant to the Bond Law and this Indenture for the purpose of providing funds to acquire the Local Obligations, finance the Project, pay Costs of Issuance and establish the Reserve Funds for the Bonds.

Section 1.4. Equal Security. In consideration of the acceptance of the Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of the Bonds; and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the Series A Bonds and for the equal and proportionate benefit, security and protection of all Owners of the Series B Bonds as their respective interests appear without preference, priority or distinction as to security or otherwise of any of the Series A Bonds over other Series A Bonds or any of the Series B Bonds over any other Series B Bonds by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein (including without limitation as to the priority of the pledge of the Revenues to the Series A Bonds over the Series B Bonds).

ARTICLE II

ISSUANCE OF BONDS

Section 2.1. Terms of Bonds. The Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be dated the Closing Date and be designated as follows:

- (a) the "Roseville Finance Authority Revenue Bonds, 2006 Series A (Senior Lien Bonds)," which shall be issued in the original aggregate principal amount of Thirty Five Million Eight Hundred Seventy Thousand Dollars (\$35,870,000), and
- (b) the "Roseville Finance Authority Revenue Bonds, 2006 Series B (Junior Lien Bonds)," which shall be issued in the original aggregate principal amount of Four Million Six Hundred Forty Five Thousand Dollars (\$4,645,000).

The Bonds shall be issued in fully registered form without coupons in denominations of \$5,000 or any integral multiple thereof, so long as no Bond shall have more than one maturity date. The Bonds shall mature on September 1 in each of the years and in the amounts, and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

SERIES A BONDS \$35,870,000

<u>Maturity (Sept. 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>	<u>Maturity (Sept. 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2006	\$1,045,000	3.250%	2016	\$1,660,000	5.000%
2007	1,185,000	3.300	2017	1,745,000	4.000
2008	1,225,000	3.250	2018	1,815,000	4.000
2009	1,270,000	3.375	2019	1,885,000	4.000
2010	1,310,000	4.000	2020	1,965,000	4.125
2011	1,360,000	3.500	2021	2,040,000	4.200
2012	1,410,000	4.000	2022	2,130,000	4.250
2013	1,470,000	3.625	2025	6,990,000	5.000
2014	1,520,000	5.000	2027	2,245,000	4.500
2015	1,600,000	3.850			

SERIES B BONDS

\$4,645,000

<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>(September 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
2006	\$230,000	3.600%	2015	\$200,000	4.500%
2007	145,000	3.700	2016	205,000	4.500
2008	145,000	3.800	2017	225,000	4.600
2009	150,000	3.900	2018	230,000	4.625
2010	170,000	4.000	2019	240,000	4.700
2011	180,000	4.100	2020	245,000	4.750
2012	180,000	4.250	2021	265,000	4.750
2013	185,000	4.375	2022	280,000	4.850
2014	190,000	4.375	2027	1,180,000	5.000

Interest on the Bonds shall be payable on each Interest Payment Date to the person whose name appears on the Bond Register as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check of the Trustee mailed on such Interest Payment Date by first class mail, postage prepaid, to the Owner at the address of such Owner as it appears on the Bond Register or by wire transfer to an account in the United States of America made on such Interest Payment Date upon instructions of any Owner of \$1,000,000 or more in aggregate principal amount of Bonds of a Series provided to the Trustee in writing at least five (5) Business Days before the Record Date for such Interest Payment Date. Principal of and premium (if any) on any Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Trust Office of the Trustee. The principal of and interest and premium (if any) on the Bonds shall be payable in lawful money of the United States of America.

Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (b) it is authenticated on or before August 15, 2006, in which event it shall bear interest from the Closing Date; provided, however, that if, as of the date of authentication of any Bond, interest thereon is in default, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon, or from the Closing Date if no interest has been paid or made available for payment.

Section 2.2. Redemption of Bonds.

(a) **Optional Redemption. Series A Bonds.** The Series A Bonds maturing on or before September 1, 2016 are not subject to optional call and redemption prior to maturity. The Series A Bonds maturing on or after September 1, 2017 may be redeemed at the option of the Authority, from any source of available funds (excluding from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes within a CFD in connection with CFD Bonds, which redemptions shall proceed in accordance with subsection (b) below), prior to maturity on any date on or after September 1, 2016 as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, if any redemption of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, by lot within a maturity, at a redemption price equal to the principal amount of the Series A Bonds to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Series B Bonds. The Series B Bonds may be redeemed at the option of the Authority, from any source of available funds (excluding from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes within a CFD in connection with CFD Bonds) prior to maturity on any date on or after September 1, 2006 as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, if any redemption of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, by lot within a maturity, at a redemption price equal to the principal amount of the Series B Bonds to be redeemed, together with accrued interest thereon to the date of redemption, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1 2006 through March 1, 2014	103%
September 1 2014 through March 1, 2015_	102
September 1 2015 through March 1, 1016	101
September 1, 2016_ and thereafter	100

The Authority shall (i) advise Standard & Poor's and the Bond Insurer in writing as to which Bonds are to be optionally redeemed (which shall be determined in the discretion of the Authority so long as the ability to pay debt service on the Bonds will not be adversely impacted), and (ii) deliver to the Trustee and the Bond Insurer a certificate of an Independent Accountant verifying that, following such optional prepayment of the Local Obligations and redemption of Bonds, the principal and interest generated from the remaining Local Obligations is adequate to make the timely payment of principal and interest due on the Bonds that will remain Outstanding hereunder following such optional redemption.

(b) **Special Redemption.** The Series A Bonds are subject to special redemption on any date from proceeds of early redemption of Local Obligations from prepayment of Special Taxes within a CFD in connection with Local Obligations, in whole or in part, from maturities corresponding proportionately to the maturities of the Local Obligations simultaneously redeemed, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1, 2006 through March 1, 2016	103%
September 1, 2016 and thereafter	100

The Series B Bonds are not subject to special redemption from proceeds of early redemption of Local Obligations from prepayment of Special Taxes within a CFD in connection with Local Obligations.

The Authority shall (i) advise Standard & Poor's and the Bond Insurer in writing as to which Series A Bonds are to be redeemed with the proceeds to be received with respect to such Local Obligations (which shall be determined in the discretion of the Authority so long as the ability to pay debt service on the Bonds will not be adversely impacted), and (ii) deliver to the Trustee and the Bond Insurer a certificate of an Independent Accountant verifying that, following such optional prepayment of the Local Obligations and redemption of Bonds, the principal and interest generated from the remaining Local Obligations is adequate to make the timely

payment of principal and interest due on the Bonds that will remain Outstanding hereunder following such redemption.

(c) Mandatory Sinking Fund Redemption of Bonds.

(i) The Series A Bonds maturing on September 1, 2025 shall be subject to mandatory sinking fund redemption prior to maturity, in part, on September 1, 2023, and on each September 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Series A Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Redemption Date <u>(September 1)</u>	Redemption <u>Amount</u>
2023	\$2,220,000
2024	2,325,000
2025 (maturity)	2,445,000

The Series A Bonds maturing on September 1, 2027 shall be subject to mandatory sinking fund redemption prior to maturity, in part, on September 1, 2026, and on each September 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Series A Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Redemption Date <u>(September 1)</u>	Redemption <u>Amount</u>
2026	\$1,100,000
2027 (maturity)	1,145,000

(ii) The Series B Bonds maturing on September 1, 2027 shall be subject to mandatory sinking fund redemption prior to their respective dates of maturity, in part, on September 1, 2023, and on each respective September 1 thereafter, by lot, from sinking fund payments at a redemption price equal to the principal amount of Series B Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Redemption <u>Date</u>	Redemption <u>Amount</u>
2023	\$290,000
2024	310,000
2025	320,000
2026	125,000
2027 (maturity)	135,000

In the event that the Series A Bonds or the Series B Bonds described in this Section 2.2(c) are redeemed pursuant to the optional or special redemption provisions set forth above, the sinking fund payments for the applicable Series shall be reduced as nearly as practicable on a proportionate basis in integral multiples of \$5,000.

(d) Notice of Redemption. The Trustee on behalf, and at the expense, of the Authority shall mail (by first class mail, postage prepaid) notice of any redemption to the Bond Insurer and the respective Owners of any Bonds designated for redemption at their respective addresses appearing on the Bond Register, and to the Securities Depositories and to the Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption. Neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the redemption date, the redemption place and the redemption price and shall designate the CUSIP numbers, the Bond numbers and the maturity or maturities (in the event of redemption of all of the Bonds of such maturity or maturities in whole) of the Bonds to be redeemed, and shall require that such Bonds be then surrendered at the Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such Bonds will not accrue after the redemption date. Any such redemption notice may specify that redemption on the specified date will be subject to receipt by the Authority of moneys sufficient to cause such redemption (and shall specify the proposed source of such moneys), and neither the Authority nor the Trustee shall have any liability to the Owners or any other party as a result of its failure to redeem the Bonds as a result of insufficient moneys.

In addition to the foregoing notice, further notice shall be given by the Trustee in said form by first class mail to any Bondowner whose Bond has been called for redemption but who has failed to submit his Bond for payment by the date which is sixty days after the redemption date, but no defect in said further notice nor any failure to give or receive all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption.

Upon the payment by the Trustee from the applicable account in the Revenue Fund of the redemption price of the Bond being redeemed, each check or other transfer of funds issued for such purpose shall, to the extent practicable, bear the CUSIP number identifying, by issue and maturity, the Bonds being redeemed with the proceeds of such check or other transfer.

(e) Selection of Bonds of a Maturity for Redemption. Unless otherwise provided hereunder, whenever provision is made in this Indenture or in the applicable Supplemental Indenture for the redemption of less than all of the Bonds of a maturity of a Series of the Bonds, the Trustee shall select the Bonds to be redeemed from all Bonds of such maturity not previously called for redemption, by lot in any manner which the Trustee in its sole discretion shall deem appropriate and fair. For purposes of such selection, all Bonds shall be deemed to be comprised of separate \$5,000 authorized denominations, and such separate authorized denominations shall be treated as separate Bonds which may be separately redeemed.

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

(g) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the Bonds so called for redemption shall have been duly provided, such Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the redemption price, and no interest shall accrue thereon from and after the redemption date

specified in such notice. All Bonds redeemed pursuant to this Section 2.2 shall be cancelled and destroyed.

Section 2.3. Form of Bonds. The Series A Bonds and the Series B Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be substantially in the respective forms set forth in Exhibit A and Exhibit B attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions, as permitted or required by this Indenture.

Section 2.4. Execution of Bonds. All the Bonds shall, from time to time, be executed on behalf of the Authority by, or bear the manual or facsimile signature of, one of the members of the Board of Directors of the Authority and be attested by the manual or facsimile signature of the Secretary or by any deputy thereof. If any of the directors or officers who shall have signed or sealed any of the Bonds or whose facsimile signature shall be upon the Bonds shall cease to be such officer of the Authority before the Bond so signed and sealed shall have been actually authenticated by the Trustee or delivered, such Bonds nevertheless may be authenticated, issued and delivered with the same force and effect as though the person or persons who signed or sealed such Bonds or whose facsimile signature shall be upon the Bonds had not ceased to be such officer of the Authority; and any such Bond may be signed and sealed on behalf of the Authority by those persons who, at the actual date of the execution of such Bonds, shall be the proper officers of the Authority, although at the date of such Bond any such person shall not have been such officer of the Authority.

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

Section 2.5. Transfer of Bonds. Subject to Section 2.10, any Bond may in accordance with its terms, be transferred, upon the Bond Register, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such Bond for cancellation, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall thereupon authenticate and deliver to the transferee a new Bond or Bonds of like Series, tenor, maturity and aggregate principal amount. No Bonds selected for redemption shall be subject to transfer pursuant to this Section nor shall any Bond be subject to transfer during the fifteen days prior to the selection of Bonds for redemption.

The cost of printing any Bonds and any services rendered or any expenses incurred by the Trustee in connection with any transfer or exchange shall be paid by the Authority. However, the Owners of the Bonds shall be required to pay any tax or other governmental charge required to be paid for any exchange or registration of transfer and the Owners of the Bonds shall be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the replacement of any mutilated, lost or stolen Bonds.

Section 2.6. Exchange of Bonds. Subject to Section 2.10, bonds may be exchanged at the Trust Office of the Trustee for Bonds of the same Series, tenor and maturity and of other authorized denominations. No Bonds selected for redemption shall be subject to exchange pursuant to this Section, nor shall any Bond be subject to exchange during the fifteen days prior

to the selection of Bonds for redemption. The Owners of the Bonds shall be required to pay any tax or other governmental charge required to be paid for any exchange and the Owners of the Bonds shall be required to pay the reasonable fees and expenses of the Trustee and Authority in connection with the exchange of any Bonds.

Section 2.7. Temporary Bonds. The Bonds may be issued initially in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Authority and may contain such reference to any of the provisions of this Indenture as may be appropriate. Every temporary Bond shall be executed by the Authority and be registered and authenticated by the Trustee upon the same conditions and in substantially the same manner as the definitive Bonds. If the Authority issues temporary Bonds, it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds may be surrendered for cancellation, in exchange therefor at the Trust Office of the Trustee, and the Trustee shall authenticate and deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under this Indenture as definitive Bonds authenticated and delivered hereunder.

Section 2.8. Bond Register. The Trustee will keep or cause to be kept at its Trust Office sufficient records for the registration and transfer of the Bonds, which shall be the Bond Register and shall at all times during regular business hours be open to inspection by the Authority upon reasonable notice; and, upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, Bonds as hereinbefore provided.

Section 2.9. Bonds Mutilated, Lost, Destroyed or Stolen. If any Bond shall become mutilated, the Authority, at the expense of the Owner of said Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series, tenor and authorized denomination in exchange and substitution for the Bond so mutilated, but only upon surrender to the Trustee of the Bond so mutilated. Every mutilated Bond so surrendered to the Trustee shall be cancelled by it and destroyed in accordance with the retention policy of the Trustee then in effect. If any Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence be satisfactory to it and indemnity satisfactory to it shall be given, at the expense of the Bond Owner, the Authority shall execute, and the Trustee shall thereupon authenticate and deliver, a new Bond of like Series and tenor in lieu of and in substitution for the Bond so lost, destroyed or stolen (or if any such Bond shall have matured or shall have been called for redemption, instead of issuing a substitute Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Trustee may require payment of a reasonable fee for each new Bond issued under this Section and of the expenses which may be incurred by the Authority and the Trustee. Any Bond issued under the provisions of this Section in lieu of any Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other Bonds secured by this Indenture.

Section 2.10. Book-Entry System.

(a) All Bonds shall be initially issued in the form of a separate single certificated fully registered Bond for each maturity date of the Bonds. Upon initial issuance, the ownership of

each Bond shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC. Except as provided in Section 2.10(d) hereof, all Outstanding Bonds shall be registered in the Bond Register in the name of Cede & Co., as nominee of DTC.

(b) With respect to Bonds registered in the Bond Register in the name of Cede & Co., as nominee of DTC, the Authority and the Trustee shall have no responsibility or obligation with respect to (i) the accuracy of the records of DTC, Cede & Co. or any DTC Participant with respect to any ownership interest in the Bonds, (ii) the delivery to any DTC Participant or any other person, other than an Owner, as shown in the Bond Register, of any notice with respect to the Bonds, including any notice of redemption, or (iii) the payment to any DTC Participant or any other person, other than an Owner, as shown in the Bond Register, of any amount with respect to principal of, premium, if any, or interest on the Bonds. The City and the Trustee may treat and consider the person in whose name each Bond is registered in the Bond Register as the holder and absolute owner of such Bond for the purpose of payment of principal, premium, if any, and interest on such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Trustee shall pay all principal of, premium, if any, and interest on the Bonds only to or upon the order of the respective Owners, as shown in the Bond Register, as provided in Section 2.8 hereof, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Authority's obligations with respect to payment of principal of, premium, if any, and interest on the Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register, shall receive a certificated Bond evidencing the obligation of the Authority to make payments of principal, premium, if any, and interest pursuant to this Indenture. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to record dates, the word "Cede & Co." in this Indenture shall refer to such new nominee of DTC.

(c) The delivery of the Representation Letter and the Trustee shall not in any way limit the provisions of Section 2.10(b) hereof or in any other way impose upon the Authority or the Trustee any obligation whatsoever with respect to persons having interests in the Bonds other than the Owners, as shown on the Bond Register. The Trustee shall take all action necessary for all representations in the Representation Letter with respect to the Trustee to be complied with at all times.

(d) DTC may determine to discontinue providing its services with respect to the Bonds at any time by giving written notice to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law.

(ii) The Authority, in its sole discretion and without the consent of any other person, may terminate the services of DTC with respect to the Bonds if the Authority determines that:

(A) DTC is unable to discharge its responsibilities with respect to the Bonds, or

(B) a continuation of the requirement that all Outstanding Bonds be registered in the Bond Register in the name of Cede & Co., or any other nominee of DTC, is not in the best interest of the beneficial owners of such Bonds.

(iii) Upon the termination of the services of DTC with respect to the Bonds pursuant to subsection 2.10(d)(ii)(B) hereof, or upon the discontinuance or termination of the services of DTC with respect to the Bonds pursuant to subsection 2.10(d)(i) or subsection 2.10(d)(ii)(A) hereof after which no substitute securities depository willing to undertake the functions of DTC hereunder can be found which, in the opinion of the Authority, is willing and able to undertake such functions upon reasonable and customary terms, the Authority is obligated to deliver Bond certificates, as described in this Indenture and the Bonds shall no longer be restricted to being registered in the Bond Register in the name of Cede & Co. as nominee of DTC, but may be registered in whatever name or names DTC shall designate to the Trustee in writing, in accordance with the provisions of this Indenture.

(e) Notwithstanding any other provisions of this Indenture to the contrary, as long as any Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to principal or, premium, if any, and interest on such Bond and all notices with respect to such Bond shall be made and given, respectively, in the manner provided in the Representation Letter.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS

Section 3.1. Issuance of Bonds. Upon the execution and delivery of this Indenture, the Authority shall execute and deliver the Bonds of each Series in the principal amounts set forth in Section 2.1 hereof to the Trustee for authentication and delivery to the Original Purchaser thereof upon the Request of the Authority.

Section 3.2. Application of Proceeds of Sale of Bonds and Funds Received from the City. On the Closing Date, the Trustee shall apply moneys received by it as follows:

(a) Series A Bond Proceeds. The Trustee shall apply (A) the proceeds of the sale of the Series A Bonds received on the Closing Date, being an amount equal to \$36,046,040.55 (being the aggregate principal amount thereof (\$35,870,000), less an underwriter's discount of \$215,220.00, plus an original issue premium of \$391,260.55), as follows:

(i) \$30,223,755.07 of the proceeds of the Series A Bonds shall be deposited in the Purchase Fund for the acquisition of the Highland Reserve North Local Obligations in accordance with Section 3.5 below.

(ii) \$5,231,054.20 of the proceeds of the Series A Bonds shall be deposited in the Purchase Fund for the acquisition of the Woodcreek East Local Obligations in accordance with Section 3.5 below.

(iii) \$591,231.28 of the proceeds of the Series A Bonds shall be deemed to have been a Cost of Issuance by virtue of being wired to the Bond Insurer as the premium for the Bond Insurance Policy for the Series A Bonds.

(b) Series B Bond Proceeds. The Trustee shall apply (A) the proceeds of the sale of the Series B Bonds received on the Closing Date, being an amount equal to \$4,555,849.75 (being the aggregate principal amount thereof (\$4,645,000), less an underwriter's discount of \$58,062.50, less an original issue discount of \$31,087.75), as follows:

(i) \$2,896,244.93 of the proceeds of the Series B Bonds shall be deposited in the Purchase Fund for the acquisition of the Highland Reserve North Local Obligations in accordance with Section 3.5 below.

(ii) \$1,013,945.80 of the proceeds of the Series B Bonds shall be deposited in the Purchase Fund for the acquisition of the Woodcreek East Local Obligations in accordance with Section 3.5 below.

(iii) \$533,772.43 of the proceeds of the Series B Bonds shall be deposited into the Project Fund as follows: \$410,600.93 shall be deposited into the Highland Reserve North Project Account (attributable to Highland Reserve North CFD), and \$123,171.50 shall be deposited into the Woodcreek East Project Account (attributable to Woodcreek East CFD) in accordance with Section 3.10 below.

(iv) \$18,290.54 of the proceeds of the Series B Bonds shall be deposited in the Woodcreek East CFD Account of the Series B Reserve Fund.

(v) \$67,563.03 of the proceeds of the Series B Bonds shall be deposited in the Highland Reserve North CFD Account of the Series B Reserve Fund.

(vi) \$26,033.02 of the proceeds of the Series B Bonds shall be deposited into the Costs of Issuance Fund in accordance with Section 3.4 below.

Section 3.3. Revenue Fund. The Trustee shall establish and maintain a separate fund to be known as the "Revenue Fund" and the following separate accounts therein: Series A Interest Account, Series A Principal Account, Series B Interest Account and Series B Principal Account. Except as otherwise provided herein, the Trustee shall deposit all Revenues received after the Closing Date to the Revenue Fund and shall apply amounts in the Revenue Fund as described in Section 4.2 below.

Section 3.4. Costs of Issuance Fund. The Trustee shall establish and maintain a fund known as the "Costs of Issuance Fund" into which shall be deposited the amounts set forth in Section 3.2 above and any amounts received by the Trustee attributable to the Prior Bonds and designated for deposit therein. The moneys in the Costs of Issuance Fund shall be used to pay Costs of Issuance from time to time upon receipt by the Trustee of a Request of the Authority. On the date which is one hundred twenty (120) days following the Closing Date, or upon the earlier receipt by the Trustee of a Request of the Authority stating that all Costs of Issuance have been paid, the Trustee shall transfer all remaining amounts in the Costs of Issuance Fund to either account of the Project Fund. Upon such transfer, the Costs of Issuance Fund shall be closed and the Trustee shall no longer be obligated to make payments for Costs of Issuance. The Authority may at any time file a Request of the Authority requesting that the Trustee retain a specified amount in the Costs of Issuance Fund and transfer to the Project Fund all remaining amounts, and upon receipt of such request by the Trustee, the Trustee shall comply with such request.

Section 3.5. Purchase Fund. The Trustee shall establish and maintain a separate fund to be known as the "Purchase Fund" into which shall be deposited a portion of the proceeds of sale of the Bonds of each Series pursuant to Section 3.2 hereof. The Trustee shall use the proceeds of the Bonds to purchase Local Obligations on the Closing Date. By execution and delivery of the Bonds, the Authority certifies to the Trustee and the Owners that the Revenues and Subordinated Revenues to be available to the Trustee, assuming timely payment of the Local Obligations, will be sufficient to permit the timely payment of the principal of and interest on all Outstanding Bonds.

Section 3.6. Reserve Funds. The Trustee shall establish and maintain a separate fund to be known as the "Series A Reserve Fund" and within such fund, accounts to be known as the "Highland Reserve North CFD Reserve Account" and the "Woodcreek East CFD Reserve Account", respectively, which shall be administered as provided in Section 4.3(a) hereof.

The Trustee shall establish and maintain a separate fund to be known as the "Series B Reserve Fund" and within such fund, accounts to be known as the "Highland Reserve North CFD Reserve Account" and the "Woodcreek East CFD Reserve Account", respectively, which shall be administered as provided in Section 4.3(b) hereof.

Section 3.7. Rebate Fund. The Trustee shall establish and maintain a separate fund to be known as the "Rebate Fund". The Rebate Fund shall be administered as described in Section 5.8 hereof.

Section 3.8. Surplus Fund. The Trustee shall establish and maintain a separate fund to be known as the "Surplus Fund" which shall be administered as described in Section 4.4 hereof.

Section 3.9. Administrative Expense Fund. The Trustee shall establish and maintain a separate fund to be held by the Trustee and known as the "Administrative Expense Fund" into which shall be deposited (i) amounts transferred to the Trustee pursuant to the bond indentures relating to the Local Obligations to fund Authority Administrative Expenses and (ii) amounts transferred from the Surplus Fund pursuant to Section 4.4 hereof. The moneys in the Administrative Expense Fund shall be used to pay Authority Administrative Expenses upon receipt of a Requisition of the Authority for the payment thereof.

Section 3.10. Project Fund. The Trustee shall establish and maintain a separate fund to be known as the "Project Fund," and within the Project Fund, a "Highland Reserve North Project Account" and a "Woodcreek East Project Account" into which shall be deposited the proceeds of sale of the Bonds and Local Obligations pursuant to Section 3.2 hereof and the CFD Indentures. The Authority shall act as the agent of Highland Reserve North CFD and Woodcreek East CFD with respect to application of amounts on deposit in the Highland Reserve North Project Account and Woodcreek East Project Account.

(a) Highland Reserve North Project Account. The moneys in the Highland Reserve North Project Account shall be used in the manner provided by the CFD Act solely for the purpose of aiding in financing the Project; *provided, however,* that any such portion of the Project financed with moneys on deposit in the Highland Reserve North Project Account shall constitute all or a portion of the facilities authorized to be financed by the Highland Reserve North CFD as described in the Resolution of Formation for Highland Reserve North CFD. The Authority covenants that no funds on deposit in the Highland Reserve North Project Account shall be applied for any purpose not authorized by the CFD Act or not constituting all or a portion of the "Facilities" as defined in the Resolution of Formation for Highland Reserve North CFD. The Trustee shall disburse amounts on deposit in the Highland Reserve North Project Account promptly after receipt of, and in accordance with a Request of the Authority in the form attached hereto as Exhibit C. The Highland Reserve North Project Account shall be maintained by the Trustee until such account is depleted or until payment by the Trustee of all Requests of the Authority delivered to it by the Authority and receipt by the Trustee of a Certificate of the Authority to the effect that the Authority will not submit any further Requests of the Authority requesting disbursement therefrom, at which time the Trustee shall close the Highland Reserve North Project Account and transfer any remaining moneys into the Revenue Fund.

(b) Woodcreek East Project Account. The moneys in the Woodcreek East Project Account shall be used in the manner provided by the CFD Act solely for the purpose of aiding in financing the Project; *provided, however,* that any such portion of the Project financed with moneys on deposit in the Woodcreek East Project Account shall constitute all or a portion of the "facilities authorized to be financed by the Woodcreek East CFD as described in the Resolution of Formation for Woodcreek East CFD. The Authority covenants that no funds on deposit in the Woodcreek East Project Account shall be applied for any purpose not authorized by the CFD Act or not constituting all or a portion of the "Facilities" as defined in the Resolution of Formation for Woodcreek East CFD. The Trustee shall disburse amounts on deposit in the Woodcreek East Project Account promptly after receipt of, and in accordance with a Request of the Authority in the form attached hereto as Exhibit C. The Woodcreek East Project Account shall be maintained by the Trustee until such account is depleted or until payment by the Trustee of all Requests of the Authority delivered to it by the Authority and receipt by the

Trustee of a Certificate of the Authority to the effect that the Authority will not submit any further Requests of the Authority requesting disbursement therefrom, at which time the Trustee shall close the Woodcreek East Project Account and transfer any remaining moneys into the Revenue Fund.

Section 3.11. Validity of Bonds. The validity of the authorization and issuance of the Bonds shall not be affected in any way by any proceedings taken by the Authority or the City with respect to the application of the proceeds of the Bonds, and the recital contained in the Bonds that the same are issued pursuant to the Bond Law shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

Section 4.1. Pledge of Revenues; Assignment of Rights. Subject to the provisions of Sections 6.3 and 10.3 hereof, the Series A Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent hereinafter provided) of all of the Revenues. The Series A Bonds shall be equally secured by a pledge, charge and lien upon the Revenues without priority for any Series A Bond over any other Series A Bond; and the payment of the interest on and principal of the Series A Bonds and any premiums upon the redemption of any Series A Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Revenues. So long as any of the Bonds are Outstanding, the Revenues shall not be used for any purpose except as is expressly permitted by this Indenture.

Subject to the provisions of Sections 6.3 and 10.3 hereof, the Series B Bonds shall be secured by a first lien on and pledge (which shall be effected in the manner and to the extent hereinafter provided) of all of the Subordinated Revenues. The Series B Bonds shall be equally secured by a pledge, charge and lien upon the Subordinated Revenues without priority for any Series B Bonds over any other Series B Bonds; and the payment of the interest on and principal of the Series B Bonds and any premiums upon the redemption of any Series B Bonds shall be and are secured by an exclusive pledge, charge and lien upon the Subordinated Revenues. So long as any of the Bonds are Outstanding, the Subordinated Revenues shall not be used for any purpose except as is expressly permitted by this Indenture.

The Authority hereby transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Owners from time to time of the Series A Bonds and Series B Bonds, respectively, all of the Revenues and Subordinated Revenues, respectively, and all of the right, title and interest of the Authority in the Local Obligations, subject to the terms of this Indenture. The Trustee shall be entitled to and shall collect and receive all of the Revenues and Subordinated Revenues, and any Revenues and Subordinated Revenues collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. Subject to the provisions of Section 8.2 and the rights of the Bond Insurer thereunder, the Trustee also shall be entitled to and shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all of the rights of the Authority and all of the obligations of the City under the Local Obligations.

Upon the deposit with the Trustee of moneys sufficient to pay all principal of, premium, if any, and interest on the Series A Bonds or the Series B Bonds, respectively, and upon satisfaction of all claims against the Authority hereunder with respect to a Series, including all fees, charges and expenses of the Trustee and the Authority which are properly payable hereunder, or upon the making of adequate provisions for the payment of such amounts as permitted hereby, all moneys remaining in all funds and accounts pertaining to such respective Series of Bonds, (except any amounts on deposit in the Rebate Fund and the Surplus Fund and except moneys necessary to pay principal of, premium, if any, and interest on such Series of Bonds, which moneys shall be held by the Trustee pursuant to Section 10.3), shall no longer be considered Revenues and are not pledged to repay the Bonds. Such amounts shall be transferred to the trustee for each issue of then outstanding Local Obligations proportionately based on their respective Proportionate Share. In the event that the Local Obligations have

been paid or defeased, then any such amounts shall be paid by the Trustee to the Authority to be used by the Authority for any lawful purpose.

Section 4.2. Receipt, Deposit and Application of Revenues; Revenue Fund.

(a) All Revenues described in clause (a) of the definition thereof in Section 1.1 shall be promptly deposited by the Trustee upon receipt thereof in the Revenue Fund. Any Revenues which represent the payment of delinquent principal of or interest on an issue of deposited to the Account of the Series A Reserve Fund established for the related Local Obligations to the extent necessary to replenish the amount in such Account to the balance required by Section 4.3(a), with any amount in excess of that needed to replenish such Account to be transferred as provided in the Revenue Fund for application in accordance with this Section 4.2.

On each Interest Payment Date and date for redemption of the Series A Bonds, the Trustee shall transfer from the Revenue Fund, and deposit into the following respective accounts for the Series A Bonds, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(i) Series A Interest Account. On each Interest Payment Date and redemption date, the Trustee shall deposit in the Series A Interest Account an amount required to cause the aggregate amount on deposit in the Series A Interest Account to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Series A Bonds or to be paid on the Series A Bonds being redeemed on such date. No deposit need be made into the Series A Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Series A Bonds on the next succeeding Interest Payment Date or redemption date, as applicable. All moneys in the Series A Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series A Bonds as it shall become due and payable (including accrued interest on any Series A Bonds redeemed prior to maturity). In the event that the amounts on deposit in the Series A Interest Account on any Interest Payment Date or redemption date, after any transfers from the Series A Reserve Fund pursuant to Section 4.3(a) hereof, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Series A Bonds, the Trustee shall apply such amounts to the payment of interest on each of the Outstanding Series A Bonds on a pro rata basis.

(ii) Series A Principal Account. On each Interest Payment Date and redemption date on which the principal of the Series A Bonds shall be payable, the Trustee shall deposit in the Series A Principal Account an amount required to cause the aggregate amount on deposit in the Series A Principal Account to equal the principal amount of, and premium (if any) on, the Series A Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such date pursuant to Section 2.2 hereof; provided, however, that no amount shall be deposited to effect a redemption pursuant to Section 2.2(a) hereof unless the Trustee has first received a certificate of an Independent Accountant certifying that such deposit to effect an optional redemption of the Series A Bonds will not impair the ability of the Authority to make timely payment of the principal of and interest on the Series B Bonds, assuming for such purposes that the City continues to make timely payments on all Local Obligations not

then in default. All moneys in the Series A Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Series A Bonds at the maturity thereof or (ii) paying the principal of and premium (if any) on any Series A Bonds upon the redemption thereof pursuant to Section 2.2.

(iii) Series A Reserve Fund. On each Interest Payment Date on which the balance in the Series A Reserve Fund is less than the Series A Reserve Requirement, after making deposits required under (i) and (ii) above, the Trustee shall transfer from the Revenue Fund an amount sufficient to increase the balance in the Series A Reserve Fund to the Series A Reserve Requirement by depositing the amount necessary to make the various accounts therein equal, together, the Series A Reserve Requirement, provided the value of the moneys deposited therein, as invested, shall be valued at market value on such transfer date for purposes of making such determination.

(b) On each Interest Payment Date after making the deposits required under subsection (a) above, the Trustee shall transfer from the Revenue Fund, and deposit into the following respective accounts, the following amounts in the following order of priority, the requirements of each such account (including the making up of any deficiencies in any such account resulting from lack of Subordinated Revenues sufficient to make any earlier required deposit) at the time of deposit to be satisfied before any transfer is made to any account subsequent in priority:

(i) Series B Interest Account. On each Interest Payment Date, the Trustee shall deposit in the Series B Interest Account an amount required to cause the aggregate amount on deposit in the Series B Interest Account, to equal the amount of interest becoming due and payable on such Interest Payment Date on all Outstanding Series B Bonds. No deposit need be made into the Series B Interest Account if the amount contained therein is at least equal to the interest becoming due and payable upon all Outstanding Series B Bonds on the next succeeding Interest Payment Date. All moneys in the Series B Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying interest on the Series B Bonds as it shall become due and payable (including accrued interest on any Series B Bonds redeemed prior to maturity). In the event that the amounts on deposit in the Series B Interest Account on any Interest Payment Date or redemption date, after any transfers from the Series B Reserve Fund pursuant to Section 4.3(b) hereof, are insufficient for any reason to pay the aggregate amount of interest then coming due and payable on the Outstanding Series B Bonds, the Trustee shall apply such amounts to the payment of interest on each of the Outstanding Series B Bonds on a pro rata basis.

(ii) Series B Principal Account. On each Interest Payment Date on which the principal of the Series B Bonds shall be payable, the Trustee shall deposit in the Series B Principal Account an amount required to cause the aggregate amount on deposit in the Series B Principal Account to equal the principal amount of, and premium (if any) on, the Series B Bonds coming due and payable on such Interest Payment Date, or required to be redeemed on such Interest Payment Date pursuant to Section 2.2. All moneys in the Series B Principal Account shall be used and withdrawn by the Trustee solely for the purpose of (i) paying the principal of the Series B Bonds at the maturity thereof or (ii) paying the principal of and premium (if any) on any Series B Bonds upon the redemption thereof pursuant to Section 2.2.

(iii) Series B Reserve Fund. On each Interest Payment Date on which the balance in the Series B Reserve Fund is less than the Series B Reserve Requirement, after making deposits required under (i) and (ii) above, the Trustee shall transfer from the Revenue Fund an amount sufficient to increase the balance in the Series B Reserve Fund to the Series B Reserve Requirement by depositing the amount necessary to make the various accounts therein equal, together, the Series B Reserve Requirement, provided the value of the moneys deposited therein, as invested, shall be valued at market value on such transfer date for purposes of making such determination.

(c) If on any Interest Payment Date or date for redemption the amount on deposit in the Revenue Fund is inadequate to make the transfers described in subsections (a) and (b) above as a result of a payment default on an issue of Local Obligations, the Trustee shall immediately notify the City of the amount needed to make the required deposits under subsection (a) above and the amount needed to make the required deposits under subsection (b) above. In the event that within 5 Business Days of delivering such notice the Trustee receives additional payments from the City to cure such shortfall, the Trustee shall deposit such amounts to the account designated in writing by the City.

(d) On each Interest Payment Date after making the transfers required under subsections (a), (b) and (c) above, upon receipt of a Request of the Authority to do so, the Trustee shall transfer from the Revenue Fund to the Rebate Fund for deposit in the accounts therein the amounts specified in such Request.

(e) On September 1 of each year, after making the deposits required under subsections (a), (b), (c) and (d) above, the Trustee shall transfer all amounts remaining on deposit in the Revenue Fund to the Surplus Fund.

Section 4.3. Reserve Funds.

(a) Series A Reserve Fund.

(i) There shall be maintained in the Series A Reserve Fund an amount equal to the Series A Reserve Requirement. On the Closing Date, the Authority shall deposit into the Series A Reserve Fund an amount equal to Highland Reserve North CFD's Proportionate Share of the Reserve Requirement for the Series A Bonds, which shall be deposited to the Highland Reserve North CFD Account and an amount equal to Woodcreek East CFD's Proportionate Share of the Reserve Requirement for the Series A Bonds, which shall be deposited to the Woodcreek East CFD Account.

In the event that the amount of the Series A Reserve Requirement is reduced because of the payment at final maturity of CFD Bonds or prepayment of Special Taxes, the Trustee shall, upon receipt of a Request of the Authority, adjust the balance in any account provided that the total amount in the Series A Reserve Fund equals the Series A Reserve Requirement.

(ii) Moneys in the Series A Reserve Fund shall be used solely for the purposes set forth in this Section 4.3(a). Subject to the limitations set forth in the following paragraph, amounts in the Series A Reserve Fund may be applied to pay the principal of and interest on the Series A Bonds when the moneys in the Series A Interest Account and the Series A Principal Account of the Revenue Fund are insufficient therefor. In addition, amounts in the Series A Reserve Fund may be applied (i) in

connection with an optional redemption of the Series A Bonds pursuant to Section 2.2(a) of this Indenture or a defeasance pursuant to Section 10.3 of this Indenture, but only to the extent that amounts remaining on deposit in the Series A Reserve Fund after such application are equal to the Reserve Requirement, (ii) in connection with prepayments of Special Taxes, (iii) when the balance therein equals the principal and interest due on the Series A Bonds to and including maturity, or (iv) when amounts in certain accounts of the Series A Reserve Fund are transferred to the Series A Interest Account and the Series A Principal Account as a credit against the payments due on the CFD Bonds on the transfer dates specified below.

(iii) If the amounts in the Series A Interest Account or the Series A Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Series A Bonds when due, the Trustee shall withdraw from the Series A Reserve Fund for deposit in the Series A Interest Account and the Series A Principal Account, as applicable, moneys necessary for such purposes; *provided, however* if the insufficiency was caused by a delinquency in the payment of a CFD Bond, the Trustee shall notify the City of such deficiency and the moneys necessary to make up the deficiency in the Series A Interest Account or the Series A Principal Account caused by the delinquency on the CFD Bond shall be transferred from the Account of the Series A Reserve Fund established for such CFD Bond. **Amounts in the Account of the Series A Reserve Fund established for an issue of CFD Bonds may be transferred to the Series A Interest Account or Series A Principal Account only to the extent necessary to cure any default on any such CFD Bond and may not be transferred to cure any default on the other issue of CFD Bonds.**

The Trustee shall immediately notify the Bond Insurer upon any draw on the Series A Reserve Fund.

(iv) In the event Special Taxes are paid in cash in advance of the final maturity date of a CFD Bond, the Authority is required to credit such prepaid Special Tax obligation with a proportionate share of the applicable Account of the Series A Reserve Fund (if such reserve is funded in cash) for the applicable CFD Bond thus reducing the total amount of the Series A Reserve Fund. The CFD Special Tax obligation will receive such credit only if and to the extent that the amount which is eligible to be credited is not needed to redeem Bonds. If the all or part of the amount is needed to redeem Bonds, the Authority shall use it for such purpose. To the extent it is not needed, the amount to be so credited is the pro-rata share of the original amount deposited in such Account, less any amount previously transferred from such Account to the redemption fund for the applicable CFD Bond as a result of the delinquency in the payment of Special Tax installments for the parcel for which the Special Tax is being prepaid. The Authority shall direct the Trustee in writing to transfer the amount representing such credit from the Series A Reserve Fund to the special tax fund or redemption fund, as applicable, for the applicable CFD Bond.

On August 1 of each year, any interest earned on the investment of monies on deposit in the Series A Reserve Fund which would cause the amount therein to exceed the Series A Reserve Requirement shall be applied as set forth in Section 4.5 hereof.

(v) When amounts in an Account of the Series A Reserve Fund are sufficient to repay the remaining principal and interest due on the respective CFD Bonds that will be applied to the Series A Bonds, such amount shall be transferred to the Series A

Interest Account and the Series A Principal Account as a credit against the payments due on the applicable CFD Bonds, with the amount transferred from an Account being deposited first to the Series A Interest Account as a credit on the interest due on the CFD Bonds the applicable CFD Bonds on such date and the balance being deposited to the Series A Principal Account as a credit on the principal due on the applicable CFD Bonds on such date.

(vi) The Authority shall have the right at any time to release funds from the Series A Reserve Fund, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument will cause interest on the Series A Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Authority to the Trustee of written calculation of the amount permitted to be released from the Series A Reserve Fund and the applicable accounts therein (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Series A Reserve Fund (and the applicable accounts therein) to the Authority free and clear of the lien of this Indenture. The Trustee shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (a)(vi).

At least fifteen (15) days prior to the expiration of any Qualified Reserve Fund Credit Instrument, the Authority shall be obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Series A Reserve Fund (and the applicable accounts therein) is equal to the Series A Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Authority shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Fund Credit Instrument in full and deposit the proceeds of such draw in the Series A Reserve Fund (and the applicable accounts therein).

In the event that the Series A Reserve Requirement shall at any time be maintained in the Series A Reserve Fund (and the applicable accounts therein) in the form of a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Series A Reserve Fund (and the applicable accounts therein) before the Trustee shall draw any moneys under such Qualified Reserve Fund Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Fund Credit Instrument to make any payment then required to be made from the Series A Reserve Fund (and the applicable accounts therein), the Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be made pursuant to Section 4.2(a)(i) and (ii), shall be used to reinstate the Qualified Reserve Fund Credit Instrument.

(b) Series B Reserve Fund.

(i) There shall be maintained in the Series B Reserve Fund an amount equal to the Series B Reserve Requirement. On the Closing Date, the Authority shall deposit into the Series B Reserve Fund an amount equal to the Series B Reserve Requirement, of which an amount equal to Highland Reserve North CFD's Proportionate Share shall be attributable to the Highland Reserve North CFD Account and an amount equal to Woodcreek East CFD Proportionate Share shall be attributable to the Woodcreek East CFD Account.

(ii) Moneys in the Series B Reserve Fund shall be used solely for the purposes set forth in this Section 4.3(b). Subject to the limitations set forth in the following paragraph, amounts in the Series B Reserve Fund may be applied to pay the principal of and interest on the Series B Bonds when the moneys in the Series B Interest Account and the Series B Principal Account of the Revenue Fund are insufficient therefor. In addition, amounts in the Series B Reserve Fund may be applied (i) in connection with an optional redemption of Series B Bonds pursuant to Section 2.2(a) of this Indenture or a defeasance pursuant to Section 10.3 of this Indenture, but only to the extent that amounts remaining on deposit in the Series B Reserve Fund after such application are equal to the Reserve Requirement, (ii) in connection with prepayments of Special Taxes, (iii) when the balance therein equals the principal and interest due on the Series B Bonds to and including maturity, or (iv) when amounts in certain accounts of the Series B Reserve Fund are transferred to the Series B Interest Account and the Series B Principal Account as a credit against the payments due on the CFD Bonds on the transfer dates specified in clause (v) below.

(iii) If the amounts in the Series B Interest Account or the Series B Principal Account of the Revenue Fund are insufficient to pay the principal of or interest on the Series B Bonds when due, the Trustee shall withdraw from the Series B Reserve Fund for deposit in the Series B Interest Account and the Series B Principal Account, as applicable, moneys necessary for such purposes; *provided, however*, if the insufficiency was caused by a delinquency in the payment of a CFD Bond, the Trustee shall notify the City of such deficiency and the moneys necessary to make up the deficiency in the Series B Interest Account or the Series B Principal Account caused by the delinquency on the CFD Bond shall be transferred from the Account of the Series B Reserve Fund established for such CFD Bond. **Amounts in the Account of the Series B Reserve Fund established for a CFD Bond may be transferred to the Series B Interest Account or Series B Principal Account only to the extent necessary to cure any default on any such CFD Bond and may not be transferred to cure any default on any other CFD Bond.**

The Trustee shall immediately notify the Bond Insurer upon any draw on the Series B Reserve Fund.

(iv) In the event Special Taxes are paid in cash in advance of the final maturity date of a CFD Bond, the Authority is required to credit such prepaid Special Tax obligation with a proportionate share of the applicable Account of the Series B Reserve Fund for the applicable CFD Bond thus reducing the total amount of the Series B Reserve Fund. The CFD Special Tax obligation will receive such credit only if and to the extent that the amount which is eligible to be credited is not needed to redeem Bonds. If the all or part of the amount is needed to redeem Bonds, the Authority shall use it for such purpose. To the extent it is not needed, the amount to be so credited is the pro-rata share of the original amount deposited in such Account, less any amount

previously transferred from such Account to the redemption fund for the applicable CFD Bond as a result of the delinquency in the payment of Special Tax installments for the parcel for which the Special Tax is being prepaid. The Authority shall direct the Trustee in writing to transfer the amount representing such credit from the Series B Reserve Fund to the special tax fund or redemption fund, as applicable, for the applicable CFD Bond.

On August 1 of each year, any interest earned on the investment of monies on deposit in the Series B Reserve Fund which would cause the amount therein to exceed the Series B Reserve Requirement shall be applied as set forth in Section 4.5 hereof.

(v) When amounts in an Account of the Series B Reserve Fund are sufficient to repay the remaining principal and interest due on the respective CFD Bonds that will be applied to the Series B Bonds, such amount shall be transferred to the Series B Interest Account and the Series B Principal Account as a credit against the payments due on the applicable CFD Bonds, with the amount transferred from an Account being deposited first to the Series B Interest Account as a credit on the interest due on the applicable CFD Bonds on such date and the balance being deposited to the Series B Principal Account as a credit on the principal due on the applicable CFD Bonds on such date.

(vi) The Authority shall have the right at any time to release funds from the Series B Reserve Fund, in whole or in part, by tendering to the Trustee: (i) a Qualified Reserve Fund Credit Instrument, and (ii) an opinion of Bond Counsel stating that neither the release of such funds nor the acceptance of such Qualified Reserve Fund Credit Instrument will cause interest on the Series B Bonds to become includable in gross income for purposes of federal income taxation. Upon tender of such items to the Trustee, and upon delivery by the Authority to the Trustee of written calculation of the amount permitted to be released from the Series B Reserve Fund and the applicable accounts therein (upon which calculation the Trustee may conclusively rely), the Trustee shall transfer such funds from the Series B Reserve Fund (and the applicable accounts therein) to the Authority free and clear of the lien of this Indenture. The Trustee shall comply with all documentation relating to a Qualified Reserve Fund Credit Instrument as shall be required to maintain such Qualified Reserve Fund Credit Instrument in full force and effect and as shall be required to receive payments thereunder in the event and to the extent required to make any payment when and as required under this subsection (a)(vi).

At least fifteen (15) days prior to the expiration of any Qualified Reserve Fund Credit Instrument, the Authority shall be obligated either (i) to replace such Qualified Reserve Fund Credit Instrument with a new Qualified Reserve Fund Credit Instrument, or (ii) to deposit or cause to be deposited with the Trustee an amount of funds such that the amount on deposit in the Series B Reserve Fund (and the applicable accounts therein) is equal to the Series B Reserve Requirement (without taking into account such expiring Qualified Reserve Fund Credit Instrument). In the event that the Authority shall fail to take action as specified in clause (i) or (ii) of the preceding sentence, the Trustee shall, prior to the expiration thereof, draw upon the Qualified Reserve Fund Credit Instrument in full and deposit the proceeds of such draw in the Series B Reserve Fund (and the applicable accounts therein).

In the event that the Series B Reserve Requirement shall at any time be maintained in the Series B Reserve Fund (and the applicable accounts therein) in the form of a combination of cash and a Qualified Reserve Fund Credit Instrument, the Trustee shall apply the amount of such cash to make any payment required to be made from the Series B Reserve Fund (and the applicable accounts therein) before the Trustee shall draw any moneys under such Qualified Reserve Fund Credit Instrument for such purpose. In the event that the Trustee shall at any time draw funds under a Qualified Reserve Fund Credit Instrument to make any payment then required to be made from the Series B Reserve Fund (and the applicable accounts therein), the Subordinate Revenues thereafter received by the Trustee, to the extent remaining after making the other deposits (if any) then required to be made pursuant to Section 4.2(b)(i) and (ii), shall be used to reinstate the Qualified Reserve Fund Credit Instrument.

Section 4.4. Surplus Fund.

(a) Any amounts transferred to the Surplus Fund pursuant to subsection 4.2 hereof shall no longer be considered Revenues or Subordinated Revenues and are not pledged to repay the Bonds.

(b) So long as Local Obligations are outstanding, on September 2 of each year, after setting aside any amount specified in a Request of the Authority as necessary to pay Administrative Expenses, any moneys remaining in the Surplus Fund shall be transferred to the City for any lawful purpose.

Section 4.5. Investments. All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments, as directed pursuant to the Request of the Authority filed with the Trustee at least two (2) Business Days in advance of the making of such investments. The Trustee shall be entitled to conclusively rely on any such Request of the Authority and shall be fully protected in relying thereon. In the absence of any such Request of the Authority the Trustee shall invest any such moneys in Permitted Investments described in clause (f) of the definition thereof. Permitted Investments purchased as an investment of moneys in any fund or account established pursuant to this Indenture shall be deemed to be part of such fund or account.

All interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made; provided, however, that all interest or gain derived from the investment of amounts in the Reserve Funds shall, to the extent the balance in any account thereof exceeds, on August 1 of each year, its respective share of the applicable Reserve Requirement as set forth in Section 4.3 hereof, be withdrawn by the Trustee on such August 1, and deposited into the Revenue Fund.

For purposes of acquiring any investments hereunder, the Trustee may commingle moneys held by it in any of the funds and accounts held by it hereunder. The Trustee and its affiliates may act as advisor, sponsor, principal or agent in the acquisition or disposition of any investment and may impose its customary charges therefor. The Trustee and its affiliates may make any and all investments permitted herein through its own investment department. The Trustee shall incur no liability for losses arising from any investments made pursuant to this Section 4.5.

Section 4.6. Valuation and Disposition of Investments.

(a) Except as otherwise provided in subsection (b) of this Section, the Authority covenants that all investments of amounts deposited in any fund or account created by or pursuant to this Indenture, or otherwise containing gross proceeds of the Bonds (within the meaning of section 148 of the Code) shall be acquired, disposed of, and valued by the Authority (as of the date that valuation is required by this Indenture or the Code) at Fair Market Value.

(b) Investments in funds or accounts (or portions thereof) that are subject to a yield restriction under applicable provisions of the Code and (unless valuation is undertaken at least annually) investments in the Reserve Funds shall be valued by the Authority at their present value (within the meaning of section 148 of the Code).

ARTICLE V

COVENANTS OF THE AUTHORITY

Section 5.1. Punctual Payment. The Authority shall punctually pay or cause to be paid the principal and interest and premium (if any) to become due in respect of all the Bonds, in strict conformity with the terms of the Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Revenues, Subordinated Revenues and other assets pledged for such payment as provided in this Indenture.

Section 5.2. Extension of Payment of Bonds. The Authority 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 default hereunder, to the benefits of this Indenture, except subject to the prior payment in full of the principal of all of the applicable Series of Bonds then Outstanding and of all claims for interest thereon which shall have been so extended. Nothing in this Section shall be deemed to limit the right of the Authority 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 5.3. Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Revenues, Subordinated Revenues and other assets pledged or assigned under this Indenture while any of the Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes.

Section 5.4. Power to Issue Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the Bonds and to enter into this Indenture and to pledge and assign the Revenues, the Subordinated Revenues, the Local Obligations and other assets purported to be pledged and assigned, respectively, under this Indenture. The Bonds and the provisions of this Indenture are and will be the legal, valid and binding limited, special obligations of the Authority in accordance with their terms, and the Authority and the Trustee shall at all times, subject to the provisions of Article 6 hereof and to the extent permitted by law, defend, preserve and protect said pledge and assignment of the Revenues, the Subordinated Revenues, the Local Obligations and other assets and all the rights of the Bond Owners under this Indenture against all claims and demands of all persons whomsoever.

Section 5.5. Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with corporate trust industry standards in which complete and accurate entries shall be made of transactions made by it relating to the proceeds of Bonds, the Revenues, the Subordinated Revenues, the Local Obligations and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the City upon reasonable prior notice during regular business hours and under reasonable circumstances, in each case as agreed to by the Trustee.

Not later than 45 days following each Interest Payment Date, the Trustee shall prepare and file with the Authority a report setting forth: (i) amounts withdrawn from and deposited into each fund and account maintained by the Trustee under this Indenture; (ii) the balance on deposit in each fund and account as of the date for which such report is prepared; and (iii) a brief description of all obligations held as investments in each fund and account. Copies of such reports may be mailed to any Owner upon the Owner's written request to the Trustee at the expense of such Owner at a cost not to exceed the Trustee's actual costs of duplication and mailing.

Section 5.6. Refunding Obligations.

(a) The Authority may issue bonds, notes or other indebtedness ("Additional Bonds") which are payable out of Revenues in whole or in part, to accomplish a refunding of all or a portion of the Series A Bonds or Series B Bonds provided there shall have been delivered to the Trustee a certificate of an Independent Financial Consultant stating that the annual payments due on the Local Obligations will be adequate to pay the principal of and interest on all Bonds or other indebtedness payable after such refunding from the respective Revenues and Subordinated Revenues when due.

(b) Any Additional Bonds issued to refund a portion of the Series A Bonds must be issued by the Authority and must be secured on a parity to the remaining Series A Bonds. If the Additional Bonds are secured on a parity with Series A Bonds ("Additional Series A Bonds" the issuance of such Additional Series A Bonds shall be subject to the following conditions precedent, unless waived by the Bond Insurer:

(i) The projected Revenues derived from amounts received on the Local Obligations for each Fiscal Year that the Additional Series A Bonds are to be outstanding are equal to or greater than one hundred five percent (105%) of Debt Service on the Series A Bonds and Additional Series A Bonds for each Fiscal Year that the Bonds and Additional Series A Bonds will be outstanding;

(ii) The maximum Special Taxes that could be generated in the Highland Reserve North CFD and Woodcreek East CFD for each Fiscal Year that the Additional Series A Bonds are to be outstanding is equal to or greater than one hundred ten percent (110%) of the corresponding annual debt service on the respective Highland Reserve North CFD Local Obligations and Woodcreek East CFD Local Obligations;

(iii) The maximum Special Taxes that could be generated in the Highland Reserve North CFD from property within the Highland Reserve North CFD which is listed on the most recent Placer County tax roll as having an amount of structural value or which is property for which a building permit has been issued by the City shall be equal to or greater than one hundred percent (100%) of Debt Service on the Series A Bonds and Additional Series A Bonds payable from Revenues attributable to the Highland Reserve North CFD for each Fiscal Year that the Bonds and Additional Series A Bonds will be outstanding;

(iv) The maximum Special Taxes that could be generated in the Highland Reserve North CFD shall be equal to or greater than one hundred twenty percent (120%) of Debt Service on the Series A Bonds and Additional Series A Bonds payable from Revenues attributable to the Highland Reserve North CFD for each Fiscal Year that the Bonds and Additional Series A Bonds will be outstanding;

(v) The aggregate value of all parcels in the Highland Reserve North CFD and Woodcreek East CFD subject to the special tax supporting the respective Local Obligations, as determined by an MAI appraisal or, in the alternative, the assessed value of all such parcels and improvements thereon as shown on the then current County tax roll, or the value determined by a combination of both methods is at least 15.00 times the outstanding amount of the Local Obligations;

(vi) The County assessed value of all parcels and improvements thereon in the Highland Reserve North CFD and Woodcreek East CFD, as shown on the then current County tax roll is at least \$500,000,000.

(c) The Supplemental Indenture providing for the issuance of such Additional Bonds shall provide that interest thereon shall be payable on September 1 and March 1, and principal thereof shall be payable on September 1 in any year in which principal is payable.

(d) The Supplemental Indenture providing for the issuance of such Additional Bonds may provide for the establishment of separate funds and accounts.

(e) No Event of Default shall have occurred and be continuing with respect to the Bonds or any of the Local Obligations.

(f) The Authority shall deliver to the Trustee a written Certificate of the Authority certifying that the conditions precedent to the issuance of such Additional Bonds set forth in subsection(b) (excluding any conditions waived by the Bond Insurer) above have been satisfied and that (i) with respect to the Series A Reserve Fund, an amount equal to the Series A Reserve Requirement is on deposit in the Series A Reserve Fund or is held in a separate reserve account established by the Trustee, solely to secure the Series A Bonds and the Additional Series A Bonds (which may be maintained in whole or in part in the form of a Qualified Reserve Fund Credit Instrument as provided herein) and (ii) with respect to the Series B Reserve Fund, an amount equal to the Series B Reserve Requirement is on deposit in the Series B Reserve Fund or is held in a separate reserve account established by the Trustee, solely to secure the Series B Bonds and the Additional Series B Bonds (which may be maintained in whole or in part in the form of a Qualified Reserve Fund Credit Instrument as provided herein).

Section 5.7. Tax Covenants.

(a) Private Activity Bond Limitation. The Authority shall assure that the proceeds of the Bonds are not used so as to cause the Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) Federal Guarantee Prohibition. The Authority shall not take any action or permit or suffer any action to be taken if the result of the same would be to cause the Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(c) No Arbitrage. The Authority shall not take, or permit or suffer to be taken by the Trustee or otherwise, any action with respect to the Bond proceeds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the Closing Date, would have caused the Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(d) Rebate of Excess Investment Earnings to United States. The Authority shall calculate or cause to be calculated excess investment earnings with respect to the Bonds which are required to be rebated to the United States of America pursuant to Section 148(f) of the Code, and shall pay the full amount of such excess investment earnings to the United States of America in such amounts, at such times and in such manner as may be required pursuant to the Code. Such payments shall be made by the Authority from any source of legally available funds of the Authority, including amounts deposited into the Rebate Fund, if any. The Authority shall keep or cause to be kept, and retain or cause to be retained for a period of six (6) years following the final payment of the Bonds, records of the determinations made pursuant to this subsection (d). In order to provide for the administration of this subsection (d), the Authority may provide for the employment of independent attorneys, accountants and consultants compensated on such reasonable basis as the Authority may deem appropriate.

(e) Maintenance of Tax Exemption. The Authority shall take all actions necessary to assure the exclusion of interest on the Bonds from the gross income of the Owners thereof to the same extent as such interest is permitted to be excluded from gross income under the Code as in effect on the date of issuance of the Bonds.

Section 5.8. Rebate Fund.

(a) Establishment. The Trustee shall establish a Rebate Fund. For purposes of calculating rebate under this Section 5.8 only, the Series A Bonds and the Series B Bonds shall be treated as a single series. Absent an opinion of Bond Counsel that the exclusion from gross income for federal income tax purposes of interest on the Bonds will not be adversely affected, the Authority shall cause to be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to this Section, Section 5.7(d) and the Code. All money at any time deposited in the Rebate Fund shall be held by the Trustee in trust for payment to the United States Treasury.

(b) Disposition of Unexpended Funds. Any funds remaining in the Rebate Fund after redemption and payment of the Bonds and after payment of all the amounts payable to the United States Treasury from the Rebate Fund, including accrued interest and payment of all applicable fees to the Trustee, may be withdrawn by the Trustee and remitted to the Authority and utilized in any manner by the Authority.

Section 5.9. Local Obligations. Subject to the provisions of this Indenture (including Article 6), the Authority and the Trustee shall use reasonable efforts to collect all amounts due from the City (for and on behalf of the CFDs) pursuant to the Local Obligations and shall diligently enforce, and take all steps, actions and proceedings which the Authority and Trustee determine to be reasonably necessary for the enforcement of all of the rights of the Authority thereunder and for the enforcement of all of the obligations and covenants of the City (for and on behalf of the CFDs thereunder). The Authority shall instruct the City (for and on behalf of the CFDs) to authenticate and deliver to the Trustee the Local Obligations registered in the name of the Trustee.

The Authority, the Trustee, and the City may, with prior written notice to the Bond Insurer and Standard & Poor's, at any time consent to, amend or modify any of the Local Obligations pursuant to the terms thereof, (a) with the prior consent of the Owners of a majority in aggregate principal amount of the Bonds then Outstanding and the Bond Insurer, or (b) without the consent of any of the Owners but with the consent of the Bond Insurer, if such amendment or modification is for any one or more of the following purposes

(a) to add to the covenants and agreements of the City contained in such Local Obligations, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power therein reserved to or conferred upon the City; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in such Local Obligations, or in any other respect whatsoever as the City may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds in the opinion of nationally- recognized bond counsel filed with the Trustee; or

(c) to amend any provision thereof to the extent necessary to comply with the Code, but only if and to the extent such amendment will not, in and of itself, adversely affect the exclusion from gross income of the interest on any of the Bonds under the Code, in the opinion of Bond Counsel filed with the Trustee.

Section 5.10. Sale of Local Obligations. Notwithstanding anything in this Indenture to the contrary, following prior written consent of the Bond Insurer and prior written notice to Standard & Poor's, the Authority may cause the Trustee to sell, from time to time, all or a portion of an issue of Local Obligations, provided that the Authority shall deliver to the Trustee:

(a) a certificate of an Independent Accountant certifying that, following the sale of such Local Obligations, the Revenues and Subordinated Revenues to be paid to the Authority (assuming the timely payment of amounts due thereon with respect to any Local Obligations not then in default), together with interest and principal due on any noncallable Federal Securities pledged to the repayment of the Bonds and the Revenues and Subordinated Revenues then on deposit in the funds and accounts established hereunder (valuing any Permitted Investments held hereunder at the then Fair Market Value thereof), will be sufficient to pay the principal of and interest on the Bonds when due;

(b) a certificate of the Bond Insurer consenting to such sale of Local Obligations;

(c) if any Bonds are then rated by Moody's and Standard & Poor's but not insured by the Bond Insurer, a notification from Moody's, if Moody's then rates such Bonds, and Standard & Poor's, if Standard & Poor's then rates such Bonds, to the effect that such rating will not be withdrawn or reduced as a result of such sale of Local Obligations; and

(d) an opinion of Bond Counsel that such sale of Local Obligations is authorized under the provisions of this Indenture and will not adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation.

Upon compliance with the foregoing conditions by the Authority, the Trustee shall sell such Local Obligations in accordance with the Request of the Authority and disburse the proceeds of the sale of such Local Obligations to the Authority or upon the receipt of a Request of the Authority shall deposit such proceeds in the Revenue Fund.

Section 5.11. Further Assurances. The Authority will adopt, make, execute and deliver any and all such further resolutions, instruments and assurances as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of this Indenture,

and for the better assuring and confirming unto the Owners of the Bonds the rights and benefits provided in this Indenture.

Section 5.12. Continuing Disclosure. The Authority hereby covenants and agrees that it will cause the City to comply with and carry out all of the provisions of the Continuing Disclosure Certificate. Notwithstanding any other provision of this Indenture, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Participating Underwriter or any holder or beneficial owner of the Bonds may, take such actions as may be necessary and appropriate to compel performance, including seeking mandate or specific performance by court order.

Section 5.13. Compliance with Reporting Requirements of Bond Law. The Authority hereby covenants and agrees that it will comply with and carry out all of the reporting requirements of the Bond Law, including, but not limited to, Section 6599.1 thereof.

ARTICLE VI

THE TRUSTEE

Section 6.1. Appointment of Trustee. The Bank of New York Trust Company, N.A., with its corporate trust office presently located in San Francisco, California, a national banking association organized and existing under and by virtue of the laws of the United States of America, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Indenture. The Authority agrees that it will maintain a Trustee which is a trust company or bank of good standing located in or incorporated under the laws of the State, duly authorized to exercise trust powers, with a combined capital and surplus of at least Seventy-five Million Dollars (\$75,000,000), subject to supervision or examination by federal or state authority, and acceptable to the Bond Insurer so long as any Bonds are Outstanding. If such bank 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 6.1, the combined capital and surplus shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the principal of and interest and redemption premium (if any) on the Bonds when duly presented for payment at maturity, or on redemption or purchase prior to maturity, to make regularly scheduled interest payments, and to cancel any Bond upon payment thereof.

Section 6.2. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Indenture, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee undertakes to perform such duties and only such duties as are specifically set forth in this Indenture. In case an Event of Default hereunder has occurred (which has not been cured or waived), the Trustee may exercise such of the rights and powers vested in it by this Indenture, and shall use the same degree of care and skill and diligence in their exercise, as a reasonable person would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers, but shall not be responsible for the acts of any agents, attorneys or receivers appointed by it with the consent of the Authority unless such appointment was the result of negligence or willful misconduct. The Trustee may consult with and act upon the advice of counsel (which may be counsel to the Authority) concerning all matters of trust and its duty hereunder and shall be wholly protected in reliance upon the advice or opinion of such counsel in respect of any action taken or omitted by it in good faith and in accordance herewith.

(c) The Trustee shall not be responsible for any recital herein, or for any of the supplements thereto or instruments of further assurance, or for the validity, effectiveness or the sufficiency of the security for the Bonds issued hereunder or intended to be secured hereby and the Trustee shall not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder. The Trustee shall have no responsibility, opinion, or liability with respect to any information, statement, or

recital in any offering memorandum, official statement, or other disclosure material prepared or distributed with respect to the issuance of the Bonds.

(d) Except as provided in Section 3.2 hereof, the Trustee shall not be accountable for the use of any proceeds of sale of the Bonds delivered hereunder. The Trustee may become the Owner of Bonds secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other bonds or evidences of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depositary for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Bonds, whether or not such committee shall represent the Owners of the majority in aggregate principal amount of the Bonds then Outstanding.

(e) The Trustee shall be protected and shall incur no liability in acting, or refraining from acting in good faith and without negligence, in reliance upon any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail, or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Indenture upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Bond, shall be conclusive and binding upon all future Owners of the same Bond and upon Bonds issued in exchange therefor or in place thereof. The Trustee shall not be bound to recognize any person as an Owner of any Bond or to take any action at such person's request unless the ownership of such Bond by such person shall be reflected on the Bond Register.

(f) As to the existence or non existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee shall be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 6.2(h) hereof, shall also be at liberty to accept a Certificate of the Authority to the effect that any particular dealing, transaction or action is necessary or expedient, and shall be fully protected in relying thereon, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but shall in no case be bound to secure the same.

(g) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and notwithstanding any other provision of this Indenture, the Trustee shall not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee shall extend to its officers, directors, employees and agents.

(h) The Trustee shall not be required to take notice or be deemed to have notice of any Event of Default hereunder except where a Responsible Officer has actual knowledge of such Event of Default and except for the failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant hereto, including payments on the Local Obligations, or failure by the Authority to file with the Trustee any document required by this Indenture to be so filed subsequent to the issuance of the Bonds, unless a Responsible Officer shall be specifically notified in writing of such default by the Authority or by the Owners of at least twenty five percent (25%) in aggregate principal amount of the Bonds then Outstanding and all notices or other instruments required by this Indenture to be delivered to the Trustee

must, in order to be effective, be delivered to a Responsible Officer at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid. Delivery of a notice to the officer and address for the Trustee set forth in Section 10.12 hereof, as updated by the Trustee from time to time, shall be deemed notice to a Responsible Officer.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, accountants and representatives, shall have the right fully to inspect all books, papers and records of the Authority pertaining to the Bonds, and to make copies of any of such books, papers and records such as may be desired but which is not privileged by statute or by law.

(j) The Trustee shall not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the performance of its duties hereunder.

(k) Notwithstanding anything elsewhere in this Indenture with respect to the execution of any Bonds, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Indenture, the Trustee shall have the right, but shall not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable by the Trustee in its sole discretion for the purpose of establishing the right of the Authority to the execution of any Bonds, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Sections 6.5, 8.2 or 9.2, the Trustee may require that an indemnity bond satisfactory to it be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee shall, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds.

(n) Whether or not expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of, or affording protection to, the Trustee shall be subject to the provisions of this Article 6.

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

(p) The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to this Indenture provided, however, that: (i) subsequent to such facsimile transmission of written instructions and/or directions the Trustee shall forthwith receive the originally executed instructions and/or directions, (ii) such originally executed instructions and/or directions shall be signed by a person as may be designated and authorized to sign for the party signing such instructions and/or directions, and (iii) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person."

Section 6.3. Fees, Charges and Expenses of Trustee. The Trustee shall be entitled to payment and reimbursement by the Authority for reasonable fees for its services rendered hereunder and all advances (including any interest on advances), counsel fees and expenses (including fees and expenses of outside counsel and the allocated costs of internal attorneys) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee shall have a first lien with right of payment prior to payment of any Bond upon the amounts held in Series B Funds and accounts hereunder for the foregoing fees, charges and expenses incurred by it respectively. The Trustee's right to payment of its fees and expenses shall survive the discharge and payment or defeasance of the Bonds and termination of this Indenture, and the resignation or removal of the Trustee.

Section 6.4. Notice to Bond Owners of Default. If an Event of Default hereunder occurs with respect to any Bonds of which the Trustee has been given, or is deemed to have notice, as provided in Section 6.2(h) hereof, then the Trustee shall promptly give written notice thereof by first class mail to the Owner of each such Bond and to the Bond Insurer, unless such Event of Default shall have been cured before the giving of such notice.

Section 6.5. Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Bonds, the Trustee may intervene on behalf of such Bond Owners, and subject to Section 6.2(1) hereof, shall do so if requested in writing by the Owners of at least twenty five percent (25%) in aggregate principal amount of such Bonds then Outstanding.

Section 6.6. Removal of Trustee. The Owners of a majority in aggregate principal amount of the Outstanding Bonds may and the Authority may, so long as no Event of Default then exists, upon 30 days' prior written notice to the Trustee and the Bond Insurer, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee. Upon any such removal, the Authority shall, with the Bond Insurer's prior written consent, appoint a successor or successors thereto; provided that any such successor shall be a bank or trust company meeting the requirements set forth in Section 6.1 hereof. Notwithstanding any other provision of this Indenture, no removal of the Trustee shall be effective until a successor, acceptable to the Bond Insurer, is appointed. Additionally, the Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the trust set forth herein.

Section 6.7. Resignation by Trustee. The Trustee and any successor Trustee may at any time give prior written notice of its intention to resign as Trustee hereunder, such notice to be given to the Authority, the Bond Insurer and the City by registered or certified mail. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee shall

become effective only upon acceptance of appointment by the successor Trustee, with the prior written consent of the Bond Insurer. Upon such acceptance, the Authority shall cause notice thereof to be given by first class mail, postage prepaid, to the Bond Owners at their respective addresses set forth on the Bond Register.

Section 6.8. Appointment of Successor Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 6.6 or 6.7, respectively, the Authority shall, with the Bond Insurer's prior written consent, promptly appoint a successor Trustee. In the event the Authority shall for any reason whatsoever fail to appoint a successor Trustee within thirty (30) days following the delivery to the Trustee of the instrument described in Section 6.6 or within thirty (30) days following the receipt of notice by the Authority and the City pursuant to Section 6.7, the Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 6.1 hereof. Any such successor Trustee appointed by such court shall become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such thirty day period.

Section 6.9. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated or any company resulting from any merger, conversion or consolidation to which it shall be a party or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business, provided that such company shall meet the requirements set forth in Section 6.1 hereof, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding. The Trustee may assign its rights, duties and obligations hereunder in whole or in part, to an affiliate or subsidiary thereof, provided such Corporation, affiliate or subsidiary shall meet the requirements set forth in Section 6.1 hereof.

Section 6.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder shall execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and to the predecessor Trustee an instrument indemnifying the predecessor Trustee for any costs or claims arising during the time the successor Trustee serves as Trustee hereunder and thereupon such successor, without any further act, deed or conveyance, shall become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor shall, nevertheless, on the Request of the Authority, or of the Trustee's successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee shall deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor Trustee, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority.

Section 6.11. Appointment of Co Trustee. It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as a trustee in such jurisdiction. It is recognized that in the case of litigation under this Indenture, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not

exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate co trustee. The following provisions of this Section 6.11 are adopted to these ends.

In the event that the Trustee or the Authority appoints an additional individual or institution as a separate or co trustee, each and every remedy, power, right, claim, demand, cause of action, immunity, estate, title, interest and lien expressed or intended by this Indenture to be exercised by or vested in or conveyed to the Trustee with respect thereto shall be exercisable by and vest in such separate or co trustee but only to the extent necessary to enable such separate or co trustee to exercise such powers, rights and remedies, and every covenant and obligation necessary to the exercise thereof by such separate or co trustee shall run to and be enforceable by either of the Trustee or separate or co-Trustee.

Should any instrument in writing from the Authority be required by the separate trustee or co trustee so appointed by the Trustee or the Authority for more fully and certainly vesting in and confirming to it such properties, rights, powers, trusts, duties and obligations, any and all such instruments in writing shall, on request, be executed, acknowledged and delivered by the Authority. In case any separate trustee or co trustee, or a successor to either, shall become incapable of acting, resign or be removed, all the estates, properties, rights, powers, trusts, duties and obligations of such separate trustee or co trustee, so far as permitted by law, shall vest in and be exercised by the Trustee until the appointment of a new trustee or successor to such separate trustee or co trustee.

Section 6.12. Indemnification; Limited Liability of Trustee. The Authority further covenants and agrees to indemnify and save the Trustee and its officers, officials, directors, agents and employees, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise and performance of its powers and duties hereunder, including the costs and expenses of defending against any claim of liability, but excluding any and all losses, expenses and liabilities which are due to the negligence or intentional misconduct of the Trustee, its officers, directors, agents or employees. No provision in this Indenture shall require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder unless indemnity reasonably satisfactory to it against such liability or risk is provided to it. The Trustee shall not be liable for any action taken or omitted to be taken by it in accordance with the direction of a majority (or any lesser amount that may direct the Trustee in accordance with the provisions of the Indenture) of the Owners of the principal amount of Bonds Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Indenture. The rights of the Trustee and the obligations of the Authority under this Section 6.12 shall survive termination of this Indenture, discharge of the Bonds and resignation or removal of the Trustee.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THE INDENTURE

Section 7.1. Amendment Hereof. This Indenture and the rights and obligations of the Authority and of the Owners of either Series of the Bonds may, with prior written notice to Standard & Poor's, be modified or amended at any time by a Supplemental Indenture which shall become binding when the prior written consent of the Bond Insurer and the Owners of a majority in aggregate principal amount of the affected Series of Bonds then Outstanding (and as to the Series A Bonds only, the prior written consent of the Bond Insurer) are filed with the Trustee. No such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the Owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without written consent of the Trustee, modify any of the rights or obligations of the Trustee.

This Indenture and the rights and obligations of the Authority and of the Owners of either Series of the Bonds may, with prior written consent of the Bond Insurer (but only with respect to the Series A Bonds) and prior written notice to Standard & Poor's, also be modified or amended at any time by a Supplemental Indenture which shall become binding upon adoption, without consent of any Bond Owners, to the extent permitted by law but only for any one or more of the following purposes

(a) to add to the covenants and agreements of the Authority contained in this Indenture, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or powers herein reserved to or conferred upon the Authority so long as such addition, limitation or surrender of such rights or powers shall not materially adversely affect the Owners of the Bonds; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Indenture, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments shall not materially adversely affect the interests of the Owners of the Bonds; or

(c) to amend any provision hereof relating to the Code as may be necessary or appropriate to assure compliance with the Code and the exclusion from gross income of interest on the Bonds; or

(d) to amend any provision hereof to place any Additional Bonds on a parity with the Bonds for all purposes of this Indenture, including, but not limited to, for the purpose of exercising all rights and remedies hereunder; or

(e) to amend the provisions of Section 4.4 hereof.

At least 15 days in advance of the execution of any amendment to this Indenture, the Trustee shall mail notice of such amendment and a copy of the proposed text of such amendment to Standard & Poor's. The Bond Insurer shall be provided by the Authority with a

full transcript of all proceedings relating to the execution of any amendment pursuant to this Article 7.

The Trustee may, as it deems appropriate in its sole discretion, obtain an opinion of Bond Counsel that any such Supplemental Indenture entered into by the Authority and the Trustee complies with the provisions of this Article 7 and the Trustee may conclusively rely upon such opinion and shall be fully protected in relying thereon.

Section 7.2. Effect of Supplemental Indenture. From and after the time any Supplemental Indenture becomes effective pursuant to this Article 7, this Indenture shall be deemed to be modified and amended in accordance therewith, the respective rights, duties and obligations of the parties hereto or thereto and all Owners of Outstanding Bonds, as the case may be, shall thereafter be determined, exercised and enforced hereunder subject in all respects to such modification and amendment, and all the terms and conditions of this Indenture for any and all purposes.

Section 7.3. Endorsement or Replacement of Bonds After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that any affected Bonds shall bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Bond Outstanding at such effective date and presentation of its Bond for that purpose at the Trust Office of the Trustee, a suitable notation as to such action shall be made on such Bond. If the Authority shall so determine, new Bonds so modified as, in the opinion of the Authority, shall be necessary to conform to such Bond Owners' action shall be prepared and executed, and in that case upon demand of the Owner of any Bond Outstanding at such effective date such new Bonds shall be exchanged at the Trust Office of the Trustee, without cost to each Bond Owner, for Bonds then Outstanding, upon surrender of such Outstanding Bonds.

Section 7.4. Amendment by Mutual Consent. The provisions of this Article 7 shall not prevent any Bond Owner from accepting any amendment as to the particular Bond held by such Owner, provided that due notation thereof is made on such Bond.

Section 7.5. Consent of Insurer.

(a) *Amendment of Rights of the Bond Insurer.* Any provision of this Indenture expressly recognizing or granting rights in or to the Bond Insurer may not be amended in any manner which affects the rights of the Bond Insurer hereunder without the prior written consent of the Bond Insurer.

(b) *Consent of Bond Insurer Upon Default.* Anything in this Indenture to the contrary notwithstanding, upon the occurrence and continuance of an event of default as defined herein, the Bond Insurer shall be entitled to control and direct the enforcement of all rights and remedies granted to the Owners or the Trustee for the benefit of the Owners under this Indenture.

(c) *Fee For Consent of Amendment.* The Bond Insurer reserves the right to charge the Authority a fee for any consent or amendment to the Indenture while the Bond Insurance Policy is in full force and effect.

(d) *Consent of Bond Insurer in lieu of Bondowner Consent.* Unless otherwise provided in this Section 7.5, the Bond Insurer's consent shall be required in lieu of the consent

of the Series A Bondowners, when required, for the following purposes: (i) execution and delivery of any Supplemental Indenture relating to the Series A Bonds or any amendment, supplement to or modification of the CFD Indentures, (ii) removal of the Trustee or selection and appointment of any successor Trustee, and (iii) initiation or approval of any action not described in (i) or (ii) above which requires consent of the Series A Bondowners.

(e) *Consent of Bond Insurer in the Event of Insolvency.* Any reorganization or liquidation plan with respect to the Authority must be acceptable to the Bond Insurer. In the event of any reorganization or liquidation, the Bond Insurer shall have the right to vote on behalf of all Owners Bond Insurer-insured Series A Bonds absent a default by the Bond Insurer under the applicable Bond Insurance Policy insuring such Series A Bonds.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF SERIES A BOND OWNERS

Section 8.1. Series A Events of Default. The following events shall be Series A Events of Default hereunder.

(a) Default in the due and punctual payment of the principal of any Series A Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

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

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Series A Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Bond Insurer by the Trustee, or to the Authority, the Bond Insurer and the Trustee by the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Series A Bonds at the time Outstanding or to the Authority and Trustee by the Bond Insurer; provided that such default (other than a default arising from nonpayment of the Trustee's fees and expenses, which must be cured within such 60 day period unless waived by the Trustee) shall not constitute a Series A Event of Default hereunder if the Authority shall commence to cure such default within said sixty (60) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

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

In determining whether a default has occurred under (a) or (b) above, or whether a payment on the Bonds has been made hereunder, no effect shall be given to payments made under the Bond Insurance Policy.

The Authority and the Trustee agree to give notice to the Bond Insurer immediately upon the occurrence of an Event of Default under (a) or (b) above and within 30 days of such party's knowledge of an Event of Default under (c) or (d) above.

Section 8.2. Remedies; Rights of Series A Bond Owners. Upon the occurrence of a Series A Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Series A Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture; provided, however, that, except as described in the following sentence, so long as the Bond Insurer has not defaulted under the Bond Insurance Policy, the Trustee shall obtain the prior written consent of the Bond Insurer before exercising any remedies under this Section 8.2. In

the event of a Series A Event of Default arising out of a nonpayment of Trustee's fees and expenses, the Trustee may, without Bond Insurer consent, sue the Authority to seek recovery of its fees and expenses; provided, however, that such recovery may be made only from Subordinate Revenues or the funds of the Authority and not from Revenues.

If a Series A Event of Default shall have occurred and be continuing and if requested so to do by the Bond Insurer, or if the Bond Insurer has failed to comply with its payment obligations under the Bond Insurance Policy, if requested to do so by the Owners of at least twenty five percent (25%) in aggregate principal amount of Outstanding Series A Bonds, and, in each case, if indemnified as provided in Section 6.2(l), the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article 8 and, as applicable, under the Local Obligations, as the Trustee, being advised by counsel, shall deem most expedient in the interests of the Series A Bond Owners.

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

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

Notwithstanding any other provisions of the Indenture, the Bond Insurer shall have the right, so long as it is not in default under the Bond Insurance Policy, to direct the remedies to be taken upon any Event of Default under this Article VIII, and the Bond Insurer's consent shall be required for remedial action taken by the Trustee or the Authority hereunder.

Section 8.3. Application of Revenues and Other Funds After Series A Event of Default.
All amounts received by the Trustee with respect to the Series A Bonds pursuant to any right given or action taken by the Trustee under the provisions of this Indenture relating to the Series A Bonds shall be applied by the Trustee in the following order upon presentation of the several Series A Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid –

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Series A Event of Default and in carrying out the provisions of this Article 8, including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; and

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

(a) first to the payment of all installments of interest on the Series A Bonds then due and unpaid,

(b) second, to the payment of all installments of principal of the Series A Bonds then due and unpaid, and

(c) third, to the payment of interest on overdue installments of principal and interest on Series A Bonds.

Section 8.4. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of a Series A Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Bond Insurer or the Owners of a majority in aggregate principal amount of the Series A Bonds then Outstanding, it may, with the consent of the Bond Insurer, in the exercise of its discretion for the best interests of the Owners of the Series A Bonds, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues a Series A Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time the Bond Insurer is in default under the Bond Insurance Policy and there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Series A Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other such litigation and provided further that the Trustee shall have the right to decline to comply with such written request unless indemnification satisfactory to it has been provided. Any suit, action or proceeding which any Owner of Series A Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Series A Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Series A Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Series A Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Series A Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

Section 8.5. Appointment of Receivers. Upon the occurrence of a Series A Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Series A Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 8.6. Non Waiver. Nothing in this Article 8 or in any other provision of this Indenture, or in the Series A Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Series A Bonds to the respective Owners of the Series A Bonds at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Series A Bond Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Bond Insurer, Trustee or any Owner of any of the Series A Bonds to exercise any right or power

accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Series A Bond Owners by the Bond Law or by this Article 8 may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Series A Bond Owners, as the case may be.

Section 8.7. Rights and Remedies of Series A Bond Owners. No Owner of any Series A Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of a Series A Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Series A Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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 Owner of Series A Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Series A Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Series A Bonds and the Bond Insurer.

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

Section 8.8. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Series A Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE IX

EVENTS OF DEFAULT AND REMEDIES OF SERIES B BOND OWNERS

Section 9.1. Series B Events of Default. The following events shall be Series B Events of Default hereunder.

(a) Default in the due and punctual payment of the principal of any Series B Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by proceedings for redemption, by declaration or otherwise.

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

(c) Default by the Authority in the observance of any of the other covenants, agreements or conditions on its part in this Indenture or in the Series B Bonds contained, if such default shall have continued for a period of sixty (60) days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority by the Trustee, or to the Authority and the Trustee by the Owners of not less than twenty five percent (25%) in aggregate principal amount of the Series B Bonds at the time Outstanding; provided that such default (other than a default in payment of the Trustee's fees and expenses, which must be cured within such 60-day period unless waived by the Trustee) shall not constitute a Series B Event of Default hereunder if the Authority shall commence to cure such default within said sixty (60) day period and thereafter diligently and in good faith shall cure such default within a reasonable period of time; or

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

Section 9.2. Remedies; Rights of Series B Bond Owners. Upon the occurrence of a Series B Event of Default, the Trustee may pursue any available remedy at law or in equity to enforce the payment of the principal of, premium, if any, and interest on the Outstanding Series B Bonds, and to enforce any rights of the Trustee under or with respect to this Indenture; provided, however, that the Trustee shall take no action under this or any other Section of Article 9 that would impair the receipt of Revenues necessary to pay the Series A Bonds when due unless a majority in aggregate principal amount of the Outstanding Series A Bonds and the Bond Insurer shall have consented to such action. Notice of any such action taken hereunder shall be provided by the Trustee to the Bond Insurer.

If a Series B Event of Default shall have occurred and be continuing and if requested so to do by the Owners of at least twenty five percent (25%) in aggregate principal amount of Outstanding Series B Bonds and indemnified as provided in Section 6.2(l), and subject to the limitations set forth in the first paragraph of this Section the Trustee shall be obligated to exercise such one or more of the rights and powers conferred by this Article 9, as the Trustee,

being advised by counsel, shall deem most expedient in the interests of the Series B Bond Owners.

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

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

In no event shall the principal of the Series B Bonds be accelerated.

Section 9.3. Application of Subordinated Revenues and Other Funds After Default. All Subordinated Revenues received by the Trustee pursuant to any right given or action taken by the Trustee under the provisions of this Indenture relating to the Series B Bonds shall be applied by the Trustee in the following order upon presentation of the several Series B Bonds, and the stamping thereon of the amount of the payment if only partially paid, or upon the surrender thereof if fully paid –

First, to the payment of the fees, costs and expenses of the Trustee in declaring such Series B Event of Default and in carrying out the provisions of this Article 9, including reasonable compensation to its agents, attorneys and counsel (including outside counsel and the allocated costs of internal attorneys), and to the payment of all other outstanding fees and expenses of the Trustee; and

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

(a) first, to the payment of all installments of interest on the Series B Bonds then due and unpaid,

(b) second, to the payment of principal of all installments of the Series B Bonds then due and unpaid, and

(c) third, to the payment of interest on overdue installments of principal and interest on Series B Bonds.

Section 9.4. Power of Trustee to Control Proceedings. Subject to the limitations set forth in Section 9.2, in the event that the Trustee, upon the happening of a Series B Event of Default, shall have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Owners of a majority in aggregate principal amount of the Series B Bonds then Outstanding, it shall have full power, in the exercise of its discretion for the best interests of the Owners of the Series B Bonds, with

respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee shall not, unless there no longer continues a Series B Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Owners of a majority in aggregate principal amount of the Outstanding Series B Bonds hereunder opposing such discontinuance, withdrawal, compromise, settlement or other such litigation and provided further that the Trustee shall have the right to decline to comply with such written request unless indemnification satisfactory to the Trustee shall have been provided to it. Any suit, action or proceeding which any Owner of Series B Bonds shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Series B Bonds similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Series B Bonds issued hereunder, by taking and holding the same, shall be conclusively deemed so to have appointed it) the true and lawful attorney in fact of the respective Owners of the Series B Bonds for the purposes of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Series B Bonds as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney in fact.

Section 9.5. Appointment of Receivers. Upon the occurrence of a Series B Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee and of the Series B Bond Owners under this Indenture, the Trustee shall be entitled, as a matter of right, to the appointment of a receiver or receivers of the Subordinated Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment shall confer.

Section 9.6. Non Waiver. Nothing in this Article 9 or in any other provision of this Indenture, or in the Series B Bonds, shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and principal of the Series B Bonds to the respective Owners of the Series B Bonds at the respective dates of maturity, as herein provided, out of the Subordinated Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Series B Bond Owners shall not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of the Trustee or any Owner of any of the Series B Bonds to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Series B Bond Owners by the Bond Law or by this Article 9 may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Series B Bond Owners, as the case may be.

Section 9.7. Rights and Remedies of Series B Bond Owners. No Owner of any Series B Bond issued hereunder shall have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Indenture, unless (a) such Owner shall have previously given to the Trustee written notice of the occurrence of a Series B Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Series B Bonds then Outstanding shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners shall have tendered to the Trustee indemnity reasonably acceptable to the Trustee

against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

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 Owner of Series B Bonds of any remedy hereunder; it being understood and intended that no one or more Owners of Series B Bonds shall have any right in any manner whatever by his or their action to enforce any right under this Indenture, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Series B Bonds.

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

Section 9.8. Termination of Proceedings. In case the Trustee shall have proceeded to enforce any right under this Indenture by the appointment of a receiver or otherwise, and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely, then and in every such case, the Authority, the Trustee and the Series B Bond Owners shall be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Indenture, and all rights, remedies and powers of the Trustee shall continue as if no such proceedings had been taken.

ARTICLE X

MISCELLANEOUS

Section 10.1. Limited Liability of Authority. Notwithstanding anything in this Indenture contained, the Authority shall not be required to advance any moneys derived from any source of income other than the Revenues or Subordinated Revenues, as the case may be, for the payment of the principal of or interest on the Bonds, or any premiums upon the redemption thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues or Subordinated Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

The Bonds shall be revenue bonds, payable exclusively from the Revenues or Subordinated Revenues, as the case may be, and other funds as in this Indenture provided. The general fund of the Authority is not liable, and the credit of the Authority is not pledged, for the payment of the interest and premium (if any) on or principal of the Bonds. The Owners of the Bonds shall never have the right to compel the forfeiture of any property of the Authority. The principal of and interest on the Series A Bonds and Series B Bonds, respectively, and any premiums upon the redemption of any thereof, shall not be a legal or equitable pledge, charge, lien or encumbrance upon any property of the Authority or upon any of its income, receipts or revenues except the Revenues (with respect to the Series A Bonds) and Subordinated Revenues (with respect to the Series B Bonds) and other funds pledged to the payment thereof as in this Indenture provided.

Section 10.2. Benefits of Indenture Limited to Parties. Nothing in this Indenture, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the Bond Insurer and the Owners of the Bonds, any right, remedy or claim under or by reason of this Indenture. Any covenants, stipulations, promises or agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Trustee, the Bond Insurer and the Owners of the Series A Bonds and the Series B Bonds, respectively.

Section 10.3. Discharge of Indenture. If the Authority shall pay and discharge any or all of the Outstanding Bonds in any one or more of the following ways:

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

(b) by irrevocably depositing with the Trustee, in trust, at or before maturity, money which, together with the available amounts then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture and available for such purpose, is fully sufficient to pay such Bonds, including all principal, interest and redemption premiums; or

(c) by irrevocably depositing with the Trustee or any other fiduciary, in trust, Federal Securities in such amount as an Independent Accountant shall determine will, together with the interest to accrue thereon and available moneys then on deposit in the funds and accounts established with the Trustee pursuant to this Indenture and available for such purpose, be fully sufficient to pay and discharge the indebtedness on such

Bonds (including all principal, interest and redemption premiums) at or before their respective maturity dates;

then any such Outstanding Bond or Bonds shall be deemed to have been paid and discharged; provided, however, that any such Outstanding Bond or Bonds shall be deemed to have been paid under paragraph (c) above only if (i) in the case of Bonds to be redeemed prior to the maturity thereof, notice of such redemption shall have been mailed pursuant to Section 2.2(c) hereof or provision satisfactory to the Trustee shall have been made for the mailing of such notice, (ii) a verification report of an Independent Accountant shall be delivered to the Trustee, which shall be in a form acceptable to the Bond Insurer in the case of a discharge of Series A Bonds, and (iii) an opinion of Bond Counsel shall be delivered to the Trustee and the Bond Insurer in the case of a defeasance of Series A Bonds, to the effect that the requirements of this Indenture have been satisfied with respect to such discharge of Bonds. Upon a discharge of one or more Bonds as described above, and notwithstanding that any of such Bonds shall not have been surrendered for payment, the pledge of the Revenues, Subordinated Revenues, and other funds provided for in this Indenture with respect to such Bonds, and all other pecuniary obligations of the Authority under this Indenture with respect to such Bonds, as applicable, shall cease and terminate, except only the obligation of the Authority to comply with the covenants contained in Sections 5.7 and 6.12 hereof, to pay or cause to be paid to the Owners of such Bonds not so surrendered and paid all sums due thereon from amounts set aside for such purpose, to pay all expenses and costs of the Trustee and to comply with the covenants contained in Section 5.7 hereof. Any funds thereafter held by the Trustee, which are not required for said purposes, shall be paid over to the Authority or upon a Request of the Authority to the City.

In the event that the Bonds are to be defeased, the Bond Insurer shall be notified and provided with draft copies of the proposed escrow agreement, Independent Accountant certification and preliminary official statement of the refunding issue (if applicable). These materials shall be delivered to the Bond Insurer no less than five business days prior to the scheduled defeasance.

Defeasance shall be accomplished only with an irrevocable deposit in escrow of certain investments referred to in this section. Further substitutions of securities in the escrow are not permitted. The deposit in the escrow must be sufficient, without reinvestment, to pay all principal and interest as schedule on the Bonds to and including the date of redemption. Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

Notwithstanding anything herein to the contrary, in the event that the principal and/or interest due on the Series A Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Series A Bonds shall remain Outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the Revenues and all covenants, agreements and other obligations of the Authority to the registered owners of the Series A Bonds shall continue to exist and shall run to the benefit of the Bond Insurer, and the Bond Insurer shall be subrogated to the rights of such registered owners of the Series A Bonds.

Section 10.4. Successor is Deemed Included in All References to Predecessor. Whenever in this Indenture or any Supplemental Indenture either the Authority is named or

referred to, such reference shall be deemed to include the successor to the powers, duties and functions, with respect to the management, administration and control of the affairs of the Authority, that are presently vested in the Authority, and all the covenants, agreements and provisions contained in this Indenture by or on behalf of the Authority shall bind and inure to the benefit of its successors whether so expressed or not.

Section 10.5. Content of Certificates. Every certificate by or on behalf of the Authority with respect to compliance with a condition or covenant provided for in this Indenture shall include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

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

Section 10.6. Execution of Documents by Bond Owners. Any request, consent or other instrument required by this Indenture to be signed and executed by Bond Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Bond Owners in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Indenture and shall be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section 10.6.

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

The ownership of Bonds shall be conclusively proved by the Bond Register. Any request, consent or vote of the Owner of any Bond shall bind every future Owner of the same Bond and the Owner of any Bond issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote. In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Bond Owners upon such notice and in

accordance with such rules and obligation as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

Section 10.7. Disqualified Bonds. In determining whether the Owners of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent or waiver under this Indenture, Bonds which are owned or held by or for the account of the Authority or the City (but excluding Bonds held in any employees' or retirement fund) shall be disregarded and deemed not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee shall be protected in relying on any such demand, request, direction, consent or waiver, only Bonds which the Trustee knows to be so owned or held shall be disregarded. Upon request, the Authority shall specify to the Trustee those Bonds disqualified pursuant to this Section 10.7.

Section 10.8. Waiver of Personal Liability. No officer, agent or employee of the Authority shall be individually or personally liable for the payment of the interest on or principal of the Bonds; but nothing herein contained shall relieve any such officer, agent or employee from the performance of any official duty provided by law.

Section 10.9. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Indenture on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, shall be null and void and shall be deemed separable from the remaining covenants and agreements or portions thereof and shall in no way affect the validity of this Indenture or of the Bonds; but the Bond Owners shall retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Indenture and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Bonds pursuant hereto irrespective of the fact that any or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Indenture or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

Section 10.10. Destruction of Cancelled Bonds. Whenever in this Indenture provision is made for the surrender to the Authority or the Trustee of any Bonds which have been paid or cancelled pursuant to the provisions of this Indenture, the Trustee shall destroy such Bonds in accordance with the retention policy of the Trustee then in effect.

Section 10.11. Funds and Accounts. Any fund or account required by this Indenture to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a fund or an account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a fund or as an account. All such records with respect to all such funds and accounts held by the Authority shall at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such funds and accounts held by the Trustee shall be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Bonds and the rights of every Owner thereof.

Section 10.12. Notices. Any notice, request, complaint, demand, communication or other paper shall be sufficiently given and shall be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed as follows:

If to the Authority: Roseville Finance Authority
c/o City of Roseville
311 Vernon Street
Roseville, California 95678
Attention: Treasurer

If to the Trustee: The Bank of New York Trust Company, N.A.
550 Kearny Street, Suite 600
San Francisco, California 94108
Attention: Corporate Trust Department

If to the Bond Insurer: Ambac Assurance Corporation
One State Street Plaza
New York, NY 10004
Fax: (212) 208-3136

If to Standard & Poor's: Standard & Poor's Corporation
55 Water Street
New York, New York 10041
Attention: Municipal Finance Department

The Authority, the City, the Trustee and the Bond Insurer may designate any further or different addresses to which subsequent notices, certificates or other communications shall be sent.

Section 10.13. Unclaimed Moneys. Anything in this Indenture to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Bonds which remain unclaimed for two (2) years after the date when such Bonds have become due and payable, either at their stated maturity dates or by call for earlier redemption, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when such Bonds become due and payable, shall be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Bond Owners shall look only to the Authority for the payment of such Bonds; provided, however, that before being required to make such payment to the Authority, the Trustee shall, at the expense of Authority, cause to be mailed to the Owners of all such Bonds, at their respective addresses appearing on the Bond Register, a notice that said moneys remain unclaimed and that, after a date in said notice, which date shall not be less than thirty (30) days after the date of mailing such notice, the balance of such moneys then unclaimed will be returned to the Authority.

Section 10.14. Payment Due on Other than a Business Day. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in the Indenture, is not a Business Day, such payment, with no interest accruing for the period after such nominal date, may be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Indenture.

Section 10.15. Payment on, and Conditions of, Bond Insurance Policy. As long as the Bond Insurance Policy shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions:

(a) At least one (1) business day prior to all Interest Payment Dates, the Trustee will determine whether there will be sufficient funds in the Funds and Accounts to pay the principal of or interest on the Series A Bonds on such Interest Payment Date. If the Trustee, determines that there will be insufficient funds in such Funds or Accounts, the Trustee, shall so notify the Bond Insurer. Such notice shall specify the amount of the anticipated deficiency, the Series A Bonds to which such deficiency is applicable and whether such Series A Bonds will be deficient as to principal or interest, or both. If the Trustee, has not so notified the Bond Insurer at least one (1) business day prior to an Interest Payment Date, the Bond Insurer will make payments of principal or interest due on the Series A Bonds on or before the first (1st) business day next following the date on which the Bond Insurer shall have received notice of nonpayment from the Trustee.

(b) The Trustee shall, after giving notice to the Bond Insurer as provided in (a) above, make available to the Bond Insurer and, at the Bond Insurer's direction, to The Bank of New York, in New York, New York, as insurance trustee for the Bond Insurer or any successor insurance trustee (the "Insurance Trustee"), the registration books of the Authority maintained by the Trustee, and all records relating to the Funds and Accounts maintained under this Indenture.

(c) The Trustee shall provide the Bond Insurer and the Insurance Trustee with a list of registered owners of Series A Bonds entitled to receive principal or interest payments from the Bond Insurer under the terms of the Bond Insurance Policy, and shall make arrangements with the Insurance Trustee (i) to mail checks or drafts to the registered owners of Series A Bonds entitled to receive full or partial interest payments from the Bond Insurer and (ii) to pay principal upon Series A Bonds surrendered to the Insurance Trustee by the registered owners of Series A Bonds entitled to receive full or partial principal payments from the Bond Insurer.

(d) The Trustee shall, at the time it provides notice to the Bond Insurer pursuant to (a) above, notify registered owners of Series A Bonds entitled to receive the payment of principal or interest thereon from the Bond Insurer (i) as to the fact of such entitlement, (ii) that the Bond Insurer will remit to them all or a part of the interest payments next coming due upon proof of Holder entitlement to interest payments and delivery to the Insurance Trustee, in form satisfactory to the Insurance Trustee, of an appropriate assignment of the registered owner's right to payment, (iii) that should they be entitled to receive full payment of principal from the Bond Insurer, they must surrender their Series A Bonds (along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee to permit ownership of such Series A Bonds to be registered in the name of the Bond Insurer) for payment to the Insurance Trustee, and not the Trustee, and (iv) that should they be entitled to receive partial payment of principal from the Bond Insurer, they must surrender their Series A Bonds for payment thereon first to the Trustee, who shall note on such Series A Bonds the portion of the principal paid by the Trustee, and then, along with an appropriate instrument of assignment in form satisfactory to the Insurance Trustee, to the Insurance Trustee, which will then pay the unpaid portion of principal.

(e) In the event that the Trustee has notice that any payment of principal of or interest on a Series A Bond which has become Due for Payment and which is made to a Holder by or on behalf of the Authority has been deemed a preferential transfer and theretofore recovered from its registered owner pursuant to the United States Bankruptcy Code by a trustee in bankruptcy in accordance with the final, nonappealable order of a court having competent jurisdiction, the Trustee shall, at the time the Bond Insurer is notified pursuant to (a) above, notify all registered owners that in the event that any registered owner's payment is so recovered, such registered owner will be entitled to payment from the Bond Insurer to the extent of such recovery if sufficient funds are not otherwise available, and the Trustee shall furnish to the Bond Insurer its records evidencing the payments of principal of and interest on the Series A Bonds which have been made by the Trustee and subsequently recovered from registered owners and the dates on which such payments were made.

(f) In addition to those rights granted the Bond Insurer under this Indenture, the Bond Insurer shall, to the extent it makes payment of principal of or interest on Series A Bonds, become subrogated to the rights of the recipients of such payments in accordance with the terms of the Bond Insurance Policy, and to evidence such subrogation (i) in the case of subrogation as to claims for past due interest, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee, upon receipt from the Bond Insurer of proof of the payment of interest thereon to the registered owners of the Series A Bonds, and (ii) in the case of subrogation as to claims for past due principal, the Trustee shall note the Bond Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee, upon surrender of the Series A Bonds by the registered owners thereof together with proof of the payment of principal thereof.

Section 10.16. Information to be Provided to the Bond Insurer. In addition to its other obligations set forth herein, the Authority shall provide the following information to the Bond Insurer at the following times:

(a) Notices to be sent to the attention of the SURVEILLANCE DEPARTMENT:

(i) While the Bond Insurance Policy is in effect, the Authority or the Trustee, as appropriate, shall furnish to the Bond Insurer, upon request, the following:

(A) a copy of any financial statement, audit and/or annual report of the Authority, and

(B) such additional information as the Bond Insurer may reasonably request.

Upon request, such information shall be delivered at the Authority's expense to the attention of the Surveillance Department, unless otherwise indicated.

(ii) A copy of any notice to be given to the registered owners of the Bonds including, without limitation, notice of any redemption of or defeasance of Bonds, and any certificate rendered pursuant to this Indenture relating to the security of the Bonds.

(iii) The Bond Insurer shall be included as party to be notified under the Continuing Disclosure Certificate.

(b) Notices to be sent to the attention of the GENERAL COUNSEL OFFICE:

(i) The Trustee shall notify the Bond Insurer of any failure of the Authority to provide relevant notices or certificate under the Indenture.

(ii) Notwithstanding any other provision of this Indenture, the Trustee shall immediately notify the Bond Insurer if at any time there are insufficient moneys to make any payments of principal and interest as required and immediately upon the occurrence of (i) any event of default under this Indenture or (ii) any payment default under any related security agreement.

(c) Other Information to be given to the Bond Insurer:

(i) The Authority will permit the Bond Insurer to discuss the affairs, finances and accounts of the Authority, the City and the CFDs or any information the Bond Insurer may reasonably request regarding the security for the Bonds with appropriate officers of the Authority. The Trustee or the Authority, as appropriate, will permit the Bond Insurer to have access to and to make copies of all books and records relating to the Bonds at any reasonable time.

(ii) The Bond Insurer shall have the right to direct an accounting at the Authority's expense, and the Authority's failure to comply with such direction within thirty (30) days after receipt of written notice of the direction from the Bond Insurer shall be deemed a default hereunder; provided, however, that if compliance cannot occur within such period, then such period will be extended so long as compliance is begun within such period and diligently pursued, but only if such extension would not materially adversely affect the interests of any registered owner of the Series A Bonds.

Section 10.17. Miscellaneous Provisions Relating to the Bond Insurer.

(a) Notwithstanding any other provision of this Indenture, in determining whether the owners of the Series A Bonds will be adversely affected by any action taken pursuant to the terms and provisions of this Indenture, the Trustee shall consider the effect on the owners of the Series A Bonds as if there were no Bond Insurance Policy.

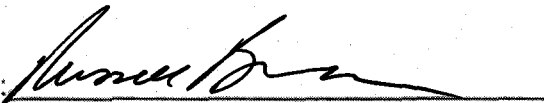
(b) The rights granted to the Bond Insurer shall be effective only so long as the Bond Insurance Policy is in full force and effect and the Bond Insurer is not in default thereunder.

(c) To the extent that this Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason of this Indenture, the Bond Insurer is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

Section 10.18. Parties Interested in this Indenture. Nothing in this Indenture expressed or implied is intended or shall be construed to confer upon, or to give or grant to, any person or entity, other than the Authority, the City, the Trustee, the Bond Insurer, and the registered owners of the Bonds, any right, remedy or claim under or by reason of this Indenture or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements in this Indenture contained by and on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the City, the Trustee, the Bond Insurer and the registered owners of the Bonds.

IN WITNESS WHEREOF, the Authority has caused this Indenture to be executed by the Treasurer of the Authority, attested by its Secretary, and the Trustee has caused this Indenture to be executed by one of its corporate trust officers, all as of the day and year first above written.

ROSEVILLE FINANCE AUTHORITY

By: 
Treasurer

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

By: _____
Authorized Officer

IN WITNESS WHEREOF, the Authority has caused this Indenture to be executed by the Treasurer of the Authority, attested by its Secretary, and the Trustee has caused this Indenture to be executed by one of its corporate trust officers, all as of the day and year first above written.

ROSEVILLE FINANCE AUTHORITY

By: _____
Treasurer

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

By: _____
Authorized Officer

EXHIBIT A

FORM OF SERIES A BOND

No. _____

\$ _____

**ROSEVILLE FINANCE AUTHORITY
REVENUE BOND, 2006 SERIES A
(SENIOR LIEN BONDS)**

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
%	September 1, _____	_____, 2006	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

AND NO/100 DOLLARS

The ROSEVILLE FINANCE AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Revenues and other funds hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Interest Rate identified above in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to August 15, 2006, in which event it shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on March 1 and September 1 in each year, commencing September 1, 2006 (each, an "Interest Payment Date") until the Maturity Date stated above or date of redemption of this Bond. The Principal Amount hereof is payable upon presentation and surrender hereof at the Trust Office (as defined in the Indenture) of The Bank of New York Trust Company, N.A. (the "Trustee"). Interest hereon is payable by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the registration books of the Trustee as of the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs; provided, however, that payment of interest may be made by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose as of the close of business on the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs.

This Bond is a limited obligation of the Authority, payable solely from the Revenues and funds pledged under the Indenture (as defined herein). This Bond is not a debt of the City of Roseville (the "City") or the State of California or any of its political subdivisions (except the Authority and only to the extent set forth in the Indenture), and none of said City, said State or any of its political subdivisions is liable hereon. The Authority has no taxing power.

This Bond is one of a duly authorized series of bonds of the Authority designated the "Roseville Finance Authority Revenue Bonds, 2006 Series A (Senior Lien Bonds)" (the "Bonds"), limited in principal amount to Thirty Five Million Eight Hundred Seventy Thousand Dollars (\$35,870,000), secured by an Indenture of Trust dated as of April 1, 2006 (the "Indenture"), by and between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"). The Bonds are limited obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien on and pledge of the Revenues and certain other funds held by the Trustee as provided in the Indenture, on a basis superior to the Authority's \$4,645,000 Revenue Bonds, 2006 Series B (Junior Lien Bonds), which also have been issued under the Indenture. The Revenues and such other funds constitute a trust fund for the security and payment of the principal of and interest on the Bonds, except to the extent otherwise provided in the Indenture. The full faith and credit of the Authority is not pledged to the payment of the principal of or interest or redemption premiums (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Revenues and such other funds as provided in the Indenture.

The Bonds have been issued (i) to provide funds to purchase certain obligations of the City for and on behalf of two community facilities districts (the "Community Facilities Districts") as identified in the Indenture (collectively, the "Local Obligations") and (ii) to finance certain public capital improvements on behalf of the City. The City will take the proceeds that it receives from the sale of the Local Obligations to the Authority to refund certain outstanding indebtedness of the City for and on behalf of the Community Facilities Districts, all as more particularly described in the Indenture. The obligations of the City for and on behalf of the Community Facilities District to make payments of principal and interest on the Local Obligations are limited obligations secured only as set forth therein.

Optional Redemption. The Bonds maturing on or before September 1, 2016 are not subject to optional call and redemption prior to maturity. The Bonds maturing on or after September 1, 2017 may be redeemed at the option of the Authority, from any source of available funds, prior to maturity on any date on or after September 1, 2016 as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds

simultaneously redeemed, if any redemption of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, by lot within a maturity, at a redemption price equal to the principal amount of the Bonds to be redeemed, together with accrued interest thereon to the date of redemption, without premium.

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2025 shall be subject to mandatory sinking fund redemption prior to maturity, in part, on September 1, 2023, and on each September 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Redemption Date (September 1)	Redemption Amount
2023	\$2,220,000
2024	2,325,000
2025 (maturity)	2,445,000

The Bonds maturing on September 1, 2027 shall be subject to mandatory sinking fund redemption prior to maturity, in part, on September 1, 2026, and on each September 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

Redemption Date (September 1)	Redemption Amount
2026	\$1,100,000
2027 (maturity)	1,145,000

The Trustee on behalf and at the expense of the Authority shall mail by first class mail, postage prepaid, notice of any redemption to the respective owners of any Bonds designated for redemption, at their respective addresses appearing on the registration books maintained by the Trustee and to the Securities Depositories and to the Information Services (as such terms are defined in the Indenture), at least thirty (30) but not more than sixty (60) days prior to the redemption date; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, fully registered Bonds may be exchanged at the Trust Office of the Trustee for a like aggregate principal amount and maturity of fully registered Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by its attorney duly authorized in writing, at the Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Trustee shall not be required to register the transfer or exchange of any Bond (i) during 15 days prior to selection of Bonds for redemption, or (ii) selected for redemption.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary. The Indenture and the rights and obligations of the Authority and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

It is hereby certified by the Authority that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California or by the Act.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the ROSEVILLE FINANCE AUTHORITY has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Chairman and attested by the facsimile signature of its Secretary, all as of the date set forth above.

ROSEVILLE FINANCE AUTHORITY

By: _____
Chairman

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Date: _____, 2006

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

By: _____
Authorized Signatory

STATEMENT OF INSURANCE

Financial Guaranty Insurance Policy No. ___ (the "Policy") with respect to payments due for principal of and interest on this Bond has been issued by Ambac Assurance Corporation ("Ambac Assurance"). The Policy has been delivered to The Bank of New York, New York, New York, as the Insurance Trustee under said Policy and will be held by such Insurance Trustee or any successor insurance trustee. The Policy is on file and available for inspection at the principal office of the Insurance Trustee and a copy thereof may be secured from Ambac Assurance or the Insurance Trustee. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Bond acknowledges and consents to the subrogation rights of Ambac Assurance as more fully set forth in the Policy.

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

whose tax identification number is _____,
the within mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

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

Dated: _____

Signature guaranteed:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution

NOTE: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever

EXHIBIT B

FORM OF SERIES B BOND

No. _____

\$ _____

**ROSEVILLE FINANCE AUTHORITY
REVENUE BOND, 2006 SERIES B
(JUNIOR LIEN BONDS)**

INTEREST RATE:	MATURITY DATE:	DATED DATE:	CUSIP:
%	1	, 2006	

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: AND NO/100 DOLLARS

The ROSEVILLE FINANCE AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), for value received, hereby promises to pay (but only out of the Subordinated Revenues and other funds hereinafter referred to) to the Registered Owner identified above or registered assigns (the "Registered Owner"), on the Maturity Date identified above (subject to any right of prior redemption hereinafter mentioned), the Principal Amount identified above in lawful money of the United States of America; and to pay interest thereon at the Interest Rate identified above in like money from the Interest Payment Date (as hereinafter defined) next preceding the date of authentication of this Bond (unless this Bond is authenticated on or before an Interest Payment Date and after the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs, in which event it shall bear interest from such Interest Payment Date, or unless this Bond is authenticated on or prior to August 15, 2006, in which event it shall bear interest from the Dated Date identified above; provided, however, that if, at the time of authentication of this Bond, interest is in default on this Bond, this Bond shall bear interest from the Interest Payment Date to which interest hereon has previously been paid or made available for payment), payable semiannually on March 1 and September 1 in each year, commencing September 1, 2006 (each, an "Interest Payment Date") until the Maturity Date stated above or date of redemption of this Bond. The Principal Amount hereof is payable upon presentation and surrender hereof at the Trust Office (as defined in the Indenture) of The Bank of New York Trust Company, N.A. (the "Trustee"). Interest hereon is payable by check of the Trustee mailed by first class mail, postage prepaid, on each Interest Payment Date to the Registered Owner hereof at the address of the Registered Owner as it appears on the registration books of the Trustee as of the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs; provided, however, that payment of interest may be made by wire transfer to an account in the United States of America to any registered owner of Bonds in the aggregate principal amount of \$1,000,000 or more upon written instructions of any such registered owner filed with the Trustee for that purpose as of the close of business on the fifteenth calendar day of the month preceding the month in which such Interest Payment Date occurs.

This Bond is a limited obligation of the Authority, payable solely from the Subordinated Revenues and funds pledged under the Indenture (as defined herein). This Bond is not a debt of the City of Roseville (the "City") or the State of California or any of its political subdivisions (except the Authority and only to the extent set forth in the Indenture), and none of said City, said State or any of its political subdivisions is liable hereon. The Authority has no taxing power.

This Bond is one of a duly authorized series of bonds of the Authority designated the "Roseville Finance Authority Revenue Bonds, 2006 Series B (Junior Lien Bonds)" (the "Bonds"), limited in principal amount to Four Million Six Hundred Forty Five Thousand (\$4,645,000), secured by an Indenture of Trust dated as of April 1, 2006 (the "Indenture"), by and between the Authority and the Trustee. Reference is hereby made to the Indenture and all indentures supplemental thereto for a description of the rights thereunder of the owners of the Bonds, of the nature and extent of the Subordinated Revenues (as that term is defined in the Indenture), of the rights, duties and immunities of the Trustee and of the rights and obligations of the Authority thereunder; and all of the terms of the Indenture are hereby incorporated herein and constitute a contract between the Authority and the Registered Owner hereof, and to all of the provisions of which Indenture the Registered Owner hereof, by acceptance hereof, assents and agrees.

The Bonds are authorized to be issued pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985, as amended, constituting Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"). The Bonds are limited obligations of the Authority and, as and to the extent set forth in the Indenture, are payable solely from and secured by a first lien on and pledge of the Subordinated Revenues held by the Trustee as provided in the Indenture, on a basis subordinate to the Authority's \$35,870,000 Revenue Bonds, 2006 Series A (Senior Lien Bonds), which also have been issued under the Indenture. The Subordinated Revenues constitute a trust fund for the security and payment of the principal of and interest on the Bonds, except to the extent otherwise provided in the Indenture. The full faith and credit of the Authority is not pledged to the payment of the principal of or interest or redemption premiums (if any) on the Bonds. The Bonds are not secured by a legal or equitable pledge of, or charge, lien or encumbrance upon, any of the property of the Authority or any of its income or receipts, except the Subordinated Revenues as provided in the Indenture.

The Bonds have been issued (i) to provide funds to purchase certain obligations of the City for and on behalf of two community facilities districts (the "Community Facilities Districts") as identified in the Indenture and (collectively, the "Local Obligations") and (ii) to finance certain public capital improvements on behalf of the City. The City, in turn, will take the proceeds that it receives from the sale of the Local Obligations to the Authority to refund certain outstanding indebtedness of the City for and on behalf of the Community Facilities Districts, all as more particularly described in the Indenture. The obligations of the City to make payments of principal and interest on the Local Obligations are limited obligations secured only as set forth therein.

The Series B Bonds may be redeemed at the option of the Authority, from any source of available funds, including from proceeds of early redemption of CFD Bonds from prepayment of Special Taxes within a CFD in connection with CFD Bonds, prior to maturity on any date on or after September 1, 2006 as a whole, or in part from maturities corresponding proportionately to the maturities of the CFD Bonds simultaneously redeemed, if any redemption of CFD Bonds is being accomplished in conjunction with such optional redemption, and otherwise from such maturities as are selected by the Authority, by lot within a maturity, at a redemption price equal to the principal amount of the Series B Bonds to be redeemed, together with accrued interest thereon to the date of redemption, plus a premium expressed below as a percentage of the principal amount so redeemed, plus accrued interest to the date of redemption thereof:

<u>Redemption Date</u>	<u>Redemption Price</u>
September 1 2006 through March 1, 2014	103%
September 1 2014 through March 1, 2015	102
September 1 2015 through March 1, 2016	101
September 1, 2016 and thereafter	100

Mandatory Sinking Fund Redemption. The Bonds maturing on September 1, 2027 shall be subject to mandatory sinking fund redemption prior to maturity, in part, on September 1, 2023, and on each September 1 thereafter by lot, from sinking fund payments at a redemption price equal to the principal amount of Bonds to be redeemed, together with accrued interest to the date of redemption, without premium, as follows:

<u>Redemption Date</u>	<u>Redemption Amount</u>
2023	\$290,000
2024	310,000
2025	320,000
2026	125,000
2027 (maturity)	135,000

The Trustee on behalf and at the expense of the Authority shall mail by first class mail, postage prepaid, notice of any redemption to the respective owners of any Bonds designated for redemption, at their respective addresses appearing on the registration books maintained by the Trustee and to the Securities Depositories and to the Information Services (as such terms are defined in the Indenture), at least thirty (30) but not more than sixty (60) days prior to the redemption date; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such Bonds or the cessation of the accrual of interest thereon.

If this Bond is called for redemption and payment is duly provided therefor as specified in the Indenture, interest shall cease to accrue hereon from and after the date fixed for redemption.

The Bonds are issuable as fully registered Bonds without coupons in denominations of \$5,000 or any integral multiple thereof. Subject to the limitations and upon payment of the charges, if any, provided in the Indenture, fully registered Bonds may be exchanged at the Trust

Office of the Trustee for a like aggregate principal amount and maturity of fully registered Bonds of other authorized denominations.

This Bond is transferable by the Registered Owner hereof, in person or by its attorney duly authorized in writing, at the Trust Office of the Trustee, but only in the manner, subject to the limitations and upon payment of the charges provided in the Indenture, and upon surrender and cancellation of this Bond. Upon such transfer a new fully registered Bond or Bonds, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor. The Trustee shall not be required to register the transfer or exchange of any Bond (i) during 15 days prior to selection of Bonds for redemption, or (ii) selected for redemption.

The Authority and the Trustee may treat the Registered Owner hereof as the absolute owner hereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary. The Indenture and the rights and obligations of the Authority and of the owners of the Bonds and of the Trustee may be modified or amended from time to time and at any time in the manner, to the extent, and upon the terms provided in the Indenture; provided that no such modification or amendment shall (a) extend the maturity of or reduce the interest rate on any Bond or otherwise alter or impair the obligation of the Authority to pay the principal, interest or redemption premiums at the time and place and at the rate and in the currency provided therein of any Bond without the express written consent of the owner of such Bond, (b) reduce the percentage of Bonds required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee, all as more fully set forth in the Indenture.

It is hereby certified by the Authority that all things, conditions and acts required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by the Constitution and statutes of the State of California and by the Act, and that the amount of this Bond, together with all other indebtedness of the Authority, does not exceed any limit prescribed by the Constitution or statutes of the State of California or by the Act.

This Bond shall not be entitled to any benefit under the Indenture, or become valid or obligatory for any purpose, until the certificate of authentication hereon shall have been signed by the Trustee.

IN WITNESS WHEREOF, the ROSEVILLE FINANCE AUTHORITY has caused this Bond to be executed in its name and on its behalf by the facsimile signature of its Chairman and attested by the facsimile signature of its Secretary, all as of the date set forth above.

ROSEVILLE FINANCE AUTHORITY

By: _____
Chairman

Attest:

Secretary

CERTIFICATE OF AUTHENTICATION

This is one of the Bonds described in the within-mentioned Indenture.

Date: _____, 2006

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

By: _____
Authorized Signatory

ASSIGNMENT

For value received the undersigned do(es) hereby sell, assign and transfer unto

whose tax identification number is _____,
the within mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s)

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

Dated: _____

Signature guaranteed:

NOTE: Signature(s) must be guaranteed by an eligible guarantor institution

NOTE: The signatures(s) on this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular without alteration or enlargement or any change whatsoever

EXHIBIT C

**FORM OF REQUEST OF AUTHORITY
TO REQUISITION MONEYS FROM THE PROJECT FUND**

**ROSEVILLE FINANCE AUTHORITY
REVENUE BONDS
2006 Series A (Senior Lien Bonds) and
2006 Series B (Junior Lien Bonds)**

DISBURSEMENT REQUEST NO.: _____

The Bank of New York Trust Company, N.A.
San Francisco, California

Ladies and Gentlemen:

In accordance with the terms of an Indenture of Trust, by and between the Roseville Finance Authority and you, as trustee, dated as of September 1, 2006 (the "Indenture"), you are hereby authorized and requested to make immediate disbursement of funds held by you in the specified Account of the Project Fund for costs of the Project pursuant to Section 3.10 of the Indenture. Capitalized terms used herein but not defined have the meaning given them in the Indenture.

You are hereby requested to pay from the specified account of the Project Fund established by the Indenture, to the person(s), corporation(s) or other entity(ies) designated on Schedule A attached hereto as Payee(s), the sum set forth on said Schedule, in payment of all or a portion of the costs of the Project described on said Schedule.

The undersigned hereby certifies that he/she is an Authorized Officer of the Authority, and as follows: that

- (i) no part of the amount requested herein has been included in any other request previously filed with you;
- (ii) the labor, services and/or materials covered hereby have been performed and the payment requested herein is due and payable under a purchase order, contract or other authorization; and
- (iii) *[Highland Reserve North Project Account and Woodcreek East Project Account, as applicable]*: the amount requested will be applied for a purpose authorized by the CFD Act and for all or a portion of the authorized facilities as described in the Resolution of Formation of the *[Highland Reserve North CFD or the Woodcreek East CFD, as applicable]*.

Dated: _____, 200_

ROSEVILLE FINANCE AUTHORITY

By: _____

Schedule A

Payee (include address)	Description Of Costs	Amount