
INDENTURE

by and between the

SACRAMENTO CITY FINANCING AUTHORITY

and

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

as Trustee

RELATING TO THE

\$ _____
SACRAMENTO CITY FINANCING AUTHORITY
2006 CAPITAL IMPROVEMENT REVENUE BONDS, SERIES A
(COMMUNITY REINVESTMENT CAPITAL IMPROVEMENT PROGRAM)

\$ _____
SACRAMENTO CITY FINANCING AUTHORITY
2006 TAXABLE CAPITAL IMPROVEMENT REVENUE BONDS, SERIES B
(COMMUNITY REINVESTMENT CAPITAL IMPROVEMENT PROGRAM)

Dated as of June 1, 2006

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INDENTURE

This Indenture (the "Indenture"), dated as of June 1, 2006, by and between the Sacramento City Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and The Bank of New York Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, as trustee (the "Trustee");

WITNESSETH:

WHEREAS, the Authority is authorized pursuant to the Joint Exercise of Powers Act, constituting Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State of California, and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State of California, and all laws amendatory thereof or supplemental thereto (collectively, the "Act"), to issue revenue bonds to provide funds to assist local entities to finance or refinance capital improvements in order that such local entities may achieve their respective public purposes; and

WHEREAS, the Authority has adopted a program (the "Program") under the Act to provide assistance to the City of Sacramento (the "City") so that the City can finance or refinance capital improvements in order that the City may achieve its public purposes, which Program constitutes the acquisition of certain rights under a sixth amendment to an existing master project lease (the "Sixth Amendment to Master Project Lease") by and between the Authority and the City (the "Program Obligation"); and

WHEREAS, the Authority desires to issue its 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program) in the aggregate principal amount of _____ dollars (\$_____) (the "Series A Bonds") and 2006 Taxable Capital Improvement Revenue Bonds, Series B (Community Reinvestment Capital Improvement Program) in the aggregate principal amount of _____ dollars (\$_____) (the "Series B Bonds" and, collectively with the Series A Bonds, the "Bonds") pursuant to the Indenture, to obtain money to carry out the Program by acquiring the rights to receive the payments due under the Program Obligation under and in accordance with the Act and herewith and which money in the aggregate shall constitute the payment to the City of the purchase price of the Program Obligation; and

WHEREAS, the Program Obligation provides for the payment by the City to the Authority of amounts sufficient to enable the Authority to pay the interest on and the principal of the Bonds as provided herein as and when they respectively become due and to pay the other costs incurred in connection with the Program; and

WHEREAS, as security for the payment of the interest on and the principal of the Bonds as and when they respectively become due, the Authority desires to assign to the Trustee all its rights to receive the payments due under the Program Obligation as provided herein; and

WHEREAS, the Authority has determined that all things necessary to make the Bonds, when executed and sold by the Authority as provided herein and authenticated and delivered by the Trustee as provided herein, be and constitute legal, valid and binding special obligations of the Authority according to the import thereof, and to constitute the Indenture a valid assignment of the rights of the Authority to receive the payments due under the Program Obligation as provided herein, have been done and performed, and all things precedent to the execution and delivery of the Indenture by the parties hereto and the execution, authentication and delivery of the Bonds hereunder, subject to the conditions and terms hereof, have been done and performed;

NOW, THEREFORE, THE INDENTURE WITNESSETH, that in order to secure the payment of the interest on and the principal of all Bonds at any time issued and outstanding hereunder as and when they respectively become due, and to secure the observance and performance of all the agreements, conditions, covenants and terms contained therein and herein, and to declare the conditions and terms upon and subject to which the Bonds shall be issued and received, and in consideration of the premises and of the mutual agreements and covenants contained herein and of the purchase and acceptance of the Bonds by the respective registered owners thereof from time to time, and for other valuable considerations, the receipt whereof is hereby acknowledged, the Authority does hereby agree and covenant with the Trustee, for the benefit of the respective registered owners from time to time of the Bonds, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, all terms defined in this section shall for all purposes hereof and of any Supplemental Indenture and of any certificate, opinion, report, request or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant's Report

“Accountant's Report” means a report signed by an Independent Certified Public Accountant.

Act

“Act” means the Joint Exercise of Powers Act, constituting Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State, and all laws amendatory thereof or supplemental thereto.

Agency

“Agency” means the Redevelopment Agency of the City of Sacramento, a redevelopment agency duly organized and existing under and by virtue of the laws of the State.

Authority

“Authority” means the Sacramento City Financing Authority, a joint exercise of powers authority by and between the City and the Agency duly organized and existing under and by virtue of the laws of the State.

Authority Bonds

“Authority Bonds” means all revenue bonds issued by the Authority that are payable on a parity from Base Rental Payments.

Base Rental Payments

“Base Rental Payments” means the Base Rental Payments due under the Master Project Lease.

Board of Directors

“Board of Directors” means the Board of Directors of the Authority.

Bond Insurance Policy

“Bond Insurance Policy” means the municipal bond new issue insurance policy issued by the Bond Insurer that guarantees the payment of principal of and interest on the Bonds.

Bond Insurer

“Bond Insurer” means [Bond Insurer], or any successor thereto or assignee thereof, as issuer of the Bond Insurance Policy.

Bonds, Series A Bonds, Series B Bonds, Serial Bonds, Term Bonds, Series A Term Bonds, Series B Term Bonds

“Bonds” means, collectively, the Series A Bonds and the Series B Bonds authorized, executed, authenticated and delivered hereunder in accordance with Article II.

“Series A Bonds” means Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program) issued pursuant to Article II.

“Series B Bonds” means Sacramento City Financing Authority 2006 Taxable Capital Improvement Revenue Bonds, Series B (Community Reinvestment Capital Improvement Program) issued pursuant to Article II.

“Serial Bonds” means the Bonds for which no Sinking Fund Payments are provided, being the Series A Bonds maturing on December 1 in each of the years 20__ through 20__, both years inclusive, and the Series B Bonds maturing on December 1 in each of the years 20__ through 20__, both years inclusive.

“Term Bonds” means, collectively, the Series A Term Bonds and the Series B Term Bonds.

“Series A Term Bonds” means the Series A Bonds which are payable on or before their specified maturity date or dates from Sinking Fund Payments established for that purpose and calculated to retire such Series A Bonds on or before their specified maturity date or dates, being the Series A Bonds maturing on December 1, 20__.

“Series B Term Bonds” means the Series B Bonds which are payable on or before their specified maturity date or dates from Sinking Fund Payments established for that purpose and calculated to retire such Series B Bonds on or before their specified maturity date or dates, being the Series B Bonds maturing on December 1, 20__ and on December 1, 20__.

Business Day

“Business Day” means any day (other than a Saturday, a Sunday or a legal holiday) on which banks in New York, New York, and in Los Angeles and San Francisco, California, are open for business and on which the Trustee is open for business at its Principal Corporate Trust Office.

Certificate of the Authority

“Certificate of the Authority” means an instrument in writing executed by the Chair or the Treasurer, or by any other officer of the Authority duly authorized by the Board of Directors for that purpose, and attested by the Secretary or the Assistant Secretary of the Authority.

Chair

“Chair” means the Chair of the Authority.

City

“City” means the City of Sacramento, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State.

Code

“Code” means the Internal Revenue Code of 1986 and all regulations of the United States Department of the Treasury issued thereunder from time to time to the extent that such regulations are, at the time, applicable and in effect, and reference to any particular section of the Code shall include reference to all successor sections of the Code.

Continuing Disclosure Certificate

“Continuing Disclosure Certificate” means the continuing disclosure certificate executed by the City relating to the Bonds, dated the date of the original issuance of the Bonds.

Costs of Issuance

“Costs of Issuance” means all costs directly or indirectly payable by or reimbursable to the Authority or the City related to the execution and delivery of the Program Obligation and the Indenture and the authorization and sale of the Bonds, including, but not limited to, costs of preparation and reproduction of documents, costs of the Rating Agencies and costs to provide information required by the Rating Agencies, filing, recording and title insurance fees, charges and fees of the Trustee, legal fees and expenses, fees and expenses of consultants and professionals, costs of the premiums for the Bond Insurance Policy, charges and fees incidental to the acquisition of rights under the Program Obligation by the Authority and the preparation, execution, authentication and original delivery of the Bonds, and any other charge, cost, expense or fee in connection with the issuance of the Bonds.

Costs of Issuance Fund

“Costs of Issuance Fund” means the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds (Community Reinvestment Capital Improvement Program) Costs of Issuance Fund established pursuant to Section 2.14 (to be maintained by the Treasurer).

Defeasance Securities

“Defeasance Securities” means:

- (1) Cash (insured at all times by the Federal Deposit Insurance Corporation);
- (2) Direct obligations of (including obligations issued or held in book-entry form on the books of) the Department of the Treasury of the United States of America; or
- (3) Senior debt obligations of other Government Sponsored Agencies approved by the Bond Insurer.

DTC

“DTC” means The Depository Trust Company, New York, New York, and its successors or assigns; or (in accordance with then current guidelines of the Securities and Exchange Commission) any other securities depository that the Authority may designate in a Certificate of the Authority delivered to the Trustee.

Event of Default

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

Fiscal Year

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

Holder or Bondholder

“Holder” or “Bondholder” means any person who shall be the registered owner of any Bond, as shown on the registration books maintained by the Trustee pursuant to Section 2.08.

Indenture

“Indenture” means this Indenture, dated as of June 1, 2006, by and between the Authority and the Trustee executed pursuant to the Act, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Indentures executed pursuant to the provisions hereof.

Independent Certified Public Accountant

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

- (1) is in fact independent and not under the domination of the Authority;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the Authority; and
- (3) is not connected with the Authority as an officer of the Authority, but who may be regularly retained to provide accounting services to the Authority.

Information Services

“Information Services” means Financial Information, Inc., Daily Called Bond Service, 30 Montgomery Street, 10th Floor, Jersey City, New Jersey 07302, Attention: Editor; Mergent/FIS, Inc., 5250 77 Center Drive, Suite 150, Charlotte, NC 28217, Attn: Called Bond Department; and Standard & Poor’s J.J. Kenny Drake, Inc., 55 Water Street, New York, NY 10041-0001, Attention: Notification Department; and, in accordance with then current guidelines of the Securities and Exchange Commission, any other information services providing information with respect to called bonds that the Authority may designate in a Certificate of the Authority delivered to the Trustee.

Interest Account

“Interest Account” means the account by that name within the Revenue Fund established pursuant to Section 3.03.

Interest Payment Date

“Interest Payment Date” means a date on which interest is due on the Bonds, being June 1 and December 1 of each year to which reference is made, commencing on _____ 1, 200_.

Legal Investments

“Legal Investments” means any of the following obligations if and to the extent that, at the time of making such investment, they are permitted by applicable law:

(1) Defeasance Securities;

(2) 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
- U.S. Maritime Administration
- Small Business Administration
- U.S. Department of Housing & Urban Development (PHA's)
- Federal Housing Administration
- Federal Financing Bank;

(3) 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 the Federal Home Loan Mortgage Corporation (FHLMC)
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System

(4) 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 “P-1” by Moody's and “A-1” or “A-1+” or higher by Standard & Poor's and which mature not more than three hundred sixty (360) calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank):

(5) Commercial paper which is rated at the time of purchase in the single highest classification, "P-1" or higher by Moody's and "A-1+" or higher by Standard & Poor's and which matures not more than two hundred seventy (270) calendar days after the date of purchase;

(6) Investments in a money market fund rated "AAAm" or "AAAm-G" or higher by Standard & Poor's, including funds for which the Trustee or its affiliates provide investment advisory or other management services;

(7) 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

(A) which are rated, based on an irrevocable escrow account or fund (the "escrow"), in the highest rating category of Moody's and Standard & Poor's or any successors thereto; or

(B) (i) which are fully secured as to interest and principal and redemption premiums, if any, by an escrow consisting only of cash or obligations described in paragraph (2) of the definition of Defeasance Securities, which escrow may be applied only to the payment of such interest and principal and redemption premiums, 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 (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay interest and principal and redemption premiums, 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;

(8) Municipal obligations rated "Aaa/AAA" or general obligations of states with a rating of "A2/A" or higher by both Moody's and Standard & Poor's;

(9) Investments in the City of Sacramento Investment Pool "A."

(10) Investment agreements approved in writing by the Bond Insurer (supported by appropriate opinions of counsel); and

(11) Other forms of investments (including repurchase agreements) approved in writing by the Bond Insurer.

The value of the above investments shall be determined as follows:

(a) For the purpose of determining the amount in any fund, all Legal Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. Accepted industry providers shall include but are not limited to pricing services

provided by Financial Times Interactive Data Corporation, Merrill Lynch, Citigroup Global Markets Inc., Bear Stearns, or Lehman Brothers;

(b) As to certificates of deposit and bankers' acceptances, the face amount thereof, plus accrued interest thereon; and

(c) As to any investment not specified above, the value thereof established by prior agreement among the Authority, the Trustee and the Bond Insurer.

Master Project Lease

"Master Project Lease" means that certain Master Project Lease dated as of December 1, 1999, by and between the Authority and the City, as amended by the Amendment to Master Project Lease, dated as of July 1, 2000, by and between the Authority and the City, by the Second Amendment to Master Project Lease, dated as of April 1, 2001, by and between the Authority and the City, by the Third Amendment to Master Project Lease, dated as of July 1, 2002, by and between the Authority and the City, by the Fourth Amendment to Master Project Lease, dated as of September 1, 2003, by the Fifth Amendment to Master Project Lease, dated as of June 1, 2005, and by the Sixth Amendment to Master Project Lease, and by any other amendments thereto.

Moody's

"Moody's" means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority and satisfactory to and approved by the Bond Insurer.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of a law firm of recognized national standing relating to municipal bonds that is retained by the Authority and satisfactory to and approved by the Bond Insurer.

Outstanding

"Outstanding," when used as of any particular time with reference to Bonds, means (subject to the provisions of Section 6.02) all Bonds except --

- (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;
- (2) Bonds paid or deemed to have been paid pursuant to Section 8.01; and
- (3) Bonds in lieu of or in substitution for which replacement Bonds shall have been executed, authenticated and delivered pursuant to Section 2.09.

Principal Corporate Trust Office

“Principal Corporate Trust Office” means the principal corporate trust office of the Trustee in San Francisco, California, at which at any particular time its corporate trust business is being administered, except that with respect to the presentation of Bonds for registration, transfer, exchange, payment or redemption, such term shall mean such other office or agency of the Trustee designated in writing from time to time by the Trustee to the Authority and the Bond Insurer as its Principal Corporate Trust Office.

Principal Subaccount

“Principal Subaccount” means the subaccount by that name within the Redemption Account established pursuant to Section 3.03.

Program

“Program” means the program implemented under the Act to provide assistance to the City so that the City can finance or refinance capital improvements in order that the City may achieve its public purposes.

Program Fund

“Program Fund” means the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds (Community Reinvestment Capital Improvement Program) Program Fund established pursuant to Section 2.13 (to be maintained by the Trustee).

Program Obligation

“Program Obligation” means the Sixth Amendment to Master Project Lease.

Program Obligation Payments

“Program Obligation Payments” means all payments by the City to the Authority under the Program Obligation, as provided therein.

Rating Agencies

“Rating Agencies” means Moody’s and Standard & Poor’s, and their respective successors or assigns, but only to the extent that and so long as either of them is then rating the Bonds, or any other nationally recognized securities rating agency or agencies then rating the Bonds at the request of the Authority.

Rebate Fund

“Rebate Fund” means the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program) Rebate Fund established pursuant to Section 3.04 (to be maintained by the Trustee).

Record Date

“Record Date” means, with respect to an Interest Payment Date, the day that is the fifteenth (15th) day of the month prior to such Interest Payment Date, whether or not such day is a Business Day.

Redemption Account

“Redemption Account” means the account by that name within the Revenue Fund established pursuant to Section 3.03.

Representation Letter

“Representation Letter” means the Letter of Representations delivered upon the issuance of the Bonds to DTC from the Authority and the Trustee relating to the Bonds.

Reserve Account

“Reserve Account” means the account by that name within the Revenue Fund established pursuant to Section 3.03 in which shall be established the Series A Reserve Subaccount and the Series B Reserve Subaccount.

Reserve Requirement

“Reserve Requirement” means, either (i) the Series A Reserve Requirement or (ii) the Series B Reserve Requirement, as applicable.

Revenue Fund

“Revenue Fund” means the Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds (Community Reinvestment Capital Improvement Program) Revenue Fund established pursuant to Section 3.02 (to be maintained by the Trustee).

Revenues

“Revenues” means: (a) all Program Obligation Payments, including all amounts realized upon the enforcement of the Program Obligation Payments due under the Program Obligation; (b) all money deposited and held from time to time in any of the accounts and funds established hereunder (except the Rebate Fund and with respect to the subaccounts within the Reserve Account, only in accordance with the provisions hereof); and (c) all investment income with respect to any money held in the accounts and funds established hereunder (except the Rebate Fund).

Secretary

“Secretary” means the Secretary of the Authority.

Series A Costs of Issuance Account

“Series A Costs of Issuance Account” means the account by that name within the Costs of Issuance Fund established pursuant to Section 2.14.

Series B Costs of Issuance Account

“Series B Costs of Issuance Account” means the account by that name within the Costs of Issuance Fund established pursuant to Section 2.14.

Series A Program Account

“Series A Program Account” means the account by that name within the Program Fund established pursuant to Section 2.13.

Series B Program Account

“Series B Program Account” means the account by that name within the Program Fund established pursuant to Section 2.13.

Series A Reserve Requirement

“Series A Reserve Requirement” means, as of any date of determination by the City, the least of (i) ten percent (10%) of the initial offering price to the public of the Series A Bonds related to the 2006 Series A Base Rental Payments (as defined in the Sixth Amendment to Master Project Lease) paid by the City pursuant to the Sixth Amendment to Master Project Lease (as determined under the Code), (ii) the maximum annual 2006 Series A Base Rental Payments related to the Series A Bonds payable in the current or any future one-year period ending on each June 30 or (iii) 125% of the average annual 2006 Series A Base Rental Payments related to the Series A Bonds payable in the current and all future one-year periods ending on each June 30, but in any such case not greater than the maximum amount permitted to be held in the Series A Reserve Subaccount under the Code.

Series B Reserve Requirement

“Series B Reserve Requirement” means, as of any date of determination by the City, the least of (i) ten percent (10%) of the initial offering price to the public of the Series B Bonds related to the 2006 Series B Base Rental Payments (as defined in the Sixth Amendment to Master Project Lease) paid by the City pursuant to the Sixth Amendment to Master Project Lease (as determined under the Code), (ii) the maximum annual 2006 Series B Base Rental Payments related to the Series B Bonds payable in the current or any future one-year period ending on each June 30 or (iii) 125% of the average annual 2006 Series B Base Rental Payments related to the Series B Bonds payable in the current and all future one-year periods ending on each June 30, but in any such case not greater than the maximum amount permitted to be held in the Series B Reserve Subaccount under the Code.

Series A Reserve Subaccount

“Series A Reserve Subaccount” means the subaccount by that name within the Reserve Account established pursuant to Section 3.03.

Series B Reserve Subaccount

“Series B Reserve Subaccount” means the subaccount by that name within the Reserve Account established pursuant to Section 3.03.

Series A Sinking Fund Subaccount

“Series A Sinking Fund Subaccount” means the subaccount by that name within the Redemption Account established pursuant to Section 2.02.

Series B Sinking Fund Subaccount

“Series B Sinking Fund Subaccount” means the subaccount by that name within the Redemption Account established pursuant to Section 2.02.

Sinking Fund Payments

“Sinking Fund Payments” means the payments required by Section 2.02 to be deposited in the Sinking Fund Subaccount for the payment of the Term Bonds.

Sixth Amendment to Master Project Lease

“Sixth Amendment to Master Project Lease” means the Sixth Amendment to Master Project Lease, dated as of June 1, 2006, by and between the Authority and the City, relating to the 2006 CRCIP Projects, as defined therein.

Standard & Poor’s

“Standard & Poor’s” means Standard & Poor’s Ratings Services, a division of The McGraw Hill-Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, then the term “Standard & Poor’s” shall be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and satisfactory to and approved by the Bond Insurer.

State

“State” means the State of California.

Supplemental Indenture

“Supplemental Indenture” means any indenture then in full force and effect that has been made and entered into by the Authority and the Trustee, amendatory of or supplemental

hereto; but only to the extent that such Supplemental Indenture is specifically authorized hereunder.

Tax Certificate

“Tax Certificate” mean the Tax Certificate executed by the Authority and the City at the time of the original issuance of the Series A Bonds relating to Section 148 of the Code, or any functionally similar replacement certificate, as the same may be amended or supplemented from time to time in accordance with its terms.

Treasurer

“Treasurer” means the Treasurer of the Authority.

Trustee

“Trustee” means The Bank of New York Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America and authorized to accept and execute trusts of the character herein set forth, at its Principal Corporate Trust Office, and its successors or assigns, or any other bank or trust company having a corporate trust office in Los Angeles or San Francisco, California which may at any time be substituted in its place as provided in Section 5.01.

Written Request of the Authority

“Written Request of the Authority” means an instrument in writing executed by the Chair or the Treasurer, or by any other officer of the Authority duly authorized by the Board of Directors for that purpose.

SECTION 1.02. Equal Security. In consideration of the acceptance of the Bonds by the Holders thereof, the Indenture shall be deemed to be and shall constitute a contract by and among the Authority, the Trustee and the Holders from time to time to secure the full and final payment of the interest on and the principal of all Bonds which may from time to time be authorized, sold, executed, authenticated and delivered hereunder as and when they respectively become due, subject to the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Holders without distinction, preference or priority as to security or otherwise of any Bonds over any other Bonds by reason of the number thereof or the time of execution, authentication or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

ISSUANCE OF BONDS

SECTION 2.01. Authorization and Purpose of Bonds.

(a) The Board of Directors has reviewed all proceedings heretofore taken relative to the authorization of the Bonds and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen and be performed precedent to and for the issuance of the Bonds do exist, have happened and have been performed in due time, form and manner as required by the Act, and the Authority is now authorized, pursuant to each and every requirement of the Act and hereof, to issue the Bonds in the form and manner provided herein, which Bonds shall be entitled to the benefit, protection and security of the Act and hereof.

(b) The purpose for which the Bonds are to be issued under the Act and hereunder is to provide funds to pay the costs of the acquisition by the Authority of the rights to receive the Program Obligation Payments due under the Program Obligation and to pay the Costs of Issuance of the Bonds.

(c) From and after the issuance of the Bonds, the findings and determinations of the Board of Directors respecting the Bonds shall be conclusive evidence of the existence of the facts so found and determined in any action or proceeding in any court in which the validity of the Bonds is at issue, and no bona fide purchaser of any of the Bonds shall be required to see to the existence of any fact or to the performance of any condition or to the taking of any proceeding required prior to such issuance or to the application of the purchase price paid for the Bonds, and the validity of the issuance of the Bonds shall not be dependent on or affected in any way by any proceedings taken by the Authority for the acquisition of the rights to receive the Program Obligation Payments due under the Program Obligation or by any contracts made by the Authority in connection therewith, and shall not be dependent upon the performance by any person, firm or corporation of his or her or its obligation with respect thereto. The recital contained in the Bonds that the Bonds are issued pursuant to the Act and pursuant hereto shall be conclusive evidence of their validity and of the regularity of their issuance, and the Bonds shall be deemed to be issued, within the meaning hereof, whenever the definitive Bonds (or any temporary Bonds exchangeable therefor) shall have been originally delivered to the purchaser thereof and the proceeds of sale thereof received.

SECTION 2.02. Terms of Bonds.

(a) The Series A Bonds shall be in the aggregate principal amount of _____ dollars (\$ _____), shall be designated the "Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program)," shall be dated the date of the original delivery thereof, shall be issued in fully registered form in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof (not exceeding the principal amount of Bonds maturing at any one time) and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum set forth in the following schedule:

<u>Maturity Date</u> <u>(December 1)</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>
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Maturity Date
(December 1)

Principal
Amount

Interest
Rate

(b) The Series B Bonds shall be in the aggregate principal amount of _____ dollars (\$_____), shall be designated the "Sacramento City Financing Authority 2006 Taxable Capital Improvement Revenue Bonds, Series B (Community Reinvestment Capital Improvement Program)," shall be dated the date of the original delivery thereof, shall be issued in fully registered form in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof (not exceeding the principal amount of Bonds maturing at any one time) and shall mature on the dates and in the principal amounts and shall bear interest at the rates per annum set forth in the following schedule:

Maturity Date
(December 1)

Principal
Amount

Interest
Rate

(c) The Bonds shall bear interest payable in lawful money of the United States of America at the interest rates per annum (computed on a 360-day year of twelve 30-day calendar months) set forth above, payable on _____ 1, 20____, and semiannually thereafter on June 1 and December 1 in each year. Each Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless such date of authentication is an Interest Payment Date or is during the period from the day after the Record Date preceding an Interest Payment Date to such Interest Payment Date, both days inclusive, in which event it shall bear interest from such Interest Payment Date, or unless such date of authentication is on or prior to the Record Date for the first Interest Payment Date on the Bonds, in which event it shall bear interest from its date; provided, that if at the time of authentication of any Bond interest is then in default on the Outstanding Bonds, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment in full of all interest due on the Outstanding Bonds. Payment of the interest on the Bonds due on any Interest Payment Date on or before the maturity or prior redemption thereof shall be made only to the Holder whose name appears in the registration books required to be kept by the Trustee pursuant to Section 2.08 as the registered owner thereof as of the close of business on the Record Date for such Interest Payment Date, whether or not such Record Date is a Business Day, and shall be paid by check mailed on such Interest Payment Date by first class mail to such registered owner at the address as it appears in such registration books; provided, that upon the written request of any Holder of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds

received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such Holder), such interest shall be paid on each Interest Payment Date by wire transfer of immediately available funds to an account maintained in any state or national bank in the United States of America that is a member of the Federal Reserve System designated in such request by such Holder.

(d) The principal of the Bonds shall be payable in lawful money of the United States of America upon the surrender thereof at maturity or on redemption prior to maturity at the Principal Corporate Trust Office of the Trustee.

(e) Sinking Fund Payments are hereby established for the mandatory redemption and payment of the Series A Term Bonds maturing on December 1, 20__, which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any of the Series A Term Bonds maturing on December 1, 20__, shall have been optionally redeemed pursuant to Section 2.03(b), the amounts of such Sinking Fund Payments shall be reduced by the Trustee proportionately by the principal amount of all such Term Bonds so optionally redeemed), namely:

<u>Year Ending</u> <u>(December 1)</u>	<u>Sinking</u> <u>Fund Payment</u>
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(f) Sinking Fund Payments are hereby established for the mandatory redemption and payment of the Series B Term Bonds maturing on December 1, 20__, which payments shall become due during the years ending on the dates and in the amounts set forth in the following schedule (except that if any of the Series B Term Bonds maturing on December 1, 20__, shall have been optionally redeemed pursuant to Section 2.03(b), the amounts of such Sinking Fund Payments shall be reduced by the Trustee proportionately by the principal amount of all such Term Bonds so optionally redeemed), namely:

<u>Year Ending</u> <u>(December 1)</u>	<u>Sinking</u> <u>Fund Payment</u>
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(g) There is hereby created within the Sinking Fund Subaccount a Series A Sinking Fund Subaccount and the Trustee hereby covenants and agrees to cause such subaccount to be maintained so long as any Series A Term Bonds shall be Outstanding. All Sinking Fund Payments established pursuant to Section 2.02(e) shall be deposited in the Series A Sinking Fund Subaccount in the Sinking Fund Subaccount, and all money in the Series A Sinking Fund Subaccount on December 1 of each year during the period beginning on December 1, 20__, and ending on December 1, 20__, both dates inclusive, may be used and withdrawn by the Trustee (upon receipt of a Written Request of the Authority) at any time for the purchase of the Series A Term Bonds for which such Sinking Fund Payments were made, at public or private sale as and

when and at such prices (including brokerage and other charges) as the Authority may in its discretion determine, but not to exceed the principal amount of such Series A Term Bonds.

(h) There is hereby created within the Sinking Fund Subaccount a Series B Sinking Fund Subaccount and the Trustee hereby covenants and agrees to cause such subaccount to be maintained so long as any Series B Term Bonds shall be Outstanding. All Sinking Fund Payments established pursuant to Section 2.02(f) shall be deposited in the Series B Sinking Fund Subaccount in the Sinking Fund Subaccount, and all money in the Series B Sinking Fund Subaccount on December 1 of each year during the period beginning on December 1, 20__, and ending on December 1, 20__, both dates inclusive, may be used and withdrawn by the Trustee (upon receipt of a Written Request of the Authority) at any time for the purchase of the Series B Term Bonds for which such Sinking Fund Payments were made, at public or private sale as and when and at such prices (including brokerage and other charges) as the Authority may in its discretion determine, but not to exceed the principal amount of such Series B Term Bonds.

SECTION 2.03. Redemption of Bonds.

(a) Mandatory Sinking Fund Redemption of Bonds.

(i) The Series A Term Bonds maturing on December 1, 20__, are subject to mandatory redemption by the Authority prior to their stated maturity date in part on December 1 in each of the years 20__ through 20__, both years inclusive, solely from Sinking Fund Payments deposited in the Series A Sinking Fund Subaccount, upon mailed notice as provided herein, at a redemption price equal to the principal amount thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

(ii) The Series B Term Bonds maturing on December 1, 20__, are subject to mandatory redemption by the Authority prior to their stated maturity date in part on December 1 in each of the years 20__ through 20__, both years inclusive, and the Series B Term Bonds maturing on December 1, 20__, are subject to mandatory redemption by the Authority prior to their stated maturity date in part on December 1 in each of the years 20__ through 20__, both years inclusive, solely from Sinking Fund Payments deposited in the Series B Sinking Fund Subaccount, upon mailed notice as provided herein, at a redemption price equal to the principal amount thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

(b) Optional Redemption of Bonds.

(i) The Series A Bonds maturing on or before December 1, 20__ are not subject to optional redemption prior to maturity. The Series A Bonds maturing on or after December 1, 20__, are subject to optional redemption by the Authority prior to their respective stated maturity dates as a whole or in part on any date on or after December 1, 20__, from any source of available funds, upon mailed notice as provided herein, at a redemption price equal to the principal amount of such Series A Bonds or portions

thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

(ii) [The Series B Bonds maturing on or before December 1, 20__ are not subject to optional redemption prior to maturity. The Series B Bonds maturing on or after December 1, 20__, are subject to optional redemption by the Authority prior to their respective stated maturity dates as a whole or in part on any date on or after December 1, 20__, from any source of available funds, upon mailed notice as provided herein, at a redemption price equal to the principal amount of the Series B Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.]

(c) The Bonds are subject to extraordinary redemption by the Authority prior to their respective stated maturity dates on any date in part in integral multiples of five thousand dollars (\$5,000) principal amount so that the annual amounts of the interest and principal of the Bonds that are allocable to the payment of the Base Rental Payments which shall be payable after such redemption date shall be as nearly proportional as practicable to the annual amounts of the interest and principal then payable on all Authority Bonds then Outstanding (as that term is defined in each of the indentures providing for the issuance of the Authority Bonds) that are payable from the Base Rental Payments, from prepaid Base Rental Payments made by the City from eminent domain proceeds or net insurance proceeds received under the Master Project Lease, under the circumstances and upon the conditions and terms prescribed therein, upon mailed notice as provided herein, at a redemption price equal to the principal amount of the Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

(d) If less than all the Bonds of a Series are to be redeemed at the option of the Authority at any one time, the Treasurer shall select the maturity date or dates of the Bonds of such Series to be redeemed, and if less than all the Bonds of a Series of any one maturity date are to be redeemed by the Authority at any one time, the Trustee shall select the Bonds or portions thereof of such Series of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in any manner that it deems appropriate. The Treasurer shall notify the Trustee in writing at least five (5) Business Days prior to the date fixed for the selection by the Trustee of any Bonds for redemption, and after such selection the Trustee shall promptly notify the Authority in writing of the numbers of the Bonds selected for redemption in part.

(e) The Trustee shall mail a notice of redemption by first class mail, not less than thirty (30) nor more than sixty (60) days prior to the redemption date, to the respective Holders of all Bonds selected for redemption in whole or in part and to DTC and to the Information Services; provided, that neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of such proceedings for redemption; and provided further, that any such notice of redemption may be cancelled and annulled by a Written Request of the Authority given to the Trustee at least five (5) days prior to the date fixed for redemption, whereupon the Trustee shall forthwith give appropriate notice of such cancellation and annulment to all the recipients of such notice of redemption. Such notice of redemption shall state the date of such notice, the name of the Bonds to be redeemed, the date of issue of such Bonds, the date fixed for the redemption of such Bonds, the redemption price of

such Bonds, the place of redemption of such Bonds, the CUSIP number of the maturity or maturities of the Bonds to be redeemed and (if less than all the Bonds of any one maturity date are to be redeemed) the numbers of the Bonds of such maturity date to be redeemed and, in the case of Bonds to be redeemed in part only, the respective portions of the principal amount thereof to be redeemed, and shall give notice that further interest on such Bonds or the portions thereof to be redeemed will not accrue from and after the date fixed for redemption, and shall require that such Bonds to be redeemed be surrendered for payment of the redemption price thereof. If any Bond so chosen for redemption shall not be redeemable in whole, such notice shall also state that such Bond is to be redeemed in part only and that upon presentation of such Bond for redemption there will be issued in lieu of the unredeemed portion of the principal thereof a new Bond or Bonds of the same maturity date of authorized denominations equal in aggregate principal amount to the unredeemed portion of the Bond surrendered.

(f) In the event of redemption of Bonds or portions thereof (other than pursuant to paragraph (a) of this section), the Trustee shall mail a notice of redemption upon receipt of a Written Request of the Authority, but only after the Authority shall have deposited with or otherwise made available to the Trustee for deposit in the Redemption Account the money required for payment of the redemption price of all Bonds or portions thereof then to be called for redemption (or the Trustee determines that money will be deposited with or otherwise made available to it in sufficient time for such purpose, in which event the notice of redemption shall state that the proposed redemption is conditioned on there being on deposit in the Redemption Account on the redemption date sufficient money to pay the full redemption price of the Bonds or such portions thereof to be redeemed), together with the estimated expense of giving such notice.

(g) If a notice of redemption has been duly given and not cancelled as aforesaid and money for the payment of the redemption price of the Bonds or the portions thereof called for redemption is held by the Trustee, then on the date fixed for redemption designated in such notice such Bonds or such portions thereof shall become due and payable, and from and after the date so designated interest on such Bonds or such portions thereof so called for redemption shall cease to accrue and the Holders of such Bonds or such portions thereof shall have no rights in respect thereof except to receive payment of the redemption price thereof.

SECTION 2.04. Form of Bonds. The Bonds and the authentication and registration endorsement, the assignment and the DTC endorsement to appear thereon and the statement of insurance to appear on the Bonds shall be substantially in the following forms, respectively:

[FORM OF BONDS]

No. R- _____

\$ _____

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
COUNTY OF SACRAMENTO

SACRAMENTO CITY FINANCING AUTHORITY
2006 [TAXABLE] CAPITAL IMPROVEMENT REVENUE BOND, SERIES ____
(COMMUNITY REINVESTMENT CAPITAL IMPROVEMENT PROGRAM)

<u>Interest</u> <u>Rate</u>	<u>Maturity</u> <u>Date</u>	<u>Dated</u> <u>as of</u>	<u>CUSIP</u>
_____ %	December 1, _____	_____	_____

REGISTERED OWNER:

PRINCIPAL AMOUNT:

DOLLARS

The Sacramento City Financing Authority, a joint exercise of powers authority duly organized and existing under and pursuant to the laws of the State of California (the "Authority"), for value received hereby promises to pay (but only out of the Revenues and the other funds hereinafter referred to) to the registered owner specified above or registered assigns on the maturity date specified above (subject to any right of prior redemption hereinafter provided for) the principal amount specified above, together with interest on such principal amount from the interest payment date next preceding the date of authentication of this Bond (unless this Bond is authenticated on an interest payment date or on a day during the period from the day after the Record Date (as that term is hereinafter defined) preceding an interest payment date to such interest payment date, both days inclusive, in which event it shall bear interest from such interest payment date, or unless this Bond is authenticated on a day on or prior to the Record Date (as that term is hereinafter defined) for the first interest payment date on the Bonds, in which event it shall bear interest from its date) until the principal hereof shall have been paid, at the interest rate per annum specified above (computed on a 360-day year of twelve 30-day calendar months), payable on _____ 1, 200_, and semiannually thereafter on June 1 and December 1 in each year. The principal of this Bond is payable in lawful money of the United States of America at the Principal Corporate Trust Office (as that term is defined in the Indenture hereinafter defined) of The Bank of New York Trust Company, N.A. (the "Trustee") in San Francisco, California. The interest on this Bond due on or before the maturity or prior redemption hereof shall be payable only to the person whose name appears in the registration books required to be kept by the Trustee as the registered owner hereof at the close of business on the fifteenth (15th) day of the month next preceding each interest payment date (each, a

“Record Date”), such interest to be paid by check mailed on each interest payment date by first class mail to such registered owner at his address as it appears in such registration books; provided, that upon the written request of any registered owner of one million dollars (\$1,000,000) or more in aggregate principal amount of Bonds received by the Trustee prior to the applicable Record Date (which such request shall remain in effect until rescinded in writing by such registered owner), such interest shall be paid on each interest payment date by wire transfer of immediately available funds to an account maintained in any state or national bank in the United States of America that is a member of the Federal Reserve System designated in such request by such registered owner. The principal of the Bonds shall be payable in lawful money of the United States of America upon the surrender thereof at maturity or on redemption prior to maturity at the Principal Corporate Trust Office of the Trustee.

This Bond is one of a duly authorized issue of bonds in the aggregate principal amount of _____ dollars (\$ _____), designated the “Sacramento City Financing Authority 2006 [Taxable] Capital Improvement Revenue Bonds, Series ___ (Community Reinvestment Capital Improvement Program)” (the “Bonds”), issued by the Authority under the Joint Exercise of Powers Act, constituting Article 1, Chapter 5, Division 7, Title 1 (commencing with Section 6500) of the Government Code of the State of California, and the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4, Chapter 5, Division 7, Title 1 (commencing with Section 6584) of the Government Code of the State of California, and all laws amendatory thereof or supplemental thereto (collectively, the “Act”), and under an Indenture (the “Indenture”) dated as of June 1, 2006, by and between the Authority and the Trustee, all of like tenor and date (except for such variations, if any, as may be required to designate varying numbers, denominations, maturities, interest rates or redemption provisions of the Bonds). All the Bonds are equally and ratably secured in accordance with the terms and conditions of the Indenture (copies of which are on file at the office of the Authority and at the above-mentioned office of the Trustee), and reference is hereby made to the Act and to the Indenture and to any and all amendments thereof or supplements thereto for a description of the terms on which the Bonds are issued and for the rights of the registered owners of the Bonds. All the terms of the Act and the Indenture are hereby incorporated herein and constitute a contract between the Authority and the registered owner from time to time of this Bond, to all the provisions of which the registered owner of this Bond, by his acceptance hereof, agrees and consents, and the registered owner hereof shall have recourse to all the provisions of the Act and the Indenture and shall be bound by all the conditions and terms thereof. Capitalized terms not defined herein shall have the meaning assigned to those terms in the Indenture.

The Bonds are issued to obtain money to carry out the Program by acquiring the rights to receive the payments due under the Program Obligation so that the Authority can assist the City of Sacramento (the “City”) to finance capital improvements in order that the City may achieve its public purposes. The Bonds are limited obligations of the Authority, and are payable from, and are secured as to the payment of the interest thereon and the principal thereof in accordance with their terms and the terms of the Indenture, solely from the Revenues and the other funds provided in the Indenture for their payment. The Bonds do not constitute a charge against the general credit of the Authority or the general credit of the City, and under no circumstances shall the Authority be obligated to pay the interest on or the principal of the Bonds except from the Revenues and such other funds, and neither the State of California nor any public agency thereof nor any of the members of the Authority shall be obligated to pay the

interest on or the principal of the Bonds, and neither the faith and credit nor the taxing power of the Authority, the State of California or any public agency thereof or any of the members of the Authority is pledged to the payment of the interest on or the principal of the Bonds, and neither the payment of the interest on or the principal of the Bonds constitutes a debt, liability or obligation of the State of California nor any public agency thereof nor any of the members of the Authority.

The Term Bonds maturing on December 1, 20__, are subject to mandatory redemption by the Authority prior to their stated maturity date in part on December 1 in each of the years 20__ through 20__, both years inclusive [and the Term Bonds maturing on December 1, 20__, are subject to mandatory redemption by the Authority prior to their stated maturity date in part on December 1, in each of the years 20__ through 20__, both years inclusive], solely from Sinking Fund Payments deposited in the Series _ Sinking Fund Subaccount, upon mailed notice as provided herein, at a redemption price equal to the principal amount thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

[The Bonds maturing on or before December 1, 20__ are not subject to optional redemption prior to maturity. The Bonds maturing on or after December 1, 20__, are subject to optional redemption by the Authority prior to their respective stated maturity dates as a whole or in part on any date on or after December 1, 20__, from any source of available funds, upon mailed notice as provided herein, at a redemption price equal to the principal amount of the Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.]

The Bonds are subject to extraordinary redemption by the Authority prior to their respective stated maturity dates on any date in part in integral multiples of five thousand dollars (\$5,000) principal amount so that the annual amounts of the interest and principal of the Bonds that are allocable to the payment of the Base Rental Payments, which shall be payable after such redemption date shall be as nearly proportional as practicable to the annual amounts of the interest and principal payable on all Authority Bonds then Outstanding (as that term is defined in each of the indentures providing for the issuance of the Authority Bonds) that are payable from the Base Rental Payments, from prepaid Base Rental Payments made by the City from eminent domain proceeds or net insurance proceeds received under the Master Project Lease, under the circumstances and upon the conditions and terms prescribed therein, upon mailed notice as provided herein, at a redemption price equal to the principal amount of the Bonds or portions thereof called for redemption, together with accrued interest thereon to the date fixed for redemption, without a redemption premium.

If less than all the Bonds are to be redeemed at the option of the Authority at any one time, the Authority shall select the maturity date or dates of the Bonds to be redeemed, and if less than all the Bonds of any one maturity date are to be redeemed by the Authority at any one time, the Trustee shall select the Bonds or portions thereof of such maturity date to be redeemed in integral multiples of five thousand dollars (\$5,000) in any manner that it deems appropriate. The Treasurer of the Authority shall notify the Trustee in writing at least five (5) Business Days prior to the date fixed for the selection by the Trustee of any Bonds for redemption, and after

such selection the Trustee shall promptly notify the Authority in writing of the numbers of the Bonds selected for redemption in part.

Notice of redemption of any Bond or any portion thereof shall be mailed by first class mail not less than thirty (30) days nor more than sixty (60) days before the redemption date to the registered owner thereof and to The Depository Trust Company and to the Information Services selected by the Authority in accordance with the Indenture; provided, that neither failure to receive any such mailed notice nor any immaterial defect contained therein shall affect the sufficiency or validity of such proceedings for redemption; and provided further, that any such notice of redemption may be cancelled and annulled by a Written Request of the Authority given to the Trustee at least five (5) days prior to the date fixed for redemption, whereupon the Trustee shall forthwith give appropriate notice of such cancellation and annulment to all the recipients of such notice of redemption. If notice of redemption has been duly given and not cancelled as aforesaid, then this Bond or the portion thereof to be redeemed shall, on the redemption date designated in such notice, become due and payable at the above-described redemption price; and from and after the date so designated interest on this Bond or the portion thereof to be redeemed shall cease to accrue and the registered owner of this Bond shall have no rights in respect hereof except to receive payment of the redemption price of this Bond or the portion thereof to be redeemed, and upon surrender of this Bond if redeemed in part only, the Authority shall execute and the Trustee shall authenticate and deliver to the registered owner hereof at the expense of the Authority a new Bond or Bonds of authorized denominations equal in aggregate principal amount to the unredeemed portion of this Bond so surrendered.

If an Event of Default shall occur, the principal of all Bonds may be declared due and payable upon the conditions, in the manner and with the effect provided in the Indenture, except that the Indenture provides that in certain events such declaration and its consequences may be rescinded under the circumstances as provided therein.

The Bonds are issuable in the form of fully registered Bonds in the denomination of five thousand dollars (\$5,000) or any integral multiple thereof, except that no Bond shall have principal maturing on more than one principal maturity date. The registered owner of any Bond or Bonds may surrender the same (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same maturity date of authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Indenture.

The registration of this Bond is transferable on the registration books kept by the Trustee by the registered owner hereof or by his duly authorized attorney upon surrender of this Bond together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney, and thereupon a new Bond or Bonds of the same maturity date of authorized denominations in the same aggregate principal amount will be issued to the transferee in exchange therefor in the manner, subject to the conditions and upon payment of the charges provided in the Indenture. The Authority and the Trustee may deem and treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the interest hereon and the principal hereof and for all other purposes.

The rights and obligations of the Authority and of the registered owners of the Bonds may be amended at any time in the manner, to the extent and upon the terms provided in the Indenture, but no such amendment shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or the principal of or make any Sinking Fund Payment for any Bond at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the Holder of such Bond, or (2) permit the issuance by the Authority of any obligations payable from the Revenues other than the Bonds as provided herein, or jeopardize the ability of the Authority to collect the Revenues, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

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

It is hereby certified that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as required by law and that the amount of this Bond, together with all other obligations of the Authority, does not exceed any limit prescribed by the laws of the State of California and is not in excess of the amount of Bonds permitted to be issued under the Indenture.

IN WITNESS WHEREOF, the Sacramento City Financing Authority has caused this Bond to be executed in its name and on its behalf by the signature of its Treasurer and countersigned by the signature of its Secretary, and has caused this Bond to be dated _____.

SACRAMENTO CITY
FINANCING AUTHORITY

By _____
Thomas P. Friery
Treasurer

Countersigned:

Secretary

[FORM OF CERTIFICATE OF AUTHENTICATION
TO APPEAR ON BONDS]

This is one of the Bonds described in the within-mentioned Indenture which has been authenticated on the date indicated below.

Date: _____

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

By _____
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON BONDS]

For value received the undersigned do(es) hereby sell, assign and transfer unto _____ the within Bond and do(es) hereby irrevocably constitute and appoint _____ attorney to transfer the same on the bond register of the Trustee, with full power of substitution in the premises.

Dated: _____

SIGNATURE GUARANTEED BY:

Note: The signature(s) to 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, and the signature(s) must be guaranteed by an eligible guarantor institution.

Social Security Number, Taxpayer Identification Number or other identifying number of Assignee: _____

[FORM OF DTC ENDORSEMENT TO APPEAR ON BONDS]

Unless this Bond is presented by an authorized representative of The Depository Trust Company, a New York corporation ("DTC"), to the Issuer or the Trustee for registration of transfer, exchange, or payment, and any certificate issued is registered in the name of Cede & Co. or in such other name as is requested by an authorized representative of DTC (and any payment is made to Cede & Co. or to such other entity as is requested by an authorized representative of DTC), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL inasmuch as the registered owner hereof Cede & Co., has an interest herein.

[STATEMENT OF INSURANCE TO APPEAR ON BONDS]

[TO COME]

SECTION 2.05. Execution of Bonds. The Bonds shall be signed on behalf of the Authority by the manual or facsimile signature of the Treasurer and countersigned by the manual or facsimile signature of the Secretary; provided, that in case any officer of the Authority who shall have signed any of the Bonds shall cease to be such officer before the Bonds so signed shall have been delivered to the purchaser by the Trustee, such Bonds may nevertheless be delivered and issued and, upon such delivery and issuance, shall be as binding upon the Authority as though the officer who signed the same had continued to be such officer until such delivery and issuance; and provided further, that any Bond may be signed on behalf of the Authority by any officer of the Authority who on the actual date of the execution of such Bond shall be the proper officer of the Authority, although on the nominal date of such Bond such person shall not have been such officer of the Authority. Only those Bonds that bear thereon a certificate of authentication executed by the Trustee shall be entitled to any benefit, protection or security hereunder or be valid or obligatory for any purpose, and such certificate of the Trustee shall be conclusive evidence that the Bonds so authenticated have been duly authorized, sold, executed and delivered hereunder and are entitled to the benefits hereof.

SECTION 2.06. Transfer and Payment of Bonds. Any Bond may, in accordance with its terms, be transferred in the registration books kept by the Trustee pursuant to the provisions of Section 2.08 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 duly executed written instrument of transfer in a form acceptable to the Trustee duly executed by the registered owner or his duly authorized attorney; provided, that the Trustee shall not be required to register the transfer of any Bond during the period established by the Trustee for the selection of any Bonds for redemption or to register the transfer of any Bond which has been selected for redemption in whole or in part from and after the day of mailing a notice of redemption of such Bond selected for redemption in whole or in part as provided in Section 2.03. Whenever any Bond shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new Bond or Bonds of the same aggregate principal amount and maturity date of authorized denominations. All costs of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any such transfer shall be paid by the Authority; provided, that the Trustee shall require the payment by the Holder requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer as a condition precedent to the exercise of such privilege.

The Authority and the Trustee may deem and treat the registered owner of any Bond as the absolute owner of such Bond for the purpose of receiving payment of the interest thereon and the principal thereof and for all other purposes, whether such Bonds shall be overdue or not, and neither the Authority nor the Trustee shall be affected by any notice or knowledge to the contrary; and payment of the interest on and the principal of such Bond shall be made only to such registered owner thereof, which payments shall be valid and effectual to satisfy and discharge liability on such Bond to the extent of the sum or sums so paid.

SECTION 2.07. Exchange of Bonds. Any Bond may be exchanged at the Principal Corporate Trust Office of the Trustee for a new Bond or Bonds of the same aggregate principal amount and maturity date of authorized denominations; provided, that the Trustee shall not be required to exchange any Bond during the period established by the Trustee for the selection of any Bonds for redemption or to exchange any Bond which has been selected for

redemption in whole or in part from and after the day of mailing a notice of redemption of such Bond selected for redemption in whole or in part as provided in Section 2.03. All costs of printing the Bonds and any services rendered or expenses incurred by the Trustee in connection with any such exchange shall be paid by the Authority; provided, that the Trustee shall require the payment by the Holder requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange as a condition precedent to the exercise of such privilege. The registered owner of any Bond or Bonds may surrender such Bonds (together with a written instrument of transfer satisfactory to the Trustee duly executed by the registered owner or his duly authorized attorney) in exchange for an equal aggregate principal amount of Bonds of the same maturity date of authorized denominations in the manner, subject to the conditions and upon payment of the charges provided in the Indenture.

SECTION 2.08. Bond Registration Books. The Trustee will keep at its Principal Corporate Trust Office sufficient books for the registration, transfer and exchange of the Bonds, which books shall at all times during normal business hours be open to inspection by the Authority or the Bond Insurer, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register, transfer or exchange the Bonds in such books as hereinabove provided.

SECTION 2.09. Mutilated, Destroyed, Stolen or Lost Bonds. In case any Bond shall become mutilated in respect of the body of such Bond or shall be believed by the Trustee to have been destroyed, stolen or lost, upon proof of ownership satisfactory to the Trustee and upon the surrender of such mutilated Bond at the Principal Corporate Trust Office of the Trustee, or upon the receipt of evidence satisfactory to the Trustee of such destruction, theft or loss and upon receipt of indemnity satisfactory to the Trustee, and also upon payment of all expenses incurred by the Authority and the Trustee in the premises, the Authority shall execute and the Trustee shall authenticate and deliver at its Principal Corporate Trust Office a new Bond or Bonds of the same aggregate principal amount, series and maturity date of authorized denominations and bearing such numbers and notations as the Trustee shall determine in exchange and substitution for and upon cancellation of the mutilated Bond or in lieu of and in substitution for the Bond so destroyed, stolen or lost.

If any such destroyed, stolen or lost Bond shall have matured or shall have been called for redemption, payment of the amount due thereon may be made by the Trustee upon receipt of like proof, indemnity and payment of expenses.

Any replacement Bonds issued pursuant to this section shall be entitled to equal and proportionate benefits with all other Bonds issued hereunder, and the Authority and the Trustee shall not be required to treat both the original Bond and any replacement Bond as being Outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds Outstanding hereunder, but both the original and the replacement Bond shall be treated as one and the same.

SECTION 2.10. Temporary Bonds. Any Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery, which temporary Bonds shall be typewritten, shall be of such denominations as may be determined by the Authority, shall be issued in fully registered form, shall contain such reference to any of the

provisions hereof as may be appropriate and shall be executed by the Authority 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 in exchange therefor at the Principal Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations of the same maturity date and, and until so exchanged, the temporary Bonds shall be entitled to the same benefits as definitive Bonds issued hereunder.

SECTION 2.11. Use of Depository Bonds.

(a) DTC is hereby appointed depository of the Authority for the Bonds, and the Bonds shall be initially registered in the name of "Cede & Co.," as nominee of DTC, and shall be initially issued as one Bond for each of the series and maturities in the principal amounts set forth in Section 2.02, and registered ownership of the Bonds, or any portion thereof, may not thereafter be transferred except:

(i) To any successor of Cede & Co., as nominee of DTC, or its nominee, or to any substitute depository designated pursuant to clause (ii) of this section (a "substitute depository"); provided, that any successor of Cede & Co., as nominee of DTC or substitute depository, shall be qualified under any applicable laws to provide the services proposed to be provided by it;

(ii) To any substitute depository not objected to by the Trustee, upon (1) the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository, or (2) a determination by the Authority to substitute another depository for DTC (or its successor) because DTC or its successor (or any substitute depository or its successor) is no longer able to carry out its functions as depository; provided, that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) To any person as provided below, upon (1) the resignation of DTC or its successor (or substitute depository or its successor) from its functions as depository, or (2) a determination by the Authority to remove DTC or its successor (or any substitute depository or its successor) from its functions as depository.

(b) In the case of any transfer pursuant to clause (i) or clause (ii) of subsection (a) hereof, upon receipt of all Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, a new Bond for each series and maturity of the Bonds shall be executed by the Authority and authenticated and delivered by the Trustee in the aggregate principal amount of the Bonds, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such Written Request of the Authority. In the case of any transfer pursuant to clause (iii) of subsection (a) hereof, upon receipt of all Bonds by the Trustee, together with a Written Request of the Authority to the Trustee, a new Bond or Bonds for each series and maturity of the Bonds shall be executed by the Authority and authenticated and delivered by the Trustee in such denominations and shall be registered in the names of such persons as are requested in such Written Request of the Authority, subject to the

limitations of Section 2.02, and thereafter, the Bonds shall be transferred pursuant to Section 2.06; provided, that the Trustee shall not be required to deliver such new Bonds on any date prior to sixty (60) days after receipt of such Written Request of the Authority.

(c) So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the Authority and the Trustee shall be entitled to treat the person in whose name any Bond is registered as the owner thereof for all purposes hereof and any applicable laws, notwithstanding any notice to the contrary received by the Authority or the Trustee; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying, or otherwise dealing with any beneficial owners of the Bonds, and neither the Authority nor the Trustee shall have any responsibility or obligation, legal or otherwise, to the beneficial owners or to any other party, including DTC or its successor (or substitute depository or its successor), except to DTC or its successor (or substitute depository or its successor) as a Holder of the Bonds.

(d) So long as any Bonds are registered in the name of Cede & Co. or its registered assigns, the Authority and the Trustee shall cooperate with Cede & Co., as sole Holder, or its registered assigns, in effecting payment of the interest on and the principal of such Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due.

SECTION 2.12. Procedure for the Issuance of Bonds. At any time after the sale of the Bonds, the Authority shall prepare the Bonds and shall execute the Bonds for original issuance hereunder and shall deliver them to the Trustee, and thereupon the Bonds shall be authenticated and delivered by the Trustee to the underwriters thereof upon receipt of a Written Request of the Authority, and upon receipt of payment of the purchase price thereof from the underwriters (net of the cost of the premium for the Bond Insurance Policy, which shall be paid by the underwriters of the Bonds directly to the Bond Insurer). Upon receipt of payment of such net purchase price of the Bonds from the underwriters, the Trustee shall set aside and deposit in or transfer such amounts for deposit in the following respective funds (or in a temporary account in its books used to facilitate such deposit or transfer) in the following order:

(1) The Trustee shall deposit in the Series A Reserve Subaccount an amount of \$_____ and in the Series B Reserve Subaccount an amount of \$_____, which together will equal an amount of such net purchase price received from the sale of the Bonds equal to \$_____;

(2) The Trustee shall deposit in the Series A Program Account an amount of \$_____ and in the Series B Program Account an amount of \$_____, [which together [with the amounts described in subparagraphs (1) and (3) hereof] will equal an amount of such net purchase price received from the sale of the Bonds equal to the amount required to acquire the rights to receive the payments due under the Program Obligation, being the sum of \$_____]; and

(3) The Trustee shall transfer to the Treasurer for deposit in the Series A Costs of Issuance Account an amount of \$_____ and in the Series B Costs of Issuance Account an amount of \$_____, which together will equal the remaining net purchase price

received from the sale of the Bonds, being the sum of \$_____, and shall be applied by the Treasurer in accordance with the terms of Section 2.14.

SECTION 2.13. Program Fund. There is hereby established a fund to be maintained by the Trustee to be known as the "Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds (Community Reinvestment Capital Improvement Program) Program Fund." There is hereby created within the Program Fund a Series A Program Account and a Series B Program Account into which accounts shall be deposited the amount required to be deposited therein by the provisions of Section 2.12(2). All money in the Program Fund shall be applied by the Trustee upon receipt of a Written Request of the Authority in the manner provided by the Act for the payment of the acquisition of the rights to receive the Program Obligation Payments due under the Program Obligation (or for making reimbursements to the Authority for any such costs theretofore paid by it); provided, that any money remaining in the Program Fund after the completion of the acquisition of the rights to receive the Program Obligation Payments due under the Program Obligation shall be withdrawn by the Trustee from the Program Fund and deposited by the Trustee in the Revenue Fund and the Program Fund shall thereupon be closed.

SECTION 2.14. Costs of Issuance Fund. There is hereby established in the treasury of the Authority a fund to be maintained by the Treasurer to be known as the "Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds (Community Reinvestment Capital Improvement Program) Costs of Issuance Fund." There is hereby created within the Costs of Issuance Fund a Series A Costs of Issuance Account and a Series B Costs of Issuance Account into which accounts shall be deposited the amount required to be deposited therein by the provisions of Section 2.12(3). All money in the Costs of Issuance Fund shall be withdrawn as directed by the Treasurer or his designee in the manner provided by law for payment of Costs of Issuance; provided, that any money remaining in the Costs of Issuance Fund after the completion of the payment of the Costs of Issuance (and in any event not later than June 1, 2007) shall be withdrawn by the Treasurer from the Costs of Issuance Fund and transferred to the Trustee for deposit by the Trustee in the Revenue Fund.

ARTICLE III

REVENUES

SECTION 3.01. Assignment of the Program Obligation Payments and Pledge of Revenues. The Authority hereby assigns to the Trustee for the benefit of the Holders of the Bonds all of the Authority's right, title and interest in the rights to receive the Program Obligation Payments due under the Program Obligation as security for the payment of the Bonds; provided, that the assignment of the rights to receive the Program Obligation Payments due under the Program Obligation to the Trustee is solely in its capacity as Trustee hereunder, and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions hereof, and the Trustee shall have no responsibility for the representations, covenants or warranties of the Authority contained in the Program Obligation. All Revenues received by the Authority hereunder are hereby pledged to the payment of the interest on and the principal of the Bonds as and when they respectively become due as provided herein, and the Revenues shall not be used for any other purpose while any of the Bonds remain Outstanding. This pledge shall

constitute a first pledge of and charge and lien upon the Revenues for the payment of the interest on and the principal of the Bonds as and when they respectively become due in accordance with the terms hereof and thereof.

SECTION 3.02. Receipt and Deposit of Revenues in the Revenue Fund. In order to carry out and effectuate the assignment and pledge contained herein, the Authority agrees and covenants that all Revenues when and as received by the Authority will be forthwith transferred by the Authority to the Trustee for deposit in the "Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds (Community Reinvestment Capital Improvement Program) Revenue Fund," which fund is hereby created and which fund the Authority hereby agrees and covenants to maintain with the Trustee so long as any Bonds are Outstanding hereunder. All money in the Revenue Fund shall be accounted for through and held in trust in the Revenue Fund by the Trustee, and the Authority shall have no beneficial right or interest in any money in the Revenue Fund. All Revenues shall be allocated, applied and disbursed solely to the purposes and uses hereinafter in this article set forth, and shall be accounted for separately and apart from all other accounts, funds, money or other resources of the Authority.

SECTION 3.03. Establishment and Maintenance of Accounts for Use of Money in Revenue Fund. All money in the Revenue Fund shall be set aside by the Trustee in the following respective special accounts within the Revenue Fund (each of which is hereby created and each of which the Trustee hereby covenants and agrees to cause to be maintained) in the following order of priority:

- (a) Interest Account,
- (b) Redemption Account, and
- (c) Reserve Account (including the Series A Reserve Subaccount and the Series B Reserve Subaccount therein).

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

(a) Interest Account. On or before June 1 and December 1 of each year, commencing on _____ 1, 20__, the Trustee shall set aside from the Revenue Fund and deposit in the Interest Account an amount of money equal to the amount of interest becoming due and payable on all Outstanding Bonds on such June 1 or December 1, as the case may be; provided, that no deposit need be made into the Interest Account if the amount contained therein is at least equal to the amount of interest becoming due and payable on all Outstanding Bonds on such June 1 or December 1.

All money in the Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Bonds as it shall become due and payable (including the payment of accrued interest on any Bonds purchased or redeemed prior to maturity).

(b) Redemption Account. On or before December 1 of each year, the Trustee shall set aside from the Revenue Fund and deposit in the Principal Subaccount in the Redemption Account (which subaccount is hereby created and which the Trustee hereby covenants and agrees to cause to be maintained so long as any Serial Bonds shall be Outstanding) an amount of money equal to the principal amount of all Outstanding Serial Bonds maturing on such December 1, and on or before December 1 of each year, the Trustee shall set aside from the Revenue Fund and deposit in the Sinking Fund Subaccount in the Redemption Account (which subaccount is hereby created and which the Trustee hereby covenants and agrees to cause to be maintained so long as any Term Bonds shall be Outstanding) an amount of money equal to the Sinking Fund Payment required to be deposited therein on such December 1 for all Outstanding Term Bonds; provided, that no deposit need be made in the Redemption Account if the amount contained in the Principal Subaccount therein is at least equal to the principal amount of all Outstanding Serial Bonds maturing by their terms on such December 1 or if the amount contained in the Sinking Fund Subaccount therein is at least equal to the amount of the Sinking Fund Payment required to be deposited therein on such December 1 for all Outstanding Term Bonds.

All money in the Principal Subaccount in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal of the Serial Bonds as they shall become due and payable, whether at maturity or on prior redemption, and all money in the Sinking Fund Subaccount in the Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of purchasing or redeeming or paying the Term Bonds, and with respect to the Sinking Fund Subaccount, on each Sinking Fund Payment date the Trustee shall apply the Sinking Fund Payment required to be made on such date to the redemption of the Term Bonds upon the notice and in the manner provided herein or for the payment at maturity of the Term Bonds; provided, that at any time prior to selection of Term Bonds for such redemption the Trustee shall, upon receipt of a Written Request of the Authority, apply any money in the Sinking Fund Subaccount to the purchase for cancellation of Term Bonds at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as directed in such Written Request of the Authority, except that the purchase price (excluding accrued interest) shall not exceed the redemption price that would be payable for the Term Bonds upon redemption by application of such Sinking Fund Payment, and if during the twelve-month period immediately preceding any Sinking Fund Payment date the Trustee has purchased any Term Bonds with money in the Sinking Fund Subaccount, such Term Bonds so purchased shall be applied to the extent of the full principal amount thereof to reduce the Sinking Fund Payment due on such Sinking Fund Payment date.

(c) Reserve Account. [On or before June 1 and December 1 of each year, the Trustee shall set aside from the Revenue Fund and (i) shall deposit in the Series A Reserve Subaccount in the Reserve Account, which Subaccount is hereby established, a sum equal to the amount of money, if any, determined by the Trustee to be necessary to restore the Series A Reserve Subaccount in the Reserve Account to the Series A Reserve Requirement and (ii) shall deposit in the Series B Reserve Subaccount in the Reserve Account, which Subaccount is hereby established, a sum equal to the amount of money, if any, determined by the Trustee to be necessary to restore the Series B Reserve Subaccount in the Reserve Account to the Series B Reserve Requirement; and for this purpose all investments in the Reserve Account on June 1 and

December 1 of each year (beginning in _____, 200_) shall be valued at the face value thereof if such investments mature within twelve (12) months from the date of such valuation, or if such investments mature more than twelve (12) months after the date of such valuation, at the price at which such investments are redeemable by the holder, at his option, if so redeemable, or if not so redeemable, at the then current market value of such investments; provided, that (1) no deposit need be made in the Series A Reserve Subaccount in the Reserve Account if the amount contained therein is at least equal to the Series A Reserve Requirement and (2) no deposit need be made in the Series B Reserve Subaccount in the Reserve Account if the amount contained therein is at least equal to the Series B Reserve Requirement; and provided further, that if as a result of the foregoing valuation the Trustee determines that an amount in excess of the applicable Reserve Requirement is on deposit in any of the subaccounts in the Reserve Account, the Trustee shall notify the Authority of such excess and deposit or transfer such excess as directed in a Written Request of the Authority filed with the Trustee; provided that if no Written Request of the Authority is filed with the Trustee, the Trustee shall deposit such excess in the Revenue Fund, as a credit against payments due under the Sixth Amendment to Master Project Lease. In the event that there are insufficient Revenues available to deposit the total amount necessary to maintain the applicable Reserve Requirement, deposits of such Revenues to the Series A Reserve Subaccount and the Series B Reserve Subaccount shall be made proportionately, based on the amount of deficiency in each such Subaccount.]

[All money in the Series A Reserve Subaccount shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Series A Bonds if no other money is available in the Revenue Fund for such purpose. All money in the Series B Reserve Subaccount shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on or principal of the Series B Bonds if no other money is available in the Revenue Fund for such purpose.]

SECTION 3.04. Rebate Fund. There is hereby established a fund to be maintained by the Trustee to be known as the "Sacramento City Financing Authority 2006 Capital Improvement Revenue Bonds, Series A (Community Reinvestment Capital Improvement Program) Rebate Fund." The Trustee shall deposit in the Rebate Fund from funds provided by the Authority an amount equal to the Rebate Requirement in accordance with the Tax Certificate, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee, and the Trustee shall apply all money held in the Rebate Fund as provided in Section 4.03 and in the Tax Certificate, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee; and subject to the provisions of Section 4.03, all money held in the Rebate Fund is hereby pledged to secure payments to the United States of America, and the Authority and the Holders shall have no rights in or claims to such money.

In accordance with the Tax Certificate, the Trustee will remit part or all of the balance held in the Rebate Fund to the United States of America, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee, and in addition, if the Tax Certificate so requires, the Trustee will deposit money into or transfer money out of the Rebate Fund from or into such accounts or funds as therein provided, but only as directed by the Authority in appropriate Written Requests of the Authority filed with the Trustee.

ARTICLE IV

COVENANTS OF THE AUTHORITY

SECTION 4.01. Punctual Payment and Performance. The Authority will punctually pay the interest on and the principal of all Bonds issued hereunder as and when they respectively become due in strict conformity with the terms of the Act and hereof and of the Bonds, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein and in all Supplemental Indentures and in the Bonds required to be observed and performed by it.

SECTION 4.02. Indebtedness and Encumbrances. The Authority will not issue any evidences of indebtedness payable from the Revenues except as provided herein, and will not create, nor permit the creation of, any pledge, lien or other encumbrance upon any money in the Revenue Fund other than as provided herein; provided, that the Authority may at any time issue additional Authority Bonds payable on a parity from the Base Rental Payments under the Master Project Lease and may create additional pledges, liens or other encumbrances upon such Base Rental Payments under the Master Project Lease if the provisions set forth in Section 2.06 of the Master Project Lease are first satisfied.

SECTION 4.03. Tax Covenants. The Authority will at all times do and perform all acts and things permitted by law and hereby which are necessary to assure that interest paid on the Series A Bonds (or any of them) will be excluded from gross income for federal income tax purposes and will take no action that would result in such interest not being excluded from gross income for federal income tax purposes; and without limiting the generality of the foregoing, the Authority agrees to comply with the provisions of the Tax Certificate. This covenant shall survive payment in full or defeasance of the Series A Bonds.

SECTION 4.04. Payment of Claims. The Authority will pay and discharge any and all lawful claims which, if unpaid, might become payable from the Revenues or any part thereof or upon any funds in the hands of the Treasurer or the Trustee allocated to the payment of the interest on or the principal of the Bonds, or which might impair the security of the Bonds.

SECTION 4.05. Accounting Records and Reports.

(a) The Authority will keep or cause to be kept proper books of record and accounts in which complete and correct entries shall be made of all transactions relating to the receipts, disbursements, allocation and application of the Revenues, and such books shall be available for inspection by the Trustee at reasonable hours and under reasonable conditions. Not more than one hundred eighty (180) days after the close of each Fiscal Year, the Authority will furnish or cause to be furnished to the Trustee audited financial statements for such Fiscal Year (constituting a part of the financial statements of the City) prepared by an Independent Certified Public Accountant. The Authority will also keep or cause to be kept such other information as required under the Tax Certificate, and the Trustee shall have no duty to review or examine such statements.

(b) In accordance with Section 6599.1 of the California Government Code, until the October 30 following the final maturity of the Bonds, the Authority shall, not later than October 30 of each year, provide the following information to the California Debt and Investment Advisory Commission by mail, postage prepaid:

- (1) The principal amount of Bonds outstanding and the principal amount of the Program Obligation outstanding;
- (2) The balance in the Reserve Account and the subaccounts therein;
- (3) The costs of issuance, including any ongoing fees;
- (4) The total amount of administrative fees collected;
- (5) The amount of administrative fees charged to the Program Obligation;
- (6) The interest earnings and terms of all guaranteed investment contracts;
- (7) The commissions and fees paid on all guaranteed investment contracts;
- (8) The delinquency rates on the Program Obligation; and
- (9) The amount in the Redemption Fund constituting capitalized interest.

(c) In addition, in accordance with Section 6599.1 of the California Government Code, until the final maturity of the Bonds, the Authority shall notify the California Debt and Investment Advisory Commission by mail, postage prepaid, within ten (10) days if either of the following events occur:

- (1) The City or the Trustee fails to pay the interest on or the principal of the Bonds due on any scheduled payment date; or

(2) Funds are withdrawn from the Reserve Account to pay the interest on or the principal of the Bonds.

(d) Neither the Authority nor the California Debt and Investment Advisory Commission shall be liable for any inadvertent error in reporting the information required by this section, and the failure of the Authority to comply with the provisions of this section shall not be an Event of Default hereunder.

SECTION 4.06. Protection of Security and Rights of Holders. The Authority will preserve and protect the security of the Bonds and the rights of the Holders and will warrant and defend their rights against all claims and demands of all persons.

SECTION 4.07. Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the Revenues or to the extent involving the failure of the Authority to fulfill its obligations hereunder; provided, that the Trustee or any affected Holder at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of any such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions hereunder, except for any loss, cost, damage or expense resulting from the active or passive negligence or willful misconduct of the Trustee.

SECTION 4.08. Enforcement and Amendment of the Program Obligation. The Authority shall enforce all of its rights with respect to the Program Obligation to the fullest extent necessary to preserve the rights and protect the security of the Holders hereunder. The Program Obligation may only be amended without the consent of or prior notice to the Holders or the written approval of the Trustee or the Bond Insurer for the purposes set forth in the Program Obligation, and neither the Authority nor the Trustee shall consent to any other amendment, change or modification of the Program Obligation without the mailing of a notice thereof and receipt of the written approval or consent of (i) the Bond Insurer (provided that the Bond Insurance Policy is then in effect and the Bond Insurer is not in default under its payment obligations under the Bond Insurance Policy) or (ii) the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding (if the Bond Insurance Policy is not longer in effect or the Bond Insurer is in default under its payment obligations under the Bond Insurance Policy) given and procured as provided in this section; provided that no such amendment shall (a) extend the payment date of any Program Obligation Payments, or reduce the interest or principal payments due under the Program Obligation, without the prior written consent of the Holder of each Bond so affected, or (b) reduce the percentage of Bonds the consent of the Holders of which is required for the execution of any amendment to the Program Obligation; and provided further, that nothing contained in this section shall be construed to prevent the Trustee, with the prior consent of the Authority and the Bond Insurer, from settling a default under the Program Obligation on such terms as the Trustee may determine to be in the best interests of the Holders. If at any time the Authority shall request the consent of the Trustee to any such proposed amendment, change or modification of the Program Obligation, the Trustee shall, upon being satisfactorily indemnified with respect to expenses, cause notice of such

proposed amendment, change or modification to be mailed in the same manner as provided by Section 10.09, which such notice shall briefly set forth the nature of such proposed amendment, change or modification and shall state that copies of the instrument embodying the same are on file at the Principal Corporate Trust Office of the Trustee for inspection by the Bond Insurer or the Holders, as applicable.

SECTION 4.09. Maintenance of Existence. The Authority will, so long as any Bonds are Outstanding hereunder, maintain its existence, powers and authority as a joint exercise of powers authority under the laws of the State.

SECTION 4.10. Continuing Disclosure. The Authority will cause the City to comply with and carry out all of the provisions of the Continuing Disclosure Certificate, as originally executed and as it may be amended from time to time in accordance with the terms thereof; provided, that failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default hereunder or a breach by the Trustee of any of its duties or obligations hereunder; and provided further, that the Trustee may and, at the request of the Authority or the Holders of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Bonds (but only to the extent indemnified to its satisfaction from liability or expense, including fees and expenses of its attorneys) shall, or any Holder may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this section.

SECTION 4.11. Further Assurances. The Authority will adopt, deliver, execute, make and file any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance hereof and for the better assuring and confirming unto the Holders of the rights and benefits provided herein, including without limitation the filing of all financing statements, agreements, instruments or other documents in the forms and in the locations necessary to perfect and protect, and to continue the perfection of, the pledge of the Revenues provided herein to the fullest extent possible under applicable law of the State.

ARTICLE V

THE TRUSTEE

SECTION 5.01. The Trustee. The Bank of New York Trust Company, N.A., at its Principal Corporate Trust Office, is hereby appointed Trustee for the purpose of receiving all Revenues which the Authority is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using the Revenues as provided herein and for the purpose of paying the interest on and the principal of the Bonds presented for payment at its Principal Corporate Trust Office and for the purpose of canceling and destroying all paid or redeemed Bonds and all other Bonds surrendered by the Authority to it pursuant to Section 10.07, with the rights and obligations provided herein. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in Los Angeles or in San Francisco, California.

The Authority may at any time, unless there exists any Event of Default, and upon the written direction of the Bond Insurer shall, remove the original Trustee appointed hereunder and any successor Trustee thereto and appoint a successor Trustee thereto by an instrument in writing; provided, that any such successor Trustee shall be a national or state bank approved in writing by the Bond Insurer and doing business and having a corporate trust office in Los Angeles or in San Francisco, California, and having (or in the case of an institution that is affiliated with a bank holding company, such holding company shall have) a combined capital (exclusive of borrowed capital) and surplus of at least one hundred million dollars (\$100,000,000) and being subject to supervision or examination by national or state authority; and if such national or state bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this section the combined capital and surplus of such bank or trust company or national banking association (or in the case of an institution that is affiliated with a bank holding company, such holding company) shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving prior written notice of such resignation to the Authority and to the Bond Insurer and by mailing to the Holders notice of such resignation, and upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing; provided, that notwithstanding any other provision hereof, no removal, resignation or termination of the Trustee and appointment of a successor Trustee shall become effective until the approval of such successor Trustee by the Bond Insurer and the acceptance of appointment by the successor Trustee. If, within thirty (30) days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any federal or state court for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby. The Trustee may be removed at any time, at the request of the Bond Insurer, for any breach of the trust set forth herein.

The Trustee is hereby authorized to pay or redeem the Bonds when duly presented for payment at maturity or on redemption prior to maturity. The Trustee shall cancel all Bonds upon payment thereof or upon the surrender thereof by the Authority and shall destroy such Bonds and shall deliver to the Authority a certificate of such destruction upon request of the Authority. The Trustee shall keep accurate records of all Bonds paid and discharged and cancelled by it.

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

SECTION 5.02. Liability of Trustee. The recitals of facts, agreements and covenants contained herein and in the Bonds shall in all cases be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee shall not assume any responsibility,

nor shall it have any liability, for the correctness of the same and does not make any representation whatsoever as to the sufficiency or validity hereof or of the Bonds, and shall not incur any responsibility, nor shall it have any liability, in respect thereof other than in connection with the express duties and obligations assigned to or imposed upon it herein or in the Bonds. The Trustee shall not be liable in connection with the performance of its express duties and obligations hereunder except for its own negligence or willful misconduct and shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee shall not be bound to recognize any person as the Holder of a Bond unless and until such Holder's title thereto shall have been established to the satisfaction of the Trustee, if disputed.

The Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Holders of not less than a majority in aggregate principal amount of the Bonds at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Trustee, or exercising any trust or power conferred upon the Trustee hereunder, and the parties hereto understand that counsel to the Trustee shall at no time, nor for any purpose whatsoever, be deemed counsel to the Holders, and all communications between the Trustee and its counsel shall be deemed confidential and privileged.

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

The Trustee shall not be responsible for the validity or effectiveness or value of any collateral or security securing the Program Obligation. The Trustee shall not be responsible or liable for the recording or filing or for the monitoring of any document relating to the Program Obligation or of financing statements (or continuation statements in connection therewith) or mortgage or of any supplemental instruments or documents of further assurance as may be required by law in order to perfect the security interests or lien on or in any collateral or security securing the Program Obligation. The Trustee shall not be deemed to have made representations of any sort as to the security afforded thereby or as to the validity or sufficiency of any such document, collateral or security.

The Trustee shall not be deemed to have knowledge of any Event of Default hereunder unless and until an officer at the Trustee's Principal Corporate Trust Office responsible for the administration of the Trustee's duties and obligations hereunder shall have actual knowledge thereof or the Trustee shall have received written notice thereof (from the Bond Insurer or otherwise) at its Principal Corporate Trust Office. The Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the agreements,

conditions, covenants or terms contained herein or as to the existence of an Event of Default hereunder.

The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duties and obligations hereunder, but the Trustee shall not be answerable for the professional misconduct or malpractice of any attorney-at-law or certified public accountant in connection with the rendering of his professional advice in accordance with the terms hereof, if such attorney-at-law or certified public accountant was selected by the Trustee in good faith.

The Trustee shall not be required to monitor or be concerned with or accountable to anyone for the subsequent use or application of any money which shall be withdrawn and transferred to the Authority in accordance with the provisions hereof.

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

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

Whenever in the administration of its rights and obligations hereunder the Trustee shall deem it necessary or desirable that a matter be established or proved prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of bad faith on the part of the Trustee, be deemed to be conclusively proved and established by a Certificate of the Authority, which certificate shall be full warrant to the Trustee for any action taken or suffered under the provisions hereof upon the faith thereof, but in its discretion the Trustee may in lieu thereof accept other evidence of such matter or may require such additional evidence as it may deem reasonable; provided, that in no event shall the Trustee be deemed to have expanded the scope of its duties and obligations hereunder.

No provision hereof shall require the Trustee to expend or risk its own funds or otherwise incur any financial liability in the performance or exercise of any of its duties or obligations hereunder, or in the exercise of its rights or powers. The Trustee shall be entitled to interest on all amounts advanced by it hereunder at its prime rate plus two percent (2%), but not to exceed the maximum interest rate permitted under the laws of the State.

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

The Trustee shall have no duty to take any action hereunder in connection with any interest which the Trustee may have in any real estate unless the Trustee is indemnified to the Trustee's satisfaction for the payment and reimbursement of all fees, costs and expenses to which it might be put and to protect it against all liability which may arise from such action, including, without limitation, any liability for environmental contamination or clean-up arising from the Trustee's ownership, operation or use of such real estate.

All immunities, indemnifications and releases from liability granted herein to the Trustee shall extend to the directors, employees, officers and agents thereof.

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 Authority, 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 of 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 Program Obligation, 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.

The Trustee agrees to accept and act upon facsimile transmission of written instructions and/or directions pursuant to the Indenture; provided, that (a) subsequent to such facsimile transmission of written instructions and/or directions, the Trustee shall forthwith receive the originally executed instructions and/or directions, (b) 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 (c) the Trustee shall have received a current incumbency certificate containing the specimen signature of such designated person.

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, so long as such company shall meet the requirements set forth in Section 5.01, shall be the successor to the Trustee and shall be 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.

SECTION 5.03. Compensation and Indemnification of Trustee. In addition to any written fee agreements between the Authority and the Trustee, the Authority covenants to pay to the Trustee from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the exercise and performance of any of its duties and obligations hereunder, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee and its affiliates

and its directors, employees and agents in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ), except any such expense, disbursement or advance as may arise from the negligence or willful misconduct of the Trustee. The Authority, to the extent permitted by law, shall indemnify, defend and hold harmless the Trustee against any loss, damages, liability or expense incurred without negligence or willful misconduct on the part of the Trustee arising out of or in connection with (i) the acceptance or administration of the trusts created hereby, or the exercise or performance of any of its express duties or obligations hereunder, or (ii) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in the light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any of the Bonds, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its duties and obligations hereunder, whether or not litigated. The rights of the Trustee and the obligations of the Authority under this section shall survive the discharge of the Bonds and hereof and the resignation or removal of the Trustee.

ARTICLE VI

AMENDMENT OF SUPPLEMENT TO THE INDENTURE

SECTION 6.01. Procedure for Amendment of or Supplement to the Indenture.

(a) Amendment or Supplement With Consent of Holders. The Indenture and the rights and obligations of the Authority and of the Holders may be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture shall become binding when the written consents of the Holders of at least a majority in aggregate principal amount of the Bonds then Outstanding, exclusive of Bonds disqualified as provided in Section 6.02, shall have been filed with the Trustee; provided, that the prior written consent of the Bond Insurer shall be required prior to submitting any such Supplemental Indenture to the Holders for their consent; and provided further, that before executing any such Supplemental Indenture the Trustee shall first be provided at the Authority's expense with an Opinion of Counsel that such Supplemental Indenture complies with the provisions hereof, on which opinion the Trustee may conclusively rely; and provided further, that no such amendment or supplement shall (1) extend the maturity of or reduce the interest rate on or otherwise alter or impair the obligation of the Authority to pay the interest on or the principal of or make any Sinking Fund Payment for any Bond at the time and place and at the rate and in the currency and from the funds provided herein without the express written consent of the Holder of such Bond, or (2) permit the issuance by the Authority of any obligations payable from the Revenues other than the Bonds as provided herein, or jeopardize the ability of the Authority to collect the Revenues, or (3) reduce the percentage of Bonds required for the written consent to any such amendment or supplement, or (4) modify any rights or obligations of the Trustee without its prior written assent thereto.

(b) Amendment or Supplement Without Consent of Holders. The Indenture and the rights and obligations of the Authority and of the Holders may also be amended or supplemented at any time by the execution and delivery of a Supplemental Indenture by the Authority and the Trustee, which Supplemental Indenture shall become binding upon execution without the prior written consent of any Holders, but only to the extent permitted by law (and subject to obtaining the prior written consent of the Bond Insurer) and only after receiving an approving Opinion of Counsel and only for any one or more of the following purposes --

(i) To add to the agreements and covenants required herein to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority which shall not (in the opinion of the Authority) adversely affect the interests of the Holders, or to surrender any right or power reserved herein to or conferred herein upon the Authority which shall not (in the opinion of the Authority) adversely affect the interests of the Holders;

(ii) To make such provisions for the purpose of curing any ambiguity or of curing, correcting or supplementing any defective provision contained herein or in regard to questions arising hereunder which the Authority may deem desirable or necessary and not inconsistent herewith and which shall not (in the opinion of the Authority) adversely affect the interests of the Holders;

(iii) To add to the agreements and covenants contained herein such other agreements and covenants as may be necessary to qualify the Indenture under the Trust Indenture Act of 1939;

(iv) To make such additions, deletions or modifications as may be necessary or appropriate to insure compliance with Section 148(f) of the Code relating to the required rebate of excess investment earnings to the United States of America, or otherwise as may be necessary to insure the exclusion from gross income for purposes of federal income taxation of the interest on the Bonds or the exemption of such interest from State personal income taxes;

(v) To make such additions, deletions or modifications as may be necessary or appropriate to maintain any then current rating by any of the Rating Agencies on the Bonds; or

(vi) To add to the rights of the Trustee.

In connection with the proceedings for the execution of any Supplemental Indenture, the Authority shall (i) provide each of the Rating Agencies with a notice of such amendment together with a copy of the proposed Supplemental Indenture at least fifteen (15) days in advance of the execution and delivery thereof and (ii) provide the Bond Insurer with a transcript of all proceedings relating to the execution and delivery of such Supplemental Indenture.

SECTION 6.02. Disqualified Bonds. Any Bonds owned or held for the account of the Authority shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this article or in Article VII, and

shall not be entitled to consent to or take any other action provided for in this article or in Article VII.

SECTION 6.03. Endorsement or Replacement of Bonds After Amendment or Supplement. After the effective date of any action taken as hereinabove provided, the Authority may determine that the Bonds may bear a notation by endorsement in form approved by it as to such action, and in that case upon demand of the Holder of any Bond Outstanding on such effective date and presentation of his Bond for such purpose at the Principal Corporate 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 action shall be prepared and executed, and in that case upon demand of the Holder of any Bond Outstanding on such effective date such new Bonds shall, upon surrender of such Outstanding Bonds, be exchanged at the Principal Corporate Trust Office of the Trustee, without cost to each Holder, for Bonds then Outstanding.

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

ARTICLE VII

EVENTS OF DEFAULT AND REMEDIES OF HOLDERS

SECTION 7.01. Events of Default and Acceleration of Maturities. If one or more of the following events (herein "Events of Default") shall happen, that is to say --

(a) if default shall be made by the Authority in the due and punctual payment of any interest on or principal of or Sinking Fund Payment for any of the Bonds when and as the same shall become due and payable;

(b) if default shall be made by the Authority in the observance or performance of any of the other agreements or covenants contained herein required to be observed or performed by it, and such default shall have continued for a period of thirty (30) days after the Authority shall have been given notice in writing of such default by the Trustee; or

(c) if the Authority shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the Authority seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, 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;

(d) if an Event of Default (as that term is defined in the Master Project Lease) has occurred under the Master Project Lease;

then and in each and every such case during the continuance of such Event of Default the Trustee may, and upon the written request of the Holders of not less than a majority in aggregate principal amount of the Bonds then Outstanding, and in each case so long as the Trustee is indemnified to its satisfaction therefor, shall, by notice in writing to the Authority, declare the principal of all Bonds then Outstanding and the interest accrued thereon to be due and payable immediately, and upon any such declaration the same shall, without further action, become due and payable, anything contained herein or in the Bonds to the contrary notwithstanding; provided, that this provision is subject to the condition that if at any time after the principal of the Bonds then Outstanding shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the Authority shall deposit with the Trustee a sum sufficient to pay all matured interest on all the Bonds and all principal of the Bonds matured prior to such declaration, with interest at the rate borne by such Bonds on such overdue interest and principal, and the reasonable fees and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of interest on and principal of the Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then and in every such case the Holders of not less than a majority in aggregate principal amount of Bonds then Outstanding, by written notice to the Authority and to the Trustee, may, on behalf of the Holders of all the Bonds then Outstanding, rescind and annul such declaration and its consequences; and provided further, that no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

SECTION 7.02. Application of Funds Upon Acceleration. All money in the accounts and funds provided in Sections 3.02 and 3.03 upon the date of the declaration of acceleration by the Trustee as provided in Section 7.01 and all Revenues thereafter received by the Authority hereunder shall be transmitted to the Trustee and shall be applied by the Trustee in the following order--

First, to the payment of the fees, costs and expenses of the Trustee, if any, in carrying out the provisions hereof and of any other agreement to which the Trustee is a party in connection herewith, including any outstanding fees and expenses of the Trustee and including reasonable compensation to its accountants and counsel, and thereafter to the payment of the costs and expenses of the Holders in providing for the declaration of such Event of Default, including reasonable compensation to their accountants and counsel; and

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

SECTION 7.03. Institution of Legal Proceedings by Trustee. If one or more Events of Default shall happen and be continuing, the Trustee may, and upon the written request of the Holders of a majority in principal amount of the Bonds then Outstanding, and in each case so long as the Trustee is indemnified to its satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Holders of Bonds hereunder by a suit in equity or action at law, either for the specific performance of any agreement or covenant contained herein or in aid of the execution of any power herein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights and duties hereunder; provided, that nothing contained herein or in the Bonds shall affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest on and the principal of the Bonds to the respective Holders of the Bonds as and when they respectively become due as provided herein from the Revenues as provided herein pledged for such payment, or shall affect or impair the right of such Holders, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein and in the Bonds.

A waiver of any default or breach of duty or contract by the Trustee or any Holder shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Trustee or any Holder to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Holders by the Act or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee or the Holders.

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

SECTION 7.04. Actions by Trustee as Attorney-in-Fact. Any action, proceeding or suit which any Holder shall have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Holders, whether or not the Trustee is a Holder, and the Trustee is hereby appointed (and the successive Holders, by taking and holding the Bonds issued hereunder, shall be conclusively deemed to have so appointed it) the true and lawful attorney-in-fact of the Holders for the purpose of bringing any such action, proceeding or suit and for the purpose of doing and performing any and all acts and things for and on behalf of the Holders as a class or classes as may be advisable or necessary in the opinion of the Trustee as such attorney-in-fact; provided, that notwithstanding any other provision hereof, in determining whether the rights of the Holders of the Bonds will be adversely affected by any action taken pursuant to the terms and provisions hereof, the Trustee shall consider the effect on the Holders of the Bonds as if there were no Bond Insurance Policy.

SECTION 7.05. Limitation on Bondholders' Right to Sue. No Holder of any Bond issued hereunder shall have the right to institute any suit, action or proceeding, at law or equity, for any remedy hereunder against the Trustee unless (a) such Holder shall have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Holders of at least a majority in aggregate principal amount of all the Bonds then Outstanding

shall have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (c) such Holders shall have tendered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee shall have refused or omitted to comply with such request for a period of sixty (60) days after such request shall have been received by, and such tender of indemnity shall have been made to, the Trustee.

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

SECTION 7.06. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Holders is intended to be exclusive of any other remedy, and every such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing at law or in equity or by statute or otherwise, and may be exercised without exhausting and without regard to any other remedy conferred by the Act or any other law.

ARTICLE VIII

DEFEASANCE

SECTION 8.01. Discharge of the Bonds.

(a) If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Holders of all Outstanding Bonds the interest thereon and the principal thereof as and when they respectively become due and payable in accordance with their terms or upon redemption proceedings as provided in the Indenture, or otherwise, and the whole amount of the principal and the interest so due and payable upon all of the Bonds shall be paid, or provision shall have been made for the payment of the same as provided herein, together with all other sums payable by the Authority under the Indenture, including all fees and expenses of the Trustee, then and in that case the Indenture and the lien created hereby shall be completely discharged and satisfied and the Authority shall be released from the agreements, conditions, covenants and other obligations of the Authority contained in the Indenture, and the Trustee shall assign and transfer to or upon the order of the Authority all property, money or securities (in excess of the amounts required for the foregoing) then held by the Trustee free and clear of any encumbrances and the Trustee shall execute and deliver to the Authority all such instruments as may be necessary or desirable to evidence such discharge and satisfaction.

(b) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if there shall be on deposit with the Trustee money which is

sufficient to pay the interest due on such Bonds on such date and the principal due on such Bonds on such date.

(c) Any Outstanding Bonds shall prior to the maturity date or redemption date thereof be deemed to have been paid within the meaning and with the effect expressed in subsection (a) of this section (except that the Authority shall remain liable for the payment of such Bonds, but only out of the money or securities deposited with the Trustee or an escrow agent as hereinafter described) if (1) in case any of such Bonds are to be redeemed on any date prior to their maturity date, the Authority shall have agreed to mail a notice of redemption pursuant to Section 10.09 to the respective Holders of all such Outstanding Bonds and to DTC and the Information Services selected by it pursuant to Section 2.03, (2) there shall have been deposited with the Trustee or an escrow agent acceptable to the Bond Insurer either money in an amount which shall be sufficient or Defeasance Securities the interest on and the principal of which when paid will provide money which, together with the money, if any, deposited with the Trustee or such escrow agent at the same time, shall be sufficient to pay when due the interest to become due on such Bonds on and prior to the maturity dates or redemption dates thereof, as the case may be, and the principal of such Bonds on and prior to the maturity dates or the redemption dates thereof, as the case may be, as evidenced by (i) an Accountant's Report of an Independent Certified Public Accountant acceptable to the Bond Insurer verifying the sufficiency of the escrow established to pay the Bonds in full on the maturity or redemption date (a "Verification"), (ii) an Escrow Deposit Agreement (which shall be acceptable in form and substance to the Bond Insurer), and (iii) an Opinion of Counsel to the effect that the Bonds are no longer Outstanding hereunder (with each such Verification and Opinion of Counsel to be acceptable in form and substance, and addressed, to the Authority, the Trustee and the Bond Insurer, and in the event a forward purchase agreement is employed in the refunding, such agreement shall be subject to the approval of the Bond Insurer and shall be accompanied by such Opinions of Counsel as may be required by the Bond Insurer, and the Bond Insurer shall be provided with final drafts of the above-referenced documentation no less than five (5) Business Days prior to the funding of the escrow); and (3) in the event such Bonds are not by their terms subject to redemption within the next succeeding sixty (60) days, the Authority shall have agreed to mail pursuant to Section 10.09 a notice to the Holders of such Bonds and to DTC and the Information Services selected by it pursuant to Section 2.03 that the deposit required by clause (2) above has been made with such escrow agent or the Trustee and that such Bonds are deemed to have been paid in accordance with this section, and stating the maturity dates or redemption dates, as the case may be, upon which money will be available for the payment of the principal of such Bonds. Bonds shall be deemed Outstanding under the Indenture unless and until they are in fact paid and retired or the above criteria are met.

Notwithstanding anything contained herein to the contrary, in the event that the interest and/or principal due on the Bonds shall be paid by the Bond Insurer pursuant to the Bond Insurance Policy, the Bonds shall remain Outstanding for all purposes, shall not be defeased or otherwise satisfied and shall not be considered paid by the Authority, and the assignment and pledge of the Revenues and the other funds as provided herein and all agreements, covenants and other obligations of the Authority to the Holders of the 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 Holders.

SECTION 8.02. Unclaimed Money. Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Bonds or any interest thereon which remains unclaimed for two (2) years after the date when such Bonds or interest thereon have become due and payable, either at their stated maturity dates or by call for redemption prior to maturity, if such money was held by the Trustee on such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Bonds or interest thereon became due and payable, shall be repaid by the Trustee to the Authority as its absolute property free from trust for use in accordance with the Act, and the Trustee shall thereupon be released and discharged with respect thereto and the Holders shall look only to the Authority for the payment of such Bonds and the interest thereon; provided, that before the Trustee shall be required to make any such repayment the Authority shall mail pursuant to Section 10.09 a notice to the Holders of all Outstanding Bonds and to DTC and the Information Services selected by the Authority pursuant to Section 2.03 that such money remains unclaimed and that after a date named in such notice, which date shall not be less than thirty (30) days after the date of the mailing of such notice, the balance of such money then unclaimed will be returned to the City.

ARTICLE IX

PROVISIONS RELATING TO THE BOND INSURANCE POLICY AND THE BOND INSURER

[TO COME]

ARTICLE X

MISCELLANEOUS

SECTION 10.01. Liability of Authority Limited to Revenues and Certain Other Funds. Notwithstanding anything contained herein, the Authority shall not be required to advance any money derived from any source of funds other than the Revenues and the other funds provided herein for the payment of the interest on or the principal of the Bonds or for the performance of any agreements or covenants contained herein; provided, that the Authority may advance funds for any such purpose so long as such funds are derived from a source legally available for such purpose without incurring an indebtedness.

The Bonds are limited obligations of the Authority, and are payable from, and are secured as to the payment of the interest thereon and the principal thereof, in accordance with their terms and the terms hereof, solely from the Revenues and the other funds provided herein for their payment. The Bonds shall not constitute a charge against the general credit of the Authority or the general credit of the City, and under no circumstances shall the Authority be obligated to pay the interest on or the principal of the Bonds except from the Revenues and such other funds, and neither the State nor any public agency thereof nor the City shall be obligated to pay the interest on or the principal of the Bonds, and neither the faith and credit nor the taxing power of the Authority, the State or any public agency thereof or the City shall be pledged to the payment of the interest on or the principal of the Bonds, and neither the payment of the interest

on or the principal of the Bonds shall constitute a debt, liability or obligation of the State nor any public agency thereof nor the City.

SECTION 10.02. Benefits of the Indenture Limited to Certain Parties. Nothing contained herein, expressed or implied, is intended or shall be construed to confer upon, or to give or grant to, any entity or person other than the Authority, the Trustee, the Bond Insurer and the Holders any right, remedy or claim under or by reason hereof or any covenant, condition or stipulation hereof, and all covenants, stipulations, promises and agreements required herein to be performed by or on behalf of the Authority shall be for the sole and exclusive benefit of the Authority, the Trustee, the Bond Insurer and the Holders; and to the extent that the Indenture confers upon or gives or grants to the Bond Insurer any right, remedy or claim under or by reason hereof, 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 10.03. Successor is Deemed Included in All References to Predecessor. Whenever either the Authority or any officer thereof is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions with respect to the administration, control and management of the Authority that are presently vested in the Authority or such officer, and all agreements and covenants required herein to be performed by or on behalf of the Authority or any officer thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 10.04. Execution of Documents by Holders. Any declaration, request, consent or other instrument which is permitted or required herein to be executed by Holders may be in one or more instruments of similar tenor, and may be executed by Holders in person or by their attorneys duly authorized in writing. The fact and date of the execution by any Holder or his attorney of any declaration, request, consent or other instrument or of any writing appointing such attorney may be proved by the certificate of any notary public or other officer authorized to take acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request, consent or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution duly sworn to before such notary public or other officer. The ownership of Bonds and the amount, maturity, number and date of holding the same shall be provided by the registration books required to be kept by the Trustee pursuant to Section 2.08.

Any declaration, request, consent or other instrument or writing of the Holder of any Bond shall bind all future Holders of such Bond with respect to anything done or suffered to be done by the Authority in good faith and in accordance therewith.

SECTION 10.05. Waiver of Personal Liability. No officer of the Authority shall be individually or personally liable for the payment of the interest on or the principal of the Bonds by reason of their issuance, but nothing herein contained shall relieve any such officer from the performance of any official duty provided by the Act or any other applicable provisions of law or hereby.

SECTION 10.06. Deposit and Investment of Money in Accounts and Funds.

All money held by the Treasurer in any account or fund established herein shall be invested in Legal Investments that mature not later than the date on which it is estimated that such money will be required to be paid out hereunder, and all money held by the Trustee in any account or fund established herein shall be invested by the Trustee pursuant to a Written Request of the Authority received by the Trustee at least two (2) days before making any such investment in those Legal Investments specified in such Written Request of the Authority that mature not later than the date on which it is estimated that such money will be required to be paid out hereunder, and the Trustee may conclusively rely that any investment specified in any such Written Request of the Authority is a Legal Investment; provided, that in the absence of receipt of any such Written Request of the Authority, the Trustee shall, to the extent practicable, invest such money in securities defined in paragraph (6) of the definition of Legal Investments; and provided further, that for investment purposes the Trustee may commingle the money in the accounts and funds established hereunder (except the money in the Reserve Account), but shall account for each such fund or account separately. The Trustee (or any of its affiliates) may act as principal or agent or as sponsor, advisor or manager in connection with the making or disposition of any investment by the Trustee hereunder and may impose its customary charges therefor, and the Trustee shall not be responsible for any loss suffered in connection with any investment made in accordance herewith.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law; provided, that the Trustee will furnish the Authority periodic cash transaction statements which include details for all investment transactions made by the Trustee hereunder.

All interest received on any such money so deposited or invested which exceeds the requirements of the fund from which such money was deposited or invested shall (subject to the requirements of Section 4.03) be deposited in the Revenue Fund, and all losses on any such money so deposited or invested shall be borne by the fund from which the deposit or investment was made.

SECTION 10.07. Acquisition of Bonds by Authority. All Bonds acquired by the Authority, whether by purchase or gift or otherwise, shall be surrendered to the Trustee for cancellation as provided herein.

SECTION 10.08. Content of Certificates and Reports. Every certificate or report with respect to compliance with an agreement, condition, covenant or term provided herein shall include (a) a statement that the person or persons making or giving such certificate or report have read such agreement, condition, covenant or term and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the opinion contained in such certificate or report is 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 agreement, condition, covenant or term has been complied with; and (d) a

statement as to whether, in the opinion of the signers, such agreement, condition, covenant or term 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 representation made in an Opinion of Counsel unless such officer knows that the representation with respect to the matters upon which his certificate may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous. Any such Opinion of Counsel may be based, insofar as it relates to factual matters information with respect to which is in the possession of the Authority, upon a representation by an officer or officers of the Authority unless the counsel giving such Opinion of Counsel knows that the representation with respect to the matters upon which his opinion may be based, as aforesaid, is erroneous, or in the exercise of reasonable care should have known that the same was erroneous.

SECTION 10.09. Notice by Mail. Any notice required to be given by mail to any Holders or to DTC or to the Information Services shall be given by mailing a copy of such notice, first class postage prepaid, to such Holders at their addresses appearing in the books required to be kept by the Trustee pursuant to the provisions of Section 2.08 or to DTC or to the Information Services not less than thirty (30) days nor more than sixty (60) days following the action or prior to the event concerning which notice thereof is required to be given; provided, that neither failure to receive any such notice nor any immaterial defect contained therein shall affect the sufficiency or validity of the proceedings taken in connection with the action or the event concerning which such notice was given.

SECTION 10.10. Maintenance of Accounts and Funds. Any account or fund required herein to be established and maintained by the Treasurer or the Trustee may be maintained by the Treasurer or the Trustee, as the case may be in its accounting records in its customary manner either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any financial reports or statements with respect thereto, be treated either as an account or as a fund; but all such accounting records with respect to all such accounts and funds shall at all times be maintained by the Treasurer and the Trustee in accordance with industry standards and with due regard for the protection of the security of the Bonds and the rights of the Holders.

SECTION 10.11. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the construction, effect or meaning hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions are to the corresponding articles, sections or subdivisions hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and "hereunder" and other words of similar import refer to the Indenture as a whole and not to any particular article, section or subdivision hereof.

SECTION 10.12. CUSIP Numbers. Neither the Authority nor the Trustee shall be liable for any defect or inaccuracy in the CUSIP number that appears on any Bond or in any redemption notice relating thereto, and the Trustee may, in its discretion, include in any redemption notice relating to any of the Bonds a statement to the effect that the CUSIP numbers

on the Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Holders and that neither the Authority nor the Trustee shall be liable for any defects or inaccuracies in such numbers.

SECTION 10.13. Partial Invalidity. If any one or more of the agreements, conditions, covenants or terms or portions thereof required hereby to be observed or performed by the Authority or the Trustee should be contrary to law, then such agreement or agreements, such condition or conditions, such covenant or covenants or such term or terms or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements, conditions, covenants or terms or portions thereof and shall in no way affect the validity hereof or of the Bonds; and the Holders shall retain all the rights and benefits accorded to them under the Act or any other applicable provisions of law. The Authority hereby declares that it would have executed the Indenture and each and every other article, 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 one or more of the articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 10.14. Governing Law. The Indenture shall be governed by and construed and interpreted in accordance with the laws of the State.

SECTION 10.15. Notices. All written notices to be given hereunder shall be given by first class mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to the Authority:

Sacramento City Financing Authority
915 I Street
HCH, 3rd Floor, #0900
Sacramento, California 95814
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
FAX: 415/399-1647

If to the Bond Insurer:

[To Come]

SECTION 10.16. Execution in Counterparts. The Indenture may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

SECTION 10.17. Effective Date of the Indenture. The Indenture shall take effect from and after its execution and delivery.

IN WITNESS WHEREOF, the Sacramento City Financing Authority has caused the Indenture to be signed in its name by its Treasurer, and to be attested by its Secretary, and The Bank of New York Trust Company, N.A., as Trustee, in token of its acceptance of the trusts created hereunder, has caused the Indenture to be signed in its corporate name by its officer thereunto duly authorized, all as of the date and year first above written.

SACRAMENTO CITY FINANCING AUTHORITY

By _____
Thomas P. Friery
Treasurer

ATTEST:

Secretary

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

By _____
Authorized Officer