CLOSING MEMORANDUM

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

REPLACEMENT OF LIQUIDITY FACILITY

This memorandum will summarize the procedures to be followed in satisfying the conditions precedent to the replacement of a liquidity facility for the City of Modesto (the "City") of its Water Refunding Revenue Certificates of Participation, 2008 Series A (the "Certificates").

CLOSING SCHEDULE

Wednesday, June 7, 2023	Via Norton Rose Fulbright's Virtual Closing Site	Pre-Closing
Thursday, June 8, 2023	Via Norton Rose Fulbright's Virtual Closing Site	Closing

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

MEMORANDUM OF LEGAL PAPERS

to be included in transcripts
relating to the above-mentioned Certificates

****

Closing: Thursday, June 8, 2023

Complete transcripts are to be prepared for distribution to the following parties:

Modesto Public Financing Authority (the "Authority")

*City of Modesto (the "City")

Jose M. Sanchez, Esq., City Attorney and General Counsel for the Authority ("City Attorney")

*Norton Rose Fulbright US LLP ("Special and Disclosure Counsel" or "SC and DC")

PFM Financial Advisors LLC (the "Municipal Advisor" or "MA")

*BMO Harris Bank N.A. (the "Bank")

Hawkins Delafield & Wood LLP ("Bank Counsel")

*The Bank of New York Mellon Trust Company, N.A. (the "Trustee")

Trustee General Counsel ("Trustee's Counsel" or "TC")

PNC Capital Markets LLC (the "Remarketing Agent")

Nixon Peabody LLP (the "Remarketing Agent's Counsel")

*Assured Guaranty Corp. (the "Insurer")

Insurer General Counsel ("Insurer's Counsel")

*JPMorgan Chase Bank, National Association (the "Outgoing Bank")

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* We will be preparing transcripts in electronic copy for all parties. In addition to electronic copy, parties indicated above with an asterisk (*) will be receiving one paper copy of the transcript.

Pre-Closing

The Pre-Closing will be held on Wednesday, June 7, 2023, via Norton Rose Fulbright's Virtual Closing Site.

The parties indicated below will deliver six (6) originals of each of the respective documents so indicated below. The documents will be executed in advance of the Closing by the respective parties thereto and delivered no later than the Pre-Closing. Unless otherwise indicated, the documents will be dated as of the date of Closing. All such deliveries will be deemed to have been made in escrow until final delivery at the Closing has been made.

Responsibility for preparing or assembling the documents is indicated in parentheticals.

Closing

In connection with the replacement of the liquidity facility for the Certificates, a closing email will be distributed to the financing team by Norton Rose Fulbright indicating the transaction is closed.

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

DOCUMENTS AND INSTRUMENTS

The following documents and instruments are to be delivered to the appropriate party or parties at the Pre-Closing.

	Index Number
I. BASIC DOCUMENTS	
Certified copies of the AMENDED AND RESTATED TRUST AGREEMENT, dated as of May 1, 2008 as amended and restated on July 14, 2011, between the Authority and the Trustee; the MASTER INSTALLMENT PURCHASE CONTRACT, dated as of November 1, 1997, by and between the Authority and the City, as supplemented, including as supplemented by the 1997 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT, the 2006 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT and the 2008 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT, the FINANCIAL GUARANTY INSURANCE POLICIES, and the SPECIMEN CERTIFICATES. (SC)	1
FIRST SUPPLEMENTAL TRUST AGREEMENT, dated as of June 1, 2023, between the Authority and the Trustee. (SC)	2
STANDBY CERTIFICATE PURCHASE AGREEMENT, dated as of June 1, 2023 (the "Standby Agreement"), among the Authority, the City, the Trustee and the Bank. (Bank Counsel)	3
FEE LETTER AGREEMENT, dated June 8, 2023 (the "Fee Letter Agreement"), among the Authority, the City and the Bank. (Bank Counsel)	4
CUSTODIAN AGREEMENT, dated as of June 1, 2023, among the Bank, the City and Trustee. (Bank Counsel)	5
TERMINATION AGREEMENT (CERTIFICATE INSURANCE POLICY CANCELLATION AGREEMENT), dated June 8, 2023, among the City, the Authority, the Trustee, the Outgoing Bank and the Insurer. (SC)	6

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TERMINATION AGREEMENT (AGREEMENT REGARDING INSURED SWAP TRANSACTION), dated June 8, 2023, between the City and the Insurer. (SC) 7

II. AUTHORIZATION OF THE FINANCING

A. **By the City**

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B. **By the Authority**

Certified copies of Resolution No. 01-2008 adopted on May 13, 2008, and Resolution No. 02-2023 adopted on April 11, 2023. (SC) 9

III. DOCUMENTS RELATING TO THE REMARKETING OF THE CERTIFICATES

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Copy of the RATING LETTERS for the Certificates from Moody's Investors Service, Inc. and S&P Global Ratings, together with UNDERLYING RATING LETTERS. (MA) 11

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IV. CLOSING DOCUMENTS

A. **Documents Relating to the Authority**

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CERTIFICATE REGARDING JOINT EXERCISE OF POWERS AGREEMENT, together with Exhibits. (SC) 14

B. **Documents Relating to the City**

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C. **Documents Relating to the Trustee**

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D. **Documents Relating to the Remarketing Agent**

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$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

CERTIFICATE REGARDING COPIES OF DOCUMENTS

June 8, 2023

The undersigned authorized representative of the Modesto Public Financing Authority (the "Authority"), in connection with the City of Modesto Water Refunding Revenue Certificates of Participation 2008 Series A (the "Certificates") DOES HEREBY CERTIFY that attached hereto are full, true and correct copies of the AMENDED AND RESTATED TRUST AGREEMENT, dated as of May 1, 2008 as amended and restated on July 14, 2011 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); the MASTER INSTALLMENT PURCHASE CONTRACT, dated as of November 1, 1997, by and between the City and the Authority, as supplemented to the date hereof, including as supplemented by the 1997 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT, dated as of November 1, 1997, by and between the City and the Authority, the 2006 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT, dated as of November 1, 2006, by and between the City and the Authority, and the 2008 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT, dated as of May 1, 2008, by and between the City and the Authority, and the SPECIMEN CERTIFICATES, and does hereby further certify that such agreements have not been further amended, modified or rescinded, except, in the case of the Trust Agreement, by the First Supplemental Trust Agreement, dated as of June 1, 2023, between the Authority and the Trustee, and are now in full force and effect.

The undersigned DOES HEREBY FURTHER CERTIFY that attached hereto are full, true and correct copies of the FINANCIAL GUARANTY INSURANCE POLICY No. D-2008-461 relating to the Certificates and the FINANCIAL GUARANTY INSURANCE POLICY (RESERVE FUND) No. D-2008-462 relating to the Certificates.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

MODESTO PUBLIC FINANCING AUTHORITY

By: _____

DeAnna Christensen
Auditor and Treasurer

(Signature Page to Certificate Regarding Copies of Documents)

AMENDED AND RESTATED TRUST AGREEMENT

between the

MODESTO PUBLIC FINANCING AUTHORITY

and

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

Dated as of May 1, 2008
and
Amended and Restated July 14, 2011

Relating to

$47,625,000
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

EVIDENCING AND REPRESENTING PROPORTIONATE INTERESTS
OF THE OWNERS THEREOF IN 2008 PAYMENTS TO BE MADE BY THE
CITY OF MODESTO
TO THE
MODESTO PUBLIC FINANCING AUTHORITY

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TRUST AGREEMENT

THIS AMENDED AND RESTATED TRUST AGREEMENT, dated July 14, 2011 (the "Trust Agreement"), amending and restating the Trust Agreement dated as of May 1, 2008 (the "Original Trust Agreement"), is by and between the MODESTO PUBLIC FINANCING AUTHORITY, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America (the "Trustee");

WITNESSETH:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to the Joint Exercise of Powers Act (being Sections 6500 et seq. of the Government Code of the State of California) (the "Act") and a Joint Exercise of Powers Agreement (the "JPA Agreement"), dated as of December 1, 1989, by and between the City of Modesto (the "City") and the Industrial Development Authority of the City of Modesto; and

WHEREAS, the Act and the JPA Agreement authorize and empower the Authority to assist the City in acquiring and financing and refinancing certain additions, betterments, extensions and improvements to the water utility system of the City; and

WHEREAS, the Authority and the City have heretofore entered into a Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), as supplemented by the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997 (the "1997 Supplemental Contract"), under and pursuant to which the Authority agreed to assist the City by refinancing certain additions, betterments, extensions and improvements to the water utility system of the City (the "1997 Project" as defined therein); and

WHEREAS, the City is obligated to make certain payments to the Authority under the 1997 Supplemental Contract (the "1997 Payments"), and all rights to receive such payments have been assigned by the Authority to State Street Bank and Trust Company of California, N.A., as succeeded by The Bank of New York Mellon Trust Company, N.A.(formerly known as The Bank of New York Trust Company N. A.), as successor trustee for the owners of the Refunding Revenue Certificates of Participation (1997 Water Utility Refinancing Project); and

WHEREAS, the Authority and the City have heretofore entered into the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006 (the "2006 Supplemental Contract"), under and pursuant to which the Authority agreed to assist the City by financing certain additions, betterments, extensions and improvements to the water utility system of the City (the "2006 Project" as defined therein); and

WHEREAS, the City is obligated to make certain payments to the Authority under the 2006 Supplemental Contract (the "2006 Payments"), and all rights to receive such payments have been assigned by the Authority to the Trustee, as trustee in relation to the Water Revenue Certificates of Participation 2006 Series A; and

WHEREAS, the Authority and the City have heretofore entered into the 2008 Supplemental Installment Purchase Contract dated as of May 1, 2008 (the "2008 Supplemental Contract" and together with the Master Contract, the 1997 Supplemental Contract, and the 2006 Supplemental Contract, the "Contract"), under and pursuant to which the Authority agreed to assist the City in refinancing the 2006 Project as described in the 2008 Supplemental Contract (the "2008 Project" as defined therein); and

WHEREAS, the City is obligated to make certain payments to the Authority under the 2008 Supplemental Contract (the "2008 Payments"), and all rights to receive such payments are being assigned by the Authority to the Trustee in relation to the Water Refunding Revenue Certificates of Participation, 2008 Series A (the "2008 Certificates"); and

WHEREAS, in consideration of such assignment of the 2008 Payments and the execution and entering into of the Trust Agreement, the Trustee has agreed to execute and deliver the 2008 Certificates in an aggregate principal amount equal to the aggregate principal amount of such 2008 Payments, each representing a proportionate interest in such 2008 Payments; and

WHEREAS, the Authority has determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Trust Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the execution and delivery of this Trust Agreement have been in all respects duly authorized; and

WHEREAS, in order to support the payment of the principal and Purchase Price of, and interest on, the 2008 Certificates, the Authority, the City and Bank of America, N.A. (the "Initial Liquidity Facility Provider") entered into Standby Certificate Purchase Agreement, dated as of May 1, 2008 (the "Initial Liquidity Facility"); and

WHEREAS, as a result of the expiration of the Initial Liquidity Facility, the Authority and the City have elected to replace the Initial Credit Facility with an Alternate Liquidity Facility in the form of a direct-pay letter of credit (the "Replacement Liquidity Facility") from JPMorgan Chase Bank, N.A. (the "Bank"), effective on the Substitution Date (as defined herein), thereby triggering a mandatory tender of the 2008 Certificates in whole on the Substitution Date for the Initial Liquidity Facility; and

WHEREAS, the Replacement Liquidity Facility constitutes an Alternate Liquidity Facility for purposes of the Contract and this Trust Agreement; and

WHEREAS, the Original Trust Agreement is being amended and restated as of the Substitution Date pursuant to this Trust Agreement, in order to add provisions relating to the Replacement Liquidity Facility; and

WHEREAS, Section 7.01 of the Original Trust Agreement permits any amendments of the Original Trust Agreement, with the prior written consent of the 2008 Certificate Insurer, but without the consent of the Owners, if effective upon the remarketing of the 2008 Certificates following mandatory tender of the 2008 Certificates; and

WHEREAS, this Trust Agreement shall be effective on the Substitution Date;

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants herein, and for other valuable consideration, the parties hereto do hereby covenant and agree, as follows:

ARTICLE I

DEFINITIONS; EQUAL SECURITY

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

"Alternate Liquidity Facility" means a letter of credit (including, without limitation, the Replacement Liquidity Facility), line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, approved by the 2008 Certificate Insurer and issued in accordance with the terms hereof with respect to the 2008 Certificates as a replacement or substitute for any Liquidity Facility then in effect.

"Alternate Rate" means, on any Rate Determination Date, for the 2008 Certificates in a Daily Mode, a Weekly Mode, a Flexible Rate Mode or a Term Rate Mode, a rate per annum equal to (a) the SIFMA Municipal Swap Index (the "SIFMA Rate") most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Rate is no longer published, the S&P Weekly High Grade Index (formerly the J.J. Kenny Index), or (c) if neither the SIFMA Rate nor the S&P Weekly High Grade Index is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association ("SIFMA") to determine the SIFMA Rate just prior to when the SIFMA stopped publishing the SIFMA Rate. If there is no Remarketing Agent for the 2008 Certificates, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement, then a financial advisor, investment banker or other qualified party shall make such determination at the expense of the Authority.

"Assigned Rights to Interest" means those rights to receive payment from the Authority pursuant to the Trust Agreement of any interest on 2008 Certificates with respect to which, pursuant to Section 10.05 hereof, the Bank or other Credit enhancement Provider, to the extent it has paid such interest from a drawing under the Replacement Liquidity Facility or other Credit Enhancement, has become subrogated and an assignee and the owner.

"Authority" means the Modesto Public Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State.

"Authority Account" means the account by that name established within the 2008 Purchase Fund pursuant to Section 3.09(c) hereof.

"Authorized Denominations" means: (i) with respect to 2008 Certificates in a Daily Mode or Weekly Mode, $100,000 and any integral multiple of $5,000 in excess thereof; (ii) with respect to 2008 Certificates in a Flexible Mode, $100,000 and any integral multiple of $1,000 in excess thereof; and (iii) with respect to 2008 Certificates in a Term Rate Mode or Fixed Rate Mode, $5,000 and any integral multiple thereof.

"Automatic Termination Event" means an event of default set forth in a Reimbursement Agreement between the Authority and a Liquidity Facility Provider which would result in the immediate termination of the Liquidity Facility provided pursuant to such Reimbursement Agreement prior to its stated expiration date without prior notice from the Liquidity Facility Provider to the Trustee.

"Available Amount" means the amount available under a Credit Enhancement or Liquidity Facility, as applicable, to pay the principal and interest with respect to the 2008 Certificates or the Purchase Price with respect to the 2008 Certificates, as applicable.

"Bank" means JPMorgan Chase Bank, N.A., and its successors or assigns.

"Basic Certificate Rate" shall mean the rate of interest applicable to 2008 Certificates that are not Liquidity Provider Certificates.

"Beneficial Owner" means, so long as the 2008 Certificates are held in the Book-Entry System, any Person who acquires a beneficial ownership interest in a 2008 Certificate held by the Securities Depository, and during any period the 2008 Certificates are not held in the Book-Entry System, Beneficial Owner shall mean the registered owner for purposes of this Trust Agreement.

"Book-Entry System" means a system under which physical certificates in fully registered form are registered only in the name of a Securities Depository or its nominee.

"Business Day" means any day other than (i) a Saturday or Sunday or (ii) a day on which the Trustee or applicable Remarketing Agent are required or authorized to be closed or (iii) a day on which the office of the applicable Credit Enhancement Provider or applicable Liquidity Facility Provider at which draws or advances will be paid is required or authorized to be closed or (iv) a day on which The New York Stock Exchange is closed.

"Cancellation Date" means the date on which the 2008 Certificate Insurance Policy is cancelled, which date shall be the seventh Business Day following receipt by the Trustee of written notice from (i) the Bank specifying that the 2008 Certificate Insurance Policy is to be cancelled in accordance with the terms of the Reimbursement Agreement between the Bank and the City or (ii) the Authority with the consent of the Bank specifying that the 2008 Certificate Insurance Policy is to be replaced with a substitute Credit Enhancement.

"Certificate of the Authority" means an instrument in writing signed by the Auditor and Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

"Certificate Payment Date" means, with respect to any 2008 Certificate, subject to Section 2.03(a) hereof, the Certificate Payment Date designated therein, which is the October 1 on which or, in the case of 2008 Certificates subject to mandatory sinking fund prepayment, by which, the principal component of the final 2008 Payment evidenced and represented thereby shall become due and payable.

"City" means the City of Modesto, a charter city and municipal corporation, duly organized and existing under and by virtue of the Constitution and laws of the State.

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

"Contract" means that certain Master Contract, as supplemented by the 1997 Supplemental Contract, the 2006 Supplemental Contract, and the 2008 Supplemental Contract, and as otherwise amended or supplemented from time to time.

"Control Event" means that one or more of the circumstances referred to in Section 10.03 hereof has occurred as a result of which all references herein to the 2008 Certificate Insurer and all provisions herein for the benefit of the 2008 Certificate Insurer are of no effect (other than rights of the 2008 Certificate Insurer derived through subrogation and assignment).

"Corporate Trust Office" means the corporate trust office of the Trustee in San Francisco, California, or such other office as may be specified by written notice from the Trustee to the Authority.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the Contract and the Trust Agreement and the execution, sale and delivery of the 2008 Certificates, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the 2008 Certificates, fees and expenses of the Liquidity Facility Provider, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the 2008 Certificates.

"Costs of Issuance Fund" means the fund by that name established pursuant to Section 4.05 hereof.

"Credit Enhancement" means the 2008 Certificate Insurance Policy issued by the 2008 Certificate Insurer. In case a letter of credit is provided as a Liquidity Facility, such letter of credit will also be considered a Credit Enhancement and its issuer, a Credit Enhancement Provider, if such letter of credit is a direct-pay letter of credit that provides for the payment of the principal of, and interest with respect to, the 2008 Certificates as they become due.

"Credit Enhancement Provider" means, with respect to a Credit Enhancement, the issuer or provider thereof.

"Credit Enhancement Provider Failure" means: (i) a failure of a Credit Enhancement Provider to pay any amount due under its Credit Enhancement; (ii) the filing or commencement of any bankruptcy or insolvency proceedings by or against a Credit Enhancement Provider, provided such proceeding has not been dismissed within 60 consecutive days; (iii) the declaration by a Credit Enhancement Provider of a moratorium on the payment of its unsecured debt obligations; or (iv) the written repudiation by a Credit Enhancement Provider of its Credit Enhancement.

"Current Mode" shall have the meaning specified in Section 2.18(a)(i) hereof.

"Daily Mode" means the Mode during which the 2008 Certificates evidence interest at the Daily Rate.

"Daily Rate" means the per annum interest rate with respect to the 2008 Certificates in the Daily Mode determined pursuant to Section 2.15(a) hereof.

"Daily Rate Period" means the period during which the 2008 Certificates in the Daily Mode shall evidence interest at a Daily Rate, which shall be from the Business Day upon which a Daily Rate is set to but not including the next succeeding Business Day.

"Defaulted Interest" means interest evidenced by any 2008 Certificate that is payable but not duly paid on the date due.

"Delayed Remarketing Period" shall have the meaning specified in Section 3.10(b) hereof.

"Delivery Date" means May 30, 2008.

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

"Electronic" means telecopy, facsimile transmission, e-mail transmission or other similar electronic means of communication providing evidence of transmission, including a telephonic communication confirmed by any other method set forth in this definition.

"Eligible Account" means an account that is either (i) maintained with a federal or state-chartered depository institution or trust company that has a Standard & Poor's short-term debt rating of at least 'A-2' (or, if no short-term debt rating, a long-term debt rating of 'BBB+); or (ii) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity.

"Expiration Date" means the stated expiration date of a Liquidity Facility, as it may be extended from time to time as provided in such Liquidity Facility, or any earlier date on which

such Liquidity Facility shall terminate at the direction of the Authority, expire or be cancelled (other than the date on which a Liquidity Facility shall terminate as a result of an Automatic Termination Event or an event of default under the Reimbursement Agreement entered into in connection with such Liquidity Facility).

"Event of Default" means an event described in Section 8.01 hereof.

"Favorable Opinion of Special Counsel" means, with respect to any action the occurrence of which requires such an opinion, an Opinion of Special Counsel, addressed to the Trustee, to the effect that the action proposed to be taken will not, in and of itself, adversely affect any exclusion from gross income of interest with respect to the 2008 Certificates.

"Federal Securities" shall have the meaning ascribed thereto in the Contract.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year.

"Fixed Rate" means the per annum interest rate or interest rates evidenced by the 2008 Certificates in a Fixed Rate Mode determined pursuant to Section 2.16(b) hereof.

"Fixed Rate Certificates" means the 2008 Certificates in a Fixed Rate Mode.

"Fixed Rate Mode" means the Mode during which the 2008 Certificates evidence interest at a Fixed Rate.

"Fixed Rate Period" means, with respect to 2008 Certificates converted to the Fixed Rate Mode, the period from the Mode Change Date upon which the 2008 Certificates were converted to a Fixed Rate Mode to but not including the Maturity Date.

"Fixed Rate Remarketing Agent" means, an investment banking firm or firms selected by the Authority that has or have entered into a written agreement with the Authority to remarket or purchase and remarket the 2008 Certificates upon their being converted to a Fixed Rate Mode in accordance with the terms and provisions set forth herein.

"Flexible Mode" means the Mode during which the 2008 Certificates evidence interest at Flexible Rates.

"Flexible Rate" means, with respect to the 2008 Certificates in a Flexible Mode, the per annum interest rate determined for the 2008 Certificate pursuant to Section 2.14 hereof.

"Flexible Rate Certificates" means the 2008 Certificates in a Flexible Mode.

"Flexible Rate Period" means, with respect to the 2008 Certificates in a Flexible Mode, the period of from 1 to 397 calendar days (which Flexible Rate Period must end on a day preceding a Business Day) during which a Flexible Rate Certificate shall evidence interest at a Flexible Rate, as established by the Remarketing Agent pursuant to Section 2.14 hereof.

"Improvement Fund" means the fund by that name established pursuant to Section 2.02 of the Master Contract.

"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 according to the Statement of Auditing Standards No. 1 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 a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

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

"Initial Liquidity Facility" means the Standby Certificate Purchase Agreement, dated as of May 1, 2008, between the Authority and the Initial Liquidity Facility Provider.

"Initial Liquidity Facility Provider" means Bank of America, N.A.

"Insurer Indenture Event of Default" means and includes the occurrence of one or more of the following events:

(a) any principal or interest evidenced by the 2008 Certificates (including Liquidity Provider Certificates or Subrogated Certificates) is not paid by the 2008 Certificate Insurer when, as, and in the amounts required to be paid pursuant to the terms of the 2008 Certificate Insurance Policy; or

(b) (i) any material provision of the 2008 Certificate Insurance Policy relating to the obligation of the 2008 Certificate Insurer to make payments of principal and interest thereunder at any time for any reason ceases to be valid and binding on the 2008 Certificate Insurer in accordance with the terms of the 2008 Certificate Insurance Policy or the New York Department of Insurance, or a court or other governmental authority of appropriate jurisdiction shall find or rule or shall enter an order, judgment or decree that the 2008 Certificate Insurance Policy is not valid and binding on the 2008 Certificate Insurer or (ii) the 2008 Certificate Insurer shall (A) claim in writing that the 2008

Certificate Insurance Policy is not valid and binding on the 2008 Certificate Insurer, (B) repudiate the 2008 Certificate Insurer's obligations under the 2008 Certificate Insurance Policy or (C) initiate legal proceedings seeking an adjudication that the 2008 Certificate Insurance Policy, or any material provision thereof regarding the payment of principal or interest on 2008 Certificates (including Liquidity Provider Certificates) is not valid and binding on the 2008 Certificate Insurer; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the 2008 Certificate Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding shall not have been dismissed within sixty (60) days or such court enters an order granting the relief sought in such proceeding; or the New York Department of Insurance shall declare a moratorium on the payment of the 2008 Certificate Insurer's debts, or the 2008 Certificate Insurer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the 2008 Certificate Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts (provided for purposes of this definition, "debts" shall not include any obligation of the 2008 Certificate Insurer under any insurance policy or surety bond) as they become due, or an order for rehabilitation, liquidation or dissolution of the 2008 Certificate Insurer shall be issued.

"Interest Accrual Period" means the period during which the 2008 Certificates accrue interest payable on the next Interest Payment Date applicable thereto. Each Interest Accrual Period shall commence on (and include) the last Interest Payment Date to which interest has been paid (or, if no interest has been paid, from the date of original authentication and delivery of the 2008 Certificates) to, but not including, the Interest Payment Date on which interest is to be paid. If, at the time of authentication of any 2008 Certificate, interest is in default or overdue with respect to the 2008 Certificates, such 2008 Certificate shall evidence interest from the date to which interest has previously been paid in full or made available for payment in full with respect to the 2008 Certificates.

"Interest Payment Date" means each date on which interest is to be paid and is: (i) with respect to the 2008 Certificates in a Daily Mode or a Weekly Mode, the first Business Day of each month; (ii) with respect to the 2008 Certificates in a Flexible Mode, each Mandatory Purchase Date applicable thereto; (iii) with respect to the 2008 Certificates in a Fixed Rate Mode or a Term Rate Mode, the first day of April or October, which is at least 3 months after the month in which such Long-Term Mode takes effect, and the first day of each April and October thereafter or, upon the receipt by the Trustee of a Favorable Opinion of Special Counsel, any other six-month interval chosen by the Authority (beginning with the first such day which is at least three months after the Mode Change Date) and, with respect to a Term Rate Mode, the final day of the current Interest Period if other than a regular six-month interval; (iv) (without

duplication as to any Interest Payment Date listed above) any Mode Change Date, other than a change between a Daily Mode and a Weekly Mode, and each Maturity Date; and (v) with respect to any Liquidity Provider Certificates, the day set forth in the applicable Reimbursement Agreement.

"Interest Period" means, for the 2008 Certificates in a particular Mode, the period of time that the 2008 Certificates evidence interest at the rate (per annum) which becomes effective at the beginning of such period, and shall include, a Daily Rate Period, a Weekly Rate Period, a Flexible Rate Period, a Term Rate Period, and a Fixed Rate Period. Notwithstanding the preceding sentence, regardless of Mode, so long as any 2008 Certificate is a Liquidity Provider Certificate, the Interest Period shall be determined in accordance with the applicable Liquidity Facility or the applicable Reimbursement Agreement.

"Liquidity Facility" means, as of any time, the Initial Liquidity Facility, the Replacement Liquidity Facility or an Alternate Liquidity Facility, as applicable, which provides for the payment of the purchase price of the 2008 Certificates upon the tender thereof in the event remarketing proceeds are insufficient therefor.

"Liquidity Facility Account" means an Eligible Account by that name established within the 2008 Purchase Fund pursuant to Section 3.09(b) hereof and held in the name of the Trustee for the benefit of the Owners.

"Liquidity Facility Provider" means, with respect to the Replacement Liquidity Facility, the Bank, and with respect to any Alternate Liquidity Facility for the 2008 Certificates, a bank, insurance company, pension fund or other financial institution acceptable to the 2008 Certificate Insurer, including the Bank.

"Liquidity Facility Provider Failure" means: (i) a failure of a Liquidity Facility Provider to pay a properly presented and conforming draw or request for advance; or (ii) the filing or commencement of any bankruptcy or insolvency proceedings by or against a Liquidity Facility Provider, provided such proceeding has not been dismissed within 60 consecutive days; or (iii) the declaration by a Liquidity Facility Provider of a moratorium on the payment of its unsecured debt obligations; or (iv) the written repudiation by a Liquidity Facility Provider of its Liquidity Facility.

"Liquidity Provider Certificates" means any 2008 Certificates purchased by a Liquidity Facility Provider with funds drawn on or advanced under the Liquidity Facility provided by such Liquidity Facility Provider.

"Long-Term Interest Period" means a Term Rate Period or a Fixed Rate Period.

"Long-Term Mode" means a Term Rate Mode or a Fixed Rate Mode.

"Mandatory Purchase Date" means: (i) with respect to a Flexible Rate Certificate, the first Business Day following the last day of each Flexible Rate Period with respect to such Flexible Rate Certificate; (ii) for the 2008 Certificates in a Term Rate Mode, the first Business Day following the last day of each Term Rate Period for such 2008 Certificates; (iii) any Mode Change Date; (iv) any Substitution Date; (v) the fifth Business Day prior to an Expiration Date;

(vi) the date specified by the Trustee following the occurrence of an event of default with respect to the Liquidity Facility or under the related Reimbursement Agreement which requires or gives the Liquidity Facility Provider the option to terminate the Liquidity Facility upon notice and requires that all Outstanding 2008 Certificates secured by such Liquidity Facility be tendered for purchase, which date shall be a Business Day not less than 7 days after the Trustee's receipt of notice of such event of default from the applicable Liquidity Facility Provider and in no event later than the Business Day preceding the termination date specified in the notice of event of default delivered to the Trustee by such Liquidity Facility Provider; (vii) for the 2008 Certificates in a Daily Mode or a Weekly Mode, any Business Day specified by the Authority in a notice delivered to the Trustee and consented to by the Liquidity Facility Provider, which Mandatory Purchase Date shall be not less than twenty (20) days after the Trustee's receipt of such notice from the Authority, and (viii) the Business Day prior to the Cancellation Date.

"Master Contract" means that certain Master Installment Purchase Contract, executed and entered into as a November 1, 1997, by and between the City and the Authority, as the same may be amended or supplemented from time to time.

"Maturity Date" means, with respect to the 2008 Certificates, the maturity date specified for the 2008 Certificates in Section 2.02 hereof or, if Serial Certificates or more than one Term Certificates are established for the 2008 Certificates pursuant to Section 2.18(d) hereof upon a change of the 2008 Certificates to a Fixed Rate Mode, the maturity dates established for such Serial Certificates or Term Certificates.

"Maximum Rate" or "Maximum Interest Rate" means, with respect to all 2008 Certificates other than Liquidity Provider Certificates, a rate of interest of 12% per annum, and with respect to Liquidity Provider Certificates, such rate not greater than 18% as is provided for in the applicable Liquidity Facility; provided, however, that such rate shall not in any event exceed the highest rate then permitted by law.

"Mode" means, as the context may require, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Rate Mode, or the Fixed Rate Mode.

"Mode Change Date" means with respect to the 2008 Certificates in a particular Mode, the day on which another Mode for the 2008 Certificates begins.

"Mode Change Notice" means the notice from the Authority to the other Notice Parties of the intention of the Authority to change the Mode with respect to the 2008 Certificates.

"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.

"New Mode" shall have the meaning specified in Section 2.18(a)(i) hereof.

"1997 Certificates" means the $25,585,000 Refunding Revenue Certificates of Participation (1997 Water Utility System Refinancing Project), evidencing and representing and proportionate interests of the owners thereof in the 1997 Payments to be made by the City.

"1997 Supplemental Contract" means the 1997 Supplemental Installment Purchase Contract, executed and entered into as of November 1, 1997, by and between the City and the Authority, supplementing the Master Contract.

"1997 Payments" means the installment payments required to be made by the City to the Authority under and pursuant to the 1997 Supplemental Contract.

"1997 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 1997, by and between the Authority and State Street Bank and Trust Company, N.A., which has been succeeded by The Bank of New York Trust Company, N.A., as trustee, pursuant to which there was executed and delivered the 1997 Certificates.

"Notice Parties" means the Authority, the City, the Trustee, the Credit Enhancement Provider, if any, the Liquidity Facility Provider, if any, the Remarketing Agent, if any, and the Fixed Rate Remarketing Agent, if any.

"Opinion of Counsel" means a written opinion of counsel of recognized standing in the field of law being addressed in such opinion retained the Authority.

"Outstanding," when used as of any particular time with reference to 2008 Certificates, means (subject to the provisions of Section 7.02 hereof) all 2008 Certificates except

(1) 2008 Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(2) 2008 Certificates paid or deemed to have been paid within the meaning of Section 9.01 hereof; and

(3) 2008 Certificates in lieu of or in substitution for which other 2008 Certificates shall have been executed and delivered by the Trustee pursuant hereto.

"Owner" means any person who shall be the registered owner of any Outstanding 2008 Certificate.

"Parity Reserve Fund" means the fund by that name continued pursuant to Section 4.04 hereof.

"Parity Reserve Fund Obligation" means the 1997 Certificates, the 2008 Certificates and any other obligations hereafter issued in connection with a Supplemental Contract.

"Payment Agreement Payments" has the meaning given such term in the Master Contract.

"Payment Agreement Receipts" has the meaning given such term in the Master Contract.

"Permitted Investments" means any of the following obligations if and to the extent then permitted by law:

(1) Federal Securities;

(2) Obligations issued by the Resolution Funding Corporation and the Student Loan Marketing Association, or obligations, participations, or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);

(3) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee or any of its affiliates), otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System and which are drawn on any bank the short-term obligations of which are rated in the highest letter and numerical rating category as provided by Moody's and by S&P; provided, that purchases of eligible bankers acceptances may not exceed 270 days' maturity;

(4) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating category as provided by Moody's and by S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of $500,000,000 and that have an "Al" or higher rating for the issuer's unsecured debentures, other than commercial paper, as provided by Moody's and by S&P; provided, that purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than 10% of the outstanding commercial paper of an issuing corporation;

(5) Non-negotiable certificates of deposit issued by a state or national bank (including the Trustee or any of its affiliates) that have maturities of not more than 365 days or deposit accounts with a state or national bank and that are fully insured by the Federal Deposit Insurance Corporation or the short term obligations of which state or national bank are rated no lower that "Al" by Moody's and "A+" by S&P;

(6) Any repurchase agreement of any securities enumerated in subdivisions (1) and (2) with any state or national bank (including the Trustee or any of its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is either (A) with any institution which has debt rated no lower than "Al" by Moody's and "A+" by S&P or whose commercial paper is rated no lower than "P-1" by Moody's and no lower than "A-1" by S&P; (B) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (a) the term of such repurchase agreement is less than one (1) year or due on demand; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the market value of the collateral (as determined at least once in every 14 days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately;

and (e) the repurchase agreement securities are free and clear of any third-party lien or claim; or (C) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that: (a) the market value of the collateral (as determined at least once in every 14 days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the Trustee has a perfected first priority security interest in the collateral; (d) the collateral is free and clear of third-party liens and in the case of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (e) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral immediately;

(7) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or any local agencies therein which are rated in the highest short-term rating category or within one of the three highest long-term rating categories by Moody's and by S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(8) For amounts less than $100,000, interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof, and of which an aggregate total of $100,000 is not exceeded in any one financial institution;

(9) Investments in units of a money-market fund portfolio that is rated in the highest letter and numerical rating category by Moody's and by S&P (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) and that is composed of obligations guaranteed by the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations;

(10) A guaranteed investment contract with a financial institution or insurance company (or guaranteed by a financial institution or insurance company) which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated within the two highest rating categories of any Rating Agency;

(11) Other investments approved in writing by the 2008 Certificate Insurer (or, if a Control Event has occurred, the Bank); and

(12) The Local Agency Investment Fund, the California Asset Management Program, or similar pooled fund operated by or on behalf of the State and which is authorized to accept investments by or on behalf of the Authority of the moneys held by the Trustee in any of the accounts or funds established pursuant hereto to the extent deposits and withdrawals may be made by the Trustee directly.

"Person" shall mean an individual, a corporation, an association, a joint venture, a partnership, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prepayment Date" means the date fixed for prepayment of any 2008 Certificate in any notice of prepayment given in accordance with the terms hereof.

"Purchase Date" means (i) for a 2008 Certificate in the Daily Mode or the Weekly Mode, any Business Day selected by the Beneficial Owner of said 2008 Certificate pursuant to the provisions of Section 3.01 hereof, and (ii) any Mandatory Purchase Date.

"Purchase Price" means an amount equal to the principal amount of the 2008 Certificates purchased on any Purchase Date, plus accrued interest to such Purchase Date (unless such Purchase Date is also an Interest Payment Date, in which case the Purchase Price shall not include accrued interest, which shall be paid in the normal course).

"Rate Determination Date" means any date on which the interest rate with respect to the 2008 Certificates shall be determined, which: (i) in the case of a Flexible Mode, shall be the first day of an Interest Period; (ii) in the case of a Daily Mode, shall be each Business Day commencing with the first day (which must be a Business Day) the 2008 Certificates become subject to the Daily Mode; (iii) in the case of the initial conversion to a Weekly Mode, shall be no later than the Business Day prior to the Mode Change Date for the 2008 Certificates, and thereafter, shall be each Wednesday or, if Wednesday is not a Business Day, then the Business Day next succeeding such Wednesday; (iv) in the case of a Term Rate Mode, shall be a Business Day no earlier than 15 Business Days and no later than the Business Day next preceding the first day of an Interest Period for the 2008 Certificates, as determined by the Remarketing Agent; and (v) in the case of a Fixed Rate Mode, shall be a date determined by the Remarketing Agent which shall be at least one Business Day prior to the Mode Change Date.

"Rating Agencies" means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating the 2008 Certificates at the request of the City.

"Rating Confirmation Notice" shall mean a written notice from the Rating Agencies then rating the 2008 Certificates, confirming that the rating on the 2008 Certificates (without giving effect to any Liquidity Facility) will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a Fixed Rate Mode) as a result of the action proposed to be taken.

"Record Date" means: (i) with respect to the 2008 Certificates in a Short-Term Mode, the last Business Day before each Interest Payment Date; and (ii) with respect to the 2008 Certificates in a Long-Term Mode, the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

"Reimbursement Agreement" means any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, between a Credit Enhancement Provider or a Liquidity Facility Provider, as applicable, and the Authority and/or

the City, as the same may be amended from time to time pursuant to its terms, including the Reimbursement Agreement, dated as of July 1, 2011, by and between the City and the Bank.

"Remarketing Agent" means each Person selected by the Authority to act as remarketing agent for the 2008 Certificates pursuant to Section 3.12 hereof and approved by the 2008 Certificate Insurer (or, if a Control Event has occurred, the Bank).

"Remarketing Agreement" means an agreement approved by the 2008 Certificate Insurer, providing for the remarketing of the 2008 Certificates tendered for purchase, as the same may be amended from time to time pursuant to its terms.

"Remarketing Proceeds Account" means an Eligible Account by that name established within the 2008 Purchase Fund pursuant to Section 3.09(a) hereof and held in the name of the Trustee for the benefit of the Owners.

"Replacement Liquidity Facility" means the irrevocable, direct-pay letter of credit issued by the Bank with respect to the 2008 Certificates on the Substitution Date.

"Required Stated Amount" means, (i) in the case of each Liquidity Facility, at any time of calculation with respect to the 2008 Certificates, an amount equal to the aggregate principal amount of the 2008 Certificates then Outstanding together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Rate) for the minimum period specified by the Rating Agencies then rating the 2008 Certificates, as necessary to maintain the short-term rating of the 2008 Certificates, or (ii) in the case of each Credit Enhancement (other than a Credit Enhancement in the form of an insurance policy), at any time of calculation with respect to the 2008 Certificates, an amount equal to the aggregate principal amount of the 2008 Certificates then Outstanding together with interest accruing thereon (assuming an annual rate of interest equal to the Maximum Rate) for the minimum period specified by the Rating Agencies then rating the 2008 Certificates, as necessary to maintain the short-term rating (or, if no short term rating is then in effect, the rating) of the 2008 Certificates.

"Representation Letter" means the letter of representation to The Depository Trust Company, New York, New York, from the Authority.

"Reserve Funding Instruments" shall have the meaning given to such term in Section 4.04 hereof, including the 2008 Parity Reserve Fund Insurance Policy.

"Reserve Fund Requirement" shall have the meaning ascribed thereto in the Contract.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Company, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then "S&P" shall be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

"Securities Depositories" means: The Depository Trust Company, 55 Water Street, 50th Floor, New York, New York 10041-0099, Attention: Call Notification Department, Fax: (212) 855-7232; or, in accordance with then-current guidelines of the Securities and Exchange

Commission, such other securities depositaries as the Authority may designate in a Certificate of the Authority to the Trustee.

"Serial Certificate" means any 2008 Certificate not subject to mandatory prepayment from Sinking Fund Payments.

"Short-Term Mode" means the Daily Mode, the Weekly Mode or the Flexible Mode.

"Sinking Fund Payments" means the payments required under Section 2.03(a) hereof to be deposited in the 2008 Sinking Fund Subaccount under Section 4.03(b) hereof.

"Special Counsel" means any firm of nationally recognized municipal bond attorneys selected by the Authority and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for federal income tax purposes.

"State" means the State of California.

"Subrogated Certificate" means any Certificate of Participation with respect to which, pursuant to Section 10.05 of the Trust Agreement, the Bank or other credit enhancement provider, to the extent it has paid the principal of such Certificate of Participation from a drawing under the Replacement Liquidity Facility or other credit enhancement, has become subrogated to, and the assignee of, the rights to receive payment of such principal from the City pursuant to the Trust Agreement and has become the Owner of such Certificate of Participation.

"Substitution Date" means the date on which an Alternate Liquidity Facility is substituted for the Liquidity Facility then in effect.

"Supplemental Contract" shall have the meaning given such term in the Contract.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory hereof or supplemental hereto; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized hereunder.

"Tax Certificate" means, collectively, the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2008 Certificates, executed and delivered by the City on the date of delivery of the 2008 Certificates, including any and all exhibits attached thereto.

"Tender Notice Deadline" means: (i) during the Daily Mode, 11:00 a.m. New York City time on any Business Day; and (ii) during the Weekly Mode, 5:00 p.m. New York City time on the Business Day 7 days prior to the applicable Purchase Date.

"Tender Notice" means a notice delivered by Electronic means or in writing that states: (i) the principal amount of the 2008 Certificates to be purchased pursuant to Section 3.01 hereof; (ii) the Purchase Date on which such 2008 Certificates are to be purchased; (iii) applicable

payment instructions with respect to such 2008 Certificates being tendered for purchase; and (iv) an irrevocable demand for such purchase.

"Term Certificates" means the 2008 Certificates subject to mandatory prepayment from Sinking Fund Payments.

"Term Rate" means the per annum interest rate for the 2008 Certificates in the Term Rate Mode determined pursuant to Section 2.16(a) hereof.

"Term Rate Mode" means the Mode during which the 2008 Certificates evidence interest at a Term Rate.

"Term Rate Period" means the period from (and including) the Mode Change Date or the date of initial conversion of the 2008 Certificates to a Term Rate Mode, as applicable, to (but excluding) the last day of the first period that 2008 Certificates shall be in the Term Rate Mode as established by the Authority pursuant to Section 2.16(a) hereof and, thereafter, the period from (and including) the beginning date of each successive Interest Rate Period selected for the 2008 Certificates by the Authority pursuant to Section 2.16(a) hereof while the 2008 Certificates are in the Term Rate Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period. Except as otherwise provided in this Trust Agreement, an Interest Period for the 2008 Certificates in the Term Rate Mode must be at least 180 days in length.

"Trust Agreement" means this Trust Agreement, dated as of May 1, 2008, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions hereof.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., or any other association or corporation which may at any time be substituted in its place as provided in Section 6.01 hereof.

"2006 Certificates" means the Water Revenue Certificates of Participation 2006 Series A.

"2006 Supplemental Contract" means the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006, by and between the City and the Authority, and consented to by the Trustee and Financial Guaranty Insurance Company.

"2006 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 2006, by and between the Authority and the Trustee, delivered in connection with the 2006 Certificates.

"2008 Certificate Insurance Policy" means the financial guaranty insurance policy issued by the 2008 Certificate Insurer guaranteeing the scheduled payment of principal of and interest evidenced and represented by the 2008 Certificates.

"2008 Certificate Insurer" means Assured Guaranty Corp., its successors and assigns.

"2008 Certificates" means all of the Water Refunding Revenue Certificates of Participation, 2008 Series A, evidencing and representing proportionate interests of the owners thereof in the 2008 Payments to be made by the City, and executed and delivered in accordance with Article II hereof.

"2008 Debt Service Fund" means the fund by that name established pursuant to Section 4.02 hereof.

"2008 Interest Account" means the account by that name established within the 2008 Debt Service Fund pursuant to Section 4.03(a) hereof.

"2008 Interest Rate Swap Agreement" has the meaning given such term in the 2008 Supplemental Contract.

"2008 Parity Reserve Fund Insurance Policy" means the reserve fund financial guaranty insurance policy issued by the 2008 Certificate Insurer and deposited in the Parity Reserve Fund pursuant to Section 2.12 hereof.

"2008 Payments" means the installment payments of interest, principal, and prepayment premium, if any, payable by the City under and pursuant to the 2008 Supplemental Contract.

"2008 Prepayment Subaccount" means the subaccount by that name established within the 2008 Principal Account of the 2008 Debt Service Fund pursuant to Section 4.03(b) hereof.

"2008 Principal Account" means the account by that name established within the 2008 Debt Service Fund pursuant to Section 4.03(b) hereof.

"2008 Project" means the refinancing of improvements to the Water Utility System described in Exhibit A to the 2008 Supplemental Contract.

"2008 Purchase Fund" means the fund by that name established pursuant to Section 3.09 hereof.

"2008 Liquidity Facility Payment Account" means the account by that name established pursuant to Section 4.08 hereof.

"2008 Sinking Fund Subaccount" means the subaccount by that name within the 2008 Principal Account of the 2008 Debt Service Fund established pursuant to Section 4.03(b) hereof.

"2008 Supplemental Contract" means that certain 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, by and between the City and the Authority, supplementing the Master Contract.

"Weekly Mode" means the Mode during which the 2008 Certificates evidence interest at the Weekly Rate.

"Weekly Rate" means the per annum interest rate with respect to the 2008 Certificates in the Weekly Mode determined pursuant to Section 2.15(b) hereof.

"Weekly Rate Period" means the period during which the 2008 Certificates evidence interest at a Weekly Rate, which shall be the period commencing on Thursday of each week to and including Wednesday of the following week, except the first Weekly Rate Period which shall be from the Mode Change Date for the 2008 Certificates to and including the Wednesday of the following week and the last Weekly Rate Period which shall be from and including the Thursday of the week prior to the Mode Change Date to and including the day next preceding the Mode Change Date.

"Written Request of the Authority" means an instrument in writing signed by the Auditor and Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

Section 1.02. Equal Security. In consideration of the acceptance of the 2008 Certificates by the Owners thereof, this Trust Agreement shall be deemed to be and shall constitute a contract between the Authority and the Owners from time to time of all 2008 Certificates authorized, executed, and delivered hereunder and then Outstanding to secure the full and final payment of the interest, principal, and prepayment premiums, if any, evidenced and represented by the 2008 Certificates which may from time to time be authorized, executed, issued and delivered hereunder, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of the Trustee shall be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any 2008 Certificates over any other 2008 Certificates by reason of the number or date thereof or the time of authorization, sale, execution, or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

Section 1.03. New York City Time. All references herein to a particular time of day shall be New York City time unless the context clearly otherwise requires.

ARTICLE II

THE 2008 CERTIFICATES

Section 2.01. Conditions and Terms of 2008 Certificates. The Trustee is hereby authorized and directed to execute and deliver the 2008 Certificates in the aggregate principal amount of $47,625,000, aggregating the principal installments of the 2008 Payments, and each evidencing and representing a proportionate interest in the 2008 Payments.

Section 2.02. Terms of the 2008 Certificates.

(a) The 2008 Certificates shall be issued as fully registered securities certificates without coupons in Authorized Denominations. The 2008 Certificates shall be registered initially in the name of "Cede & Co.," as nominee of DTC, the initial Securities Depository, and shall be evidenced by one certificate in the total aggregate principal amount of the 2008 Certificates. Registered ownership of the 2008 Certificates, or any portion thereof, may not thereafter be transferred except as set forth in Section 2.06 hereof.

(b) The 2008 Certificates shall be dated the Delivery Date.

(c) Except as otherwise provided in the Liquidity Facility or the Reimbursement Agreement, or, in the case of 2008 Certificates being converted to a Fixed Rate, except as otherwise provided in Section 2.18(d) hereof, the 2008 Certificates shall mature on October 1, 2036.

(d) The 2008 Certificates shall be subject to prepayment as provided in Section 2.03 hereof and optional and mandatory tender for purchase as provided in Article III.

(e) The Trustee shall identify all payments (whether made by check or by wire transfer) of interest, principal, Purchase Price and Prepayment Price by CUSIP number of the 2008 Certificates.

(f) During each Interest Period for each Mode, the interest rate or rates with respect to the 2008 Certificates shall be determined in accordance with this Article II and shall be payable on the applicable Interest Payment Date for such Interest Period; provided that the interest rate or rates shall not exceed the Maximum Rate. All 2008 Certificates shall evidence interest in the same Mode, but need not evidence interest at the same rate at any one time. Interest with respect to the 2008 Certificates accruing at the Daily Rate, Weekly Rate or Flexible Rate shall be computed upon the basis of a 365- or 366-day year, as applicable, for the actual number of days elapsed. Interest with respect to the 2008 Certificates accruing at a Fixed Rate or a Term Rate shall be computed upon the basis of a 360-day year, consisting of twelve 30-day months. Each 2008 Certificate shall evidence interest on overdue principal and, to the extent permitted by law, on overdue interest at the rate evidenced by such 2008 Certificate on the date on which such principal became due and payable. Notwithstanding the foregoing, the interest rate and payment terms of Liquidity Provider Certificates shall be governed by the provisions of the Liquidity Facility or related Reimbursement Agreement, as applicable.

(g) Interest evidenced by each 2008 Certificate shall accrue from and including the Interest Accrual Date immediately preceding the date of authentication thereof, or, if such date of authentication shall be an Interest Accrual Date, from such Interest Accrual Date or if such date of authentication shall be prior to the second Interest Accrual Date, from the Delivery Date; provided, however, that if interest evidenced by the 2008 Certificates shall be in default, interest on the 2008 Certificates issued in exchange for 2008 Certificates surrendered for registration of transfer or exchange shall accrue from the date to which interest has been paid in full with respect to the 2008 Certificates or, if no interest has been paid with respect to the 2008 Certificates, from the Delivery Date.

(h) Payment of interest evidenced by the 2008 Certificates shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the close of business on the applicable Record Date, such interest to be payable on each Interest Payment Date by the Trustee (i) by check mailed on such Interest Payment Date to such Owner's address as it appears on the registration books of the Trustee at the close of business on the Record Date or (ii) by wire transfer to any Owner of at least $1,000,000 aggregate principal amount of 2008 Certificates or the Liquidity Facility Provider (in the case of Liquidity Provider Certificates) according to the written instructions provided by such Owner or the Liquidity Provider, as the case may be, on or prior to the applicable Record Date to the Trustee, which written instructions

shall remain in effect until revised by such Owner or Liquidity Facility Provider, as the case may be, by an instrument in writing delivered to the Trustee.

(i) If for any reason, the Liquidity Provider Certificates remain in book-entry and are not assigned a separate CUSIP number, the Trustee shall pay the principal of, prepayment premium, if any, and interest with respect to the 2008 Certificates (including the Liquidity Provider Certificates) in accordance with the letter of representations with DTC computed at the Basic Certificate Rate; and the Authority shall pay to the Trustee for payment to the Liquidity Facility provider outside the book-entry system the remainder of (i) the interest then due with respect to Liquidity Provider Certificates computed at the applicable interest rate minus (ii) the interest that would then be due with respect to Liquidity Provider Certificates if such interest were computed at the Basic Certificate Rate.

(j) The principal evidenced and represented by the 2008 Certificates other than Liquidity Provider Certificates shall be payable in lawful money of the United States of America upon the surrender thereof on the respective 2008 Certificate Payment Date or on prepayment prior thereto at the Corporate Trust Office of the Trustee. The principal evidenced and represented by Liquidity Provider Certificates shall be payable in lawful money of the United States of America by wire transfer to the Liquidity Facility Provider according to the written instructions provided by the Liquidity Provider on or prior to the applicable 2008 Certificate Payment Date to the Trustee, which written instructions shall remain in effect until revised by the Liquidity Facility Provider by an instrument in writing delivered to the Trustee.

(k) The first Mode for the 2008 Certificates shall be the Weekly Mode. The first Weekly Rate Period for the 2008 Certificates shall be the period commencing on and including the Delivery Date and ending on and including June 4, 2008. The First Interest Payment Date is June 2, 2008. The Mode for the 2008 Certificates may be changed in accordance with this Article II.

(l) In the absence of manifest error, the determination of any Daily Rate, Weekly Rate, Flexible Rate, Term Rate and Fixed Rate by the Remarketing Agent, the determination of each Flexible Rate Period for any 2008 Certificate in a Flexible Mode by the Remarketing Agent and the determination of the length of each Term Rate Period by the Authority shall be conclusive and binding upon the Authority, the other Notice Parties and each Owner.

(m) In the absence of manifest error, the record of interest rates maintained by the Trustee shall be conclusive and binding upon the Authority, the other Notice Parties and each Owner.

Section 2.03. Prepayment of Certificates.

(a) Mandatory Sinking Fund Prepayment. Except in the event of serialization of the 2008 Certificates in accordance with Section 2.18(d) hereof, the 2008 Certificates are subject to mandatory prepayment from Sinking Fund Payments prior to their Maturity Date, in part by lot, on October 1 of each year on and after October 1, 2008, in accordance with the schedule set forth below upon notice as hereinafter provided, from and in the amount of the principal installment of the 2008 Payments due and payable on such dates, at a prepayment price equal to the sum of the

principal amount evidenced and represented thereby plus accrued and unpaid interest evidenced and represented thereby to the Prepayment Date, without a prepayment premium.

Certificates Sinking Fund Payments

Mandatory Sinking Fund Payment Date (October 1)	Sinking Fund Payment	Mandatory Sinking Fund Payment Date (October 1)	Sinking Fund Payment
2008	$290,000	2023	$2,300,000
2009	285,000	2024	2,410,000
2010	285,000	2025	2,515,000
2011	285,000	2026	2,595,000
2012	310,000	2027	2,705,000
2013	310,000	2028	2,810,000
2014	340,000	2029	2,945,000
2015	340,000	2030	3,055,000
2016	365,000	2031	3,185,000
2017	365,000	2032	3,295,000
2018	395,000	2033	3,430,000
2019	395,000	2034	3,570,000
2020	395,000	2035	3,705,000
2021	425,000	2036	3,870,000
2022	450,000		

Notwithstanding the foregoing, no 2008 Certificate (other than a Liquidity Provider Certificate) shall be optionally prepaid while any Liquidity Provider Certificate is Outstanding unless all Outstanding Liquidity Provider Certificates are prepaid or purchased by the Trustee and cancelled concurrently with such prepayment or purchase.

If for any reason, the Liquidity Provider Certificates remain in book-entry but have not been assigned a separate CUSIP number, the Trustee shall apply the amounts in the 2008 Sinking Fund Subaccount set aside for prepayment to the purchase from the Liquidity Facility provider of Liquidity Provider Certificates in an aggregate principal amount not in excess of the principal amount intended to be prepaid at a purchase price equal to the prepayment price specified above. The Liquidity Provider Certificates so purchased shall be cancelled by the Trustee, and the principal amount thereof shall be credited against the principal amount of the 2008 Certificates otherwise required to be prepaid.

Notwithstanding the foregoing, if any such 2008 Certificates have been optionally prepaid pursuant to Section 2.03(c) hereof, the amounts of such Sinking Fund Payments shall be reduced as directed by the Authority, or if not so directed, proportionately in increments of Authorized Denominations by the principal amount evidenced and represented by all such 2008 Certificates so optionally prepaid.

All such Sinking Fund Payments shall be deposited in the 2008 Sinking Fund Subaccount of the 2008 Principal Account established pursuant to Section 4.03 hereof. On each Sinking

Fund Payment date, the Trustee shall apply the Sinking Fund Payment required on such date to the mandatory prepayment or payment of Term Certificates, upon the notice and in the manner provided in this Section 2.03(a) hereof; provided that, at any time prior to giving notice of such prepayment, the Trustee may apply moneys in the 2008 Sinking Fund Subaccount to the purchase of Term Certificates at public or private sale, as and when and at such prices (including brokerage and other charges) as directed in writing by the Authority, except that the purchase price shall not exceed the prepayment price that would be payable for Term Certificates upon prepayment by application of such Sinking Fund Payment. If, during the 12-month period immediately preceding said Sinking Fund Payment date, the Trustee has purchased Term Certificates with moneys in the 2008 Sinking Fund Subaccount, or, during said period and prior to giving said notice of prepayment, the City or the Authority has deposited Term Certificates with the Trustee (together with a request of the Authority or the City to apply such 2008 Certificates so deposited to the Sinking Fund Payment due on said Sinking Fund Payment date), or Term Certificates were at any time purchased or prepaid by the Trustee from the 2006 Prepayment Account and allocable to said Sinking Fund Payment, such 2008 Certificates so purchased, deposited, or prepaid shall be applied, to the extent of the full principal amount evidenced and represented thereby, to reduce said Sinking Fund Payment.

(b) Mandatory Prepayment of Liquidity Provider Certificates. Any Liquidity Provider Certificates from time to time Outstanding shall be subject to mandatory prepayment in the amounts and at the times and at the prepayment prices specified therefor in the Liquidity Facility with the Liquidity Facility Provider applicable thereto.

(c) Optional Prepayment.

(i) Each 2008 Certificate in a Daily Mode or a Weekly Mode shall be subject to prepayment at the option of the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a prepayment price equal to 100% of the principal amount thereof, plus, accrued interest, if any, to the Prepayment Date, without premium.

(ii) Flexible Rate Certificates are not subject to optional prepayment prior to their respective Mandatory Purchase Dates. Flexible Rate Certificates shall be subject to prepayment at the option of the Authority in whole or in part on their respective Mandatory Purchase Dates at a prepayment price equal to 100% of the principal amount thereof, without premium.

(iii) Each 2008 Certificate in a Term Rate Mode shall be subject to prepayment at the option of the Authority, in whole or in part, on each Mandatory Purchase Date applicable to the 2008 Certificates in a Term Rate Mode, at a prepayment price equal to 100% of the principal amount thereof, without premium.

(iv) Each Certificate in a Term Rate Mode or a Fixed Rate Mode is subject to prepayment in whole or in part on any date (and if in part, in such order of maturity as the Authority shall specify and within a maturity by lot or by such other method as the Trustee determines to be fair and reasonable and in Authorized Denominations) commencing on the Interest Payment Date next following the tenth anniversary of the

change to a Term Rate Mode or a Fixed Mode at a prepayment price equal to 100% of the principal amount of 2008 Certificates being prepaid, together with accrued interest, if any, to the Prepayment Date, without premium. If the length of the Term Rate Period or the Fixed Rate Period for the 2008 Certificates is less than ten (10) years, then the 2008 Certificates shall not be subject to optional prepayment during the Term Rate Period or Fixed Rate Period, as applicable.

(v) In connection with a change to a Term Rate Mode or a Fixed Rate Mode for the 2008 Certificates, the Authority may waive or otherwise alter its rights to direct the prepayment of the 2008 Certificates set forth in (c)(iv) above; provided that notice describing such waiver or alteration shall be submitted to the Trustee and the Remarketing Agent, or Fixed Rate Remarketing Agent, as applicable, together with a Favorable Opinion of Special Counsel.

(d) Reserved.

(e) Selection of 2008 Certificates. If less than all of the Outstanding 2008 Certificates are to be prepaid at any one time, the Authority shall designate the Certificate Payment Dates or portions thereof of the 2008 Certificates to be prepaid; provided, that any Liquidity Provider Certificates that remain outstanding shall be selected for prepayment prior to 2008 Certificates that are not Liquidity Provider Certificates. If less than all Outstanding 2008 Certificates of any particular Certificate Payment Date are to be prepaid at any one time, the Trustee shall select the 2008 Certificates of such Certificate Payment Date to be prepaid by lot, except that if any 2008 Certificate or portion thereof to be prepaid is a Term Certificate, the Authority may specify in a Written Request of the Authority filed with the Trustee, the particular Sinking Fund Payments for such Term Certificate to be prepaid. For purposes of such selection, 2008 Certificates of each Certificate Payment Date shall be deemed to be composed of Authorized Denominations and any such Authorized Denomination may be separately prepaid. If the Authority elects to optionally prepay 2008 Certificates pursuant to Section 2.03(c) hereof, it will notify the Trustee of the prepayment date and the principal amount evidenced and represented by the 2008 Certificates of each Certificate Payment Date to be prepaid on such prepayment date at least 45 days prior to such prepayment date; provided, that the Trustee may, at its option, waive any such notice or accept any notice received at a later date.

(f) Notice of Prepayment. Notice of prepayment shall be mailed by the Trustee, not less than 30 nor more than 60 days prior to the prepayment date to (i) the respective Owners of the 2008 Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee, (ii) the Securities Depositories and (iii) one or more Information Services. Notice of prepayment to the Securities Depositories and the Information Services shall be given by first-class mail, certified mail, overnight delivery or facsimile transmission or by other approved means. Each notice of prepayment shall state the date of such notice, the prepayment price, the place of prepayment (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the 2008 Certificates to be prepaid, and, if less than all of the 2008 Certificates maturing on any one Certificate Payment Date are to be prepaid, the distinctive certificate numbers of the 2008 Certificates of such Certificate Payment Date to be prepaid and, in the case of 2008 Certificates to be prepaid in part only, the respective portions of the principal amount evidenced and represented thereby to be prepaid. Each such notice shall also state that

on said date there will become due and payable on each of said 2008 Certificates the prepayment price thereof and in the case of a 2008 Certificate to be prepaid in part only, the specified portion of the principal amount evidenced and represented thereby to be prepaid, together with accrued and unpaid interest evidenced and represented thereby to the prepayment date, and that from and after such prepayment date interest evidenced and represented thereby shall cease to accrue, and shall require that such 2008 Certificates be then surrendered at the address of the Trustee specified in the prepayment notice. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such prepayment.

Any prepayment may be cancelled if the notice of such prepayment has not been mailed to the respective Owners of the 2008 Certificates or if such notice expressly conditioned the prepayment upon the occurrence of one or more events. Notice of any such cancellation shall be given in the same manner as the notice of prepayment was given at least 3 Business Days prior to the date scheduled for prepayment.

If notice of prepayment has been duly given as aforesaid and money for the payment of the prepayment price of the 2008 Certificates called for prepayment is held by the Trustee, then on the prepayment date designated in such notice, 2008 Certificates so called for prepayment shall become due and payable, and from and after the date so designated interest evidenced and represented by such 2008 Certificates shall cease to accrue, and the Owners of such 2008 Certificates shall have no rights in respect thereof except to receive payment of the prepayment price thereof.

All 2008 Certificates prepaid pursuant to the provisions of this Section shall be cancelled and destroyed by the Trustee and shall not be redelivered.

(g) No Notice of Prepayment. Notwithstanding any other provision of this Trust Agreement to the contrary, no notice of prepayment is required to be given with respect to any prepayment occurring on a Mandatory Purchase Date or prepayment of Liquidity Provider Certificates.

(h) Mandatory Purchase in Lieu of Prepayment. Each Owner, by purchase and acceptance of any 2008 Certificate irrevocably grants to the Authority the option to purchase such 2008 Certificate on any date such 2008 Certificate is subject to optional prepayment provided in (c) above at a purchase price equal to the prepayment price then applicable to such 2008 Certificate, plus accrued interest thereon to the date of purchase. In order to exercise such option, the Authority shall deliver to the Trustee a Favorable Opinion of Special Counsel and shall direct the Trustee to provide notice of mandatory purchase in lieu of prepayment, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in Section 3.02 hereof. On the date fixed for purchase of any 2008 Certificate pursuant to this Section 2.03(h), the Authority shall pay the purchase price of such 2008 Certificate to the Trustee in immediately available funds and the Trustee shall pay the same to the Owners of the 2008 Certificates being purchased against delivery thereof. All 2008 Certificates so purchased shall be delivered to the Trustee to hold for the benefit of the Authority or for cancellation upon the receipt of such instructions from the Authority. Without the prior written consent of the 2008 Certificate Insurer, no 2008 Certificates shall be purchased in lieu of prepayment by the

Authority, the City or any of its affiliates unless such 2008 Certificates are redeemed, defeased or cancelled.

Notwithstanding any other provision of this Trust Agreement, the purchase price of any 2008 Certificate subject to mandatory purchase in lieu of prepayment pursuant to this Section 2.03(h) shall be paid solely by the Authority and such 2008 Certificate shall not be eligible to be purchased and shall not be purchased from a drawing on any Liquidity Facility. In the event that the Authority lacks sufficient funds to pay the purchase price of any 2008 Certificate subject to mandatory purchase in lieu of prepayment pursuant to this Section 2.03(h) on the date fixed for such purchase, the Authority shall cancel such mandatory purchase in lieu of prepayment and shall return each such 2008 Certificate to the Owner who shall have tendered such 2008 Certificate for mandatory purchase in lieu of prepayment pursuant to this Section 2.03(h). The Trustee shall give notice that such mandatory purchase was not effected promptly following the date fixed for such purchase. Any failure to pay the purchase price of any 2008 Certificate subject to mandatory purchase pursuant to this Section 2.03(h) shall not constitute an Event of Default under this Trust Agreement.

Section 2.04. Form of 2008 Certificates. The 2008 Certificates while in Weekly Mode shall be substantially in the form set forth in Exhibit A hereto attached and by this reference herein incorporated. Upon a change in Mode of the 2008 Certificates to another Mode, and upon any subsequent change from one Mode to another Mode, a new form of 2008 Certificate shall be prepared, if and to the extent necessary, which contains the terms of the 2008 Certificates applicable in the new Mode.

Section 2.05. Execution of 2008 Certificates. The 2008 Certificates shall be executed by the Trustee by the manual signature of an authorized officer or signatory of the Trustee.

Section 2.06. Transfer and Payment of 2008 Certificates. Any 2008 Certificates may, in accordance with its terms, be transferred in the books required to be kept pursuant to the provisions of Section 2.08 hereof by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of such 2008 Certificates at the Corporate Trust Office of the Trustee for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee. Whenever any 2008 Certificate or 2008 Certificates shall be surrendered for transfer, the Trustee shall execute and deliver to the transferee a new 2008 Certificate or 2008 Certificates of the same Certificate Payment Date evidencing and representing a like aggregate principal amount in Authorized Denominations. The Trustee shall require the payment by the Owner 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 Trustee may deem and treat the registered owner of any 2008 Certificates as the absolute owner of such 2008 Certificates for the purpose of receiving payment thereof and for all other purposes, whether such 2008 Certificates shall be overdue or not, and the Trustee shall not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by such 2008 Certificates shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on such 2008 Certificates to the extent of the sum or sums so paid.

Except with respect to tenders pursuant to Sections 3.01 and 3.02 herein, the Trustee shall not be required to register the transfer of any 2008 Certificate during the period commencing on the date 15 days preceding the selection of 2008 Certificates for prepayment and ending on the date of mailing of notice of such prepayment, or any 2008 Certificate which has been selected for prepayment in whole or in part, from and after the day of mailing of a notice of prepayment of such 2008 Certificates selected for prepayment in whole or in part as provided in Section 2.03 hereof.

Section 2.07. Exchange of Certificates. 2008 Certificates may be exchanged at the Corporate Trust Office of the Trustee for 2008 Certificates evidencing and representing a like aggregate principal amount of 2008 Certificates of the same Certificate Payment Date of other Authorized Denominations. The Trustee shall require the payment by the Owner 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.

Except with respect to tenders pursuant to Sections 3.01 and 3.02 herein, the Trustee shall not be required to exchange any 2008 Certificate during the 15-day period preceding the selection of 2008 Certificates for prepayment, or any 2008 Certificate which has been selected for prepayment in whole or in part, from and after the day of mailing of a notice of prepayment of such 2008 Certificates selected for prepayment in whole or in part as provided in Section 2.03 hereof.

Section 2.08. Certificate Registration Books. The Trustee will keep at its Corporate Trust Office sufficient books for the registration and transfer of the 2008 Certificates which shall at all times be open to inspection by the Authority during regular business hours with reasonable prior notice, and upon presentation for such purpose the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer the 2008 Certificates in such books as hereinabove provided.

Section 2.09. Mutilated, Destroyed, Stolen or Lost Certificates. If any 2008 Certificate shall become mutilated the Trustee, at the expense of the Owner, shall thereupon execute and deliver a new 2008 Certificate of like tenor and amount in exchange and substitution for the 2008 Certificate so mutilated, but only upon surrender to the Trustee of the 2008 Certificate so mutilated. Every mutilated 2008 Certificate so surrendered to the Trustee shall be cancelled and destroyed.

If any 2008 Certificate shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee has been given, the Trustee, at the expense of the Owner, shall thereupon execute and deliver a new 2008 Certificate of like tenor in lieu of and in substitution for the 2008 Certificate so lost, destroyed or stolen.

The Trustee may require payment of a reasonable sum for each new 2008 Certificate delivered under this Section 2.09 and of the expenses which may be incurred by the Authority and the Trustee in the premises. Any 2008 Certificate executed and delivered under the provisions of this Section in lieu of any 2008 Certificate alleged to be lost, destroyed or stolen shall be equally and proportionately entitled to the benefits of this Trust Agreement with all other

2008 Certificates secured by this Trust Agreement. The Trustee shall not be required to treat both the original 2008 Certificate and any replacement 2008 Certificate as being Outstanding for the purpose of determining the principal amount of 2008 Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of 2008 Certificates Outstanding hereunder, but both the original and replacement 2008 Certificate shall be treated as one and the same.

Section 2.10. Temporary Certificates. The 2008 Certificates executed and delivered under this Trust Agreement may be initially executed and delivered in temporary form exchangeable for definitive 2008 Certificates when ready for delivery. The temporary 2008 Certificates may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Trustee, shall be in fully registered form and may contain such reference to any of the provisions of this Trust Agreement as may be appropriate. Every temporary 2008 Certificate shall be executed and delivered by the Trustee, upon the same conditions and terms and in substantially the same manner as definitive 2008 Certificates. If the Trustee executes and delivers temporary 2008 Certificates it will execute and furnish definitive 2008 Certificates and thereupon the temporary 2008 Certificates may be surrendered, for cancellation, in exchange therefor at the Corporate Trust Office of the Trustee, and the Trustee shall deliver in exchange for such temporary 2008 Certificates definitive 2008 Certificates evidencing and representing an equal aggregate principal amount of 2008 Certificates of Authorized Denominations. Until so exchanged, the temporary 2008 Certificates shall be entitled to the same benefits under this Trust Agreement as definitive 2008 Certificates delivered hereunder.

Section 2.11. Use of Book-Entry System for Certificates.

(a) The 2008 Certificates initially shall be delivered in the form of a single executed fully registered securities certificate for each stated Maturity Date of such 2008 Certificates, representing the aggregate principal amount evidenced and represented by the 2008 Certificates of such Maturity Date. Upon initial delivery, the ownership of all such 2008 Certificates shall be registered in the registration records maintained by the Trustee pursuant to Section 2.08 hereof in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC shall request pursuant to the Representation Letter. The Trustee may treat DTC (or its nominee) as the sole and exclusive owner of the 2008 Certificates registered in its name for the purposes of payment of the principal or prepayment price and interest evidenced and represented by such 2008 Certificates, selecting the 2008 Certificates or portions thereof to be prepaid, giving any notice permitted or required to be given to Owners hereunder, registering the transfer of 2008 Certificates, obtaining any consent or other action to be taken by Owners of the 2008 Certificates and for all other purposes whatsoever; and the Trustee shall not be affected by any notice to the contrary. Neither the Trustee nor the Authority shall have any responsibility or obligation to any Participant (which shall mean, for purposes of this Section, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the 2008 Certificates under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner of 2008 Certificates, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or prepayment price or interest evidenced and represented by the 2008 Certificates (iii) any notice which is permitted or required to be given to Owners of

2008 Certificates hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event of a partial prepayment of the 2008 Certificates, or (v) any consent given or other action taken by DTC as Owner of 2008 Certificates. Notwithstanding anything to the contrary herein, the Trustee shall pay all principal, prepayment premium, if any, and interest evidenced and represented by the 2008 Certificates only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter, and all such payments shall be valid and effective to satisfy fully and discharge the principal, prepayment premium, if any, and interest evidenced and represented by the 2008 Certificates to the extent of the sum or sums so paid. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the 2008 Certificates will be transferable to such new nominee in accordance with subsection (c) of this Section.

(b) In the event that the Authority determines that it is in the best interests of the beneficial owners of the 2008 Certificates that they be able to obtain securities certificates, the Trustee shall, upon the written instruction of the Authority, so notify DTC, whereupon DTC shall notify the Participants of the availability through DTC of securities certificates. In such event, the 2008 Certificates will be transferable in accordance with subsection (c) of this Section. DTC may determine to discontinue providing its services with respect to the 2008 Certificates at any time by giving written notice of such discontinuance to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the 2008 Certificates will be transferable in accordance with subsection (c) of this Section. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the 2008 Certificates then Outstanding. In such event, the 2008 Certificates will be transferable to such securities depository in accordance with subsection (c) of this Section, and thereafter, all references in this Trust Agreement to DTC or its nominee shall be deemed to refer to such successor securities depository and its nominee, as appropriate.

(c) In the event that any transfer or exchange of 2008 Certificates is authorized under subsection (a) or (b) of this Section, such transfer or exchange shall be accomplished upon receipt by the Trustee from the registered owner thereof of the 2008 Certificates to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Sections 2.06 and 2.07 hereof. In the event securities certificates are delivered to Owners other than Cede & Co., its successor as nominee for DTC as Owner of all the 2008 Certificates, another securities depository as Owner of all the 2008 Certificates, or the nominee of such successor securities depository, the provisions of Sections 2.06 and 2.07 hereof shall also apply to, among other things, the registration, exchange and transfer of the 2008 Certificates and the method of payment of principal, prepayment premium, if any, and interest evidenced and represented by the 2008 Certificates.

(d) Liquidity Provider Certificates. Notwithstanding any other provisions hereof, the Trustee shall take all necessary action to obtain a separate CUSIP number and to qualify Liquidity Provider Certificates for book-entry in accordance with the procedures of DTC. If for any reason the Liquidity Provider Certificates are not assigned a separate CUSIP number or if a separate CUSIP number has been assigned but the Liquidity Provider so elects, at the request of

the Liquidity Facility Provider, Liquidity Provider Certificates shall be registered in the name of the Liquidity Facility Provider or its nominees or registered assigns, and not in the name of the Depository, DTC, Cede & Co. or other nominee or its registered assign. In such case, the Trustee shall take all necessary action to withdraw Liquidity Provider Certificates from the Depository in order to register Liquidity Provider Certificates in the name of the Liquidity Facility Provider, or the nominee or registered assigns thereof.

Section 2.12. Authorization of Delivery of 2008 Certificates; Application of Proceeds. On the Delivery Date, the Trustee authorized the execution and delivery of the 2008 Certificates to the purchaser thereof upon the Written Request of the Authority and upon receipt of the proceeds of the sale thereof. Upon receipt of the proceeds of the sale of the 2008 Certificates from the purchaser thereof (in the amount of $46,581,988.19 (representing the $47,625,000.00 aggregate principal amount of the 2008 Certificates, less underwriter's discount of $153,920.63, and less $826,615.80 transferred by the purchaser at the request of the Authority to the 2008 Certificate Insurer as payment of the premium for the 2008 Certificate Insurance Policy and $62,475.38 transferred by the purchaser at the request of the Authority to the 2008 Certificate Insurer as payment of the premium for the 2008 Parity Reserve Fund Insurance Policy), the Trustee set aside and deposited the proceeds received from such sale in the following respective accounts or funds or with the following respective persons, in the following order of priority:

(a) the Trustee deposited to the 2006 Debt Service Fund, established pursuant to Section 4.03 of the 2006 Trust Agreement, the amount of $46,275,000.00;

(b) the Trustee deposited to the Parity Reserve Fund, created pursuant to the 1997 Trust Agreement, the amount of $36.57; and

(c) the Trustee deposited the remainder of the proceeds of sale of the 2008 Certificates (such amount being $306,951.62) in the Costs of Issuance Fund established pursuant to Section 4.05 hereof.

Simultaneously with the deposit of proceeds, the Trustee (i) retained in the Parity Reserve Fund, created pursuant to the 1997 Trust Agreement, which fund was continued pursuant to Section 4.04 hereof, the amount of $1,834,515.50 from amounts in the Parity Reserve Fund deposited from the proceeds 2006 Certificates and (ii) deposited in the Parity Reserve Fund the 2008 Parity Reserve Fund Insurance Policy, together being an amount sufficient to cause the balance on deposit in, or credited to the Parity Reserve Fund to be equal to the Reserve Fund Requirement upon delivery of the 2008 Certificates.

Section 2.13. Reserved.

Section 2.14. Determination of Flexible Rates and Interest Periods During Flexible Mode. An Interest Period for the 2008 Certificates in the Flexible Mode shall be of such duration of from one to 397 calendar days, ending on a day preceding a Business Day or the Maturity Date, as the Remarketing Agent shall determine in accordance with the provisions of this Section 2.14. In making the determinations with respect to Interest Periods, subject to limitations imposed by the immediately preceding sentence, on each Rate Determination Date for a Flexible Rate Certificate, the Remarketing Agent shall select the Interest Period that would

result in the Remarketing Agent being able to remarket the 2008 Certificates at par in the secondary market at the lowest average interest cost under then-existing marketing conditions; provided, however, that if the Remarketing Agent has received notice from the Authority to the effect that the Mode for the 2008 Certificates is to be changed from the Flexible Mode to any other Mode, the Remarketing Agent shall select Interest Periods that do not extend beyond the resulting Mode Change Date. The Flexible Rate for the 2008 Certificates in a Flexible Mode shall be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if evidenced by the 2008 Certificates, would enable the Remarketing Agent to sell the 2008 Certificates under then existing market conditions, including length of Interest Period, on the effective date of such rate at a price equal to the principal amount thereof. Each 2008 Certificate in a Flexible Mode may evidence interest at a different Flexible Rate and may have an Interest Period within the Flexible Mode which differs from the Interest Period applicable to any 2008 Certificate in a Flexible Mode.

The Trustee, in consultation with the Remarketing Agent, shall take such actions as shall be necessary to distinguish 2008 Certificates having different Flexible Rate Periods, which actions may include obtaining different CUSIP numbers if determined desirable by the Trustee or the Remarketing Agent.

By 1:00 p.m. New York City time on each Rate Determination Date, the Remarketing Agent, with respect to each 2008 Certificate in the Flexible Mode that is subject to adjustment on such Rate Determination Date, shall determine the Flexible Rate for the Interest Period then selected for such 2008 Certificate and shall give notice of the Interest Period, the Purchase Date and the Flexible Rate for such 2008 Certificate, such notice to be given by Electronic means to the Trustee and the Authority. The Remarketing Agent shall make the Flexible Rate and Interest Period available after 2:00 p.m. New York City time on each Rate Determination Date by telephone or Electronic means to any Beneficial Owner or Notice Party other than the Authority requesting such information.

In the event the use of the Book-Entry System is discontinued, in order to receive payment of the Purchase Price of any 2008 Certificate in the Flexible Mode, the Owner of such 2008 Certificate must present such 2008 Certificate to the Trustee, by 12:00 noon New York City time on the applicable Mandatory Purchase Date. Upon receipt of such 2008 Certificate by 12:00 noon New York City time on a Mandatory Purchase Date, the Trustee shall pay the Purchase Price to such Owner by 2:30 p.m. New York City time on such Mandatory Purchase Date.

Section 2.15. Determination of Interest Rates During the Daily Mode and the Weekly Mode. The interest rate for the 2008 Certificates during the Daily Mode or Weekly Mode shall be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the 2008 Certificates in the Daily Rate Period or Weekly Rate Period, as applicable, at a price equal to 100% of the principal amount thereof.

(a) During the Daily Mode, the Remarketing Agent shall establish the Daily Rate by 10:00 a.m. New York City time on each Rate Determination Date. The Daily

Rate for any day during the Daily Mode which is not a Business Day shall be the Daily Rate established on the immediately preceding Rate Determination Date. The Remarketing Agent shall make the Daily Rate available no less frequently than once each week by telephone or Electronic means to the Authority, each other Notice Party and any Beneficial Owner requesting such rate.

(b) During the Weekly Mode, the Remarketing Agent shall establish the Weekly Rate by 4:00 p.m. New York City time on each Rate Determination Date. The Weekly Rate shall be in effect during the applicable Weekly Rate Period. The Remarketing Agent shall make the Weekly Rate available no later than 5:00 p.m. New York City time on the Business Day following the Rate Determination Date by telephone or Electronic means to the Authority, each other Notice Party and any Beneficial Owner requesting such rate.

Section 2.16. Determination of Term Rates and Fixed Rates.

(a) Term Rates. The interest rate for the 2008 Certificates in the Term Rate Mode shall be the minimum rate which, in the opinion of the Remarketing Agent, would result in a sale of the 2008 Certificates, under then existing market conditions, at a price equal to 100% of the principal amount thereof on the Rate Determination Date for a Term Rate Period of the duration selected by the Authority, written notice of which shall have been delivered by the Authority to the Remarketing Agent prior to such Rate Determination Date. Notwithstanding the foregoing, if the Authority shall deliver a Favorable Opinion of Special Counsel, the interest rate set for some or all of the affected 2008 Certificates may include a premium or a discount. In no event shall any Term Rate be greater than the Maximum Rate and no Term Rate Period may extend beyond the Maturity Date.

The Term Rate shall be determined by the Remarketing Agent not later than 4:00 p.m. New York City time on the Rate Determination Date and the Remarketing Agent shall make the Term Rate available by telephone or Electronic means after 5:00 p.m. New York City time on the Rate Determination Date to the Authority and each other Notice Party requesting such Term Rate. A copy of each such notice shall be provided to the 2008 Certificate Insurer.

Except as is otherwise provided in Section 2.17 hereof, once the 2008 Certificates are changed to a Term Rate Mode, the 2008 Certificates shall continue in the Term Rate Mode until changed to another Mode in accordance with Section 2.18 hereof. If the Authority shall have failed to select a new Term Rate Period prior to the applicable Rate Determination Date for such new Term Rate Period, the new Term Rate Period shall be the same length as the current Term Rate Period; provided however, that no Term Rate Period may extend beyond the Maturity Date.

(b) Fixed Rates. The Fixed Rate for the 2008 Certificates when being converted from a Short-Term Mode or a Term Rate Mode to the Fixed Rate Mode shall be determined by the Fixed Rate Remarketing Agent in the following manner: not later than 4:00 p.m. New York City time on the applicable Rate Determination Date, the Fixed Rate Remarketing Agent shall determine the Fixed Rate or Fixed Rates, as applicable. The Fixed Rate or Fixed Rates shall be the minimum interest rate(s) which, in the opinion of the applicable Fixed Rate Remarketing Agent, will result in a sale of the 2008 Certificates at a price equal to the principal amount

thereof on the Rate Determination Date. Notwithstanding the foregoing, if the Authority shall deliver a Favorable Opinion of Special Counsel, the interest rate set for some or all of the 2008 Certificates may include a premium or a discount. The Fixed Rate Remarketing Agent shall make the Fixed Rate or Fixed Rates, as applicable, available by telephone or by Electronic means after 5:00 p.m. New York City time on the Rate Determination Date to the Authority and each other Notice Party requesting notice of such Fixed Rate or Fixed Rates. A copy of each such notice shall be provided to the 2008 Certificate Insurer. The Fixed Rate or Rates, as applicable, so established for the 2008 Certificates shall remain in effect until the Maturity Date or Maturity Dates, as applicable, of the 2008 Certificates.

Section 2.17. Alternate Rates. When the 2008 Certificates are in a Daily Mode, a Weekly Mode, a Flexible Rate Mode or a Term Rate Mode, the following provisions shall apply in the event (i) the Remarketing Agent fails or is unable to determine the interest rate for the 2008 Certificates or to determine the interest rate or Flexible Rate Period for the 2008 Certificates within the Flexible Mode, (ii) the method by which the Remarketing Agent determines the interest rate or Interest Period with respect to the 2008 Certificates (or the selection by the Authority of the duration of a Term Rate Period for the 2008 Certificates) shall be held to be unenforceable by a court of law of competent jurisdiction, or (iii) the Remarketing Agent suspends its remarketing effort in accordance with the provisions of the Remarketing Agreement. The provisions set forth in this Section shall continue to apply until such time as the Remarketing Agent (or the Authority, if applicable) resumes making such determinations. In the case of clause (ii) above, the Remarketing Agent (or the Authority, if applicable) shall resume making such determination at such time as there is delivered to the Remarketing Agent or the Authority, as applicable, an opinion of Special Counsel to the effect that there are no longer any legal prohibitions against the Remarketing Agent or Authority, as applicable, making such determinations.

The following shall be the methods by which the interest rates and, in the case of the Flexible Rate Mode and Term Rate Modes, the Interest Periods, shall be determined for the 2008 Certificates or for any Flexible Rate Certificate as to which any of the events described in clauses (i), (ii) or (iii) above shall be applicable. Such methods shall be applicable from and after the date any of the events described in clauses (i), (ii) or (iii) of the immediately preceding paragraph shall become applicable until such time as the events described in clauses (i), (ii) or (iii) of the immediately preceding paragraph are no longer applicable to the 2008 Certificates or any Flexible Rate Certificate. Notwithstanding any other provision herein, these provisions shall not apply with respect to the selection of the length of the Term Rate Period for the 2008 Certificates in a Term Rate Mode if the Authority fails to select the length of the Term Rate Period for the 2008 Certificates for a reason other than as described in clause (ii) of the immediately preceding paragraph.

(a) For Flexible Rate Certificates, the next Interest Period shall be from, and including, the first day following the last day of the current Interest Period for the applicable Flexible Rate Certificates to, but excluding, the next succeeding Business Day, and thereafter the Interest Period for such Flexible Rate Certificate shall commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for such Flexible Rate Certificates shall be the applicable Alternate Rate in effect on the Business Day that begins an Interest Period.

(b) If the 2008 Certificates are in a Daily Mode or a Weekly Mode, then the 2008 Certificates shall evidence interest during each subsequent Interest Period for the 2008 Certificates at the Alternate Rate in effect on the first day of such Interest Period.

(c) If the 2008 Certificates are in a Term Rate Mode, then the 2008 Certificates shall automatically convert to a Flexible Rate Mode, with an Interest Period commencing on the first day following the last day of the current Interest Period for the 2008 Certificates to, but excluding, the next succeeding Business Day, and thereafter the Interest Period for the 2008 Certificates shall commence on each Business Day and extend to, but exclude, the next succeeding Business Day. For each such Interest Period, the interest rate for the 2008 Certificates shall be the applicable Alternate Rate in effect at the beginning of each such Interest Period.

Section 2.18. Changes in Mode. Subject to compliance with the provisions set forth in this Section, the Authority may elect to effect a change in Mode with respect the 2008 Certificates (other than the 2008 Certificates in a Fixed Rate Mode); provided that all the 2008 Certificates of any series shall be converted.

(a) Changes to Modes Other Than Fixed Rate Mode. At the option of the Authority, the 2008 Certificates (other than the 2008 Certificates being changed to a Fixed Rate Mode, which shall be governed by the provisions set forth in Section 2.18(d) hereof) may be changed from one Mode to another Mode (other than a Fixed Rate Mode) as set forth below:

(i) Notice by Authority. At least five (5) Business Days (or such shorter time as may be agreed to by the Authority, the Trustee and the Remarketing Agent) prior to the date that notice of the proposed Mode Change Date is required to be given to the Owners by the Trustee as specified below, the Authority shall give written notice to each of the Notice Parties of its intention to effect a change in the Mode from the Mode then prevailing (for purposes of this Section, the "Current Mode") to another Mode (for purposes of this Section, the "New Mode") which shall be specified in such written notice. Such notice to the Notice Parties shall specify the proposed Mode Change Date and shall also include a statement as to whether a Liquidity Facility is expected to be in effect with respect to the 2008 Certificates following such change and, if a Liquidity Facility is expected to be in effect, such notice shall identify the anticipated provider of such Liquidity Facility. If the change is to a Term Rate Mode, such notice shall specify the length of the initial Term Rate Period.

(ii) Notice to Owners. Notice of the proposed change in Mode, unless otherwise specified in Section 2.18(d) hereof, shall be given by the Trustee to the Owners of the 2008 Certificates not less than the 15th day next preceding the applicable Mode Change Date; provided that no notice need be given for a Mode Change Date occurring on the first Business Day following the last day of a Flexible Rate Period or a Term Rate Mode or on a Substitution Date. Such notice shall state the Mode to which the conversion will be made and the proposed Mode Change Date and, if applicable, shall be combined with the notice of mandatory purchase required to be delivered by the Trustee pursuant to Section 3.02 hereof. If the Book-Entry System is no longer in effect, such notice shall also provide information with respect to required delivery of physical 2008

Certificates and procedures for payment of Purchase Price. Notwithstanding any other provision of this Trust Agreement, the Trustee shall not mail such written notice if the 2008 Certificates are being converted from a Flexible Mode until the Trustee shall have received a written confirmation from the Remarketing Agent to the effect that no Interest Period for the 2008 Certificates extends beyond the proposed Mode Change Date. The Trustee shall provide a copy of such notice to the Authority and to each of the other Notice Parties.

(iii) Determination of Interest Rates and Interest Periods. The New Mode shall commence on the Mode Change Date and the interest rate(s), together, in the case of a change to the Flexible Mode, with the Interest Period or Interest Period(s), as applicable, shall be determined by the Remarketing Agent (or the Authority in the case of the Interest Period for the 2008 Certificates being converted to a Term Rate Mode) in the manner provided in Section 2.14, Section 2.15 and Section 2.16 hereof, as applicable.

(iv) Conditions Precedent:

(A) The Mode Change Date shall be: (1) in the case of a change from a Flexible Mode, the next Mandatory Purchase Date for all of the Flexible Rate 2008 Certificates; (2) in the case of a change from a Daily Mode or a Weekly Mode, any Business Day; and (3) in the case of a change from a Term Rate Mode to another Mode, or from a Term Rate Period to a Term Rate Period of a different duration, the Mode Change Date shall be limited to (aa) any Interest Payment Date on which the 2008 Certificates are subject to optional prepayment or (bb) the last Interest Payment Date of the current Term Rate Period. The 2008 Certificates shall be subject to mandatory tender for purchase on such Mode Change Date in accordance with Section 3.02 hereof, and, except as is otherwise provided herein, the 2008 Certificates shall be purchased on the Mode Change Date at a Purchase Price equal to 100% of the principal amount thereof; provided, however, that if the 2008 Certificates are to be purchased on an Interest Payment Date other than the last Interest Payment Date applicable to the 2008 Certificates, and if the 2008 Certificates would otherwise be subject to optional prepayment on such Mode Change Date at a prepayment price of more than 100% of the principal amount thereof, then the 2008 Certificates shall be purchased at a Purchase Price equal to such prepayment price.

(B) If the 2008 Certificates to be converted are in the Flexible Mode, no Interest Period for the 2008 Certificates set after delivery by the Authority to the Remarketing Agent of the notice of the intention to effect a change in Mode shall extend beyond the day preceding the proposed Mode Change Date.

(C) As and to the extent applicable, the Authority shall select a Remarketing Agent for the 2008 Certificates, and shall provide for the delivery of a Liquidity Facility if required.

(D) The Authority shall have obtained and provided to the Trustee the written consent of the 2008 Certificate Insurer to the change in Mode.

(E) The following items shall have been delivered to the Authority, Trustee, the 2008 Certificate Insurer and the Remarketing Agent on or prior to the Mode Change Date:

(1) in the case of a change from any Mode other than a change from a Daily Mode to a Weekly Mode or a change from a Weekly Mode to a Daily Mode, a Favorable Opinion of Special Counsel dated the Mode Change Date;

(2) if there is to be a Liquidity Facility delivered in connection with such change, the items required by Section 3.11 hereof; and

(3) a notice from the Rating Agencies of the rating(s) to be assigned to the 2008 Certificates on such Mode Change Date.

(v) Rescission of Election. The Authority may rescind any election by it to change a Mode in accordance with this Section 2.18(a) as provided in Section 2.18(f) hereof.

(b) Reserved.

(c) Reserved.

(d) Change to Fixed Rate Mode. At the option of the Authority, the 2008 Certificates (other than the 2008 Certificates in a Fixed Rate Mode) may be converted to a Fixed Rate Mode. Any such conversion shall be made as set forth below.

(i) Mode Change Date Provisions. The Mode Change Date shall be:

(A) in the case of a change from a Flexible Mode, the next Mandatory Purchase Date for the Flexible Rate 2008 Certificates of the 2008 Certificates;

(B) in the case of a change from a Daily Mode or a Weekly Mode, any Business Day; and

(C) in the case of a change from a Term Rate Mode, the Mode Change Date shall be limited to (1) any Interest Payment Date on which the 2008 Certificates are subject to optional prepayment or (2) the next Mandatory Purchase Date for the 2008 Certificates being converted, as the case may be. The 2008 Certificates in a Term Rate Mode shall be subject to mandatory tender for purchase pursuant to Section 3.02 hereof and shall be purchased on such Mode Change Date at a Purchase Price equal to 100% of the principal amount thereof; provided that if the 2008 Certificates would otherwise be subject to optional prepayment on such Mode Change Date at a prepayment price of more than 100% of the principal amount thereof, the 2008 Certificates shall be purchased at a Purchase Price equal to such prepayment price.

(ii) Serialization Provisions. Upon conversion of the 2008 Certificates to a Fixed Rate Mode, unless otherwise directed by the Authority, the 2008 Certificates will be converted to Serial Certificates maturing in such years and such principal amounts as correspond to the years and principal amounts set forth in the mandatory Sinking Fund Payment schedule set forth in Section 2.03 hereof

(iii) Notice by Authority. At least 5 Business Days (or such shorter time as may be agreed to by the Trustee, and the Remarketing Agent, if any) prior to the date that notice of the Mode Change Date is required to be given to the Owners by the Trustee as specified in paragraph (iii) below, the Authority shall give written notice to each of the Notice Parties. Such notice shall state that the Mode will be changed to the Fixed Rate Mode, shall set forth the proposed Mode Change Date, and shall be accompanied by the appointment of one or more firms of investment bankers to remarket the 2008 Certificates being changed to the Fixed Rate Mode (such firm or firms of investment bankers being hereinafter referred to as the "Fixed Rate Remarketing Agent"). Together with such notice, the Authority shall file with the Trustee and the 2008 Certificate Insurer a Favorable Opinion of Special Counsel. No conversion to a Fixed Rate Mode shall occur unless the Authority shall also file with the Trustee and the 2008 Certificate Insurer a Favorable Opinion of Special Counsel to the same effect dated the Mode Change Date.

(iv) Notice to Owners. Not less than the 15th day next preceding the Mode Change Date, the Trustee shall mail notice of such proposed change to the Owners of the 2008 Certificates, such notice to state that the Mode on the 2008 Certificates will be changed to a Fixed Rate Mode and to set forth the proposed Mode Change Date. Such notice shall be combined with the notice of mandatory purchase required to be delivered by the Trustee pursuant to Section 3.02 hereof. If the Book-Entry System is no longer in effect, such notice shall also provide information with respect to required delivery of physical 2008 Certificates and the procedures for payment of Purchase Price. Notwithstanding any other provision of this Trust Agreement, the Trustee shall not mail such written notice if the 2008 Certificates are being converted from a Flexible Mode until the Trustee shall have received a written confirmation from the Remarketing Agent to the effect that no Interest Period for the 2008 Certificates extends beyond the proposed Mode Change Date. The Trustee shall provide a copy of such notice to the Authority and to each of the other Notice Parties.

(v) General Provisions Applying to Change to Fixed Rate Mode. The change to a Fixed Rate Mode shall not occur unless the Authority shall have selected a Fixed Rate Remarketing Agent to remarket the 2008 Certificates being changed to the Fixed Rate Mode and the following items shall have been delivered to the Authority and each of the Notice Parties, such items to be delivered on or prior to the Mode Change Date:

(A) a Favorable Opinion of Special Counsel dated the Mode Change Date;

(B) the written consent of the 2008 Certificate Insurer to the change in Mode; and

(C) notice from the Rating Agencies of the rating(s) to be assigned the 2008 Certificates on such Mode Change Date.

(vi) Determination of Fixed Rates. The Fixed Rate (or Fixed Rates in the case of Serial Certificates) for the 2008 Certificates shall be established by the applicable Fixed Rate Remarketing Agent on the Rate Determination Date applicable thereto. Such Fixed Rate Remarketing Agent shall set the interest rate or interest rates with respect to the 2008 Certificates in accordance with the provisions set forth in Section 2.16(b) hereof. Such Fixed Rate or Fixed Rates, as applicable, shall remain in effect until the Maturity Date or Maturity Dates, as applicable, of the 2008 Certificates. The applicable Remarketing Agent shall make the Fixed Rate or Rates available by telephone or Electronic means not later than 5:00 p.m., New York City time, on the Rate Determination Date to the Authority, the Trustee and each of the other Notice Parties requesting such notice.

(vii) Modification of Serialization Provisions, Prepayment Provisions and Price. Upon conversion of the 2008 Certificates to a Fixed Rate Mode, the 2008 Certificates shall be subject to the serialization provisions set forth in subsection (ii) above, shall be subject to the optional prepayment and mandatory sinking fund prepayment provisions set forth in Section 2.03 hereof and shall be remarketed at par. Notwithstanding the foregoing or any other provision of this Trust Agreement to the contrary, the Authority may elect to change the serialization provisions, the optional prepayment provisions or the mandatory sinking fund prepayment provisions and/or remarket some or all of the 2008 Certificates at a premium or discount to par if the Authority shall file with the Trustee and the 2008 Certificate Insurer a Favorable Opinion of Special Counsel.

(viii) Rescission of Election. The Authority may rescind any election by it to change a Mode in accordance with this Section 2.18(d) as provided in Section 2.18(f) hereof.

(e) Failure to Satisfy Conditions Precedent to a Mode Change. In the event that the Authority has not withdrawn any election by it to change a Mode as provided herein and the conditions described above in subsections (a), (b), (c) or (d) of this Section, as applicable, have not been satisfied by the applicable Mode Change Date, then the New Mode shall not take effect (although any mandatory purchase shall be made on such date if notice has been sent to the Owners stating that the 2008 Certificates would be subject to mandatory purchase on such date). If the failed change in Mode was from a Flexible Mode, the 2008 Certificates shall remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the failed Mode Change Date in accordance with Section 2.14 hereof. If the failed change in Mode was from a Daily Mode, the 2008 Certificates shall remain in the Daily Mode, and if the failed change in Mode was from a Weekly Mode, the 2008 Certificates shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of Section 2.15 hereof on and as of the failed Mode Change Date. If the failed change in Mode was from a Term Rate Mode, then the 2008 Certificates shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the 2008

Certificates in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the failed Mode Change Date in accordance with Section 2.16(a) hereof.

(f) Rescission of Election. Notwithstanding anything herein to the contrary, the Authority may rescind any election by it to change a Mode as described above prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to such Mode Change Date. If the Trustee receives notice of such rescission prior to the time the Trustee has given notice to the Owners of the 2008 Certificates, then such notice of change in Mode shall be of no force and effect. If the Trustee receives notice from the Authority of rescission of a Mode change after the Trustee has given notice thereof to the Owners of the 2008 Certificates, then if the proposed Mode Change Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date.

If the proposed change in Mode was from a Flexible Mode, the 2008 Certificates shall remain in the Flexible Mode with interest rates and Interest Periods to be established by the Remarketing Agent on the proposed Mode Change Date in accordance with Section 2.14 hereof. If the proposed change in Mode was from a Daily Mode, the 2008 Certificates shall remain in the Daily Mode, and if the proposed change in Mode was from a Weekly Mode, the 2008 Certificates shall remain in the Weekly Mode, in each case with interest rates established in accordance with the applicable provisions of Section 2.15 hereof on and as of the proposed Mode Change Date. If the proposed change in Mode was from a Term Rate Mode, then the 2008 Certificates shall stay in the Term Rate Mode for an Interest Period ending on the following Interest Payment Date for the 2008 Certificates in the Term Rate Mode and the interest rate shall be established by the Remarketing Agent on the proposed Mode Change Date in accordance with Section 2.16(a) hereof. If the Remarketing Agent is unable to determine the interest rate on the proposed Mode Change Date, the provisions of Section 2.17 shall apply.

(g) Form of Notices. Upon request, the form of any notice from the Trustee to the Owners of the 2008 Certificates required by this Section 2.18 and by Section 3.02 shall be furnished by the Authority to the Trustee.

ARTICLE III

TENDERS OF 2008 CERTIFICATES; REMARKETING

Section 3.01. Optional Tenders of Certificates in a Daily Mode or a Weekly Mode. Subject to Section 3.06 hereof, during any Daily Mode for the 2008 Certificates and during any Weekly Mode for the 2008 Certificates, any 2008 Certificate or portion thereof in a principal amount equal to an Authorized Denomination shall be purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a Tender Notice to the Trustee by the Tender Notice Deadline. Immediately upon receipt of a Tender Notice, the Trustee shall notify the Remarketing Agent and provide the Remarketing Agent with a copy of such Tender Notice. Notwithstanding any other provision of this Trust Agreement to the contrary, the provisions set forth in this Section 3.01 shall not apply to any Certificate in a Delayed Remarketing Period.

Section 3.02. Mandatory Tender for Purchase on Mandatory Purchase Date. The 2008 Certificates shall be subject to mandatory purchase on each Mandatory Purchase Date applicable

to the 2008 Certificates. The Trustee shall give notice of each such mandatory purchase, such notice to be given by mail to the Owners of the 2008 Certificates subject to mandatory purchase no less than 15 days prior to the applicable Mandatory Purchase Date, provided that, if the mandatory purchase is directed as a result of an event of default under the Liquidity Facility, such notice may be given no less than 10 days prior to the applicable Mandatory Purchase Date or as late as the Mandatory Purchase Date. No notice shall be required to be given nor shall any notice be given with respect to any 2008 Certificate in a Flexible Rate Mode in connection with the Mandatory Purchase Date occurring at the end of each Interest Period for the 2008 Certificates. The form of the notice of mandatory purchase shall be provided to the Trustee by the Authority.

Any notice to be given pursuant to this Section 3.02 shall state the Mandatory Purchase Date, shall set forth the Purchase Price applicable on such Mandatory Purchase Date, and shall identify the 2008 Certificates to be purchased. Such notice shall also state that interest on the 2008 Certificates subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2008 Certificate shall not affect the validity of the mandatory purchase of any other 2008 Certificate with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Owner. If the Book-Entry System is no longer in effect, such notice shall also provide information with respect to required delivery of physical certificates and the procedures for payment of Purchase Price. A copy of any notice delivered by the Trustee pursuant to this Section 3.02 shall also be provided to each of the Notice Parties.

Section 3.03. Purchases of Certificates in Daily Mode, Weekly Mode, Flexible Mode and Term Rate Mode; Payment of Purchase Price; Notices.

(a) On each date on which 2008 Certificates in a Daily Mode, a Weekly Mode, a Flexible Mode or a Term Rate Mode are to be purchased:

(i) the Remarketing Agent shall notify the Trustee and the Authority by 12:00 noon New York City time of the principal amount of such tendered 2008 Certificates it has remarketed and of the principal amount of such tendered 2008 Certificates it has not remarketed, such notice to be provided by Electronic means;

(ii) subject to Section 3.06(b)(ii), the Remarketing Agent shall cause the proceeds of the remarketing by the Remarketing Agent of such tendered 2008 Certificates to be paid to the Trustee in immediately available funds not later than 11:15 a.m., New York City time, on the Purchase Date for such tendered 2008 Certificates;

(iii) the Remarketing Agent shall notify the Trustee by Electronic means not later than 1:00 p.m. New York City time of such information as may be necessary to register and deliver such remarketed 2008 Certificates, such notice to be provided by Electronic means; and

(iv) if the affected 2008 Certificates are no longer in the Book-Entry System, the Trustee shall authenticate new 2008 Certificates for the respective purchasers thereof

which shall be available for pick-up by the Remarketing Agent not later than 2:30 p.m. New York City time.

(b) On each date on which a 2008 Certificate is to be purchased, the Trustee shall draw on the applicable Liquidity Facility, if any, by 12:00 p.m. New York City time in an amount equal to the Purchase Price of all such 2008 Certificates less remarketing proceeds received per Section 3.03(a)(ii) for payment by 3:00 p.m. New York City time and shall notify the 2008 Certificate Insurer of such draw; provided, however, that if the draw is in connection with a Mandatory Purchase Date resulting from a Substitution Date, the draw shall be made on the existing Liquidity Facility that is being replaced. In no event shall the Trustee draw on a Liquidity Facility to pay the Purchase Price of any 2008 Certificate not covered by such Liquidity Facility or to pay the Purchase Price of a 2008 Certificate owned by the Authority or the City.

(c) If the Trustee is notified in writing by a Liquidity Facility Provider that an Automatic Termination Event has occurred, with respect to its Liquidity Facility, then the Trustee shall provide prompt written notice thereof to the Owners of the 2008 Certificates to which such Liquidity Facility relates and shall provide copy of such notice to each of the Notice Parties.

(d) If the Trustee does not have funds in the applicable Remarketing Proceeds Account and the applicable Liquidity Facility Account sufficient to pay the Purchase Price of such 2008 Certificates on any Purchase Date, the Trustee shall give the Authority notice of such insufficiency by 2:45 p.m. New York City time on such Purchase Date.

Section 3.04. Source of Funds for Purchase of 2008 Certificates in Daily Mode, Weekly Mode, Flexible Mode, or Term Rate Mode. By 3:00 p.m. New York City time on the date on which a 2008 Certificate in a Daily Mode, a Weekly Mode, a Flexible Mode or a Term Rate Mode is to be purchased, the Trustee shall purchase tendered 2008 Certificates from the tendering Owners at the applicable Purchase Price by wire transfer in immediately available funds. Except as otherwise provided in the case of the payment of a mandatory purchase price pursuant to Section 3.02, funds for the payment of such Purchase Price shall be derived solely from the following sources in the order of priority indicated and neither the Trustee nor the Remarketing Agent shall be obligated to provide funds from any other source:

(a) immediately available funds on deposit in the Remarketing Proceeds Account excluding funds received from the Authority or the City;

(b) immediately available funds on deposit in the applicable Liquidity Facility Account, if any; and

(c) in the Authority's sole discretion, moneys provided by the Authority that may lawfully be used for such purpose.

Notwithstanding the foregoing, any mandatory purchase of the 2008 Certificates made at the direction of the provider of the Liquidity Facility shall be payable solely from funds drawn under the Liquidity Facility and deposited into the Liquidity Facility Payment Account established

pursuant to Section 4.08 hereof, and any amounts mentioned in clause (a) or clause (c) above shall be used to reimburse the Bank for such payment.

Section 3.05. Delivery of Certificates in Daily Mode, Weekly Mode, Flexible Mode or Term Rate Mode. On each date on which a 2008 Certificate in a Daily Mode, a Weekly Mode, a Flexible Mode or a Term Rate Mode is to be purchased, such 2008 Certificate shall be delivered as follows:

(a) Each 2008 Certificate sold by the Remarketing Agent and for which payment has been received as described in Section 3.04(a) hereof shall be delivered by the Remarketing Agent to the purchaser of such Certificate by 3:00 p.m. New York City time; and

(b) Each 2008 Certificate purchased by the Trustee with moneys described in Section 3.04(b) hereof or purchased from proceeds from the 2008 Liquidity Facility Payment Account shall be registered immediately in the name of the applicable Liquidity Facility Provider or its nominee (which may be the Securities Depository) as provided in Section 2.11(d), if any, on or before 3:00 p.m. New York City time. The Trustee shall not release any Liquidity Provider Certificates unless the Trustee shall have received evidence that the Liquidity Facility has been reinstated to an amount equal to the principal amount of unremarketed 2008 Certificates, including Liquidity Provider Certificates, plus interest at the Maximum Rate for the number of days required under the Liquidity Facility.

(c) Each 2008 Certificate purchased by the Authority with moneys described in Section 3.04(c) hereof shall be registered immediately in the name of the Authority or its nominee on or before 3:00 p.m. New York City time. Any 2008 Certificate so owned by the Authority shall continue to be Outstanding under the terms of this Trust Agreement and be subject to all of the terms and conditions of the Trust Agreement and shall be subject to remarketing by the applicable Remarketing Agent; provided, however, that the Authority shall not be considered a Owner for the purpose of voting such 2008 Certificates under this Trust Agreement.

Section 3.06. Book-Entry Tenders.

(a) Notwithstanding any other provision of this Trust Agreement to the contrary, all tenders for purchase of 2008 Certificates during any period in which 2008 Certificates so tendered are registered in the name of Cede & Co. (or the nominee of any successor Securities Depository) shall be subject to the terms and conditions set forth in the Representations Letter and to any regulations promulgated by DTC (or any successor Securities Depository). For so long as the 2008 Certificates are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Owners of 2008 Certificates may be exercised only by a Direct Participant of DTC (as such term is described in Schedule A attached to the Representation Letter) acting, directly or indirectly, on behalf of a Beneficial Owner of 2008 Certificates by giving notice of its election to tender 2008 Certificates or portions thereof at the times and in the manner described above. Beneficial Owners will not have any rights to tender 2008 Certificates directly to the Trustee.

Procedures under which a Beneficial Owner may direct a Direct Participant of DTC, or an Indirect Participant of DTC (as such term is described in Schedule A attached to the Representation Letter) acting through a director participant of DTC, to exercise a tender option right in respect of 2008 Certificates or portions thereof in an amount equal to all or a portion of such Beneficial Owner's beneficial ownership interest therein, shall be governed by standing instructions and customary practices determined by such Direct Participant or Indirect Participant. For so long as the 2008 Certificates are registered in the name of Cede & Co., as nominee for DTC, delivery of the 2008 Certificates required to be tendered for purchase shall be effected by the transfer in the Book-Entry System on the applicable Purchase Date of a book-entry credit to the account of the Trustee of a beneficial interest in such 2008 Certificates.

(b) Notwithstanding anything expressed or implied herein to the contrary, so long as the Book-Entry System for the 2008 Certificates is maintained by the Authority:

(i) there shall be no requirement of physical delivery to, or by, the applicable Remarketing Agent or the Trustee of:

(A) any 2008 Certificates subject to optional or mandatory purchase as a condition to the payment of the Purchase Price therefor;

(B) any 2008 Certificates that have become Liquidity Facility Certificates; or

(C) any remarketing proceeds of such 2008 Certificates or Liquidity Facility Certificates to any Owner other than the Securities Depository or its nominee, as applicable; and

(ii) except as provided in (iii) below, the Trustee shall not have any responsibility for paying the Purchase Price of any tendered 2008 Certificate or for remitting remarketing proceeds to any person and such remarketing proceeds may be remitted directly to the Securities Depository by the applicable Remarketing Agent; and

(iii) the Trustee's sole responsibilities in connection with the purchase and remarketing of a tendered 2008 Certificate shall be:

(A) to draw upon the Liquidity Facility (1) in the event the Remarketing Agent for the 2008 Certificates notifies the Trustee as provided herein that any of the 2008 Certificates have not been remarketed on or before the Purchase Date therefor, which draw shall be in an amount equal to the difference between such Purchase Price and any remarketing proceeds received by the Remarketing Agent in connection with a partial remarketing of such 2008 Certificates, or (2) if no such notice is received, the entire amount of the Purchase Price, and to remit the amount so drawn to or upon the order of the Securities Depository for the benefit of the tendering Beneficial Owners;

(B) remit any proceeds derived from the remarketing of a Liquidity Facility Certificate to the applicable Liquidity Facility Provider; and

(C) remit any funds deposited by the Authority for the payment of the Purchase Price of tendered 2008 Certificates to the Securities Depository for the benefit of the tendering Beneficial Owners.

(iv) If the Trustee is party to a custodian or custody agreement with the Liquidity Provider with respect to Liquidity Provider Certificates, the Trustee in its capacity as custodian for the Liquidity Provider shall hold and release Liquidity Provider Certificates in accordance with the terms of such agreement.

Section 3.07. Tender Provisions Applicable Upon Discontinuation of Book-Entry System. If at any time the 2008 Certificates shall no longer be in the Book-Entry System, the procedures set forth below shall apply.

(a) Each 2008 Certificate shall be delivered (with all necessary endorsements) at or before 12:00 noon New York City time on the Purchase Date at the corporate trust office of the Trustee; provided, however, that payment of the Purchase Price shall be made pursuant to this Section 3.07(a) only if the 2008 Certificate so delivered to the Trustee conforms in all respects to the description thereof in the notice provided pursuant to Section 3.01 or Section 3.02 hereof, as applicable. Payment of the Purchase Price with respect to purchases pursuant to the provisions set forth in this Section shall be made to the Owners of tendered 2008 Certificates by wire transfer in immediately available funds by the Trustee by 3:00 p.m. New York City time on the Purchase Date.

(b) The Trustee shall hold all 2008 Certificates properly tendered to it for purchase hereunder as agent and bailee of, and in escrow for the benefit of, the respective Owners of the 2008 Certificates that shall have so tendered such 2008 Certificates until moneys representing the Purchase Price of such 2008 Certificates shall have been delivered to or for the account of or to the order of such Owners.

(c) If a 2008 Certificate to be purchased is not delivered by the Owner to the Trustee by 12:00 noon New York City time on the date in which such 2008 Certificate is to be purchased, the provisions set forth in Section 3.08 hereof shall apply.

(d) If the Trustee is party to a custodian or custody agreement with the Liquidity Provider with respect to Liquidity Provider Certificates, the Trustee in its capacity as custodian for the Liquidity Provider shall hold and release Liquidity Provider Certificates in accordance with the terms of such agreement.

Section 3.08. Certificates Deemed Purchased. If funds sufficient to pay the Purchase Price of any Certificate are held by the Trustee on any Purchase Date, such 2008 Certificate shall be deemed to have been purchased and shall be purchased according to the terms hereof, for all purposes of this Trust Agreement, irrespective of whether or not such 2008 Certificate shall have been delivered to the Trustee, and neither the former Owner of such 2008 Certificate nor any other person shall have any claim thereon, under this Trust Agreement or otherwise, for any amount other than the Purchase Price thereof.

In the event any 2008 Certificate purchased according to the terms hereof shall not be presented to the Trustee, the Trustee shall segregate and hold uninvested the moneys for the

Purchase Price of such 2008 Certificate in trust, without liability for interest thereon, for the benefit of the former Owners of such 2008 Certificate, who shall, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the Purchase Price of such 2008 Certificate. Any moneys which the Trustee shall segregate and hold in trust for the payment of the Purchase Price of any 2008 Certificate and remaining unclaimed for two (2) years after the date of purchase shall be paid to the Authority. After the payment of such unclaimed moneys to the Authority, the former Owner of such 2008 Certificate shall look only to the Authority for the payment thereof.

Section 3.09. Establishment of 2008 Purchase Fund. The Trustee shall create, establish and maintain, a separate fund to be designated as the "2008 Purchase Fund" (the "2008 Purchase Fund"). Moneys deposited in the 2008 Purchase Fund shall be kept separate from and not commingled with other moneys deposited hereunder or with any other moneys of the Authority. The Trustee shall further create, establish and maintain separate accounts within the 2008 Purchase Fund, such separate account to be designated as the "Remarketing Proceeds Account," the "Liquidity Facility Account" and the and the "Authority Account." The 2008 Purchase Fund shall be held in trust solely for the benefit of the Owners of tendered 2008 Certificates and the Trustee shall not have any interest in, claim on or right to, any accounts within the 2008 Purchase Fund or the 2008 Purchase Fund.

(a) Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of any 2008 Certificate on the date such 2008 Certificate is to be purchased, the Trustee shall deposit such remarketing proceeds in the Remarketing Proceeds Account, such remarketing proceeds to be applied to the payment of the Purchase Price of such 2008 Certificate. The Authority shall not have any right, title or interest in any of the funds held on deposit in any Remarketing Proceeds Account nor any remarketing proceeds held for any period of time by any Remarketing Agent.

(b) Liquidity Facility Account. Upon receipt of the proceeds of a draw on a Liquidity Facility, the Trustee shall deposit such Liquidity Facility proceeds in the applicable Liquidity Facility Account, such Liquidity Facility proceeds to be applied to the payment of the Purchase Price of the 2008 Certificates to the extent that the moneys on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in a Liquidity Facility Account and not needed for the payment of the Purchase Price of the 2008 Certificates shall be immediately returned to the applicable Liquidity Facility Provider.

(c) Authority Account. Upon receipt of funds from the Authority provided at its sole discretion pursuant to Section 3.04(c) hereof, the Trustee shall deposit such funds in the Authority Account, such funds to be applied to the payment of the Purchase Price of the 2008 Certificates. Any amounts deposited in an Authority Account and not needed for the payment of the Purchase Price of the 2008 Certificates shall be immediately returned to the Authority.

(d) Investment of Funds on Deposit in the 2008 Purchase Funds. Amounts held in the Remarketing Proceeds Account, the Liquidity Facility Account and the

Authority Account shall not be commingled with any other funds held by the Trustee and shall be held uninvested.

(e) Eligible Accounts. Each of the Remarketing Proceeds Account and the Liquidity Facility Account shall meet the requirements of an Eligible Account and be held in the name of the Trustee for the benefit of the Owners. In the event the Remarketing Proceeds Account or the Liquidity Facility Account no longer meet the requirements of an Eligible Account, the Trustee shall promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that each account will meet the requirements of an Eligible Account.

Section 3.10. Insufficient Funds for Tenders; Delayed Remarketing Period.

(a) If sufficient funds are not available to pay the Purchase Price of all tendered 2008 Certificates to be purchased on any Purchase Date (such 2008 Certificates being hereinafter referred to as the "Tendered Certificates"): (i) no purchase of such Tendered Certificates shall be consummated on such Purchase Date; (ii) all such Tendered Certificates shall be returned to the Owners thereof; (iii) all remarketing proceeds shall be returned to the applicable Remarketing Agent for return to the persons providing such moneys; and (iv) such insufficiency and the failure to pay the Purchase Price on any Payment Date shall not constitute an Event of Default under this Trust Agreement.

(b) All such Tendered Certificates shall evidence interest at the Maximum Rate during the period of time (such period of time being hereinafter referred to as a "Delayed Remarketing Period") from and including the applicable Purchase Date to (but not including) the date that all such Tendered Certificates are successfully remarketed.

(c) The Authority may direct the conversion of such Tendered Certificates to a different Mode during a Delayed Remarketing Period in accordance with Section 2.18 hereof; provided that the Authority shall not be required to comply with the notice requirements described in Section 2.18 hereof.

(d) During a Delayed Remarketing Period, the Remarketing Agent shall continue to use its best efforts to remarket such Tendered Certificates. Once the Remarketing Agent has advised the Trustee that it has a good faith belief that it is able to remarket all of such Tendered Certificates, the Trustee shall give written notice by mail to the Owners of such Tendered Certificates not later than five (5) Business Days prior to the proposed Purchase Date, which notice shall state: (i) that such Tendered Certificates will be subject to mandatory tender for purchase on the proposed Purchase Date; (ii) the proposed Purchase Date; (iii) the Mode applicable to such Tendered Certificates from and after the proposed Purchase Date; (iv) the procedures for such mandatory tender for purchase; (v) the Purchase Price applicable to such Tendered Certificates; and (vi) the consequences of a failed remarketing.

(e) During a Delayed Remarketing Period, the Trustee may, upon direction of the Authority, apply amounts on deposit in the 2008 Prepayment Subaccount of the 2008 Principal Account to the prepayment of such Tendered Certificates, as a whole or in part on any Business Day during such Delayed Remarketing Period, at a prepayment price equal to the principal

amount thereof, together with interest accrued thereon to the date fixed for prepayment, without premium. Notwithstanding any provisions herein to the contrary, the Trustee shall give five (5) Business Days' notice of such prepayment to the Owners of the 2008 Certificates to be prepaid.

(f) During a Delayed Remarketing Period, interest on such Tendered Certificates shall be paid to the Owners thereof (i) on the first Business Day of each calendar month occurring during such Delayed Remarketing Period and (ii) on the day after the last day of such Delayed Remarketing Period.

Section 3.11. Liquidity Facility; Alternate Liquidity Facility.

(a) The Authority shall provide a Liquidity Facility approved by the 2008 Certificate Insurer for the 2008 Certificates in a Daily Mode, a Weekly Mode, a Flexible Mode and in a Term Rate Mode. Each such Liquidity Facility (and any Alternate Liquidity Facility provided in replacement thereof) shall provide for the purchase of the 2008 Certificates upon their optional or mandatory tender in accordance with Section 3.01 and Section 3.02 hereof. Any Liquidity Facility (or Alternate Liquidity Facility) shall be a facility provided by a Liquidity Facility Provider in an amount equal to the Required Stated Amount.

(b) If a Liquidity Facility is in effect with respect to the 2008 Certificates, on each date on which a 2008 Certificate is to be purchased, the Trustee, by demand given by Electronic means before 12:30 p.m. New York City time, shall draw on the applicable Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 2:30 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of such 2008 Certificates on such date, to enable the Trustee to pay the Purchase Price in connection therewith. The proceeds of such draw shall be paid to the Trustee, who shall deposit said proceeds in the applicable Liquidity Facility Account pursuant to Section 3.09(b) hereof or, in the case of the Replacement Liquidity Facility, the 2008 Liquidity Facility Payment Account.

(c) If the Authority shall have delivered a Liquidity Facility to the Trustee in accordance with subsection (a) of this Section, the Authority: (i) shall maintain such Liquidity Facility or an Alternate Liquidity Facility, in an amount equal to the Required Stated Amount prior to its termination; and (ii) shall not voluntarily terminate such Liquidity Facility or any Alternate Liquidity Facility without providing at least 30 days written notice to the Trustee and each of the other Notice Parties.

(d) The Authority may provide an Alternate Liquidity Facility approved by the 2008 Certificate Insurer with respect to the 2008 Certificates on any Business Day not later than the 5th Business Day prior to the Expiration Date of the Liquidity Facility then in effect for the 2008 Certificates. The Authority shall give at least 30 days' written notice to the Trustee and each of the Notice Parties of its intent to furnish an Alternate Liquidity Facility to the Trustee, which notice shall specify the nature of such Liquidity Facility, the identity of the Liquidity Facility Provider and the proposed Substitution Date. The Trustee shall give notice of each Mandatory Purchase Date resulting from the proposed delivery of an Alternate Liquidity Facility in accordance with the provisions set forth in Section 3.02 hereof.

(e) On or before the Substitution Date, there shall be delivered to the Trustee: (i) the Alternate Liquidity Facility in substitution for the Liquidity Facility then in effect, (ii) a Favorable Opinion of Special Counsel which shall also be filed with the 2008 Certificate Insurer and (iii) a written Opinion of Counsel for the provider of Alternate Liquidity Facility to the effect that such Alternate Liquidity Facility is a legal, valid, and binding obligation of the provider thereof and covering such other matters as the Authority shall require. Upon the satisfaction of the conditions described in the preceding sentence, the Trustee shall accept such Alternate Liquidity Facility and shall surrender the Liquidity Facility then in effect to the provider thereof on the Substitution Date; provided, however, that if there are insufficient remarketing proceeds to pay the Purchase Price of all 2008 Certificates subject to mandatory purchase on such Substitution Date, the Trustee shall not surrender the Liquidity Facility then in effect until the Trustee shall have drawn upon the existing Liquidity Facility to pay the Purchase Price for the 2008 Certificates subject to mandatory purchase on such Substitution Date. Notwithstanding any other provision of this Trust Agreement to the contrary, if any condition precedent to the substitution of an Alternate Liquidity Facility is not satisfied, the substitution shall not occur but the affected 2008 Certificates shall remain subject to mandatory purchase on the proposed Substitution Date.

(f) In addition to the notice provided pursuant to Section 3.11(d) hereof, the Trustee shall give written notice to the Owners of the 2008 Certificates and each of the Notice Parties of the extension of the Expiration Date of any Liquidity Facility, such notice to be given by mail as promptly as possible upon receipt by the Trustee of notification of such extension.

Section 3.12. Appointment of Remarketing Agent.

(a) While the 2008 Certificates are in a Mode which requires the appointment of a Remarketing Agent, the Authority shall appoint a Remarketing Agent for the 2008 Certificates. Any Remarketing Agent shall be approved by the 2008 Certificate Insurer, shall be a member of the National Association of Securities Dealers, Inc., shall have a capitalization of at least $50,000,000 and shall be authorized by law to perform all the duties set forth herein.

(b) By acceptance of appointment as Remarketing Agent for the 2008 Certificates, the Remarketing Agent shall be deemed to have agreed: (i) to remarket the 2008 Certificates in accordance with the provisions set forth herein; (ii) to keep such books and records as shall be consistent with prudent industry practice; and (iii) to make such books and records available for inspection by each of the Notice Parties at all reasonable times.

(c) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created herein as set forth in the Remarketing Agreement entered into by such Remarketing Agent and the Authority. The Remarketing Agent may suspend its remarketing efforts in accordance with the provisions set forth in Remarketing Agreement entered into by the Remarketing Agent and the Authority. The Remarketing Agent may be removed at any time, at the direction of the Authority in accordance with the provisions set forth in the Remarketing Agreement entered into by the Remarketing Agent and the Authority. The Authority shall provide written notice to each of the Notice Parties of the appointment of any successor Remarketing Agent.

(d) If the Remarketing Agent consolidates with, merges or converts into, or transfers all or substantially all of its assets, to another entity meeting the requirements specified in subparagraph (a) above, the resulting, surviving or transferee entity shall be the successor Remarketing Agent without any further act.

Section 3.13. Duties of Remarketing Agent.

(a) Each Remarketing Agent shall use its best efforts to offer for sale at the par amount thereof: (i) all 2008 Certificates (or portions thereof to be remarketed) for which notice of optional tender pursuant to Section 3.01 hereof has been given; (ii) all 2008 Certificates that are required to be purchased (A) on a Mandatory Purchase Date described in clauses (i), (ii), (iii), (iv) or (vii) of the definition of Mandatory Purchase Date set forth in Section 1.01 hereof and (B) on a Mandatory Purchase Date described in clause (v) of the definition of Mandatory Purchase Date set forth in Section 1.01 hereof if no Liquidity Facility is required to be delivered by the Authority in connection with such Mandatory Purchase Date; and (iii) all Liquidity Facility Certificates that are: (A) purchased on a Purchase Date described above in clause (i) or (ii) of this Section 3.13, (B) with respect to which the Liquidity Facility Provider has provided notice that it is ready to reinstate the Available Amount, such notice to have been provided to the Authority, the Trustee and the Remarketing Agent, (C) with respect to which an Alternate Liquidity Facility is in effect, or (D) which are being marketed as Fixed Rate Certificates (if the Remarketing Agent shall have been engaged to be the Fixed Rate Remarketing Agent).

If a notice of prepayment or a notice of mandatory purchase shall have been given with respect to a 2008 Certificate, the Remarketing Agent shall provide a copy of such notice to each Person to which such Certificate is remarketed.

Notwithstanding any provision of this Trust Agreement to the contrary, if there shall have occurred and be continuing (i) a Control Event and no other Credit Enhancement Provider Failure or Liquidity Facility Provider Failure, the Remarketing Agent shall continue remarketing 2008 Certificates or (ii) a Control Event and either another Credit Enhancement Provider Failure or a Liquidity Facility Provider Failure, the Remarketing Agent shall not be required to remarket 2008 Certificates.

ARTICLE IV

2008 PAYMENTS; 2008 PROJECT

Section 4.01. 2008 Payments Held in Trust. The 2008 Payments shall be held in trust by the Trustee for the benefit of the Owners from time to time of the 2008 Certificates and each Credit Enhancement Provider, but shall nonetheless be disbursed, allocated and applied solely for the uses and purposes provided herein.

Section 4.02. Deposit of 2008 Payments. The Trustee hereby agrees to establish, maintain and hold in trust a separate fund designated as the 2008 Debt Service Fund, for so long as any 2008 Certificates shall be Outstanding hereunder. All 2008 Payments (except as otherwise provided) received by the Trustee shall be immediately deposited in the 2008 Debt Service Fund and shall be disbursed and applied only as hereinafter provided.

Section 4.03. Establishment and Maintenance of Accounts for Use of Money in the 2008 Debt Service Fund. All money in the 2008 Debt Service Fund shall be set aside by the Trustee in the following respective special accounts within the 2008 Debt Service Fund (each of which is hereby created and each of which the Trustee hereby agrees and covenants to maintain) in the following order of priority:

(a) 2008 Interest Account (with a 2008 Fees Subaccount therein), and

(b) 2008 Principal Account (with a 2008 Prepayment Subaccount and a 2008 Sinking Fund Subaccount therein).

All money in each of such accounts and subaccounts shall be held in trust by the Trustee for the benefit of the Owners and each Credit Enhancement Provider and shall be applied, used and withdrawn only for the purposes hereinafter authorized in this Section.

(a) 2008 Interest Account. On the Delivery Date, the Trustee shall deposit in the 2008 Interest Account any Payment Agreement Receipts relating to the 2008 Interest Rate Swap Agreement which the City has directed under the 2008 Interest Rate Swap Agreement to be transferred to the Trustee for deposit in the 2008 Interest Account and any amounts transferred to the Trustee pursuant to Section 2.03 of the 2008 Supplemental Contract for the payment of payments due under the 2008 Interest Rate Swap Agreement. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall set aside from the 2008 Debt Service Fund and deposit in the 2008 Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the 2008 Certificates becoming due and payable on each such Interest Payment Date, unless such amounts are required to be used to reimburse the Bank pursuant to clause (c) below. The Trustee will also apply amounts on deposit in the 2008 Fees Subaccount to pay on behalf of the City, the Payment Agreement Payments required to be paid under the 2008 Interest Rate Swap Agreement and to pay the Remarketing Agent fees as the same shall become due on each due date therefor until such 2008 Fees Subaccount shall be depleted (expected to be on or about November 29, 2008). Investment earnings on amounts on deposit in the 2008 Fees Subaccount shall be transferred to the City for deposit in the Revenue Fund.

No deposit need be made in the 2008 Interest Account if the amount contained therein (exclusive of amounts transferred for the payment of amounts due under the 2008 Interest Rate Swap Agreement) is at least equal to the aggregate amount of interest evidenced and represented by the 2008 Certificates becoming due and payable on such Interest Payment Date.

Except as otherwise provided herein, all money in the 2008 Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest (including accrued interest evidenced and represented by any 2008 Certificates purchased or prepaid prior to their respective Certificate Payment Date) with respect to the 2008 Certificates as it shall become due and payable, or for reimbursing the Bank and paying the Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement as they shall become due and payable. The Trustee shall be under no obligation to calculate the amount of Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement and shall be entitled to

rely conclusively on the information received by it with respect to the amount of the Payment Agreement Payments due and owing by the City.

(b) 2008 Principal Account. On the Business Day immediately preceding each October 1, commencing on October 1, 2008, the Trustee shall set aside from the 2008 Debt Service Fund and deposit in the 2008 Principal Subaccount an amount of money equal to the principal amount evidenced and represented by the Outstanding Serial Certificates with a Certificate Payment Date of such October 1, and in the 2008 Sinking Fund Subaccount in the 2008 Principal Account the amount of all Sinking Fund Payments required to be made on such October 1.

Amounts to be applied to the optional prepayment of the principal component of the 2008 Certificates pursuant to Section 2.03(c) hereof shall be deposited in the 2008 Prepayment Subaccount of the 2008 Principal Account.

No deposit need be made in the 2008 Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding Serial Certificates with a Certificate Payment Date of such October 1 and the amount contained in the 2008 Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Payments required to be made on such October 1.

All money in the 2008 Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Serial Certificates as they shall become due and payable, whether at their respective Certificate Payment Dates or on prior prepayment, and all money in the 2008 Sinking Fund Subaccount of the 2008 Principal Account shall be used and withdrawn by the Trustee only to purchase or to prepay or to pay Term Certificates, and with respect to the 2008 Sinking Fund Subaccount, on each Sinking Fund Payment date, the Trustee shall apply the Sinking Fund Payment required on that date to the prepayment (or payment at Certificate Payment Date, as the case may be) of the Term Certificates upon the notice and in the manner provided in Article II; provided, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Written Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation Term Certificates in accordance with Section 2.03(a) hereof, and provided further that so long as the Liquidity Facility is in place, amounts in the 2008 Principal Account shall be used as provided in clause (c) below.

(c) Notwithstanding anything herein to the contrary, all monies in the 2008 Debt Service Fund, including the 2008 Interest Account and the 2008 Principal Account, shall be used to reimburse any draws on the Liquidity Facility pursuant to Section 4.08 hereof.

Section 4.04. Parity Reserve Fund. The Parity Reserve Fund created pursuant to Section 3.04 of the 1997 Trust Agreement is hereby continued. The Trustee hereby agrees and covenants to maintain the Parity Reserve Fund so long as the Contract has not been discharged in accordance with its terms or any 2008 Certificates remain Outstanding hereunder. Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the 1997 Certificates, the 2008 Certificates (including Liquidity Provider Certificates and Subrogated Certificates) and any other obligations hereafter issued in connection with a Supplemental Contract and shall be applied

only for such purposes as hereinafter provided. The Trustee shall deposit in the Parity Reserve Fund from the proceeds of the 2008 Certificates, the amount specified in Section 2.12, such amount being sufficient to cause the balance on deposit in or credited to the Parity Reserve Fund, to be equal to the Reserve Fund Requirement upon delivery of the 2008 Certificates. The Trustee shall deposit in the Parity Reserve Fund such other amounts transferred to the Trustee by the City pursuant to Section 2.04(b)(2) of the Contract, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the Parity Reserve Fund shall be transferred by the Trustee to the 2008 Debt Service Fund to pay principal and interest evidenced and represented by the 2008 Certificates on any Interest Payment Date or to reimburse the Liquidity Facility Provider for any unreimbursed drawing made under the Liquidity Facility to pay such principal and interest on any such Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee shall also, from such amounts on deposit in the Parity Reserve Fund, transfer or cause to be transferred to any applicable debt service fund established under the 1997 Trust Agreement and under any other trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a Supplemental Contract. All investments in the Parity Reserve Fund shall (notwithstanding anything in the 1997 Trust Agreement to the contrary) be valued on or before October 1 of each year at the lesser of the cost or market value thereof. Following such valuation, any moneys on deposit in the Parity Reserve Fund representing an excess of the Reserve Fund Requirement will be transferred by the Trustee to the City for deposit in the Revenue Fund. The Trustee may create such subaccounts in the Parity Reserve Fund as may be necessary or convenient for the purposes of this Section 4.04.

The Reserve Fund Requirement may be provided by one or more surety bonds, insurance policies, or letters of credit as described in the definition of Reserve Fund Requirement ("Reserve Funding Instruments") set forth in the Contract.

Notwithstanding anything to the contrary contained in this Trust Agreement, at any time one or more Reserve Funding Instruments are on deposit in the Parity Reserve Fund, the Trustee shall: (i) withdraw and use all cash, if any, on deposit in the Parity Reserve Fund prior to using and withdrawing any amounts derived from payments under any Reserve Funding Instruments; and (ii) draw on all Reserve Funding Instruments on a pro rata basis based on the draw limit of each Reserve Funding Instrument. Amounts received by the Trustee from the City pursuant to Section 2.04(c)(2) of the Master Contract as a replenishment of amounts withdrawn from the Parity Reserve Fund shall be applied (i) first on a pro rata basis to reimburse draws on any Reserve Funding Instruments and (ii) to replenish cash withdrawn from the Parity Reserve Fund.

In the event the 2008 Certificate Insurance Policy is cancelled in accordance with the Reimbursement Agreement between the Bank and the City, any Reserve Funding Instrument provided by the 2008 Certificate Insurer will be cancelled concurrently therewith.

Section 4.05. Establishment and Application of Costs of Issuance Fund. The Trustee hereby agrees to establish, maintain and hold in trust a separate fund designated as the Costs of Issuance Fund, which fund is hereby created and which fund the Authority hereby agrees to

maintain with the Trustee until November 29, 2008. The Trustee shall deposit to the Costs of Issuance Fund the amounts specified in Section 2.12 hereof. All money in the Costs of Issuance Fund shall be used and withdrawn by the Trustee to pay the Costs of Issuance relating to the 2008 Certificates upon receipt of a Written Request of the Authority filed with the Trustee, each of which shall be sequentially numbered and shall state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On November 29, 2008, or upon the earlier Written Request of the Authority, any remaining balance in the Costs of Issuance Fund shall be transferred to the City for deposit in the 2008 Debt Service Fund.

Section 4.06. Deposit and Investments of Money in Accounts and Funds. All money held by the Trustee in any of the accounts or funds established pursuant hereto shall be invested in Permitted Investments at the Written Request of the Authority filed with the Trustee which such Permitted Investments shall, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder, and the Trustee shall have no liability or responsibility for any loss resulting from any investment made in accordance herewith; provided, that if no such Written Request is received by the Trustee, the Trustee shall invest such money in those Permitted Investments described in clause (9) of the definition thereof provided, however, that any such investment shall be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee shall have received a Written Request of the Authority specifying a specific money market fund and, if no such Written Request of the Authority is so received, the Trustee shall hold such moneys uninvested. Except as otherwise provided herein with respect to the Parity Reserve Fund, all interest or profits received on any money so invested shall be deposited in the 2008 Debt Service Fund.

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. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as principal or agent, sponsor, advisor or manager in connection with any investments made by the Trustee hereunder. For investment purposes, the Trustee may commingle the funds and accounts established hereunder, but shall account for each separately.

The Trustee shall not be liable for any loss from any Permitted Investment acquired, held, or disposed of at the written request of the Authority. Any Permitted Investments that are registered securities shall be registered in the name of the Trustee.

Section 4.07. Assignment to Trustee; Enforcement of Obligations.

(a) The Authority hereby transfers, assigns and sets over to the Trustee all of the 2008 Payments and any and all rights and privileges it has under the Contract, including, without limitation, the right to collect and receive directly all of the 2008 Payments, and any 2008 Payments collected or received by the Authority shall be deemed to be held, and to have been

collected or received, by the Authority as the agent of the Trustee, and shall forthwith be paid by the Authority to the Trustee.

The Trustee also shall, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the 2008 Certificates and each Credit Enhancement Provider the Trustee's rights in and priority to the following security granted to it for the payment of the 2008 Certificates: the Trustee's rights as assignee of the 2008 Payments under the Contract and as beneficiary of any other rights to security for the 2008 Certificates which the Trustee may receive in the future.

(b) The Trustee may, in performing the obligations set out in Section 4.07(a) above, rely and shall be protected in acting or refraining from acting upon an Opinion of Counsel furnished by the City.

Section 4.08. 2008 Liquidity Facility Payment Account; Payment of Principal and Interest and Mandatory Purchase Price of the 2008 Certificates. The Trustee shall establish and maintain a separate fund known as the "2008 Liquidity Facility Payment Account" and shall, (i) in each Business Day preceding each Interest Payment Date of the 2008 Certificates, before 5:00 P.M. New York City time on such day, draw on the Liquidity Facility in accordance with the terms thereof so as to receive by 1:00 P.M. New York City time on said Interest Payment Date, an amount, in immediately available funds, equal to the amount of interest and principal, if any (including any Sinking Fund Payment) due on such date, payable with respect to the 2008 Certificates on such Interest Payment Date, and (ii) on each Mandatory Purchase Date, before 12:00 P.M. New York City time draw on the Liquidity Facility in accordance with the terms thereof so as to receive by 3:00 P.M. New York City time on said Interest Payment Date, an amount, in immediately available funds, equal to the amount of the interest and principal due on such date, payable with respect to the 2008 Certificates. All monies held in the 2008 Liquidity Facility Account shall be held uninvested in trust for the benefit of the Owners of the 2008 Certificates.

Funds for the payment of interest and principal, if any, payable with respect to the 2008 Certificates on such Interest Payment Date or Mandatory Purchase Date shall be derived from the immediately available funds on deposit in the 2008 Liquidity Facility Payment Account received from the Bank from draws under the Liquidity Facility, and not from amounts on deposit in the 2008 Interest Account, the 2008 Principal Account or any other account established hereunder. The Liquidity Facility Provider will be reimbursed from such draws from amounts on deposit in the 2008 Interest Account, the 2008 Principal Account or, in the case of a Mandatory Purchase Date, amounts in the Remarketing Account, if any.

If the Liquidity Facility Provider shall make a payment under the Liquidity Facility and is not reimbursed by the Trustee from amounts on deposit in the 2008 Interest Account or 2008 Principal Account or Parity Reserve Fund, its rights with respect to the 2008 Certificates so paid or interest thereon so paid shall be as set forth in Section 10.05 hereof, including its rights to demand payment of such amounts under the 2008 Certificate Insurance Policy. If the Liquidity Facility Provider fails to pay under the Liquidity Facility upon the presentation of a proper draw request by the Trustee and the City has not defaulted under the related Reimbursement

Agreement, to the extent available, amounts on deposit in the 2008 Interest Account, the 2008 Principal Account and the Parity Reserve Fund will be applied to the payment of regularly scheduled interest and principal payable on the applicable Interest Payment Date with respect to the 2008 Certificates.

ARTICLE V

COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 5.01. Compliance with Trust Agreement. The Trustee will not execute or deliver any 2008 Certificates in any manner other than in accordance with the provisions hereby; and the Authority will not suffer or permit any default by it to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained herein and in the 2008 Certificates.

Section 5.02. Observance of Laws and Regulations. The Authority and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges shall be maintained and preserved and shall not become abandoned, forfeited or in any manner impaired.

Section 5.03. Accounting Records and Reports. The Trustee 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 made by the Trustee relating to the receipts, disbursements, allocation and application of the 2008 Payments and the proceeds of the 2008 Certificates, and such books shall be available for inspection by the Authority, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Trustee shall furnish or cause to be furnished to the Authority and the 2008 Certificate Insurer a complete financial statement covering receipts, disbursements, allocation and application of 2008 Payments received by the Trustee for such Fiscal Year. The Authority shall keep or cause to be kept such information as required under the Tax Certificate.

Section 5.04. 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 2008 Payments and the proceeds of the 2008 Certificates or to the extent involving the failure of the Authority to fulfill its obligations hereunder; provided that the Trustee or any affected Owner 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 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, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision hereof, this covenant shall

remain in full force and effect even though all 2008 Certificates secured hereby may have been fully paid and satisfied.

Section 5.05. Amendments to Contract. Except for any Supplemental Contract delivered in accordance with the terms of the Contract, the Authority shall not supplement, amend, modify or terminate any of the terms of the Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent shall be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security hereby given for the payment of the 2008 Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount evidenced and represented by the 2008 Certificates then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination shall reduce the amount of 2008 Payments to be made to the Authority or the Trustee by the City pursuant to the Contract, or extend the time for making such 2008 Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with Section 7.01 hereof, or permit the creation of any lien prior to or on a parity with the lien created hereby on the 2008 Payments without the written consent of all of the Owners of the 2008 Certificates then Outstanding.

Section 5.06. Recording and Filing. The Trustee upon receipt of a Written Request of the Authority, at the expense of the Authority, shall file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee; provided, however, that the Trustee will not be required to execute a special or general consent to service of process, or to qualify as a foreign corporation in connection with any such filing, recording, registration, refiling or rerecording in any jurisdiction in which it is not now so subject.

Section 5.07. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

ARTICLE VI

THE TRUSTEE

Section 6.01. The Trustee.

(a) The Bank of New York Mellon Trust Company, N.A., shall serve as the Trustee for the purpose of receiving all money which the Authority is required to deposit with the Trustee hereunder and for the purpose of allocating, applying and using such money as provided

herein and for the purpose of paying the interest and principal and prepayment premiums, if any, evidenced and represented by the 2008 Certificates presented for payment, and for the purpose of canceling all paid or prepaid 2008 Certificates as provided herein. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in either San Francisco, California or Los Angeles, California.

(b) The Authority may at any time, unless there exists any Event of Default as defined in Section 8.01 hereof, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any successor appointed under this Trust Agreement shall be approved by the 2008 Certificate Insurer and shall be a bank, national banking association with trust powers or trust company doing business and having a principal office in either San Francisco, California or Los Angeles, California, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section the combined capital and surplus of such bank, national banking association or trust company shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority shall promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee shall become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee shall have been appointed and shall have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required hereby. Any successor trustee shall signify its acceptance of the duties under this Trust Agreement by an instrument in writing provided to the Authority and the Notice Parties.

(c) In the event that the Trustee breaches its obligations hereunder or under any other financing document in connection with the issuance of the 2008 Certificates, at the request of the 2008 Certificate Insurer, the Authority shall remove and replace the Trustee in accordance with the terms of the foregoing clause (b).

(d) The Trustee shall only hold the duties set forth in this Trust Agreement and no duties shall be implied against the Trustee. Following the occurrence of an Event of Default, the Trustee shall exercise such of the rights and powers vested in it hereby, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his own affairs.

Section 6.02. Liability of the Trustee.

(a) The recitals of facts, agreements and covenants herein and in the 2008 Certificates shall be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity hereof or of the 2008 Certificates, or shall incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it herein, in the 2008 Certificates or in law or equity. The Trustee shall not be liable in connection with the performance of its duties hereunder except for its own active or passive negligence or willful misconduct.

(b) The Trustee 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.

(c) 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 Owners of not less than a majority in aggregate principal amount of the 2008 Certificates 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.

(d) 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 Owners pursuant to the provisions hereof unless such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or prepayment premium, if any, evidenced and represented by the 2008 Certificates from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties hereunder.

(e) The Trustee shall not be deemed to have knowledge of any default hereunder or default under the Contract unless and until it shall have actual knowledge thereof or shall have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly provided herein, the Trustee shall not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements herein or of any of the documents executed in connection with the 2008 Certificates or as to the existence of a default hereunder.

(f) The Trustee shall be entitled to advice of counsel and other professionals concerning all matters of trust and its duty hereunder, but the Trustee shall not be answerable for the professional malpractice of any attorney-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 with due care.

(g) The Trustee shall not be concerned with or accountable to anyone for the subsequent use or application of any moneys which shall be released or withdrawn in accordance with the provisions hereof.

(h) Whether or not therein expressly so provided, every provision hereof or of the Contract 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.

(i) The Trustee makes no representation or warranty, express or implied, as to the title, value, design, compliance with specifications or legal requirements, quality, durability, operation, condition, merchantability or fitness for any particular purpose for the use contemplated by the Authority or City of the 2008 Project. In no event shall the Trustee be liable for incidental, indirect, special or consequential damages in connection with or arising from the Contract or this Trust Agreement for the existence, furnishing or use of the 2008 Project.

(j) The Trustee shall be protected in acting upon any notice, requisition, resolution, request, consent, order, certificate, facsimile transmission, electronic mail, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Trustee may consult with counsel, who may be counsel of or to the 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 it hereunder in good faith and in accordance therewith.

(k) 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.

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

(m) The Trustee shall have no responsibility, opinion or liability with respect to any information, statement or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the execution and delivery of the 2008 Certificates.

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

(o) 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 6.01 hereof, shall be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities, privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

(p) The Trustee may become the owner or pledgee of any 2008 Certificates with the same rights it would have if it were not Trustee.

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

(r) The Trustee agrees to accept and act upon instructions or directions pursuant to this Trust Agreement sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods, provided, however, that, the Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing. If the Authority elects to give the Trustee e-mail or facsimile instructions (or instructions by a similar electronic method) and the Trustee in its discretion elects to act upon such instructions, the Trustee's understanding of such instructions shall be deemed controlling. The Trustee shall not be liable for any losses, costs or expenses arising directly or indirectly from the Trustee's reliance upon and compliance with such instructions notwithstanding such instructions conflict or are inconsistent with a subsequent written instruction. The Authority agrees to assume all risks arising out of the use of such electronic methods to submit instructions and directions to the Trustee, including without limitation the risk of the Trustee acting on unauthorized instructions, and the risk of interception and misuse by third parties.

(s) The permissive right of the Trustee to do things enumerated in this Indenture shall not be construed as a duty and it shall not be answerable for other than its negligence or willful misconduct.

Section 6.03. Compensation and Indemnification of 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 the powers and duties hereunder of the Trustee, and the Authority will pay or reimburse the Trustee upon its request for all expenses, disbursements and advances incurred or made by the Trustee in accordance with any of the provisions hereof (including the reasonable compensation and the expenses and disbursements of its counsel and of all persons not regularly in its employ) except any such expense, disbursement or advance as may arise from its negligence, default or willful misconduct. 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, default 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 powers or duties 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 2008 Certificates, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder; provided, however, that the Trustee shall in no event condition any draw upon the Liquidity Facility, any request for payment under the Credit Enhancement or any payment to Owners from such draws under the Liquidity Facility or such payments under the Credit Enhancement upon the provision of any indemnification for such performance. The rights of the Trustee and the obligations of the Authority under this Section shall survive the discharge of the 2008 Certificates and the Trust Agreement and the resignation or removal of the Trustee.

ARTICLE VII

AMENDMENT OF THE TRUST AGREEMENT

Section 7.01. Amendment of the Trust Agreement. The Trust Agreement and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Agreement which shall become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2008 Certificates then Outstanding, exclusive of 2008 Certificates disqualified as provided in Section 7.02 hereof, are filed with the Trustee; provided, that before executing any such Supplemental Trust Agreement the Trustee may first obtain at the Authority's expense an Opinion of Counsel that such Supplemental Trust Agreement complies with the provisions of the Trust Agreement, on which opinion the Trustee may conclusively rely. No such amendment shall (1) extend the Certificate Payment Date of, or change the payment dates of, or reduce the rate of interest or principal or prepayment premium, if any, evidenced and represented by any 2008 Certificate without the express written consent of the Owner of such Certificate, or (2) reduce the percentage of 2008 Certificates required for the written consent to any such amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Trust Agreement and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Agreement which shall become binding upon adoption without the consent of any Owners, but only to the extent permitted by law, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes:

(a) 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, or to surrender any right or power reserved herein to or conferred herein on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing 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;

(c) to add to the agreements and covenants required herein, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939;

(d) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest evidenced and represented by the 2008 Certificates from gross income for federal income tax purposes under the Code or the exemption of such interest from State of California personal income taxes;

(e) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the 2008 Certificates by any of the Rating Agencies;

(f) to add to the rights of the Trustee;

(g) to modify, alter, amend or supplement this Trust Agreement in any other respect, including amendments which would otherwise be described in the first paragraph of this Section 7.01, if the effective date of such amendments is a date on which all 2008 Certificates affected thereby are subject to mandatory tender for purchase pursuant to the provisions of this Trust Agreement or if notice of the proposed amendments is given to Owners of the affected 2008 Certificates at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Owners have the right to demand purchase of their 2008 Certificates pursuant to the provisions of this Trust Agreement; or

(h) for any other purpose that does not materially and adversely affect the interests of the Owners of the 2008 Certificates.

Section 7.02. Disqualified Certificates. 2008 Certificates owned or held by or for the account of the Authority or the City shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding 2008 Certificates provided in this article, and shall not be entitled to consent to or take any other action provided in this article. Upon request of the Trustee, the Authority and the City shall specify in a certificate to the Trustee those 2008 Certificates disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

Section 7.03. Endorsement or Replacement of Certificates After Amendment. After the effective date of any action taken as hereinabove provided, the Authority may determine that the 2008 Certificates may bear a notation by endorsement in form approved by the Authority as to such action, and in that case upon demand of the Owner of any Outstanding 2008 Certificates and presentation of such Owner's 2008 Certificate for such purpose at the Corporate Trust Office of the Trustee a suitable notation as to such action shall be made on such Certificate. If the Authority shall so determine, new 2008 Certificates 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 Owner of any Outstanding 2008 Certificate a new 2008 Certificate or Certificates shall be exchanged at the Corporate Trust Office of the Trustee without cost to

each Owner for its 2008 Certificate or 2008 Certificates then Outstanding upon surrender of such Outstanding 2008 Certificates.

Section 7.04. Amendment by Mutual Consent. Subject to Section 10.02 hereof, the provisions of this article shall not prevent any Owner from accepting any amendment as to the particular 2008 Certificates held by him, provided that due notation thereof is made on such 2008 Certificates.

Section 7.05. Consent of Liquidity Facility Provider. Notwithstanding anything to the contrary contained in this Trust Agreement, this Trust Agreement may not be amended without the prior written consents of the Liquidity Facility Provider and 2008 Certificate Insurer.

Section 7.06. Notice. The Trustee shall give notice to the Rating Agencies of any amendments pursuant to this Article VII.

ARTICLE VIII

EVENTS OF DEFAULT AND REMEDIES OF OWNERS

Section 8.01. Events of Default: Acceleration; Waiver of Default. If an Event of Default (as that term is defined in the Contract) shall happen, then such Event of Default shall constitute a default hereunder, and in each and every such case during the continuance of such Event of Default the Trustee after receiving indemnification to its satisfaction or the Owners of not less than a majority in aggregate principal amount of the 2008 Certificates then Outstanding shall exercise the remedies provided to the Authority in the Contract; provided, that nothing contained herein shall affect or impact the right of action of any Owner to institute suit directly against the City to enforce payment of the obligation evidenced and represented by such Owner's 2008 Certificates. In determining whether a payment default has occurred hereunder, or whether a payment on the 2008 Certificates has been made hereunder, no effect shall be given to payments made under the 2008 Certificate Insurance Policy. Upon the occurrence of any Event of Default, the Trustee shall give notice to the Credit Enhancement Provider and the Liquidity Facility Provider.

Section 8.02. Other Remedies of the Trustee. The Trustee shall have the right—

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce the Authority's rights under the Contract against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Contract;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any Event of Default hereunder to enforce the Authority's rights under the Contract to require the City and its directors, officers and employees to account as the trustee of an express trust.

Section 8.03. Non-Waiver. A waiver of any default or breach of any duty or contract by the Trustee 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 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 any acquiescence therein, and every right or remedy conferred upon the Trustee by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Trustee.

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

Section 8.04. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Section 8.05. No Liability by the City to the Owners. Except for the payment when due of the 2008 Payments and the performance of the other agreements and covenants required to be performed by it contained in the Contract, the City shall not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the 2008 Certificates or the disbursement of the 2008 Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained herein.

Section 8.06. No Liability by the Trustee to the Owners. Except as expressly provided herein, the Trustee shall not have any obligation or liability to the Owners with respect to the payment when due of the 2008 Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by its contained in the Contract.

Section 8.07. Control of Remedies by Credit Enhancement Provider or Liquidity Facility Provider. As long as no Control Event has occurred, notwithstanding anything in this Trust Agreement to the contrary, the 2008 Certificate Insurer shall have the right to direct all remedies upon the occurrence of an Event of Default. If a Control Event has occurred and the Bank's Credit Enhancement is in effect, notwithstanding anything in this Trust Agreement to the contrary, the Bank shall have the right to direct all remedies upon the occurrence of an Event of Default. If a Control Event has occurred and the Bank's Credit Enhancement is no longer in effect, notwithstanding anything in this Trust Agreement to the contrary, the Liquidity Facility Provider shall have the right to direct all remedies upon the occurrence of an Event of Default.

Notwithstanding the foregoing, if a Liquidity Facility is in effect, and the Provider thereof has failed to honor its payment obligations under the Liquidity Facility in respect of the purchase price of Certificates upon tender thereof, fifty-one percent (51%) of the Certificate

holders of the Certificates enhanced by such Liquidity Facility (excluding Certificates owned by the City and Bank Certificates), shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of such payment obligations; provided that such direction shall be in accordance with applicable law.

Section 8.08. Application of Funds in case of an Event of Default. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of this Article VIII shall be deposited into the 2008 Debt Service Fund and shall be applied by the Trustee in the following order upon presentation and surrender of the several 2008 Certificates: First, Costs and Expenses: to the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under this Trust Agreement; Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due or which have accreted in the order of the maturity of such installment, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and Third, Principal: to the payment to the persons entitled thereto of the unpaid principal of any 2008 Certificates that shall have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the 2008 Certificates and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the 2008 Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

ARTICLE IX

DEFEASANCE

Section 9.01. Discharge of Trust Agreement. When the obligations of the City under the Contract shall cease pursuant to Article VI of the Contract (except for the right of the Trustee and the obligation of the City to have the money and Federal Securities mentioned therein applied to the payment of 2008 Payments as therein set forth) and (i) the 2008 Certificates are in Fixed Rate Mode at the time moneys or Federal Securities are deposited, (ii) the deposit of money and Federal Securities is sufficient to pay the 2008 Certificates at the Maximum Rate to the earlier of the first possible tender or redemption date, (iii) the City shall have received a Rating Confirmation Notice on any 2008 Certificate that shall remain Outstanding following such redemption, and (iv) all other sums payable hereunder, including to the 2008 Certificate Insurer and Bank, have been paid, then and in such case the obligations created by this Trust Agreement shall thereupon cease, terminate and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and Federal Securities to the payment of the 2008 Certificates as herein set forth and the right of the Trustee to collect any fees or expenses due hereunder and the Trustee shall turn over to the City, as an overpayment of 2008 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the 2008 Certificates at maturity or on prepayment, which moneys and Federal Securities shall continue to be held by the Trustee in trust for the benefit of

the Owners and shall be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the 2008 Certificates, and after such payment, this Trust Agreement shall become void.

If moneys or Federal Securities are deposited with and held by the Trustee as hereinabove provided, the Trustee shall mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to Section 2.08 hereof, stating that (a) moneys or Federal Securities are so held by it, and (b) that this Trust Agreement has been released in accordance with the provisions of this Section.

In connection with any defeasance of any of the 2008 Certificates pursuant to this Article, the 2008 Certificate Insurer (or, if a Control Event has occurred, the Bank) shall receive (i) a Favorable Opinion of Special Counsel and (ii) an escrow agreement and an Opinion of Counsel regarding the validity and enforceability of the escrow agreement, such escrow agreement shall provide that: (1) any substitution of securities shall require a verification by an independent certified public accountant and the prior written consent of the 2008 Certificate Insurer; (2) the Authority will not exercise any optional redemption of the 2008 Certificates secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (a) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding obligations, and (b) as a condition of any such redemption there shall be provided to the 2008 Certificate Insurer (or, if a Control Event has occurred, the Bank) a verification of an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption; and (3) the Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the 2008 Certificate Insurer (or, if a Control Event has occurred, the Bank).

Notice of discharge of the Trust Agreement under this Article IX shall be provided to the Rating Agencies by the Trustee.

Notwithstanding the provisions of this Section: (i) amounts of principal of and interest on any 2008 Certificates paid by the 2008 Certificate Insurer under the 2008 Certificate Insurance Policy shall not be deemed to have been paid for purposes of this Trust Agreement and such 2008 Certificates shall remain Outstanding and such amounts shall continue to be due and owing until paid; and (ii) this Trust Agreement shall not be discharged unless all amounts due or to become due to the 2008 Certificate Insurer hereunder or under the 2008 Certificate Insurance Policy have been paid in full or duly provided for.

Section 9.02. Deposit of Money or Securities with Trustee. Whenever in this Trust Agreement or the Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities (certified to be sufficient by a report of an Independent Certified Public Accountant) in the necessary amount to pay or prepay any 2008 Certificates, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to this Trust Agreement and shall be --

(a) lawful money of the United States of America in an amount equal to the principal amount represented by such 2008 Certificates and all unpaid interest represented thereby to maturity, except that, in the case of 2008 Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment shall have been given as in Article II provided or provision satisfactory to the Trustee shall have been made for the giving of such notice, the amount to be deposited or held shall be the principal amount plus accrued interest to such date of prepayment plus a prepayment premium, if any, represented by such 2008 Certificates; or

(b) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the principal of and interest on which when due will provide, in its opinion of an Independent Certified Public Accountant, delivered to the Trustee, money sufficient to pay the principal plus prepayment premium, if any, plus all accrued interest to maturity or to the prepayment date, as the case may be, represented by the 2008 Certificates to be paid or prepaid, as such amounts become due, provided that, in the case of 2008 Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment shall have been given as in Article II provided or provision satisfactory to the Trustee shall have been made for the giving of such notice;

provided, in each case, that the Trustee shall have been irrevocably instructed (by the terms of this Trust Agreement and the Contract or by Written Request of the City) to apply such money to the payment of such principal plus prepayment premium, if any, plus interest represented by such 2008 Certificates.

Section 9.03. 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 2008 Certificates which remains unclaimed for two years after the date when such 2008 Certificates have become due and payable, either at their stated Certificate Payment Dates or by call for prepayment prior to Certificate Payment Date, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Certificates have become due and payable, shall be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee shall thereupon be released and discharged with respect thereto and the Owners shall look only to the City for the payment of the 2008 Payments evidenced and represented by such 2008 Certificates; provided, however, that before being required to make any such payment to the City, the Trustee shall, at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date shall not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the City.

ARTICLE X

CERTIFICATE INSURANCE PROVISIONS

Section 10.01. Payment Under the 2008 Certificate Insurance Policy. The payment when due of the principal and interest with respect to the 2008 Certificates shall be insured by the 2008 Certificate Insurance Policy. As long as the 2008 Certificate Insurance Policy shall be in full force and effect, the Authority and the Trustee agree to comply with the following provisions with respect to the 2008 Certificates:

(a) In the event that, on the second Business Day, and again on the Business Day, prior to an interest payment date for the 2008 Certificates the Trustee has not received sufficient moneys to pay all of the principal and interest with respect to the 2008 Certificates (including amounts required to reimburse the Bank for the payment of such principal and interest) due on the second following, or following, Business Day, as the case may be, the Trustee shall promptly on such Business Day moneys are not received, notify the 2008 Certificate Insurer or its designee on the same Business Day by telephone, electronic mail or facsimile, confirmed in writing by registered or certified mail of the amount of the deficiency, the obligations which such deficiency is applicable and whether such obligations will be deficient as to principal or interest or both. If the deficiency is cured in whole or in part prior to or on the interest payment date, the Trustee shall so notify the 2008 Certificate Insurer or its designee.

(b) The Trustee shall, after giving notice to the 2008 Certificate Insurer, as provided above, make available to the 2008 Certificate Insurer and, at the 2008 Certificate Insurer's direction, to any fiscal agent, the registration books of the Authority maintained by the Trustee and all records relating to the funds maintained under the documentation.

(c) The Trustee shall provide the 2008 Certificate Insurer and any fiscal agent with a list of registered owners of the 2008 Certificates entitled to receive principal or interest payments from the 2008 Certificate Insurer under the terms of the 2008 Certificate Insurance Policy, and shall make arrangements with the 2008 Certificate Insurer, the fiscal agent or another designee of the 2008 Certificate Insurer to (i) mail checks or drafts to the registered owners of the 2008 Certificates (including the Bank) entitled to receive full or partial interest payments from the 2008 Certificate Insurer and (ii) pay principal upon the 2008 Certificates surrendered to the 2008 Certificate Insurer, the fiscal agent or another designee of the 2008 Certificate Insurer by the registered owners of the 2008 Certificates (including the Bank) entitled to receive full or partial principal payments from the 2008 Certificate Insurer.

(d) The Trustee shall, at the time it provides notice to the 2008 Certificate Insurer of any deficiency pursuant to clause (a) above, notify registered owners of the 2008 Certificates (including the Bank) entitled to receive the payment of principal or interest thereon from the 2008 Certificate Insurer (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that the 2008 Certificate Insurer will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to the 2008 Certificate Insurer or any fiscal agent, in form satisfactory to the 2008 Certificate Insurer, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from the 2008 Certificate Insurer,

they must surrender the related the 2008 Certificates for payment first to the Trustee, which will note on such the 2008 Certificates the portion of the principal paid by the Trustee and second to the 2008 Certificate Insurer or its designee, together with an appropriate assignment, in form satisfactory to the 2008 Certificate Insurer, to permit ownership of the 2008 Certificates to be registered in the name of the 2008 Certificate Insurer, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from the 2008 Certificate Insurer, they must surrender the 2008 Certificates for payment to the 2008 Certificate Insurer or its designee, rather than the Trustee, together with the an appropriate assignment, in form satisfactory to the 2008 Certificate Insurer, to permit ownership of the 2008 Certificates to be registered in the name of the 2008 Certificate Insurer.

(e) In addition, if the Trustee has written notice that any Owner of a 2008 Certificate (including the Bank) has been required to disgorge payments of principal or interest with respect to the 2008 Certificates to the City or its trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the 2008 Certificate Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(f) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the 2008 Certificates (including the Bank) as follows:

(i) If and to the extent there is a deficiency in amounts required to fully pay interest on the 2008 Certificates, the Trustee shall (i) execute and deliver to the 2008 Certificate Insurer, in form satisfactory to the 2008 Certificate Insurer, an instrument appointing the 2008 Certificate Insurer as agent for such Owners in any legal proceeding related to the payment of such interest and an assignment to the 2008 Certificate Insurer of the claims for interest to which such deficiency relates and which are paid by the 2008 Certificate Insurer, (ii) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the 2008 Certificate Insurance Policy payment from the 2008 Certificate Insurer with respect to the claims for interest so assigned and (iii) disburse the same to such respective Owners; and

(ii) If and to the extent of a deficiency in amounts required to pay principal with respect to the 2008 Certificates, the Trustee shall (i) execute and deliver to the 2008 Certificate Insurer, in form satisfactory to the 2008 Certificate Insurer, an instrument appointing the 2008 Certificate Insurer as agent for such Owner in any legal proceeding relating to the payment of such principal and an assignment to the 2008 Certificate Insurer of any of the 2008 Certificates surrendered to the 2008 Certificate Insurer of so much of the principal thereof as has not previously been paid or for which moneys are not held by the Trustee and available for such payment (but such assignment shall be effective only if payment from the 2008 Certificate Insurer is received), (ii) receive as designee of the respective Owners (and not as Trustee) in accordance with the tenor of the 2008 Certificate Insurance Policy payment therefor from the 2008 Certificate Insurer and (iii) disburse the same to such Owners.

(g) In the event that the Trustee shall have made a claim under the 2008 Certificate Insurance Policy with respect to principal and/or interest due on any payment date with respect to the 2008 Certificates and the Bank shall have paid on such payment date a draw made by the Trustee on the Bank's Credit Enhancement for such principal and/or interest, then, notwithstanding anything to the contrary, the amount paid by the 2008 Certificate Insurer with respect to the 2008 Certificates (the "Held Amount") on such payment date pursuant to such claim under the 2008 Certificate Insurance Policy shall be held uninvested by the Trustee until the Trustee shall have received notice from the 2008 Certificate Insurer that: (A) the Bank has directed the 2008 Certificate Insurer to reimburse the Bank for such draw pursuant to the Reimbursement Agreement between the Bank and the City, in which case the Trustee shall immediately pay the Held Amount to the Bank; or (B) the Bank has failed to direct the 2008 Certificate Insurer to reimburse the Bank for such draw within the time period set forth in the Reimbursement Agreement between the Bank and the City, in which case the Trustee shall immediately return the Held Amount to the 2008 Certificate Insurer. If the Held Amount is returned to the 2008 Certificate Insurer, the Authority shall pay interest at the Reimbursement Rate on such Held Amount from the date paid by the 2008 Certificate Insurer until such return to the 2008 Certificate Insurer. Payments with respect to claims for interest and principal with respect to the 2008 Certificates disbursed by the Trustee from proceeds of the 2008 Certificate Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such 2008 Certificates, and the 2008 Certificate Insurer shall become the Owner of such unpaid 2008 Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this Section 10.01 or otherwise.

(h) Irrespective of whether any such assignment is executed and delivered, the Authority and the Trustee hereby for the benefit of the 2008 Certificate Insurer that:

(i) to the extent the 2008 Certificate Insurer makes payments, directly or indirectly (as by paying through the Trustee), on account of the principal or interest with respect to the 2008 Certificates, the 2008 Certificate Insurer will be subrogated to the rights of the Owners of the 2008 Certificates to receive the amount of such principal and interest, with interest thereon as provided and solely from the sources stated in this Trust Agreement and the 2008 Certificates, and

(ii) they will accordingly pay to the 2008 Certificate Insurer the amount of such principal and interest, with interest thereon as provided in this Trust Agreement and the 2008 Certificates, but only from the sources and in the manner provided herein for the payment of the principal and interest with respect to the 2008 Certificates to Owners, and will otherwise treat the 2008 Certificate Insurer as the Owner of such rights to the amount of such principal and interest.

(i) The Authority hereby agrees to pay or reimburse the 2008 Certificate Insurer, to the extent permitted by law, (A) all amounts paid by the 2008 Certificate Insurer under the terms of the 2008 Certificate Insurance Policy, and (B) any and all charges, fees, costs and expenses which the 2008 Certificate Insurer may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, in connection with (i) any accounts established to facilitate payments under the 2008 Certificate Insurance Policy, (ii) the administration, enforcement, defense or preservation

of any rights in respect of this Trust Agreement or any other financing document, including defending, monitoring or participating in any litigation or proceeding (including any bankruptcy proceeding in respect of the Authority or any affiliate thereof) relating to this Trust Agreement or any other financing document, any party to this Trust Agreement or any other financing document or the transaction contemplated by this Trust Agreement or any other financing documents, (iii) the foreclosure against, sale or other disposition of any collateral securing any obligations under this Trust Agreement or any other financing document, or the pursuit of any remedies under this Trust Agreement or any other financing document, to the extent such costs and expenses are not recovered from such foreclosure, sale or other disposition, or (iv) any amendment, waiver or other action with respect to, or related to, this Trust Agreement or any other financing document whether or not executed or completed; costs and expenses shall include a reasonable allocation of compensation and overhead attributable to time of employees of the 2008 Certificate Insurer spent in connection with the actions described in clauses (ii) - (iv) above. In addition, the 2008 Certificate Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of this Trust Agreement or any other financing document. The Authority will pay interest on the amounts owed in this paragraph from the date of any payment due or paid, at the per annum rate of interest publicly announced from time to time by JP Morgan Chase Bank, National Association at its principal office in New York, New York as its prime lending rate (any change in such prime rate of interest to be effective on the date such change is announced by JPMorgan Chase Bank, National Association) plus three percent (3%) per annum (the 'Reimbursement Rate"). The Reimbursement Rate shall be calculated on the basis of the actual number of days elapsed over a 360-day year. In the event JPMorgan Chase Bank ceases to announce its prime rate publicly, the prime rate shall be the publicly announced prime rate or base lending rate of such national bank, as the 2008 Certificate Insurer shall specify.

(j) In addition to any and all rights of reimbursement, subrogation and any other rights pursuant hereto or under law or in equity, the Authority agrees to pay or reimburse the 2008 Certificate Insurer, to the extent permitted by law, any and all charges, fees, costs, claims, losses, liabilities (including penalties), judgments, demands, damages, and expenses which the 2008 Certificate Insurer or its officers, directors, shareholders, employees, agents and each Person, if any, who controls the 2008 Certificate Insurer within the meaning of either Section 15 of the Securities Act of 1933, as amended, or Section 20 of the Securities Exchange Act of 1934, as amended, may reasonably pay or incur, including, but not limited to, fees and expenses of attorneys, accountants, consultants and auditors and reasonable costs of investigations, of any nature in connection with, in respect of or relating to the transactions contemplated by this Trust Agreement or any other financing document by reason of:

(a) any omission or action (other than of or by the 2008 Certificate Insurer) in connection with the offering, issuance, sale, remarketing or delivery of the 2008 Certificates;

(b) the negligence, bad faith, willful misconduct, misfeasance, malfeasance or theft committed by any director, officer, employee or agent of the Authority in connection with any transaction arising from or relating to this Trust Agreement or any other financing document;

(c) the violation by the Authority of any law, rule or regulation, or any judgment, order or decree applicable to it;

(d) the breach by the Authority of any representation, warranty or covenant under this Trust Agreement or any other financing document or the occurrence, in respect of the Authority under this Trust Agreement or any other financing document of any "event of default" or any event which, with the giving of notice or lapse of time or both, would constitute any "event of default"; or

(e) any untrue statement or alleged untrue statement of a material fact contained in any official statement relating to the 2008 Certificates, if any, or any omission or alleged omission to state therein a material fact required to be stated therein or necessary to make the statements therein not misleading, except insofar as such claims arise out of or are based upon any untrue statement or omission in information included in an official statement, if any, and furnished by the 2008 Certificate Insurer in writing expressly for use therein.

(k) The 2008 Certificate Insurer shall be entitled to pay principal of or interest on the 2008 Certificates that shall become Due for Payment but shall be unpaid by reason of Nonpayment (as such terms are defined in the 2008 Certificate Insurance Policy) and any amounts due on the 2008 Certificates as a result of acceleration of the maturity thereof in accordance with this Trust Agreement, whether or not the 2008 Certificate Insurer has received a Notice (as defined in the 2008 Certificate Insurance Policy) of Nonpayment or a claim upon the 2008 Certificate Insurance Policy.

(l) In addition, the 2008 Certificate Insurer shall, to the extent it makes any payment of principal or interest on the 2008 Certificates, become subrogated to the rights of the recipients of such payments in accordance with the terms of 2008 Certificate Insurance Policy, and to evidence such subrogation (i) in the case of claims for interest, the Trustee shall note the 2008 Certificate Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee, upon receipt of proof of payment of interest thereon to the registered holders of the 2008 Certificates, and (ii) in the case of claims for principal, the Trustee, if any, shall note the 2008 Certificate Insurer's rights as subrogee on the registration books of the Authority maintained by the Trustee, upon surrender of the 2008 Certificates together with receipt of proof of payment of principal thereof.

Section 10.02. Additional Provisions Related to the 2008 Certificate Insurance Policy.

(a) Subject to Section 10.03, the 2008 Certificate Insurer shall be deemed to be sole Owner of the 2008 Certificates it insures for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the 2008 Certificate Owners are entitled to take pursuant to this Trust Agreement, including any consent to any modification, amendment or supplement to this Trust Agreement pursuant to Section 7.01 hereof.

(b) Copies of any amendments made to the documents executed in connection with the issuance of the 2008 Certificates which are consented to by the 2008 Certificate Insurer shall be sent to Standard & Poor's.

(c) The 2008 Certificate Insurer shall receive written notice of the resignation or removal of the Trustee and any Trustee for the 2008 Certificates and the appointment of a successor thereto.

(d) The 2008 Certificate Insurer shall receive written copies of all notices required to be delivered to Owners of 2008 Certificates.

(e) The 2008 Certificate Insurer shall have the right to receive such additional information as it may reasonably request.

(f) The Authority will permit the 2008 Certificate Insurer to discuss the affairs, finances and accounts of the Authority or any information the 2008 Certificate Insurer may reasonably request regarding the security for the 2008 Certificates with appropriate officers of the Authority, and will use best efforts to enable the 2008 Certificate Insurer to have access to the facilities, books and records of the Authority on any business day upon reasonable prior notice.

(g) The Trustee shall notify the 2008 Certificate Insurer of any failure of the Authority to provide notices, certificates and other information under the financing documents.

(h) If the Trustee receives any moneys from proceeds of the 2008 Certificate Insurance Policy, the Trustee shall hold such moneys separate and apart from all other moneys held by the Trustee under this Trust Agreement and shall apply such moneys only to the payment of the principal or prepayment price or interest with respect to the 2008 Certificates for which such payments were received.

(i) In the event that the principal and/or interest due on the 2008 Certificates shall be paid by the 2008 Certificate Insurer pursuant to 2008 Certificate Insurance Policy, the 2008 Certificates shall remain outstanding for all purposes, not be defeased or otherwise satisfied and not be considered paid by the Authority, and the assignment and pledge of the trust estate and all covenants, agreements and other obligations of the Authority to the registered owners shall continue to exist and shall run to the benefit of the 2008 Certificate Insurer, and the 2008 Certificate Insurer shall be subrogated to the rights of such registered owners, including, without limitation, any rights that such owners may have in respect of securities law violations arising from the offer and sale of the 2008 Certificates.

(j) The 2008 Certificate Insurer shall be deemed to be the Owners of all of the 2008 Certificates for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default (as defined herein), and (b) granting any consent, direction or approval or taking any action permitted or required by the Owners of the 2008 Certificates.

(k) Notwithstanding anything in this Trust Agreement to the contrary so long as the 2008 Certificate Insurance Policy shall be in full force and effect and the 2008 Certificate Insurer

shall not be in default of any of its obligations thereunder, upon the occurrence and continuance of an Event of Default, as defined herein, the Trustee may, with the consent of the 2008 Certificate Insurer, and shall at the direction of the 2008 Certificate Insurer or the Bondholders with the prior written consent of the 2008 Certificate Insurer, by written notice to the Authority and the 2008 Certificate Insurer, as applicable (i) declare the payments under the Contract representing the principal of the 2008 Certificates immediately due and payable, in accordance with the terms of the Contract or (ii) annul any declaration of acceleration.

(l) In the event of any reorganization or liquidation, the 2008 Certificate Insurer shall have the right to vote on behalf of all Owners of the 2008 Certificates guaranteed by the 2008 Certificate Insurer, absent a default by the 2008 Certificate Insurer under the 2008 Certificate Insurance Policy.

(m) The Authority, to the extent permitted by law, but solely from amounts payable under the Contract, to the extent such amounts are not required to pay the 2008 Certificates shall indemnify, defend and hold harmless the 2008 Certificate Insurer against any loss, damages, liability or expense incurred without negligence, default or willful misconduct on the part of the 2008 Certificate Insurer arising out of or in connection with (i) the exercise or performance of any of its powers or duties 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 2008 Certificates, including costs and expenses (including attorneys' fees) of defending itself against any claim or liability in connection with the exercise or performance of any of its powers hereunder The rights of the 2008 Certificate Insurer and the obligations of the Authority under this Section shall survive the discharge of the 2008 Certificates and this Trust Agreement. Notwithstanding the foregoing, the Authority will not be liable for any losses, costs or expenses resulting from the willful misconduct or negligence of the 2008 Certificate Insurer, or resulting from a misrepresentation or omission made by the 2008 Certificate Insurer in any offering document or other disclosure materials or filings (including any filings made with any insurance regulator, the Securities & Exchange Commission or any other government body) concerning the 2008 Certificate Insurer.

(n) The 2008 Certificate Insurer shall be provided with the following information:

(i) the financial statements of the City and other information furnished by the City to the Authority within fifteen Business Days after receipt thereof by the City pursuant to Section 4.09(b) of the Master Purchase Contract;

(ii) notice of any draw upon the Reserve Fund within two Business Days after knowledge thereof other than (A) withdrawals of amounts in excess of the Reserve Fund Requirement, and (B) withdrawals in connection with a refunding of 2008 Certificates;

(iii) notice of any default under this Trust Agreement known to the Trustee or the Authority within five Business Days after knowledge thereof;

(iv) notice of the advance refunding or redemption of any of the 2008 Certificates within five Business Days after the Trustee receives notice thereof from the City, including the principal amount, maturities and CUSIP numbers thereof;

(v) as soon as practicable, notice of the commencement of any proceeding by or against the Authority or the City commenced under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an "Insolvency Proceeding");

(vi) as soon as practicable, notice of the making of any claim in connection with any Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment of principal of, or interest on, the 2008 Certificates; and

(vii) as soon as practicable, a full transcript of all proceedings relating to the execution of any amendment, supplement or waiver to this Trust Agreement, the Master Contract or any other related document.

Section 10.03. 2008 Certificate Insurer Default. In the event that the 2008 Certificate Insurer is in payment default under the 2008 Certificate Insurance Policy, an Insurer Indenture Event of Default has occurred and is continuing with respect to the 2008 Certificate Insurance Policy or the 2008 Certificate Insurance Policy is no longer in effect (and all amounts due to the 20008 Certificate Insurer are then paid in full), all references herein to the 2008 Certificate Insurer and all provisions herein for the benefit of the 2008 Certificate Insurer shall be of no effect; provided, however, that the rights of the 2008 Certificate Insurer derived through subrogation and assignment shall remain in full force and effect.

Section 10.04. Modification, Cancellation, Termination or Substitution of 2008 Certificate Insurance Policy. The Authority shall not consent to the surrender, cancellation, termination, amendment or modification in any material respect of the 2008 Certificate Insurance Policy by the 2008 Certificate Insurer, or to the substitution of a different Credit Enhancement for the 2008 Certificate Insurance Policy, unless the Authority and the Trustee shall have received the consent of the Bank, and the Authority and the Trustee shall consent to any such surrender, cancellation, termination, amendment or modification of the 2008 Certificate Insurance Policy by the 2008 Certificate Insurer if so directed by the Bank within seven days of receiving such direction. If, upon receipt of such consent or direction from the Bank, the 2008 Certificate Insurance Policy is so surrendered, cancelled, terminated, amended or modified in any material respect by the 2008 Certificate Insurer, or a different Credit Enhancement is so substituted for the 2008 Certificate Insurance Policy, the 2008 Certificates shall be subject to mandatory tender.

Section 10.05. Additional Provisions with respect to Rights of the Bank.

(a) To the extent the Bank pays the principal of or interest on the 2008 Certificates from one or more drawings under its Credit Enhancement and has not been reimbursed for such payment by the Authority or the Trustee, on behalf of the Authority, in accordance with the terms of the Reimbursement Agreement between the Bank and the City, (i) such amounts of principal of and interest on such 2008 Certificates shall be deemed not to have been paid for

purposes of this Trust Agreement and such 2008 Certificates shall remain Outstanding and shall continue to be due and owing until paid or otherwise satisfied; (ii) all rights of the Owners of such 2008 Certificates with respect to receiving payment of such principal from the Authority shall, without any further action on the part of such Owners or the Trustee, be assigned to the Bank and the Bank shall become subrogated to such rights; (iii) as to any such payment of principal of the 2008 Certificates from a drawing under the Bank's Credit Enhancement, the Bank shall become the Owner of such 2008 Certificate, which shall be evidenced as set forth in the next sentence; and (iv) as to any such payment of interest on such 2008 Certificates from a drawing under the Bank's Credit Enhancement, the Bank shall become the owner of all rights to such interest, constituting the Assigned Rights to Interest with respect thereto. The Trustee shall designate any portion of payment of principal on 2008 Certificates paid from one or more drawings under the Bank's Credit Enhancement, whether by virtue of mandatory sinking fund pro rata redemption, maturity or other advancement of maturity, on its books as a reduction in the principal amount of 2008 Certificates registered to the then current Owner, whether DTC or its nominee or otherwise, and shall issue, as a replacement 2008 Certificate, a Subrogated Certificate to the Bank, registered in the name of the Bank, in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations); provided that the Trustee's failure to so designate any payment or issue any Subrogated Certificate shall have no effect on the amount of principal or interest payable by the Authority on any 2008 Certificate, the subrogation rights of the Bank or the Bank's ownership of such 2008 Certificate to the extent principal thereof has been paid from a drawing under the Bank's Credit Enhancement.

(b) In addition, to the extent the Bank pays the principal of or interest on 2008 Certificates from one or more drawings under the Bank's Credit Enhancement and has not been reimbursed from such payment by the Authority or the Trustee, on behalf of the Authority, in accordance with the terms of the Reimbursement Agreement between the Bank and the City, the Bank shall be subrogated to the rights of the Owners of such 2008 Certificates with respect to the 2008 Certificate Insurance Policy in respect of any such payment of principal or interest that is insured under the 2008 Certificate Insurance Policy (a "Covered Payment"); provided, however, that the Bank's subrogation rights with respect to the 2008 Certificate Insurance Policy in respect of the foregoing payments of principal and interest are subject to the terms and conditions of the 2008 Certificate Insurance Policy.

(c) To exercise such rights of subrogation as to a Covered Payment, the Bank must notify the Trustee and the 2008 Certificate Insurer on or before 5:00 p.m. New York City time on the date that is 30 days after a Covered Payment has been made that the Bank is making a claim (a "Claim") under the 2008 Certificate Insurance Policy, which claim shall (i) specifically reference the policy number of the 2008 Certificate Insurance Policy and shall be presented to the 2008 Certificate Insurer at its address specified herein or pursuant hereto, (ii) state the date of the Covered Payment, (iii) state the amount of the Covered Payment, and (iv) in all cases comply with the requirements of this Trust Agreement and the 2008 Certificate Insurance Policy. Upon payment of a Claim, the provisions of this Section shall apply to the same extent as if the 2008 Certificate Insurer had made such payment directly on the related Series of 2008 Certificates. In the event the Bank does not make a claim on or before 5:00 p.m. New York City time on the date that is 30 days after a Covered Payment, the 2008 Certificate Insurer shall have no further obligation to the Bank with respect thereto and a principal amount of the related Series of

Certificates equal to the principal that has been paid by the Bank shall be deemed to be fully discharged in accordance herewith.

(d) At all times from and after the occurrence of a Control Event with respect to the 2008 Certificate Insurance Policy, the Bank shall be an expressly intended third party beneficiary hereof and shall be deemed to be the sole Owner of the 2008 Certificates for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the Owners of the 2008 Certificates are entitled to exercise, give or take pursuant to this Trust Agreement with respect to (i) Events of Default and remedies hereunder and under the Contract, (ii) the duties and obligations of the Trustee, and (iii) granting or withholding any consent wherever Owner consent is required.

(e) Notwithstanding any contrary provision hereof or of the Contract, following any Control Event, any references herein and in the Contract to the payment of the reasonable fees and expenses of the 2008 Certificate Insurer shall be deemed to refer to the reasonable fees and expenses of the Bank incurred in connection therewith; provided that any such fees and expenses previously incurred by the 2008 Certificate Insurer shall continue to be payable to the 2008 Certificate Insurer.

ARTICLE XI

MISCELLANEOUS

Section 11.01. Benefits of this Trust Agreement Limited to Parties. Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the 2008 Certificate Insurer, the Bank and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the 2008 Certificate Insurer, the Bank and the Owners. The 2008 Certificate Insurer and the Bank shall be third-party beneficiaries of this Trust Agreement.

Section 11.02. Successor is Deemed Included In All References To Predecessor. Whenever herein either the Authority or any member, officer or employee thereof is named or referred to, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or such member, officer or employee, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or any member, officer or employee thereof shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

Section 11.03. Execution of Documents by Owners. Any declaration, request or other instrument which is permitted or required herein to be executed by Owners may be in one or more instruments of similar tenor and may be executed by Owners in person or by their attorneys appointed in writing. The fact and date of the execution by any Owner or his attorney of any declaration, request 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 make acknowledgments of deeds to be recorded in the state or territory in which he purports to act that the person signing such declaration, request or other instrument or writing acknowledged to him

the execution thereof, or by an affidavit of a witness of such execution duly-sworn to before such notary public or other officer. The ownership of any 2008 Certificates and the amount, Certificate Payment Date, number and date of holding the same may be proved by the registration books relating to the 2008 Certificates at the corporate trust office of the Trustee.

Any declaration, request or other instrument or writing of the Owner of any 2008 Certificate shall bind all future Owners of such Certificate with respect to anything done or suffered to be done by the Authority or the Trustee in good faith and in accordance therewith.

Section 11.04. Waiver of Personal Liability. No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the 2008 Certificates by reason of their issuance, but nothing herein contained shall relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

Section 11.05. Content of Certificates of the Authority. Every Certificate of the Authority with respect to compliance with any agreement, condition, covenant or provision provided herein shall include (a) a statement that the person or persons making or giving such certificate have read such agreement, condition, covenant or provision and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such agreement, condition, covenant or provision has been complied with; and (d) a statement as to whether, in the opinion of the signers, such agreement, condition, covenant or provision has been complied with.

Any Certificate of the Authority may be based, insofar as it relates to legal matters, upon an Opinion of Counsel unless the person making or giving such certificate knows that the Opinion of Counsel 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 Opinion of Counsel may be based, insofar as it relates to factual matters or 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 executing 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 11.06. Accounts and Funds; Business Days. The Trustee may establish such funds and accounts as it deems necessary and appropriate to perform its duties and obligations hereunder. Any account or fund required herein to be established and maintained by the Trustee may be established and maintained in the accounting records of the Trustee either as an account or a fund, and may, for the purposes of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to all such accounts and funds shall at all times be maintained in accordance with sound corporate trust industry practice and with due regard for the protection of the security of the 2008 Certificates and the rights of the Owners. Any action required to occur hereunder on

a day which is not a Business Day shall be required to occur on the next succeeding Business Day with the same effect as if made on such non-Business Day.

Section 11.07. Notices.

(a) All written notices to be given hereunder shall be given by facsimile transmission or other Electronic means or by first-class mail or hand delivery (unless such delivery method shall be otherwise specified herein) 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:	Modesto Public Financing Authority c/o City of Modesto City Hall 1010 Tenth Street, Suite 5200 Modesto, CA 95353 Attention: Auditor and Treasurer Telephone No.: (209) 577-5371 Facsimile No.: (209) 571-5880
If to the City:	City of Modesto 1010 Tenth Street, Suite 5200 Modesto, CA 95353 Attention: Finance Director Telephone No.: (209) 577-5371 Facsimile No.: (209) 571-5880
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 100 Pine Street, Suite 3100 San Francisco, CA 94111 Attention: Corporate Trust Telephone No.: (415) 263-2432 Facsimile No.: (415) 399-1647
If to S&P:	Attn: Muni Structured Finance 55 Water Street, 38th Floor New York, New York 10041 Telephone No.: (212) 438-2000 Email: Pubfin_structured@standardand poors.com
If to Moody's:	Moody's Investors Services 7 World Financial Center New York, New York 10007 Attention: Public Finance Department Facsimile: (212) 553-4090

If to the 2008 Certificate Insurer:

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Attention: General Counsel
Facsimile: (212) 581-3268

Assured Guaranty
1325 Avenue of the Americas
New York, New York 10019
Attention: Risk Management Department - Public Finance Surveillance
Facsimile: (212) 581-3268

If to the Bank:

JPMorgan Chase Bank, N.A.
383 Madison Avenue, Floor 8
New York, New York 10179
Mail Code: NY1-M076
Attention: James G. Millard
Telephone: (212) 270-2198
Telecopy: (917) 456-3538

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (i) if personally served or delivered, upon delivery, (ii) if given by Electronic communication, whether by telex, telegram or telecopier, upon the sender's receipt of an appropriate answer back or other written acknowledgement or confirmation of receipt of the entire notice, approval, demand, report or other communication, (iii) if given by first class or registered or certified mail, return receipt requested, deposited the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, (iv) if given by overnight courier, with courier charges prepaid, 24 hours after delivery to said overnight courier, or (v) if given by any other means, upon delivery at the address specified in this Section 11.07.

(b) The Trustee shall give notice to the Rating Agencies of the occurrence of any of the following with respect to the 2008 Certificates:

(i) the removal, resignation or appointment of the Trustee or Remarketing Agent;

(ii) the execution of any amendment or supplement to the Trust Agreement, the Credit Enhancement, the Liquidity Facility or the Remarketing Agreement;

(iii) the expiration, termination, extension or substitution of the Liquidity Facility or Credit Enhancement;

(iv) the redemption in whole of the Outstanding 2008 Certificates;

(v) the acceleration of all Outstanding 2008 Certificates pursuant to Article VIII of the Trust Agreement;

(vi) the defeasance of all Outstanding 2008 Certificates; and

(vii) any change in Mode of the 2008 Certificates.

(c) The Trustee shall give notice to the Holders of the expiration, termination, extension or substitution of the Liquidity Facility or Credit Enhancement;

Section 11.08. CUSIP Numbers. Neither the Authority nor the Trustee shall be liable for any defect or inaccuracy in the CUSIP number that appears on any 2008 Certificate or in any prepayment notice relating thereto. The Trustee may, in its discretion, include in any prepayment notice relating to any of the 2008 Certificates a statement to the effect that the CUSIP numbers on the 2008 Certificates have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Authority nor the Trustee shall be liable for any defects or inaccuracies in such numbers.

Section 11.09. Article and Section Headings 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 meaning, construction or effect hereof. All references herein to "articles," "sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith," "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular article, section, subdivision or clause hereof.

Section 11.10. Partial Invalidity. If any one or more of the agreements or covenants Trustee shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof or of the 2008 Certificates, and the Owners shall retain all the benefit, protection and security afforded to them under any applicable provisions of law. The Authority and the Trustee hereby declare that they would have executed and delivered this Trust Agreement and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the execution and delivery of the 2008 Certificates pursuant hereto irrespective of the fact that any one or more 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 11.11. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee shall preserve undestroyed, shall together constitute but one and the same instrument.

Section 11.12. California Law. This Trust Agreement shall be construed and governed in accordance with the laws of the State of California.

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IN WITNESS WHEREOF, the Modesto Public Financing Authority has caused this Trust Agreement to be signed in its name by its Auditor and Treasurer and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed by one of the officers thereunder duly authorized, all as of the day and year first above written.

MODESTO PUBLIC FINANCING AUTHORITY

By: _____
Auditor and Treasurer

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

By: _____
Authorized Officer

IN WITNESS WHEREOF, the Modesto Public Financing Authority has caused this Trust Agreement to be signed in its name by its Auditor and Treasurer and The Bank of New York Mellon Trust Company, N.A., in token of its acceptance of the trusts created hereunder, has caused this Trust Agreement to be signed by one of the officers thereunder duly authorized, all as of the day and year first above written.

MODESTO PUBLIC FINANCING AUTHORITY

By: _____
Auditor and Treasurer

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

By: _____
Authorized Officer

EXHIBIT A

[FORM OF CERTIFICATE OF PARTICIPATION]

WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION 2008 SERIES A

Evidencing and Representing a Proportionate Interest of the Owner Hereof in 2008 Payments to be made by the City of Modesto to the Modesto Public Financing Authority

Unless this certificate is presented by an authorized representative of The Depository Trust Company a New York corporation ("DTC"), to the Trustee or its agent 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.

No. R-1 $47,625,000

Interest Rate	Certificate Payment Date	Dated Date	CUSIP	Substitution Date
Variable	October 1, 2036	May 30, 2008	607804 AC5	July 14, 2011

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: FORTY SEVEN MILLION SIX HUNDRED TWENTY FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the registered owner set forth above of this Water Refunding Revenue Certificate of Participation, 2008 Series A (this "Certificate"), is the owner of a proportionate interest in the 2008 Payments (as that term is defined in the Trust Agreement hereinafter mentioned) made under and pursuant to that certain Master Installment Purchase Contract executed and entered into as of November 1, 1997, as heretofore supplemented and as supplemented by that certain 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, each by and between the City of Modesto, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") and the Modesto Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority") (which Master Installment Purchase Contract as so supplemented is referred to herein as the "Contract"), all of which rights in the 2008 Payments have been assigned by the

Authority to The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or any other bank or trust company which may at any time be substituted in place of the original trustee as provided in the Trust Agreement hereinafter mentioned (the "Trustee"). Capitalized terms used in this Certificate but not otherwise defined shall have the meanings assigned to them in the Trust Agreement.

The registered owner of this Certificate is entitled to receive, subject to the terms of the Contract and any right of prepayment prior thereto hereinafter provided for, on the Certificate Payment Date set forth above, upon surrender of this Certificate on such Certificate Payment Date or on the date of prepayment prior thereto at the corporate trust office of the Trustee, the principal sum set forth above, representing the registered owner's proportionate share of the 2008 Payments constituting principal installments with respect to Certificates becoming due and payable on such Certificate Payment Date or on the date of prepayment prior thereto, and to receive an interest installment on such principal installment on each Interest Payment Date to the respective Certificate Payment Date or date of prepayment prior thereto. While this Certificate is in a Daily Mode or a Weekly Mode, the Interest Payment Date shall be the first Business Day of the month. Payment of interest evidenced by this Certificate shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the close of business on the applicable Record Date, such interest to be payable on each Interest Payment Date by the Trustee (i) by check mailed on such Interest Payment Date to such Owner's address as it appears on the registration books of the Trustee at the close of business on the Record Date or (ii) by wire transfer to any Owner of at least $1,000,000 aggregate principal amount of Certificates according to the written instructions provided by such Owner on or prior to the applicable Record Date to the Trustee, which written instructions shall remain in effect until revised by such Owner by an instrument in writing delivered to the Trustee. Interest evidenced by this Certificate shall accrue from and including the Interest Accrual Date immediately preceding the date of authentication hereof, or, if such date of authentication shall be an Interest Accrual Date, from such Interest Accrual Date or, if such date of authentication shall be prior to the second Interest Accrual Date, from the Delivery Date.

This Certificate is one of the duly authorized certificates of participation aggregating $47,625,000, which have been executed by the Trustee under and pursuant to the provisions of a Trust Agreement, dated as of May 1, 2008, as amended and restated by an Amended and Restated Trust Agreement, dated July 14, 2011 (the "Trust Agreement"), between the Authority and the Trustee. Copies of the Trust Agreement are on file at the corporate trust office of the Trustee in San Francisco, California and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the covenants and pledges securing the 2008 Payments and the Certificates, for the nature, extent and manner of enforcement of such covenants and pledges, for the rights and remedies of the registered owners of the Certificates with respect thereto and for the other conditions and terms upon which the Certificates are executed and delivered thereunder.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto, but no such amendment shall (1) extend the Certificate Payment Date of this Certificate, or change the payment dates of, or reduce the rate of interest or principal or prepayment premium, if any,

evidenced and represented hereby, without the express written consent of the registered owner hereof, or (2) reduce the percentage of Certificates required for the written consent to any amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Certificates are delivered as fully registered Certificates in Authorized Denominations. This Certificate is being issued initially in a Weekly Mode and so long as this Certificate shall remain in a Weekly Mode, this Certificate shall bear interest at a Weekly Rate determined by the provisions of the Trust Agreement.

As provided in and subject to the terms and conditions of the Trust Agreement, the Certificates may, from time to time, be changed from a Weekly Mode to a Daily Mode, a Flexible Mode, a Term Rate Mode or a Fixed Rate Mode.

Except in the event of serialization of the Certificates in accordance with the provisions of the Trust Agreement, the Certificates are subject to mandatory prepayment from Sinking Fund Payments prior to their Maturity Date, in part by lot, on October 1 of each year on and after October 1, 2008, in accordance with the schedule set forth below upon notice as provided in the Trust Agreement, from and in the amount of the principal installment of the 2008 Payments due and payable on such dates, at a prepayment price equal to the sum of the principal amount evidenced and represented thereby plus accrued and unpaid interest evidenced and represented thereby to the Prepayment Date, without a prepayment premium.

Sinking Fund Payments

Mandatory Sinking Fund Payment Date (October 1)	Sinking Fund Payment	Mandatory Sinking Fund Payment Date (October 1)	Sinking Fund Payment
2008	$290,000	2023	$2,300,000
2009	285,000	2024	2,410,000
2010	285,000	2025	2,515,000
2011	285,000	2026	2,595,000
2012	310,000	2027	2,705,000
2013	310,000	2028	2,810,000
2014	340,000	2029	2,945,000
2015	340,000	2030	3,055,000
2016	365,000	2031	3,185,000
2017	365,000	2032	3,295,000
2018	395,000	2033	3,430,000
2019	395,000	2034	3,570,000
2020	395,000	2035	3,705,000
2021	425,000	2036	3,870,000
2022	450,000		

Additionally, if any portion of this Certificate has been optionally prepaid as described in the succeeding paragraph, the amounts of such Sinking Fund Payments shall be reduced as

directed by the Authority, or if not so directed, proportionately in increments of Authorized Denominations by the principal amount evidenced and represented by all such Certificates so optionally prepaid.

Each Certificate in a Daily Mode or a Weekly Mode shall be subject to prepayment at the option of the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a prepayment price equal to 100% of the principal amount thereof, plus, accrued interest, if any, to the Prepayment Date, without premium.

Notice of prepayment of any Certificate selected for prepayment shall be given by first-class mail not less than 30 days nor more than 60 days before the prepayment date to the registered owner hereof, subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of prepayment has been duly given and money for the payment of the prepayment price is held by the Trustee, then this Certificate shall, on the prepayment date designated in such notice, become due and payable, and from and after the date so designated interest evidenced and represented by this Certificate shall cease to accrue, and the registered owner of this Certificate shall have no rights with respect hereto except to receive payment of the prepayment price hereof.

This Certificate is transferable on the books to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee, and thereupon a new Certificate or Certificates of the same Certificate Payment Date evidencing and representing a like aggregate principal amount in Authorized Denominations will be delivered to the transferee. This Certificate may be exchanged at the above-mentioned office of the Trustee upon payment of the charges provided in the Trust Agreement for a like aggregate principal amount of Certificates of the same Certificate Payment Date of other Authorized Denominations. The Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest and principal evidenced and represented hereby and for all other purposes, whether this Certificate shall be overdue or not, and the Trustee shall not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by this Certificate shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Certificate to the extent of the sum or sums so paid.

The Certificates each evidence and represent a proportionate interest in the 2008 Payments in an amount equal to the aggregate principal amount of Certificates originally executed and delivered by the Trustee pursuant to the Trust Agreement and enjoy the benefits of a security interest in the moneys held in the funds established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein. The obligation of the City to make the 2008 Payments is a special obligation of the City payable solely from the Gross Revenues of the Water Utility System as provided in the Contract, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any

constitutional or statutory debt limitation or restriction. The City may incur other obligations payable on parity with the 2008 Payments in accordance with the Contract.

The Trustee has no obligation or liability to the Certificate owners for the payment of the interest or principal or the prepayment premiums, if any, evidenced and represented by the Certificates; but rather the Trustee's sole obligations are to administer, for the benefit of the City and the Certificate owners, the various funds established under the Trust Agreement.

No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the Certificates by reason of their delivery, but nothing herein contained shall relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

The Trust Agreement prescribes the manner in which it may be discharged and after which the Certificates shall no longer be secured by or entitled to the benefits of the Trust Agreement.

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized signatory of the Trustee as of the date set forth above.

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

By: _____
Authorized Officer

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ (Taxpayer Identification Number: _____) the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Note: The signature to this Assignment must correspond with the name as written on the face of the Certificate in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: _____

Notice: Signature must be guaranteed by an eligible guarantor institution.

STATEMENT OF INSURANCE

Assured Guaranty Corp. ("Assured Guaranty"), a Maryland-domiciled insurance company, has delivered its financial guaranty insurance policy (the "Policy") with respect to the scheduled payments of principal of and interest on this Certificate to The Bank of New York Trust Company, N.A., as paying agent on behalf of the holders of the Certificates (the "Paying Agent"). Such Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Assured Guaranty or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Certificate acknowledges and consents to the subrogation rights of Assured Guaranty as more fully set forth in the Policy.

EXECUTION COPY

MASTER INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF MODESTO

and the

MODESTO PUBLIC FINANCING AUTHORITY

Executed and Entered Into as of November 1, 1997

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MASTER INSTALLMENT PURCHASE CONTRACT

This Master Installment Purchase Contract (the "Master Contract"), executed and entered into as of November 1, 1997, by and between the City of Modesto, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Modesto Public Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

W I T N E S S E T H:

WHEREAS, the City has determined that the financing and refinancing of the costs of acquisition and construction from time to time of various additions, betterments, extensions and improvements to its municipal water system is necessary and proper for City purposes under the terms of applicable law and is for the common benefit of the City as a whole; and

WHEREAS, the City has determined to enter into installment purchase contracts with the Authority for the financing and refinancing of the costs of acquisition and construction of such additions, betterments, extensions and improvements; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the Master Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the Master Contract;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report 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.

Adjusted Annual Debt Service

"Adjusted Annual Debt Service" means, for any Fiscal Year or any designated twelve (12) month period in question, the Annual Debt Service for such Fiscal Year or twelve (12) month period minus the sum of (i) for the purposes of Section 4.12 only, the earnings from the investments in the Parity Reserve Fund deposited in the Revenue Fund in such Fiscal Year or twelve (12) month period, and (ii) the amount of the Annual Debt Service paid from the proceeds of Parity Obligations or interest earned thereon (other than from Parity Reserve Fund), all as set forth in a Certificate of the City.

Adjusted Annual Gross Revenues

"Adjusted Annual Gross Revenues" means, for any Fiscal Year or any designated twelve (12) month period in question, the Gross Revenues during such Fiscal Year or twelve (12) month period, plus deposits to the Revenue Fund from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in Section 2.03; minus, (y) amounts transferred from the Revenue Fund to the Rate Stabilization Fund in accordance with Section 2.03 and, (z) for the purposes of determining compliance with Section 4.12 only, earnings from the investments in the Parity Reserve Fund that are deposited in the Revenue Fund in such Fiscal Year or twelve (12) month period.

Adjusted Annual Net Revenues

"Adjusted Annual Net Revenues" means, for any Fiscal Year or any designated twelve (12) month period in question, the Adjusted Annual Gross Revenues during such Fiscal Year or twelve (12) month period less the Maintenance and Operation Costs during such Fiscal Year or twelve (12) month period.

Annual Debt Service

"Annual Debt Service" means, for any Fiscal Year or any designated twelve (12) month period in question, the required payments to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or twelve (12) month period; provided, that for purposes of determining compliance with Section 4.12, the Reserve Fund Requirement and conditions for the execution of Parity Obligations:

(A) Generally. Except as otherwise provided by subparagraph (B) with respect to Variable Interest Rate Parity Obligations and by subparagraph (C) with respect to Parity Obligations with respect to which a Payment Agreement is in force, interest on any Parity Obligation shall be calculated based on the actual amount of interest that is payable under that Parity Obligation;

(B) Interest on Variable Interest Rate Parity Obligations. The amount of interest deemed to be payable on any Variable Interest Rate Parity Obligation shall be calculated on the assumption that the interest rate on that Parity Obligation would be equal to the rate (the "assumed RBI-based rate") that is ninety percent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which the calculation is made;

(C) Interest on Parity Obligations with respect to which a Payment Agreement is in force. The amount of interest deemed to be payable on any Parity Obligations with respect to which a Payment Agreement is in force shall, so long as the Qualified Counterparty thereto is not in default thereunder, be based on the net economic effect on the City expected to be produced by the terms of such Parity Obligation and such Payment Agreement, including but not limited to the effects that (i) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead shall be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead shall be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Parity Obligation with respect to which a Payment Agreement is in force shall, so long as the Qualified Counterparty thereto is not in default thereunder, be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Parity Obligation plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating Payment Agreement Receipts and Payment Agreement Payments under such Payment Agreement, the following assumptions shall be made:

(1) Counterparty Obligated to Pay Actual Variable Interest Rate on Variable Interest Rate Parity Obligations. If the Payment Agreement obligates a Qualified Counterparty to make payments to the City based on the actual Variable Interest Rate on a Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation and obligates the City to make payments to the Qualified Counterparty based on a fixed rate, payments by the City to the Qualified Counterparty shall be assumed to be made at the fixed rate specified by the Payment Agreement and payments by the Qualified Counterparty to the City shall be assumed to be made at the actual Variable Interest Rate on such Parity Obligation, without regard to the occurrence of any event that, under the provisions of the Payment Agreement, would permit the Qualified Counterparty to make payments on any basis other than the actual Variable Interest Rate on such Parity Obligation, and such Parity Obligation shall set forth a debt service schedule based on that assumption;

(2) Variable Interest Rate Parity Obligations and Payment Agreements Having the Same Variable Interest Rate Component. If both a Payment Agreement and the related Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation, include a variable interest rate payment component that is required to be calculated on the same basis (including, without limitation, on the basis of the same variable interest rate index), it shall be assumed that the variable interest rate payment component payable pursuant to the Payment Agreement

is equal in amount to the variable interest rate component payable on such Parity Obligation;

(3) Variable Interest Rate Parity Obligations and Payment Agreements Having Different Variable Interest Rate Components. If a Payment Agreement obligates either the City or the Qualified Counterparty to make payments of a variable interest rate component on a basis that is different (including, without limitation, on a different variable interest rate index) from the basis that is required to be used to calculate interest on the Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation it shall be assumed:

(a) City Obligated to Make Payments Based on Variable Interest Rate Index. If payments by the City under the Payment Agreement are based on a variable interest rate index and payments by the Qualified Counterparty are based on a fixed interest rate, payments by the City to the Qualified Counterparty will be based upon an interest rate equal to the assumed RBI-based rate, and payments by the Qualified Counterparty to the City will be based on the fixed rate specified by the Payment Agreement; and

(b) City Obligated to Make Payments Based on Fixed Interest Rate. If payments by the City under the Payment Agreement are based on a fixed interest rate and payments by the Qualified Counterparty are based on a variable interest rate index, payments by the City to the Qualified Counterparty will be based on an interest rate equal to the rate (the "assumed fixed payor rate") that is one hundred and five percent (105%) of the fixed interest rate specified by the Payment Agreement to be paid by the City, and payments by the Qualified Counterparty to the City will be based on a rate equal to the actual variable interest rate on the Variable Interest Rate Parity Obligation.

(4) Certain Payment Agreements May be Disregarded. Notwithstanding the provisions of subparagraphs (C)(1), (2) and (3) of this definition, the City shall not be required to (but may at its option) take into account as set forth in subparagraph (C) of this definition (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

(D) Debt Service on Parity Payment Agreements. No interest shall be taken into account with respect to a Parity Payment Agreement for any period during which Payment Agreement Payments on that Parity Payment Agreement are taken into account in determining Annual Debt Service on a related Parity Obligation under subparagraph (C) of this definition; provided, that for any period during which Payment Agreement Payments are not taken into account in calculating Annual Debt Service on any Parity Obligation because the Parity Payment Agreement is not then related to any Parity Obligation, interest on that Parity Payment Agreement shall be taken into account by assuming:

(1) City Obligated to Make Payments Based on Fixed Interest Rate. If the City is obligated to make Payment Agreement Payments based on a fixed interest rate and the

Qualified Counterparty is obligated to make payments based on a variable interest rate index, payments by the City will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made; and

(2) City Obligated to Make Payments Based on Variable Interest Rate Index. If the City is obligated to make Payment Agreement Payments based on a variable interest rate index and the Qualified Counterparty is obligated to make payments based on a fixed interest rate, payments by the City will be based on an interest rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement; and

(3) Certain Payment Agreements May be Disregarded. Notwithstanding the provisions of subparagraphs (D)(1) and (2) of this definition, the City shall not be required to (but may at its option) take into account (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

(E) Balloon Parity Obligations. For purposes of calculating Annual Debt Service on any Balloon Parity Obligations, it shall be assumed that the principal of those Balloon Parity Obligations, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments over a term of thirty (30) years from the date of issuance. For purposes of this subsection (E), the term Balloon Parity Obligations shall include the City's payments under the Treatment and Delivery Agreement with respect to the Series 1992B Water Bonds maturing in 2002, which obligations are assumed to be amortized in equal annual installments over a term of ten (10) years.

Authority

"Authority", means the Modesto Public Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California.

Average Annual Debt Service

"Average Annual Debt Service" means the sum of the Annual Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of Parity Obligations) and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations, divided by the number of such Fiscal Years.

Balloon Parity Obligation

"Balloon Parity Obligation" means any Parity Obligation described as such in such Parity Obligation.

Business Day

"Business Day" means any day (other than a Saturday or a Sunday) on which banks in New York, New York, are open for business and on which the Trustee is open for business at its corporate trust office in San Francisco, California.

Certificate of the City

"Certificate of the City" means an instrument in writing signed by the City Manager, the Interim Director of Finance/Treasurer, or any other officer of the City duly authorized by the City Council for that purpose.

CDWR Loan

"CDWR Loan" means the loan to the City from the State of California Department of Water Resources in the principal amount of $3,895,000, which obligation is payable from Gross Revenues on a parity with the Payments hereunder.

City

"City" means the City of Modesto, a charter city and municipal corporation, duly organized and existing under and by virtue of the Constitution and laws of the State of California.

Code

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

Connection Fees

"Connection Fees" means all fees and charges payable to the City for the privilege of connecting to the Water Utility System.

Consultant's Report

"Consultant's Report" means a report signed by an Independent Consultant.

Contracts

"Contracts" means the Master Contract and all Supplemental Contracts.

Event of Default

"Event of Default" means an event described in Section 5.01.

Federal Securities

"Federal Securities" means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

Interim Director of Finance/Treasurer

"Interim Director of Finance/Treasurer" means the Interim Director of Finance/Treasurer of the City.

Fiscal Year

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the City Council of the City as the Fiscal Year of the City.

Generally Accepted Accounting Principles

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures selected by the City, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

Gross Revenues

"Gross Revenues" means all gross income and revenue received or receivable by the City from the ownership or operation of the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including all Connection Fees, contributions in aid of construction, and charges and standby water availability charges legally available for debt service) received by the City for the Water Service and the other services and facilities of the Water Utility System and all net proceeds of insurance covering business interruption loss relating to the Water Utility System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water Utility

System or arising from the Water Utility System, and including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Revenue Fund or, to the extent deposited in the Revenue Fund, in the Parity Reserve Fund, but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and advances.

Improvement Fund

"Improvement Fund" means the City of Modesto Water Utility System Improvement Fund established pursuant to Section 2.02.

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 of California, appointed and paid by the City, and who, or each of whom --

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as a director, officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

Independent Consultant

"Independent Consultant" means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water systems, or any other financial consultant or firm of financial consultants generally recognized to be well qualified in matters relating to water systems, appointed and paid by the City, and who or each of whom --

(1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to make reports to the City.

Maintenance and Operation Costs

"Maintenance and Operation Costs" means the costs paid or incurred by the City for maintaining and operating the Water Utility System, determined in accordance with Generally

Accepted Accounting Principles, including, but not limited to, (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water Utility System in good repair and working order, (b) all costs of water purchased by the City, including all costs under the Treatment and Delivery Agreement which do not constitute debt service thereunder, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Water Utility System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, payments into pension funds, and (d) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution of any Parity Obligation or of such Parity Obligation, such as compensation, reimbursement and indemnification of the trustee or remarketing agent for any such Parity Obligation, letter of credit fees for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and Independent Consultants; but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense, (3) amounts paid from funds of the City other than Gross Revenues, and (4) in-lieu transfers or recoupment of contributed capital to the City's general fund.

Master Contract

"Master Contract" means this Master Installment Purchase Contract executed and entered into as of November 1, 1997, by and between the City and the Authority, as the same may be amended or supplemented from time to time.

Maximum Annual Debt Service

"Maximum Annual Debt Service" means the greatest Annual Debt Service payable on Parity Obligations in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations.

Maximum Annual Payments

"Maximum Annual Payments" means the greatest total Payments payable in any Fiscal Year during the period commencing with the then current Fiscal Year and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations.

Moody's

"Moody's" means Moody's Investors Service, 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 rating Parity Obligations at the Request of the City.

Net Proceeds

"Net Proceeds" means, when used with respect to any condemnation award or with respect to any insurance proceeds, the amount of such condemnation award or such insurance proceeds remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such award or such proceeds.

1997 Trust Agreement

"1997 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 1997, between the Authority and the Trustee.

Opinion of Counsel

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, retained by the City.

Outstanding

"Outstanding," when used as of any particular time with reference to Parity Obligations, means all Parity Obligations which have not been paid or otherwise satisfied as provided in Article VI.

Parity Bank Agreements

"Parity Bank Agreements" means an agreement with a bank or other financial institution relating to an irrevocable letter of credit, guarantee or other credit enhancement device providing liquidity or irrevocable credit or security for the payment of Parity Obligations.

Parity Obligation Payment Fund

"Parity Obligation Payment Fund" means the City of Modesto Water Utility System Parity Obligation Payment Fund established pursuant to Section 2.04.

Parity Obligations

"Parity Obligations" means the payment obligations under the Treatment and Delivery Agreement which constitute debt service, the payment obligations under the CDWR Loan Agreement, and all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Gross Revenues equal to and on a parity with the charge and lien upon the Gross Revenues for the payment of the Payments, other than (i) Parity Payment Agreements and (ii) Parity Bank Agreements; provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City.

Parity Payment Agreement

"Parity Payment Agreement" means a Payment Agreement which is a Parity Obligation.

Parity Reserve Fund

"Parity Reserve Fund" means the City of Modesto Water Utility System Parity Reserve Fund established pursuant to Section 3.04 of the 1997 Trust Agreement.

Payment Agreement

"Payment Agreement" means a written agreement for the purpose of managing or reducing the City's exposure to fluctuations in interest rates or for any other interest rate, investment, cash flow, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty in connection with, or incidental to, the entering into of any Parity Obligation, that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, cash flows, options on such payments, or any combination thereof or any similar device.

Payment Agreement Payments

"Payment Agreement Payments" means the amounts required to be paid periodically by the City to the Qualified Counterparty pursuant to a Payment Agreement.

Payment Agreement Receipts

"Payment Agreement Receipts" means the amounts required to be paid periodically by the Qualified Counterparty to the City pursuant to a Payment Agreement.

Payment Date

"Payment Date" means any date on which Payments are scheduled to be paid by the City under and pursuant to any Supplemental Contract.

Payments

"Payments" means the installment payments scheduled to be paid by the City under and pursuant to the Contracts.

Permitted Investments

"Permitted Investments" means any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy (copies of which the City shall provide on a current basis to the Trustee) and to the extent then permitted by law:

(1) Federal Securities;

(2) Obligations issued by the Resolution Funding Corporation and the Student Loan Marketing Association, or obligations, participations, or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);

(3) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee or any of its affiliates), otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System and which are drawn on any bank the short-term obligations of which are rated in the highest letter and numerical rating category as provided by Moody's and by S&P; provided, that purchases of eligible bankers acceptances may not exceed two hundred seventy (270) days' maturity;

(4) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating category as provided by Moody's and by S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars ($500,000,000) and that have an "A" or higher rating for the issuer's unsecured debentures, other than commercial paper, as provided by Moody's and by S&P; provided, that purchases of eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten percent (10%) of the outstanding commercial paper of an issuing corporation;

(5) Non-negotiable certificates of deposit issued by a state or national bank (including the Trustee or any of its affiliates) that have maturities of not more than three hundred sixty-five (365) days and that are fully insured by the Federal Deposit Insurance Corporation or the short-term obligations of which state or national bank are rated no lower that "A1" by Moody's and "A+" by S&P;

(6) Any repurchase agreement of any securities enumerated in subdivisions (1) and (2) with any state or national bank (including the Trustee or any of its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is either (A) with any institution which has debt rated no lower than "Al" by Moody's and "A+" by S&P or whose commercial paper is rated no lower than "P-1" by Moody's and no lower than "A-1" by S&P; (B) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (a) the term of such repurchase agreement is less than one (1) year or due on demand; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the market value of the collateral (as determined at least once in every fourteen (14) days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately; and (e) the repurchase agreement securities are free and clear of any third-party lien or claim; or (C) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with retail customers which falls under the jurisdiction of the Securities Investors Protection

Corporation; provided, that: (a) the market value of the collateral (as determined at least once in every fourteen (14) days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the Trustee has a perfected first priority security interest in the collateral; (d) the collateral is free and clear of third-party liens and in the case of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (e) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral immediately;

(7) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State of California or any local agencies therein which are rated in the highest short-term rating category or within one of the three highest long-term rating categories by Moody's and by S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(8) For amounts less than one hundred thousand dollars ($100,000), interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof, and of which an aggregate total of one hundred thousand dollars ($100,000) is not exceeded in any one financial institution;

(9) Investments in units of a money-market fund portfolio that is rated in the highest letter and numerical rating category by Moody's and by S&P (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) and that is composed of direct obligations of, or on obligations guaranteed by, the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations;

(10) a guaranteed investment contract with a financial institution or insurance company (or guaranteed by a financial institution or insurance company) which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated within the two highest rating categories of any Rating Agency;

(11) Obligations approved in writing by Moody's and by S&P;

(12) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments by or on behalf of the City of the moneys held by the Trustee in any of the accounts or funds established pursuant hereto; and

(13) The California Asset Management Program (CAMP).

Project

"Project" means any additions, betterments, extensions or improvements to the Water Utility System designated by the City Council of the City as a Project, the acquisition and construction of which (together with the incidental costs and expenses related thereto) is to be financed or refinanced by the proceeds of any Parity Obligation as provided therein.

Qualified Counterparty

"Qualified Counterparty" means a party (other than the City) who is the other party to a Payment Agreement and (1) (a) whose senior debt obligations are rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating any Parity Obligations (without regard to any gradations within a rating category), or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been, or whose debt service obligations have been, assigned a credit rating in one of the three highest rating categories of each of the Rating Agencies then rating any Parity Obligations, and (2) who is otherwise qualified to act as the other party to a Payment Agreement with the City under any applicable laws.

Rate Stabilization Fund

"Rate Stabilization Fund" means the fund by that name established pursuant to Section 2.03.

Rating Agencies

"Rating Agencies" means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating any Parity Obligations at the Request of the City.

RBI

"RBI" means the Bond Buyer Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

Request of the City

"Request of the City" means an instrument in writing signed by the City Manger of the City, the Interim Director of Finance/Treasurer, or any other officer of the City duly authorized by the City Council for that purpose.

Reserve Fund Requirement

"Reserve Fund Requirement" means, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) ten percent (10%) of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time, obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition shall no longer maintain such ratings as required in accordance with the immediately preceding sentence, the City shall provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

Revenue Fund

"Revenue Fund" means the City of Modesto Water Utility System Revenue Fund established pursuant to Section 2.04.

S&P

"S&P" 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 services of a municipal securities rating agency, then "S&P" shall be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

State

"State" means the State of California.

Subordinate Obligations

"Subordinate Obligations" means obligations of the City authorized and executed by the City under applicable law, the payments under and pursuant to which are payable from Gross

Revenues, subject and subordinate to payments under and pursuant to Parity Obligations and are payable from any fund established for the purpose of paying debt service on such Subordinate Obligations.

Supplemental Contracts

"Supplemental Contracts" means all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and pursuant to the Master Contract and applicable law, the installment payments under and pursuant to which are payable from Gross Revenues.

Treatment and Delivery Agreement

The term "Treatment and Delivery Agreement means the Treatment and Delivery Agreement, by and among the City of Modesto, the Del Este Water Company, and the Modesto Irrigation District, which obligation is payable from the Gross Revenues on a parity with the Payments hereunder.

Trust Agreements

"Trust Agreements" means all trust agreements or indentures which are executed and delivered in connection with Parity Obligations, including the 1997 Trust Agreement.

Trustee

"Trustee" means State Street Bank and Trust Company of California, N.A., a national banking association duly organized and existing under the laws of the United States of America, or any association or corporation which may at any time be substituted in its place, as provided in the Trust Agreements.

Variable Interest Rate

"Variable Interest Rate" means any variable interest rate or rates to be paid under any Parity Obligations, the method of computing which variable interest rate shall be as specified in the applicable Parity Obligation, which Parity Obligation shall also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate shall remain in effect, and (ii) the time or times based upon which any change in such variable interest rate shall become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

Variable Interest Rate Parity Obligations

"Variable Interest Rate Parity Obligations" means, for any period of time, any Parity Obligations that bear a Variable Interest Rate during such period, except that Parity Obligations shall not be treated as Variable Interest Rate Parity Obligations if the net economic effect of

interest rates on particular Payments or Parity Obligations and interest rates on other Payments of the same Supplemental Contract or Parity Obligations, as set forth in such Supplemental Contract or Parity Obligations, or the net economic effect of a Payment Agreement with respect to particular Parity Obligations, in either case is to produce obligations that bear interest at a fixed interest rate, and Supplemental Contracts with respect to which a Payment Agreement is in force shall be treated as Variable Interest Rate Parity Obligations if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate, all in accordance with the definition of "Annual Debt Service" set forth in this Section 1.01.

Water Service

"Water Service" means the service furnished, made available or provided by the Water Utility System.

Water Utility System

"Water Utility System" means (i) all property rights, contractual rights and facilities of the City relating to water, including all facilities, properties, structures or works for the treatment, conservation, storage, transmission or distribution of water now owned by the City; and (ii) all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

ARTICLE II

ACQUISITION, CONSTRUCTION AND SALE OF PROJECTS; FUNDS

SECTION 2.01. Acquisition, Construction and Sale of Projects. The Authority hereby agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City, and in order to implement this provision, the Authority hereby appoints the City as its agent for the purpose of such acquisition and construction, and the City hereby agrees to enter into such construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the Projects.

The City hereby agrees that as such agent it will cause the acquisition and construction of the Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose pursuant to Section 2.02, and that it will use its best efforts to cause the acquisition and construction of the Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and the Authority hereby agrees to and hereby sells the Projects to the City. Notwithstanding the foregoing, it is hereby expressly understood and agreed that the Authority shall be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Projects and that all such costs and expenses shall be paid by the City, regardless of whether the funds deposited in the Improvement Fund are sufficient to cover all such costs.

SECTION 2.02. Improvement Fund. There is hereby established the City of Modesto Water Utility System Improvement Fund, which fund the City hereby agrees to maintain until the completion of the acquisition and construction of the Projects to be funded from the separate accounts to be established in such fund as provided in the Supplemental Contracts. All money in the Improvement Fund shall be used and withdrawn by the City to pay the costs of the acquisition and construction of the Projects (or to reimburse the City for such costs) upon receipt of a Request of the City. The City shall maintain on file a record of all expenditures from the Improvement Fund, including appropriate Requests of the City evidencing the person to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment was a proper charge against the Improvement Fund and has not been the subject of a previous Request of the City. After the completion of the acquisition and construction of each Project to be funded from the Improvement Fund, any remaining balance in the Improvement Fund allocable to such Project shall be transferred by the City to the Revenue Fund.

SECTION 2.03. Rate Stabilization Fund. There is hereby established a City of Modesto Water Utility System Rate Stabilization Fund, which fund the City hereby agrees to maintain so long as any Parity Obligations remain unpaid. The City shall deposit in the Rate Stabilization Fund on the date of delivery of the Certificates of Participation authorized to be delivered under the 1997 Trust Agreement, the sum of $3,000,000. The City may deposit in the Rate Stabilization Fund any Gross Revenues, after providing for the payment of Parity Obligations and Maintenance and Operation Costs, and any other money received and available to be used therefor, provided that deposits from such Gross Revenues for each Fiscal Year may be made until (but not after) 180 days after the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund only for inclusion in Adjusted Annual Net Revenues, such withdrawal to be made until (but not after) 180 days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be accounted for as Gross Revenues. Notwithstanding the foregoing, no Gross Revenues shall be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with Section 3.01 or Section 4.12 and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such section.

SECTION 2.04. Pledge of Gross Revenues; Revenue Fund. (a) All Gross Revenues of the Water Utility System are hereby irrevocably pledged to the payment of the Payments, all payments required to be made by the City under all other Parity Obligations and the Maintenance and Operation Costs as provided herein, and the Gross Revenues of the Water Utility System shall not be used for any other purpose while any of the Payments remain unpaid; provided, however, that out of Gross Revenues there may be apportioned such sums for such purposes as are expressly permitted hereby. This pledge shall constitute a first pledge of and charge and lien upon the Gross Revenues of the Water Utility System for the payment of amounts due with respect to the Contracts, all other Parity Obligations and Maintenance and Operation Costs in accordance with the terms hereof.

(b) In order to carry out and effectuate the obligation of the City contained herein and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Gross

Revenues received by it shall be deposited when and as received in the City of Modesto Water Utility System Revenue Fund, which fund is hereby established and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to Section 2.05 hereof) so long as any Parity Obligations remain unpaid, and all money on deposit in the Revenue Fund shall be applied and used as follows. The City shall pay at the following times in the following order of priority:

(1) Maintenance and Operation Costs and Parity Obligation Payment Fund Payments. The City shall, from the money in the Revenue Fund, without preference or priority, and the event of any insufficiency of such moneys, ratably, without preference or priority, (i) pay charges for Maintenance and Operation Costs of the Water Utility System (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not immediately required) as such charges are due and payable, and (ii) deposit in the City of Modesto Water Utility System Parity Obligation Payment Fund, which fund is hereby established and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to Section 2.05 hereof) so long as any Parity Obligations remain unpaid, on the last Business Day of each month (1) an amount equal to the interest which has accrued or will accrue under all Parity Obligations during the next succeeding month calculated as if such interest has accrued or will accrue on a daily basis during such period, and (2) an amount equal to the principal which has accrued or will accrue (as a result of maturity, mandatory sinking fund payments or mandatory prepayment or otherwise) under all Parity Obligations during the next succeeding month calculated as if such principal has accrued or will accrue on a daily basis during such period, plus (3) the net payments due or which will be due on all Parity Payment Agreements calculated as if such net payments accrued or will accrue on a daily basis during such period, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal due or becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity Payment Agreements on such next succeeding due date therefor. Moneys on deposit in the Parity Obligation Payment Fund shall be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable by the City under any Parity Payment Agreement at least one Business Day prior to such next applicable due date.

(2) Parity Reserve Fund Deposits. On or before the last Business Day of each month, the City shall, from the remaining money on deposit in the Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City shall also, from such remaining moneys in the Revenue Fund, transfer or cause to be transferred to the applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded pursuant to Section 3.02(5)(b), without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of

any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

After making the foregoing deposits and transfers hereinabove required to be made, the City may apply any remaining money in the Revenue Fund for any lawful purpose of the City, including for the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations.

SECTION 2.05. Investments. Any moneys held in the Revenue Fund or the Parity Obligation Payment Fund shall be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement hereunder. Any moneys held in the Rate Stabilization Fund shall be invested in Permitted Investments which shall mature at such dates as the City shall determine but prior to the final date on which payments are due under any Outstanding Parity Obligation. All investment earnings from moneys or deposits in the Revenue Fund, the Parity Obligation Payment Fund and the Rate Stabilization Fund shall be retained in such fund.

The City may commingle any of the funds or accounts (except for funds held in any rebate fund, which shall be held separately) established pursuant hereto into a separate fund or funds for investment purposes only; provided however, that all funds or accounts held by the City hereunder shall be accounted for separately notwithstanding such commingling. For the purpose of determining the amount in any such fund or account, all Permitted Investments credited to such fund or account shall, except as otherwise provided herein, be valued at the lower of cost or market value (inclusive of all interest accrued but not paid).

ARTICLE III

EXECUTION OF PARITY OBLIGATIONS AND OTHER OBLIGATIONS

SECTION 3.01. Conditions for the Execution of Parity Obligations. The City may at any time execute any Parity Obligations the payments under and pursuant to which are payable from the Gross Revenues on a parity with the Payments due under all Supplemental Contracts; provided there shall be on file with the Trustee either:

(1) A Certificate of the City demonstrating that during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to one hundred twenty-five percent (125%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed; provided, that for the purpose of providing this Certificate, the City may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(i) An allowance for Gross Revenues that would have been derived from each new connection to the Water Utility System that was

made prior to the execution of such Parity Obligations but which, during all or any part of said twelve (12) month period, was not in existence, in an amount equal to the estimated additional Gross Revenues that would have been derived from each such connection if it had been made prior to the beginning of said twelve (12) month period, and

(ii) An allowance for Gross Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the execution of such Parity Obligations but which, during all or any part of said twelve (12) month period, was not in effect, in an amount equal to the estimated additional Gross Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of said twelve (12) month period; or

(2) A Consultant's Report showing that the Adjusted Annual Net Revenues for the Fiscal Year next following the end of the period during which interest on the Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligations proposed to be executed are executed, will be at least equal one hundred twenty-five percent (125%) of the Maximum Annual Debt Service; provided, that for the purpose of providing such Consultant's Report, the Independent Consultant may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(i) An allowance for Gross Revenues that would have been derived from any increase in the rates, fees and charges prescribed for Water Service in effect and being charged, or rates, fees and charges for Water Service that are expected to be charged in accordance with a program of specific rates, fees, charges, rate levels or increases in overall Gross Revenues approved by a resolution of the City Council; and

(ii) An allowance for Gross Revenues from customers of the Water Utility System anticipated to be served by the facilities or improvements financed in substantial part by the Parity Obligations proposed to be executed together with any additional Parity Obligations expected to be executed prior to the Fiscal Year of determination.

Notwithstanding the foregoing provisions, there shall be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any Outstanding Parity Obligation.

SECTION 3.02. Procedure for the Execution of Parity Obligations. Before the execution of any Parity Obligation, there shall first be delivered to the City and the Trustee, which shall serve as trustee in respect to each and every Parity Obligation, the following documents or money or securities:

(1) An executed counterpart of the Supplemental Contract or other Parity Obligation;

(2) A Request of the City as to the delivery of such Parity Obligation;

(3) An Opinion of Counsel substantially to the effect that (a) the City has the right and power under applicable law to execute and deliver the Parity Obligation, and the Parity Obligation has been duly and lawfully executed and delivered by the City, is in full force and effect and is a valid and binding special obligation of the City and enforceable in accordance with its terms (except as enforcement may be limited by bankruptcy, moratorium, insolvency, reorganization, fraudulent conveyance and other similar laws relating to the enforcement of creditors' rights), and (b) such Parity Obligation has been duly and validly authorized and issued in accordance herewith;

(4) A Certificate of the City or an Engineer's Report as required by Section 3.01;

(5) Either(a) if such Parity Obligation is a Supplemental Contract, an amount of money to be deposited in the Parity Reserve Fund so as to increase the amount on deposit therein to the Reserve Fund Requirement, or (b) if such Parity Obligation is other than a Supplemental Contract, a certificate of the City certifying that a separate reserve has been established for such Parity Obligation and that provision has been made to fund such reserve or that no reserve is required by the terms of such Parity Obligation;

(6) Such further documents, money and securities as are required by the provisions hereof and the resolution, indenture, contract or other obligation providing for the issuance of such Parity Obligation; and

(7) With respect to any Parity Obligation issued in connection with a Payment Agreement, evidence that the incurrence of such Parity Obligation and Payment Agreement will not in and of itself cause a downgrade of the ratings issued by the Rating Agencies then rating Parity Obligations.

SECTION 3.03. Other Obligations. The City may incur Subordinate Obligations without meeting any of the tests set forth in Section 3.01.

ARTICLE IV

COVENANTS OF THE CITY

SECTION 4.01. Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate the Contracts or fail to make any Payment required by a Contract for any cause including, without limiting the generality of the foregoing, any acts or

circumstances that may constitute failure of consideration, destruction of or damage to the Projects or the Water Utility System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Contracts required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any Contract or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

SECTION 4.02. Use of Proceeds. The Authority and the City agree that the proceeds of the Contracts will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition and construction of the Projects and to pay the incidental costs and expenses related thereto as provided herein and therein.

SECTION 4.03. Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Water Utility System and will keep the Water Utility System free of any and all liens against any portion of the Water Utility System. In the event any such lien attaches to or is filed against any portion of the Water Utility System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Water Utility System. If any such lien shall be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend it against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Water Utility System.

SECTION 4.04. Sale or Other Disposition of Property. The City will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the Water Utility System or any real or personal property comprising a part of the Water Utility System if such sale, transfer or disposition would cause the City to be unable to meet the requirements of Section 4.12.

SECTION 4.05. Prompt Acquisition and Construction of the Projects. The City will take all necessary and appropriate steps to acquire and construct the Projects, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same in a timely fashion.

SECTION 4.06. Maintenance and Operation of the Water Utility System; Budgets. The City will maintain and preserve the Water Utility System in good repair and working order at all

times and will operate the Water Utility System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. The City will adopt and file with the Authority, not later than October 1 of each year, a budget approved by the City Council setting forth the estimated Maintenance and Operation Costs for the then current Fiscal Year and will take such action as may be necessary to include all Payments required to be made hereunder in its annual budget; provided, that any such budget may be amended at any time during any Fiscal Year and such amended budget shall be filed by the City with the Authority.

SECTION 4.07. Compliance with Contracts for Use of the Water Utility System. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water Utility System and all other contracts affecting or involving the Water Utility System to the extent that the City is a party thereto.

SECTION 4.08. Insurance. The City will procure and maintain such insurance relating to the Water Utility System which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water Utility System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained herein shall provide that the Authority shall be given thirty (30) days, written notice of any intended cancellation thereof or reduction of coverage provided thereby.

SECTION 4.09. Accounting Records; Financial Statements and Other Reports.

(a) The City will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to the Water Utility System, which records shall be available for inspection by the Authority at reasonable hours and under reasonable conditions.

(b) The City will prepare and file with the Authority annually within one hundred eighty (180) days after the close of each Fiscal Year (commencing with the Fiscal Year ending June 30, 1997) --

(1) financial statements of the City for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to its attention in connection with such examination that caused it to believe that the City was not in compliance with any of the agreements or covenants contained herein; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Water Utility System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

SECTION 4.10. Protection of Security and Rights of the Authority. The City will preserve and protect the security of the Payments under the Contracts and the rights of the Authority to the Payments under the Contracts and will warrant and defend such rights against all claims and demands of all persons.

SECTION 4.11. Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water Utility System or any part thereof when the same shall become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water Utility System or any part thereof, but the City shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith and contesting such validity or application will not materially impair operation of the Water Utility System.

SECTION 4.12. Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least 125% of Annual Debt Service to be paid during the Fiscal Year.

SECTION 4.13. Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water Utility System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Water Utility System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water Service.

SECTION 4.14. Eminent Domain and Insurance Proceeds. If all or any part of the Water Utility System shall be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Water Utility System, the Net Proceeds thereof, at the option of the City, shall be applied either to the proportional prepayment of Outstanding Parity Obligations or shall be used to substitute other components for the condemned or destroyed components of the Water Utility System.

SECTION 4.15. Further Assurances. The City will adopt, deliver, execute and make 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 of the Contracts and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the Contracts.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

SECTION 5.01. Events of Default and Acceleration of Principal. If one or more of the following Events of Default shall happen, that is to say --

(1) if default shall be made in the due and punctual payment of any payment on any Parity Obligation when and as the same shall become due and payable;

(2) if default shall be made by the City in the performance of any of the agreements or covenants contained herein or in any Parity Obligation required to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority; or

(3) if the City 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 City 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 City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection is subject to the condition, however, that if at any time after the entire principal amount of the unpaid Payments and the accrued interest thereon 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 City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments or the unpaid principal amount of any payments under any Parity Obligation referred to in clause (i) above due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but 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 5.02. Application of Gross Revenues upon Acceleration. All Gross Revenues upon the date of the declaration of acceleration by the Authority as provided in Section 5.01 and all Gross Revenues thereafter received shall be applied in the following order --

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of this article, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses; and

Second, to the payment of the Maintenance and Operation Costs of the Water Utility System and the payment of the entire principal amount of the unpaid Parity Obligations, and the accrued interest thereon, with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations if paid in accordance with their terms, provided that if the amount available shall not be sufficient to pay in full all such amounts then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference.

Gross Revenues may also be applied to make payments required under any Parity Payment Agreement on a parity with the payments under paragraph Second above, to the extent and in the manner provided by the terms of such Parity Obligation relating to such Parity Payment Agreement.

SECTION 5.03. Other Remedies. The Authority shall have the right --

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the law and the agreements and covenants required to be performed by it or him contained in the Contracts;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

SECTION 5.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Payments from the Gross Revenues to the Authority at the respective due dates or upon acceleration or prepayment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Contracts.

A waiver of any default or breach of duty or contract by the Authority 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 Authority 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 Authority by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

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

SECTION 5.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VI

DISCHARGE OF OBLIGATIONS

SECTION 6.01. Discharge of Obligations.

(a) If the City shall pay or cause to be paid all the Payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the obligations of the City hereunder and under all Supplemental Contracts shall cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of any of the Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided herein.

(c) All or any portion of unpaid principal installments of the Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (i) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on their payment dates or their dates of prepayment, as the case may be, the interest installments of such Payments due on and prior to such payment dates or dates of

prepayment, and the prepayment premiums, if any, applicable thereto, and (ii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest installments of such Payments so paid to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and payment in full of all fees and expenses of the Authority, the Authority, upon request of the City, shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority, and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Contracts, and the Authority shall pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant hereto other than such money and such investments as are required for the payment or prepayment of the Payments and interest installments of such Payments and the prepayment premiums, if any, applicable thereto, which money and investments shall continue to be held in trust for the payment of the Payments.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. Liability of City Limited to Gross Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Gross Revenues for the payment of the Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Payments is a special obligation of the City payable solely from the Gross Revenues as provided herein. The general fund of the City is not liable, and neither the credit nor taxing power of the City is pledged, for the payment of the Payments under the Contracts or any other payments required to be made by the City under other Parity Obligations.

SECTION 7.02. Benefits of Contracts Limited to Parties. Nothing contained in any Contract, expressed or implied, is intended to give to any person other than the Authority (and the Trustee, as the assignee of the Authority's rights hereunder) or the City any right, remedy or claim under or pursuant thereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority (and the Trustee, as the assignee of the Authority's rights hereunder) or the City shall be for the sole and exclusive benefit of the other party; provided, that with respect to enforcing the Trustee's rights hereunder, the Trustee shall be a third party beneficiary hereof and shall have the right to enforce the obligations of the City hereunder.

SECTION 7.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the Authority or the City is named or referred to herein, such reference shall be

deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the City, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the City shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 7.04. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Payments, but nothing contained herein shall relieve any director, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or by the terms of the Contracts.

SECTION 7.05. 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 meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections," "Exhibits" and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to the Master Contract as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.

SECTION 7.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof. The Authority and the City hereby declare that they would have executed the Master Contract, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more 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 7.07. Net Contract. The Contracts shall be deemed and construed to be net contracts, and the City shall pay absolutely net during the term hereof the Payments and all other payments required under the Contracts, free of any deductions and without abatement, diminution or set-off whatsoever.

SECTION 7.08. California Law. The Contracts shall be construed and governed in accordance with the laws of the State of California.

SECTION 7.09. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of (i) the entering into of the Contracts, the acquisition, construction, installation and

use of any of the Projects and each portion thereof or any accident in connection with the operation, use, condition or possession of any of the Projects or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the City or the Authority, (ii) any claim for patent, trademark or copyright infringement, (iii) any claim arising out of strict liability in tort, (iv) without negligence or wilful misconduct, the Trustee's acceptance or administration of the trust under the Trust Agreements, or the exercise or performance of any of its powers or duties thereunder or hereunder; or (v) 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 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 bonds or other evidences of indebtedness issued under the Trust Agreements. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of any of the Projects. The City and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof. The rights to indemnification from the City hereunder shall survive the termination hereof or the resignation or removal of the Trustee.

SECTION 7.10. Funds. Any fund required to be established and maintained herein by the City may be established and maintained in the accounting records of the City either as an account or a fund and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund; but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice.

SECTION 7.11. Notices. All written notices to be given hereunder shall be given by 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 party in writing from time to time, namely:

If to the City:

City of Modesto
Finance Department
City Hall
1012 "I" Street
Modesto, CA 95354
Attention: Interim Director of Finance/Treasurer

If to the Authority:

Modesto Public Financing Authority
c/o City of Modesto
1012 "I" Street
Modesto, CA 95354
Attention: Executive Director

SECTION 7.12. Effective Date. All Contracts shall become effective upon their execution and delivery, and shall terminate when the Payments provided therein shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VII).

SECTION 7.13. Execution in Counterpart. The Master Contract 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.

IN WITNESS WHEREOF, the parties hereto have executed and attested the Master Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF MODESTO

By _____
Interim Director of Finance/Treasurer

Attest:

_____
City Clerk

MODESTO PUBLIC FINANCING AUTHORITY

By _____
Auditor and Treasurer

(SEAL)

Attest:

_____
Secretary

EXECUTION COPY

1997 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF MODESTO

and the

MODESTO PUBLIC FINANCING AUTHORITY

Executed and Entered Into as of November 1, 1997

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1997 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

The 1997 Supplemental Installment Purchase Contract (the "1997 Supplemental Contract"), dated as of November 1, 1997, by and between the City of Modesto, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Modesto Public Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

W I T N E S S E T H :

WHEREAS, the City and the Authority have executed and entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, to refinance various additions, betterments, extensions and improvements to the water utility system of the City (the "1997 Project"); and

WHEREAS, the City has determined that the foregoing is necessary and proper for the City; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 1997 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 1997 Supplemental Contract;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

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

Escrow Agent

"Escrow Agent" means State Street Bank and Trust Company of California, N.A., as escrow agent under the Escrow Agreement.

Escrow Agreement

"Escrow Agreement" means the Escrow Agreement, dated as of November 1, 1997, by and among the City, the Authority and the Escrow Agent.

1992 Agreement

"1992 Agreement" means the Installment Sale Agreement, dated as of November 1, 1992, by and between the Authority and the City.

1997 Certificates

"1997 Certificates" means the Refunding Revenue Certificates of Participation (1997 Water Utility System Refinancing Project), evidencing and representing proportionate interests of the owners thereof in the 1997 Payments to be made by the City, executed and delivered pursuant to the 1997 Trust Agreement.

1997 Payment Dates

"1997 Payment Dates" means April 1 and October 1 of each year, commencing April 1, 1998.

1997 Payments

"1997 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof.

1997 Project

"1997 Project" means the improvements to the Water Utility System to be refinanced with the proceeds of the 1997 Certificates, as shown on Exhibit B hereto.

1997 Rebate Fund

"1997 Rebate Fund" means the City of Modesto Water Utility System 1997 Rebate Fund established pursuant to Section 2.06.

1997 Supplemental Contract

"1997 Supplemental Contract" means this 1997 Supplemental Installment Purchase Contract, executed and entered into as of November 1, 1997, by and between the City and the

Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

1997 Supplemental Contract Payment Account

"1997 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.03 hereof.

1997 Tax Certificate

"1997 Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the 1997 Certificates executed and delivered by the City on the date of initial issuance and delivery of the 1997 Certificates, including any and all exhibits attached thereto.

1997 Trust Agreement

"1997 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 1997, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

ARTICLE II

TERMS OF THE 1997 SUPPLEMENTAL CONTRACT

SECTION 2.01. Authority for the 1997 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of the 1997 Supplemental Contract 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 or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 1997 Supplemental Contract in the manner and form provided herein for the refinancing of the costs of the 1997 Project.

SECTION 2.02. Purpose of the 1997 Supplemental Contract. The City hereby transfers to the Authority the 1997 Project for the purpose of acquiring the 1997 Project from the Authority hereunder. The City agrees to immediately acquire the 1997 Project from the Authority under and pursuant to the terms hereof and of the Master Contract and to provide for the defeasance of all payments due under the 1992 Agreement in accordance with the terms thereof and of the Escrow Agreement. Upon payment of the purchase price for the 1997 Project as provided in Section 2.04 hereof, all right, title, and interest in and to the 1997 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

The City and the Authority do hereby agree that upon the payment of the purchase price as provided in Section 2.04 hereof and the deposit of the proceeds thereof with the Escrow Agent

under the terms of the Escrow Agreement, the obligations of the City under the 1992 Agreement shall cease and terminate in accordance with Section 10.05 of the 1992 Agreement, except the obligation of the City to make or cause to be made the 1992 Installment Payments (as defined in the 1992 Agreement) from such amounts deposited pursuant to the Escrow Agreement as and when the same comes due.

SECTION 2.03. Payment of the 1997 Supplemental Contract. There is hereby established within the Parity Obligation Payment Fund the 1997 Supplemental Contract Payment Account. On or before the third Business Day immediately preceding each 1997 Payment Date, the City shall, from the money in the Revenue Fund, deposit in the 1997 Supplemental Contract Payment Account a sum equal to the amount of the interest and principal components of the 1997 Payments becoming due and payable under the 1997 Supplemental Contract on the next succeeding 1997 Payment Date, except that no such deposit need be made if the amount then on deposit in the 1997 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 1997 Payments becoming due and payable under the 1997 Supplemental Contract on the next succeeding 1997 Payment Date; and all money on deposit in the 1997 Supplemental Contract Payment Account shall be transferred by the City to the Trustee on the Business Day immediately preceding each 1997 Payment Date to make and satisfy the 1997 Payment due on such 1997 Payment Date in accordance with the Master Contract. On or before the third Business Day preceding each 1997 Payment Date, the City shall from the money in the Revenue Fund, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the amount in the Parity Reserve Fund to the Reserve Fund Requirement, except no such deposit need be made if the amount then on deposit in the Parity Reserve Fund is at least equal to the Reserve Fund Requirement.

SECTION 2.04. Payment of 1997 Payments. The City shall, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 1997 Project the sum of $25,585,000, without offset or deduction of any kind, by paying the principal installments of the 1997 Payments annually on October 1 in each year in accordance with Exhibit A attached hereto and incorporated herein, together with interest installments of the 1997 Payments, which interest installments shall be paid semiannually in the amounts and on the 1997 Payment Dates in accordance with Section 2.03 hereof and Exhibit A attached hereto and incorporated herein and which interest shall constitute interest paid on the principal amount of the City's obligation hereunder.

The obligation of the City to pay the 1997 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 1997 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 1997 Payments required to be paid by it under this section when due, whether or not the Water Utility System or any part thereof (including the 1997 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

The City shall receive a credit against its obligation to pay 1997 Payments that constitute Sinking Fund Payments under the 1997 Trust Agreement if, during the 12-month period immediately preceding the Sinking Fund Payment date with respect to such Sinking Fund Payment, the City or the Authority has deposited Term Certificates with the Trustee (together with a request of the Authority or the City to apply such Certificates so deposited to the Sinking Fund Payment due on said Sinking Fund Payment date) and the full principal amount evidenced and represented thereby has been applied to reduce said Sinking Fund Payment in accordance with Section 2.02 of the 1997 Trust Agreement.

SECTION 2.05. Prepayment of 1997 Payments. The City may prepay from any source of available funds on any date on or after October 1, 2008, all or any part of the principal amount of the unpaid 1997 Payments becoming due and payable on or after October 1, 2007, in such order of prepayment as the City may determine, at the following prepayment price (expressed as a percentage of the principal amount of the 1997 Payments to be prepaid), plus accrued interest to the date of prepayment, namely:

Prepayment Period (both dates inclusive)	Prepayment Price
October 1, 2007, through September 30, 2008	101%
October 1, 2008, through September 30, 2009	100.5
October 1, 2009, and thereafter	100

Before making any prepayment pursuant to this section, the City shall give written notice to the Authority specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than 50 days from the date such notice is given; provided, that notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under this article, until the 1997 Payments shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VI of the Master Contract).

SECTION 2.06. 1997 Rebate Fund. The City hereby agrees to establish and maintain, so long as any 1997 Certificates remain Outstanding, a fund separate from any other fund established and maintained hereunder designated the "City of Modesto Water Utility System 1997 Rebate Fund." All amounts at any time on deposit in the 1997 Rebate Fund shall be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under the Master Contract and the 1997 Supplemental Contract and shall be governed by this section and by the 1997 Tax Certificate.

(1) Within 45 days of the end of each Certificate Year (as such term is defined in the 1997 Tax Certificate), or such other period ending no later than 60 days after the end of the fifth Certificate Year, (i) the City shall calculate or cause to be calculated with respect to the 1997 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this

purpose the end of such Certificate Year, and (ii) the City shall deposit to the 1997 Rebate Fund from amounts on deposit in the Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the 1997 Rebate Fund to be equal to the "rebate amount" so calculated.

The City shall not be required to deposit any amount to the 1997 Rebate Fund in accordance with preceding sentence if the amount on deposit in the 1997 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 1997 Rebate Fund to the extent permitted under paragraph (2) of this section.

The City shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the 1997 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 1997 Certificates (including amounts treated as proceeds of the 1997 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 1997 Rebate Fund after payment of all the 1997 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this section, or provision made therefor, including accrued interest, shall be transferred by the City to the Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this section to the requirement to calculate the "rebate amount" and make deposits to the 1997 Rebate Fund, the City shall pay to the United States, from amounts on deposit in the 1997 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 1997 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this section shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or

before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 1997 Rebate Fund, the amount in the 1997 Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 1997 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this section, but prior to any deposit made under said subsection, the amount on deposit in the 1997 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City shall transfer the excess from the 1997 Rebate Fund to the Revenue Fund.

(7) The City shall retain records of all determinations made hereunder until six years after the final payment or discharge of all 1997 Certificates.

(8) Notwithstanding anything in the Master Contract or the 1997 Supplemental Contract to the contrary, the Rebate Requirement shall survive the payment in full or discharge of the 1997 Certificates and the 1997 Payments.

SECTION 2.07. Tax Covenants. The City hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 1997 Payments constituting interest under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the 1997 Supplemental Contract or any of the property financed or refinanced with proceeds of the 1997 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 1997 Payments constituting interest.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 1997 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 1997 Supplemental Contract or any of the property financed or refinanced with proceeds of the 1997 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 1997 Certificates on other obligations delivered in connection with the 1997 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 1997 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder and under Section 103 of the Internal Revenue Code of 1954, as amended (the "1954 Code"), to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code (or, if applicable, the 1954 Code) and

the continued qualification of any obligations delivered in connection with the 1997 Supplemental Contract as "governmental bonds."

The City shall not, directly or indirectly, use or permit the use of any proceeds of the 1997 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 1997 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 1997 Supplemental Contract.

The City shall not make any use of the proceeds of the 1997 Supplemental Contract or any other funds of the City, or take or omit to take any other action, that would cause the 1997 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the 1997 Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or discharge of the 1997 Certificates and the 1997 Payments.

SECTION 2.08. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement by and between the City and the Dissemination Agent named therein in connection with the execution and delivery of the 1997 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Master Contract or hereunder.

SECTION 2.09. Terms of the 1997 Supplemental Contract Subject to the Master Contract. Every term and condition contained in the Master Contract shall apply to the 1997 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 1997 Supplemental Contract.

SECTION 2.10. Assignment of the 1997 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the 1997 Trust Agreement, all of the 1997 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee shall not assume any responsibilities for any duties or covenants or warranties of the Authority hereunder.

SECTION 2.11. Provisions Related to the 1997 Certificate Insurance Policy and the 1997 Certificate Reserve Policy. For so long as, and only during such time as, the 1997 Certificate Insurance Policy or the 1997 Certificate Reserve Policy are in effect and the 1997 Certificate Insurer is not in default under such agreements, the following provisions shall be in effect, and

any conflict between the provisions of this Section and the provisions of any other Section hereof shall be governed by the provisions of this Section:

(a) The City shall provide the 1997 Certificate Insurer with the following information, such notice to be delivered at the address for the 1997 Certificate Insurer set forth in the 1997 Trust Agreement:

(i) Within 180 days after the end of each of the City's Fiscal Years, or as soon thereafter as the specified information is available, the City's budget for the new Fiscal Year, annual audited financial statements for such Fiscal Year, a statement of the amount on deposit in the Parity Reserve Fund as of the last valuation, and, if not presented in the audited financial statements, a statement of the revenues pledged to payment of the 1997 Payments in each such Fiscal Year;

(ii) Official statement or other disclosure, if any, prepared in connection with the issuance of additional debt, whether or not it is on parity with the Certificates, within 30 days after the sale thereof;

(iii) Simultaneously with the delivery of the annual audited financial statements:

(A) The number of Water Utility System users as of the end of the Fiscal Year;
(B) Notification of the withdrawal of any Water Utility System user comprising 5% or more of Water Utility System sales measured in terms of revenue dollars since the last reporting date;
(C) Any significant plant retirements or expansions planned or undertaken since the last reporting date;
(D) Maximum and average daily usage for the fiscal year;
(E) Updated capital plans for expansion and improvement projects;
(F) Results of annual engineering inspections, if any, occurring at the end of the fiscal year; and

(iv) Such additional information as the 1997 Certificate Insurer may reasonably request from time to time.

(b) The City shall, to the extent there are no other funds available to pay 1997 Payments, use the remaining funds in the Improvement Fund to pay such 1997 Payments.

(c) In determining whether a payment default has occurred hereunder, or whether a 1997 Payment has been made hereunder, no effect shall be given to payments made under the 1997 Certificate Insurance Policy.

(d) Any acceleration of the unpaid 1997 Payments pursuant to Section 5.01 of the Contract or any annulment thereof shall be subject to the prior written consent of the 1997 Certificate Insurer.

(e) Any amendment of or supplement to the Contract shall be subject to the prior written consent of the 1997 Certificate Insurer. Any rating agency rating the Certificates must receive notice of each amendment or supplement and a copy thereof at least 15 days in advance of its execution or adoption. The 1997 Certificate Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

(f) In the event the City shall fail to pay any amounts under the Debt Service Reserve Fund Policy Agreement, the Certificate Insurer shall be entitled to exercise any and all remedies available at law under the Trust Agreement and this 1997 Supplemental Contract other than (i) acceleration of the Certificates or (ii) remedies which would adversely affect Certificateholders.

SECTION 2.12. California Law. This 1997 Supplemental Installment Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

SECTION 2.12. California Law. This 1997 Supplemental Installment Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed and attested the 1997 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF MODESTO

By _____
Interim Director of Finance/Treasurer

(SEAL)

Attest:

_____
City Clerk

MODESTO PUBLIC FINANCING AUTHORITY

By _____
Auditor and Treasurer

Attest:

_____
Secretary

EXHIBIT A

Schedule of 1997 Payments

1997 Payment Date	Interest Installment	Principal Installment	Total 1997 Payments
Apr. 1, 1998	$527,611.46		$ 527,611.46
Oct. 1, 1998	633,133.75	$685,000.00	1,318,133.75
Apr. 1, 1999	617,721.25		617,721.25
Oct. 1, 1999	617,721.25	545,000.00	1,162,721.25
Apr. 1, 2000	605,458.75		605,458.75
Oct. 1, 2000	605,458.75	570,000.00	1,175,458.75
Apr. 1, 2001	592,633.75		592,633.75
Oct. 1, 2001	592,633.75	600,000.00	1,192,633.75
Apr. 1, 2002	579,133.75		579,133.75
Oct. 1, 2002	579,133.75	630,000.00	1,209,133.75
Apr. 1, 2003	564,958.75		564,958.75
Oct. 1, 2003	564,958.75	665,000.00	1,229,958.75
Apr. 1, 2004	550,328.75		550,328.75
Oct. 1, 2004	550,328.75	700,000.00	1,250,328.75
Apr. 1, 2005	534,578.75		534,578.75
Oct. 1, 2005	534,578.75	740,000.00	1,274,578.75
Apr. 1, 2006	516,078.75		516,078.75
Oct. 1, 2006	516,078.75	780,000.00	1,296,078.75
Apr. 1, 2007	498,041.25		498,041.25
Oct. 1, 2007	498,041.25	815,000.00	1,313,041.25
Apr. 1, 2008	478,888.75		478,888.75
Oct. 1, 2008	478,888.75	855,000.00	1,333,888.75
Apr. 1, 2009	458,368.75		458,368.75
Oct. 1, 2009	458,368.75	900,000.00	1,358,368.75
Apr. 1, 2010	436,318.75		436,318.75
Oct. 1, 2010	436,318.75	945,000.00	1,381,318.75
Apr. 1, 2011	412,693.75		412,693.75
Oct. 1, 2011	412,693.75	995,000.00	1,407,693.75
Apr. 1, 2012	387,818.75		387,818.75
Oct. 1, 2012	387,818.75	1,050,000.00	1,437,818.75
Apr. 1, 2013	361,568.75		361,568.75
Oct. 1, 2013	361,568.75	1,105,000.00	1,466,568.75
Apr. 1, 2014	333,253.13		333,253.13
Oct. 1, 2014	333,253.13	1,165,000.00	1,498,253.13
Apr. 1, 2015	303,400.00		303,400.00
Oct. 1, 2015	303,400.00	1,225,000.00	1,528,400.00
Apr. 1, 2016	272,009.38		272,009.38
Oct. 1, 2016	272,009.38	1,290,000.00	1,562,009.38
Apr. 1, 2017	238,953.13		238,953.13
Oct. 1, 2017	238,953.13	1,360,000.00	1,598,953.13
Apr. 1, 2018	204,103.13		204,103.13
Oct. 1, 2018	204,103.13	1,430,000.00	1,634,103.13
Apr. 1, 2019	167,459.38		167,459.38
Oct. 1, 2019	167,459.38	1,505,000.00	1,672,459.38
Apr. 1, 2020	128,893.75		128,893.75
Oct. 1, 2020	128,893.75	1,590,000.00	1,718,893.75
Apr. 1, 2021	88,150.00		88,150.00
Oct. 1, 2021	88,150.00	1,675,000.00	1,763,150.00
Apr. 1, 2022	45,228.13		45,228.13
Oct. 1, 2022	45,228.13	1,765,000.00	1,810,228.13

EXHIBIT B

Description of the 1997 Project

Upgrades to the Water Utility System, including the installation of larger mains to increase pressure, improve fire flows and decrease maintenance problems; main loops to increase circulation; and the expansion of the annexed Village I area which consists of approximately 1,700 acres.

The acquisition of land to construct water storage facilities to improve the water supply and pressure in the Northeast area of the City of Modesto.

Improvements to increase capacity and efficiency of water delivery from the City's wells.

Various City of Modesto Water Department buildings including: a Water Building housing the Water Department's personnel and a Water Quality Control Plant Building housing the Water Supervisory Control and Data Acquisition (SCADA) System equipment.

The installation of meters, hydrants and miscellaneous water equipment.

EXECUTION COPY

2006 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF MODESTO

and the

MODESTO PUBLIC FINANCING AUTHORITY

Dated as of November 1, 2006

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2006 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

The 2006 Supplemental Installment Purchase Contract (the "2006 Supplemental Contract"), dated as of November 1, 2006, by and between the City of Modesto, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Modesto Public Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the City and the Authority have executed and entered into a Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), for the acquisition from time to time of various additions, betterments, extensions and improvements to the Water Utility System of the City; and

WHEREAS, the City previously refinanced certain improvements to its Water Utility System (the "1997 Project") pursuant to the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997 (the "1997 Supplemental Contract"), by and between the Authority and the City, supplementing the Master Contract, under which the City is obligated to make certain payments (the "1997 Payments") to the Authority as payment of the purchase price for the 1997 Project; and

WHEREAS, pursuant to Article III of the Master Contract, the City may incur additional Parity Obligations, including pursuant to a Supplemental Contract to the Master Contract, subject to the terms and conditions set forth therein; and

WHEREAS, the City now desires to finance the costs of various additional improvements (the "2006 Project") to the Water Utility System, and in connection therewith to enter into this 2006 Supplemental Installment Purchase Contract (the "2006 Supplemental Contract") with the Authority, supplementing the Master Contract, pursuant to which the City will obligate itself to make certain payments (the "2006 Payments") to the Authority as payment of the purchase price of the 2006 Project; and

WHEREAS, pursuant to the 2006 Trust Agreement (as defined herein), the Authority has assigned to The Bank of New York Trust Company, N.A., as trustee (the "Trustee") under the 2006 Trust Agreement, certain of its rights under the 2006 Supplemental Contract, including its right to receive the 2006 Payments to be made by the City under this 2006 Supplemental Contract; and

WHEREAS, in consideration of such assignment and the execution and entering into of the 2006 Trust Agreement by the Trustee and the Authority, the Trustee has agreed to execute and deliver $46,275,000 Water Revenue Certificates of Participation, 2006 Series A (the "2006 Certificates"), evidencing and representing proportionate interests in the 2006 Payments payable hereunder; and

WHEREAS, the City has determined that the foregoing is necessary and proper for the City; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 2006 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 2006 Supplemental Contract;

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Except as provided in Section 1.02 hereof or unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any opinion or report or other document mentioned herein 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:

"Continuing Disclosure Agreement" means the Continuing Disclosure Agreement, dated November 2, 2006, by and between the City and the Trustee, delivered in connection with the execution and delivery of the 2006 Certificates.

"Rebate Requirement" shall have the meaning given such term in Section 2.06(b) hereof.

"Special Counsel" shall have the meaning given such term in the 2006 Trust Agreement.

"2006 Certificate Insurance Policy" means the municipal bond insurance policy issued by the 2006 Certificate Insurer guaranteeing the scheduled payment of principal of and interest evidenced and represented by the 2006 Certificates.

"2006 Certificate Insurer" means MBIA Insurance Corporation, its successors and assigns.

"2006 Certificates" means the City of Modesto Water Revenue Certificates of Participation, 2006 Series A, evidencing and representing proportionate interests of the owners thereof in the 2006 Payments to be made by the City, executed and delivered pursuant to the 2006 Trust Agreement.

"2006 Insurance Agreement" means the Insurance and Reimbursement Agreement, dated as of November 1, 2006, by and among the City, the Authority, the Trustee and the 2006 Certificate Insurer, which 2006 Insurance Agreement shall constitute a Parity Bank Agreement for purposes of the Master Contract and hereof.

"2006 Interest Rate Swap Agreement" means, collectively, the ISDA Master Agreement (Local Currency–Single Jurisdiction 1992), the U.S. Municipal Counterparty Schedule thereto, a Credit Support Annex, each dated as of September 27, 2006, and a Confirmation, entered into on September 27, 2006, between Bank of America, N.A., as a Qualified Counterparty, and the City.

"2006 Payment Date" means each Interest Payment Date and each day on which payments of principal evidenced and represented by the 2006 Certificates become due (whether at maturity or because of prepayment or acceleration).

"2006 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof.

"2006 Project" means the improvements to the Water Utility System to be financed with the proceeds of the 2006 Certificates, as shown on Exhibit B hereto.

"2006 Project Account" means the account of the Improvement Fund established pursuant to Section 2.06(a) hereof.

"2006 Rebate Fund" means the City of Modesto Water Utility System 2006 Rebate Fund established pursuant to Section 2.06(b) hereof.

"2006 Supplemental Contract" means this 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

"2006 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.04 hereof.

"2006 Swap Insurance Policy" the interest rate swap insurance policy issued by the 2006 Certificate Insurer guaranteeing certain payments due by the City under the 2006 Interest Rate Swap Agreement.

"2006 Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2006 Certificates executed and delivered by the City on the date of initial delivery of the 2006 Certificates, including any and all exhibits attached thereto.

"2006 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 2006, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Section 1.02. Clarification and Definitions in Master Contract and 2006 Trust Agreement.

(a) To cure a possible ambiguity therein, the definition of "Parity Obligations" contained in Section 1.01 of the Master Contract is hereby clarified to read as follows:

"Parity Obligations" means the payment obligations under the Treatment and Delivery Agreement which constitute debt service, the payment obligations under the CDWR Loan Agreement, and all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Gross Revenues equal to and on a parity with the charge and lien upon the Gross Revenues for the payment of the Payments, other than (i) such portion of the payment obligations (including certain payments due upon an early termination thereof) under any Parity Payment Agreement to the extent such obligations are expressly subordinate to Parity Obligations pursuant to the terms of such Parity Payment Agreement and (ii) Parity Bank Agreements; provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City.

(b) Except as otherwise herein defined or unless the context otherwise requires, the terms defined in the Master Contract or the 2006 Trust Agreement shall for all purposes hereof

and of any amendment hereof or supplement hereto and of any report or other document mentioned herein have the meanings defined therein, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. With respect to any defined term which is given a different meaning under this 2006 Supplemental Contract than under the Master Contract or the 2006 Trust Agreement, as used herein it shall have the meaning given herein.

ARTICLE II

TERMS OF THE 2006 SUPPLEMENTAL CONTRACT

Section 2.01. Authority for the 2006 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of this 2006 Supplemental Contract 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 or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 2006 Supplemental Contract in the manner and form provided herein for the financing of the costs of the 2006 Project.

Section 2.02. Purpose of the 2006 Supplemental Contract. In accordance with Section 2.01 of the Master Contract, the Authority hereby agrees to finance the costs of acquisition and construction of the 2006 Project and to sell the 2006 Project to the City. The City agrees to acquire the 2006 Project from the Authority pursuant to the terms hereof, to cause the acquisition and construction of the 2006 Project as agent for the Authority in accordance with Section 2.01 of the Master Contract and in accordance with the terms hereof and of the 2006 Trust Agreement. Immediately upon completion of each separately acquirable component of the 2006 Project, all right, title and interest in and to each such component of the 2006 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

Section 2.03. 2006 Supplemental Contract Payment Account. There is hereby established within the Parity Obligation Payment Fund the 2006 Supplemental Contract Payment Account. On or before the third Business Day immediately preceding each 2006 Payment Date or the date on which any net scheduled payment or insured termination payment is due under the 2006 Interest Rate Swap Agreement, the City shall, from the money in the Parity Obligation Payment Fund, deposit in the 2006 Supplemental Contract Payment Account (i) a sum equal to the amount of the interest and principal components of the 2006 Payments becoming due and payable under the 2006 Supplemental Contract on the next succeeding 2006 Payment Date and (ii) the net scheduled payments and any insured termination payment, if applicable, due under the 2006 Interest Rate Swap Agreement, except that no such deposit need be made if the amount then on deposit in the 2006 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2006 Payments becoming due and payable under the 2006 Supplemental Contract on the next succeeding 2006 Payment Date plus the net scheduled payments and any insured termination payment, if applicable, due under the 2006 Interest Rate Swap Agreement on such next succeeding due date therefor. Moneys on deposit in the 2006 Supplemental Contract Payment Account shall (i) be transferred by the City to the Trustee on the Business Day immediately preceding each 2006 Payment Date to make and

satisfy the 2006 Payment due on such 2006 Payment Date and (ii) be transferred by the City to the Trustee on the due date therefor to satisfy the net scheduled payment and any insured termination payment, if applicable, due under the 2006 Interest Rate Swap Agreement, all in accordance with the Master Contract and the 2006 Trust Agreement.

Section 2.04. Payment of 2006 Payments. The City shall, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 2006 Project the sum of $46,275,000, without offset or deduction of any kind, by paying the principal installments of the 2006 Payments annually on October 1 in each year in accordance with Exhibit A attached hereto and incorporated herein, together with interest installments of the 2006 Payments, which interest installments shall be payable in accordance with Section 2.03 hereof in the amounts and on the 2006 Payment Dates so as to enable interest evidenced by the 2006 Certificates to be paid on a timely basis, and which interest shall constitute interest paid on the principal amount of the City's obligation hereunder.

The obligation of the City to pay the 2006 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 2006 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 2006 Payments required to be paid by it under this Section 2.04 when due, whether or not the Water Utility System or any part thereof (including the 2006 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

The City shall receive a credit against its obligation to pay 2006 Payments that constitute Sinking Fund Payments under the 2006 Trust Agreement if, during the 12-month period immediately preceding the Sinking Fund Payment date with respect to such Sinking Fund Payment, the City or the Authority has deposited Term Certificates with the Trustee (together with a request of the Authority or the City to apply such Certificates so deposited to the Sinking Fund Payment due on said Sinking Fund Payment date) and the full principal amount evidenced and represented thereby has been applied to reduce said Sinking Fund Payment in accordance with Section 2.03 of the 2006 Trust Agreement.

In addition to the 2006 Payments, the City shall also pay such amounts ("Additional Payments") as shall be required for the payment of all fees and administrative costs of the Authority and the Trustee under the 2006 Trust Agreement or otherwise relating to the 2006 Certificates, including, without limitation, payments required to satisfy the Rebate Requirement, all expenses, compensation and indemnification of the Authority and the Trustee payable hereunder and under the 2006 Trust Agreement, fees of auction agents, broker-dealers, remarketing agents, auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of this 2006 Supplemental Contract, the 2006 Certificates, the 2006 Certificate Insurance Policy, and the 2006 Trust Agreement.

Section 2.05. Prepayment of 2006 Payments.

(a) The City may optionally prepay 2006 Payments as follows:

(1) The City may prepay all or a portion of the 2006 Payments in accordance with Section 6.01(c) of the Master Contract by depositing cash or Federal Securities with the Trustee subject to the terms and conditions set forth in Article IX of the 2006 Trust Agreement, sufficient to pay the principal of, premium, if any, and interest evidenced by the 2006 Certificates to be paid or prepaid with such 2006 Payments; or

(2) The City may prepay all or a portion of the 2006 Payments from any source of available funds, on any date on which 2006 Certificates may be optionally prepaid, by paying (A) all or a portion (in an amount equal to an Authorized Denomination under the 2006 Trust Agreement), as elected by the City, of such 2006 Payments, (B) an amount equal to the accrued but unpaid interest on the 2006 Certificates to be prepaid from the proceeds of such prepaid 2006 Payments to the date of such prepayment, and (C) an amount equal to any premium to be paid upon the optional prepayment of the 2006 Certificates to be prepaid from the proceeds of such prepaid 2006 Payments.

(b) The 2006 Payments shall be subject to mandatory prepayment to the extent required to effect the mandatory prepayment of Liquidity Provider Certificates in accordance with Section 2.03(b) of the 2006 Trust Agreement.

(c) If less than all of the 2006 Payments are prepaid pursuant to this Section 2.05 then, as of the date of such prepayment pursuant to this Section, the schedule of 2006 Payments attached as Exhibit B hereto shall be recalculated by the City in order to take such prepayment into account. The City shall deliver a copy of such revised schedule to the Trustee and such revised schedule shall automatically supersede and replace the previous form of Exhibit B.

(d) Before making any prepayment pursuant to this Section, the City shall give written notice to the Authority specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than 50 days from the date such notice is given; provided, that notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under this article, until the 2006 Payments and all amounts due under the 2006 Insurance Agreement shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VI of the Master Contract).

Section 2.06. Establishment of 2006 Funds and Accounts.

(a) 2006 Project Account. There is hereby established the "2006 Project Account" within the Improvement Fund, which account the City agrees to maintain until the completion of the acquisition and construction of the 2006 Project. As provided in the Master Contract, all money in the 2006 Project Account of the Improvement Fund shall be used and withdrawn by the City to pay the costs of the acquisition and construction of the 2006 Project (or to reimburse the City for such costs) upon receipt of a Request of the City. The City shall maintain on file a record of all expenditures from the 2006 Project Account of the Improvement Fund, including

appropriate Requests of the City evidencing the person to whom payment is to be made, the amount of money to be paid, the purpose for which the obligation to be paid was incurred and that such payment was a proper charge against the 2006 Project Account of the Improvement Fund and has not been the subject of a previous Request of the City. All investment earnings from moneys on deposit in the 2006 Project Account shall be retained in such account. When the acquisition and construction of the 2006 Project has been completed to the satisfaction of the City, any remaining balance in the 2006 Project Account allocable to the 2006 Project shall be transferred by the City to the Revenue Fund.

(b) 2006 Rebate Fund. The City hereby agrees to establish and maintain, so long as any 2006 Certificates remain Outstanding, a fund separate from any other fund established and maintained hereunder designated the "City of Modesto Water Utility System 2006 Rebate Fund." All amounts at any time on deposit in the 2006 Rebate Fund shall be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under the Master Contract and the 2006 Supplemental Contract and shall be governed by this Section 2.06(b) and by the 2006 Tax Certificate.

(1) Within 60 days of the end of each Certificate Year (as such term is defined in the 2006 Tax Certificate), or such other period ending no later than 60 days after the end of the fifth Certificate Year, (i) the City shall calculate or cause to be calculated with respect to the 2006 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Certificate Year, and (ii) the City shall deposit to the 2006 Rebate Fund from amounts on deposit in the Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the 2006 Rebate Fund to be equal to the "rebate amount" so calculated.

The City shall not be required to deposit any amount to the 2006 Rebate Fund in accordance with preceding sentence if the amount on deposit in the 2006 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 2006 Rebate Fund to the extent permitted under paragraph (2) of this Section.

The City shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the 2006 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 2006 Certificates (including amounts treated as proceeds of the 2006 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a 11/2% penalty in lieu of arbitrage rebate in the event any of the percentage

expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 2006 Rebate Fund after payment of all the 2006 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this Section, or provision made therefor, including accrued interest, shall be transferred by the City to the Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this Section to the requirement to calculate the "rebate amount" and make deposits to the 2006 Rebate Fund, the City shall pay to the United States, from amounts on deposit in the 2006 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 2006 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this Section shall be made to the Internal Revenue Service on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 2006 Rebate Fund, the amount in the 2006 Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 2006 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the 2006 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City shall transfer the excess from the 2006 Rebate Fund to the Revenue Fund.

(7) The City shall retain records of all determinations made hereunder until six years after the final payment or discharge of all 2006 Certificates.

(8) Notwithstanding anything in the Master Contract or the 2006 Supplemental Contract to the contrary, the Rebate Requirement shall survive the payment in full or discharge of the 2006 Certificates and the 2006 Payments.

Section 2.07. Tax Covenants. The City hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 2006 Payments constituting interest under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the 2006 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2006 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 2006 Payments constituting interest.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 2006 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 2006 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2006 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 2006 Certificates on other obligations delivered in connection with the 2006 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2006 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 2006 Supplemental Contract as "governmental bonds."

The City shall not, directly or indirectly, use or permit the use of any proceeds of the 2006 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 2006 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2006 Supplemental Contract.

The City shall not make any use of the proceeds of the 2006 Supplemental Contract or any other funds of the City, or take or omit to take any other action, that would cause the 2006 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the 2006 Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or discharge of the 2006 Certificates and the 2006 Payments.

The Authority and the City covenant that, in the event of any change in the 2006 Trust Agreement, this 2006 Supplemental Contract or other relevant documents relating to the 2006

Certificates, or any other actions taken or omitted by the City or the Authority, upon the advice or with the approving opinion of Special Counsel other than Sidley Austin LLP, Special Counsel in connection with the original execution and delivery of the 2006 Certificates, the Authority and the City will, upon the making of any such change, or the taking or omission of any such other action, cause to be delivered an opinion of Special Counsel (together with a reliance letter thereon addressed to the 2006 Certificate Insurer and the Trustee) nationally recognized in the area of municipal bonds to the effect that the portion of each 2006 Payment due under this 2006 Supplemental Contract designated as and comprising interest with respect to the 2006 Certificates is excluded from gross income for federal income tax purposes.

Section 2.08. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement delivered in connection with the execution and delivery of the 2006 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Master Contract or hereunder.

Section 2.09. Provisions Related to the 2006 Certificate Insurance Policy. For so long as, and only during such time as, the 2006 Certificate Insurance Policy is in effect and the 2005 Certificate Insurer is not in default thereunder, the following provisions shall be in effect, and any conflict between the provisions of this Section 2.09 and the provisions of any other Section hereof shall be governed by the provisions of this Section 2.09:

(a) In determining whether a payment default has occurred hereunder, or whether a 2006 Payment has been made hereunder, no effect shall be given to payments made under the 2006 Certificate Insurance Policy.

(b) Any acceleration of the unpaid 2006 Payments pursuant to Section 5.01 of the Contract or any annulment thereof shall be subject to the prior written consent of the 2006 Certificate Insurer.

(c) Neither the City nor the Authority will use the 2006 Certificate Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the 2006 Certificate Insurer's prior consent; provided, however, such prohibition on the use of the 2006 Certificate Insurer's name shall not relate to the use of the 2006 Certificate Insurer's standard approved form of disclosure in public documents issued in connection with the 2006 Certificates to be issued in accordance with the terms of the 2006 Certificate Insurer's commitment letter; and provided further such prohibition shall not apply to the use of the 2006 Certificate Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

(d) The 2006 Certificate Insurer shall be a third-party beneficiary of this 2006 Supplemental Contract.

(e) The Authority and the City shall provide the 2006 Certificate Insurer with a copy of any notice required to be given by such party hereunder, such notice to be delivered at the address for the 2006 Certificate Insurer set forth in the 2006 Trust Agreement.

Section 2.10. 2006 Interest Rate Swap Agreement. The City and the Authority hereby agree and acknowledge that the 2006 Interest Rate Swap Agreement (excluding the obligations thereunder to post collateral under certain circumstances and to make termination payments upon any early termination event or event of default except to the extent such termination payment is insured under the terms of the 2006 Swap Insurance Policy) constitutes a Parity Payment Agreement and a Parity Obligation payable solely from and secured by a pledge of Gross Revenues on a parity with all other existing and future Parity Obligations. The City and the Authority hereby agree and acknowledge that obligations under the 2006 Interest Rate Swap Agreement to post collateral under certain circumstances or to make termination payments upon an early termination event or event of default under the 2006 Interest Rate Swap Agreement (other than to the extent such termination payment is insured under the terms of the 2006 Swap Insurance Policy) are Subordinate Obligations payable solely from and secured by a pledge of Gross Revenues on a subordinate basis to the Parity Obligations. Amounts payable by the City as a termination payment under the 2006 Interest Rate Swap Agreement upon an event of default with respect to the City thereunder and the designation of an early termination by the 2006 Certificate Insurer pursuant to the terms of the 2006 Interest Rate Swap Agreement (which payments are insured under the terms of the 2006 Swap Insurance Policy) constitute a Parity Obligation payable solely from and secured by a pledge of Gross Revenues on a parity with all other existing and future Parity Obligations. In the event any obligation of the City to post collateral or to make payments upon an early termination or event of default under the 2006 Interest Rate Swap Agreement constituting a Subordinate Obligation shall arise, the City shall establish a fund as necessary for the purpose of satisfying such obligation. As provided and on the dates under Section 2.04 of the Master Contract and Section 2.03 hereof, the City shall from the money in the Revenue Fund deposit in the 2006 Supplemental Contract Payment Account of the Parity Obligation Payment Fund a sum equal to the scheduled payments next due on the 2006 Interest Rate Swap Agreement. The City shall not be required to advance any moneys derived from any source of income other than the Gross Revenues for the payments due under the 2006 Interest Rate Swap Agreement or for the performance of any agreements or covenants required to be performed by it contained in the 2006 Interest Rate Swap Agreement. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payments under the 2006 Interest Rate Swap Agreement.

Section 2.11. Maintaining Liquidity Facility. The City agrees that at any time when the 2006 Certificates bear interest in a Daily Mode, a Weekly Mode, a Flexible Mode or a Term Mode, it will maintain a Liquidity Facility, as required by Section 3.11 of the 2006 Trust Agreement, acceptable to the 2006 Certificate Insurer, in the Required Stated Amount or in such other amount as may be required by the 2006 Certificate Insurer and the Rating Agencies then rating the 2006 Certificates. The City shall replace such Liquidity Facility if the Liquidity Facility's rating is withdrawn, suspended or lowered below a rating that is acceptable to the 2006 Certificate Insurer. The City covenants that it will not voluntarily terminate a Liquidity Facility then in effect without either: (i) providing for an Alternate Liquidity Facility prior to the effective date of the termination; or (ii) converting the Daily Mode, Weekly Mode, Flexible Mode or Term Mode to a Fixed Rate Mode. If 2006 Certificates bearing interest in the Daily Mode, the Weekly Mode, the Flexible Mode or the Term Mode are then Outstanding, the Trustee shall not release the applicable Liquidity Facility until it has received the Alternate Liquidity Facility. The City shall give, or cause to be given pursuant to Section 3.11(c) of the 2006 Trust Agreement, written notice of its intention to terminate a Liquidity Facility and exercise its option

to provide an Alternate Liquidity Facility to the Trustee and each of the other Notice Parties thirty (30) days before the proposed termination date of the Liquidity Facility and the effective date of such Alternate Liquidity Facility. The City shall provide notice of any expiration, termination, extension or substitution of the Liquidity Facility to the Rating Agencies.

ARTICLE III

MISCELLANEOUS

Section 3.01. Amendment of 1997 Supplemental Contract. Section 2.11(e) of the 1997 Supplemental Contract is hereby amended to read as follows:

> "(e) Except for any Supplemental Contract delivered for the purpose of providing for the execution of Parity Obligations in compliance with Article III of the Contract, any amendment of or supplement to the Contract shall be subject to the prior written consent of the 1997 Certificate Insurer as if and to the extent the 1997 Certificate Insurer shall be deemed the sole Owner of the 1997 Certificates for purposes of obtaining the required consent of the Owners of the 1997 Certificates thereto pursuant to Section 4.06 of the 1997 Trust Agreement. Any rating agency rating the Certificates must receive notice of each such amendment or supplement and a copy thereof at least 15 days in advance of its execution or adoption. The 1997 Certificate Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement."

Section 3.02. Terms of the 2006 Supplemental Contract Subject to the Master Contract. This 2006 Supplemental Contract constitutes a Parity Obligation and a Supplemental Contract under the Master Contract and, as such, shall be subject to the provisions of the Master Contract and shall have all of the advantages, benefits, interests and security afforded Parity Obligations and Supplemental Contracts pursuant to the Master Contract. Every term and condition contained in the Master Contract shall apply to the 2006 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 2006 Supplemental Contract.

Section 3.03. Assignment of the 2006 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the 2006 Trust Agreement, all of the 2006 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee shall not assume any responsibilities for any duties or covenants or warranties of the Authority hereunder.

Section 3.04. California Law. This 2006 Supplemental Installment Purchase Contract shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed and attested the 2006 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF MODESTO

By _____
Finance Director/Treasurer

Attest:

_____
City Clerk

MODESTO PUBLIC FINANCING AUTHORITY

By _____
Auditor and Treasurer

Attest:

_____
Secretary

CONSENT OF INSURER

BY EXECUTION HEREOF, Financial Guaranty Insurance Company, as 1997 Certificate Insurer of the outstanding 1997 Certificates, pursuant to Section 2.11 of the 1997 Supplemental Installment Purchase Contract hereby consents to the foregoing 2006 Supplemental Installment Purchase Contract and the amendments to the Contracts effected thereby.

FINANCIAL GUARANTY
INSURANCE COMPANY

By: _____
Name: Timothy Tattam
Authorized Representative

TRUSTEE CONSENT

BY EXECUTION HEREOF, The Bank of New York Trust Company, N.A. as Trustee for the outstanding 1997 Certificates and 2006 Certificates hereby consents to the foregoing 2006 Supplemental Installment Purchase Contract and the amendments to the Contracts effected thereby.

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

By: _____
Authorized Officer

EXHIBIT A

Schedule of Principal Installments
Relating to
2006 Payments

Principal Payment Date (October 1)	Principal Installment
2007	$ 250,000
2008	275,000
2009	275,000
2010	275,000
2012	300,000
2013	300,000
2014	325,000
2015	325,000
2016	350,000
2017	350,000
2018	375,000
2019	375,000
2020	375,000
2021	400,000
2022	425,000
2023	2,275,000
2024	2,375,000
2025	2,475,000
2026	2,550,000
2027	2,650,000
2028	2,750,000
2029	2,875,000
2030	2,975,000
2031	3,100,000
2032	3,200,000
2033	3,325,000
2034	3,450,000
2035	3,575,000
2036	3,725,000
	$46,275,000

Pursuant to Section 2.03 of the 2006 Supplemental Contract, the 2006 Payments should be made no later than three (3) Business Days preceding the due date therefor. In addition to the foregoing principal payments, the 2006 Payments shall include interest payable on each Interest Payment Date under the 2006 Trust Agreement in an amount equal to the interest due on the 2006 Certificates on each Interest Payment Date.

EXHIBIT B

Description of the 2006 Project

The City of Modesto (City) is proposing to fund the costs of improvements required to be made by the City in connection with the expansion of the Modesto Regional Water Treatment Plant (MRWTP), including the construction of several new downstream water facilities, and various water distribution system improvements to the Water System to ensure the reliability of water supply to both existing and future customers. The 2006 Project will include the acquisition of land and right-of-way, and design and construction costs related to the new facilities and improvements. The facilities include the acquisition, construction and installation of three storage tanks and connecting transmission facilities, construction and improvement of transmission/distribution mains and associated pump stations, and installation of motor-operated control valves which will control the flow of treated surface water from the MRWTP to the City system. The 2006 Project facilities and improvements will help replace lost reliable groundwater production capacity, improve the City's ability to maintain desired system operational pressures during high demand periods and meet other operational criteria. These facilities will also improve system distribution capabilities to future customers.

Proceeds of the 2006 Certificates may also be used for other improvements to the Water Utility System approved by the City Council.

EXHIBIT C

FORM OF 2006 PROJECT ACCOUNT REQUEST

Request of the City
Requisition From 2006 Project Account of the Improvement Fund

TO: City Treasurer of the City of Modesto

RE: Disbursement from the 2006 Project Account of the Improvement Fund pursuant to Section 2.06(a) of the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006 (the "2006 Supplemental Contract"), by and between the City of Modesto (the "City"), and the Modesto Public Financing Authority (the "Authority")

REQUEST NO. _____

You are hereby instructed to pay to the parties listed on Schedule A hereto the sum listed opposite such parties names as a payment of the cost of the projects (collectively, the "2006 Project") for the items listed on the Schedule attached hereto and the expenses incidental thereto (which may include reimbursement to the City for certain of such costs or expenses) from the 2006 Project Account of the Improvement Fund as provided in Section 2.06(a) of the 2006 Supplemental Contract. This cost has been properly incurred, is a proper charge under the 2006 Supplemental Contract against payment of the costs of the 2006 Project (as defined in the 2006 Supplemental Contract) and has not been the basis of any previous disbursements. The amount remaining in the 2006 Project Account of the Improvement Fund, together with interest earnings thereon will, after payment of the amount set forth in this requisition, be sufficient to pay all remaining costs of the 2006 Project as presently estimated.

I hereby certify that:

(i) an obligation in the stated amount has been properly incurred under and pursuant to the 2006 Supplemental Contract and each such obligation is a proper charge against the Improvement Fund and has not been subject of any previous Request of the City;

(ii) there has not been filed with or served upon the City or the Authority a stop notice or any other notice of any lien, right to lien or attachment upon, or claim affecting the right to receive payment of, any of the money payable to the person named in this Request of the City which has not been released or will not be released with the payment of such obligation, other than materialmen's or mechanics' liens accruing by mere operation of laws;

(iii) in the case of each payment made under any contract for installation or construction, insofar as such obligation was incurred for work, materials, equipment or supplies, such work was actually performed or such materials, equipment or supplies were actually installed in furtherance of the 2006 Project or delivered at the site for that purpose or delivered for storage or fabrication at a place or places approved by the City;

(iv) in the case of increased costs of the 2006 Project, the amount of such increase has been made available by the City; and

(v) no event of default under the Contract has occurred and is continuing.

Very truly yours,

_____

[City Representative]

Schedule A

DISBURSEMENT INSTRUCTIONS

2006 PROJECT ACCOUNT OF IMPROVEMENT FUND

PAYEE	DESCRIPTION	AMOUNT ($)

2008 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF MODESTO

and the

MODESTO PUBLIC FINANCING AUTHORITY

Dated as of May 1, 2008

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2008 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

This 2008 Supplemental Installment Purchase Contract (the "2008 Supplemental Contract"), dated as of May 1, 2008, is between the City of Modesto, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Modesto Public Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority").

WITNESSETH:

WHEREAS, the City and the Authority have executed and entered into a Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), for the acquisition from time to time of various additions, betterments, extensions and improvements to the Water Utility System of the City;

WHEREAS, the City previously refinanced certain improvements to its Water Utility System (the "1997 Project") pursuant to the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997 (the "1997 Supplemental Contract"), by and between the Authority and the City, supplementing the Master Contract, under which the City is obligated to make certain payments (the "1997 Payments") to the Authority as payment of the purchase price for the 1997 Project;

WHEREAS, the City previously financed the costs of various additional improvements (the "2006 Project") to the Water Utility System, and in connection therewith to enter into the 2006 Supplemental Installment Purchase Contract (the "2006 Supplemental Contract") with the Authority, supplementing the Master Contract, pursuant to which the City will obligate itself to make certain payments (the "2006 Payments") to the Authority as payment of the purchase price of the 2006 Project;

WHEREAS, pursuant to Article III of the Master Contract, the City may incur additional Parity Obligations pursuant to a Supplemental Contract to the Master Contract to refund any Outstanding Parity Obligation;

WHEREAS, the City now desires to refinance the 2006 Project (the "2008 Project"), and in connection therewith to enter into this 2008 Supplemental Contract, supplementing the Master Contract, pursuant to which the City will obligate itself to make certain payments (the "2008 Payments") to the Authority as payment of the purchase price of the 2008 Project;

WHEREAS, pursuant to the 2008 Trust Agreement (as defined herein), the Authority has assigned to The Bank of New York Trust Company, N.A., as trustee (the "Trustee") under the 2008 Trust Agreement, certain of its rights under the 2008 Supplemental Contract, including its right to receive the 2008 Payments to be made by the City under this 2008 Supplemental Contract;

WHEREAS, in consideration of such assignment and the execution and entering into of the 2008 Trust Agreement by the Trustee and the Authority, the Trustee has agreed to execute and deliver $47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A

(the "2008 Certificates"), evidencing and representing proportionate interests in the 2008 Payments payable hereunder;

WHEREAS, the City has determined that the foregoing is necessary and proper for the City;

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 2008 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 2008 Supplemental Contract.

NOW, THEREFORE, IN CONSIDERATION OF THE PREMISES AND OF THE MUTUAL AGREEMENTS AND COVENANTS CONTAINED HEREIN AND FOR OTHER VALUABLE CONSIDERATION, THE PARTIES HERETO DO HEREBY AGREE AS FOLLOWS:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Except as provided in Section 1.02 hereof or unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any opinion or report or other document mentioned herein 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:

"Continuing Disclosure Agreement" means any continuing disclosure agreement, by and between the City and the Trustee, delivered pursuant to Section 2.08 herein.

"Rebate Requirement" shall have the meaning given such term in Section 2.06(b) hereof.

"Special Counsel" shall have the meaning given such term in the 2008 Trust Agreement.

"2006 Certificates" means the Water Revenue Certificates of Participation 2006 Series A.

"2006 Supplemental Contract" means the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006, by and between the City and the Authority, and consented to by the Trustee and Financial Guaranty Insurance Company.

"2006 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 2006, by and between the Authority and the Trustee, delivered in connection with the 2006 Certificates.

"2008 Certificate Insurance Policy" means the municipal bond insurance policy issued by the 2008 Certificate Insurer guaranteeing the scheduled payment of principal of and interest evidenced and represented by the 2008 Certificates.

"2008 Certificate Insurer" means Assured Guaranty Corp., its successors and assigns.

"2008 Certificates" means the City of Modesto Water Refunding Revenue Certificates of Participation, 2008 Series A, evidencing and representing proportionate interests of the owners thereof in the 2008 Payments to be made by the City, executed and delivered pursuant to the 2008 Trust Agreement.

"2008 Interest Rate Swap Agreement" means, collectively, the ISDA Master Agreement (Local Currency–Single Jurisdiction 1992), the U.S. Municipal Counterparty Schedule thereto, a Credit Support Annex, and a confirmation each dated as of May 29, 2008, between Bank of America, N.A., as a Qualified Counterparty, and the City.

"2008 Payment Date" means each Interest Payment Date and each day on which payments of principal evidenced and represented by the 2008 Certificates become due (whether at maturity or because of prepayment or acceleration).

"2008 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof.

"2008 Project" means the improvements to the Water Utility System to be refinanced with the proceeds of the 2008 Certificates, as shown on Exhibit A hereto.

"2008 Rebate Fund" means the City of Modesto Water Utility System 2008 Rebate Fund established pursuant to Section 2.06(b) hereof.

"2008 Reimbursement Agreement" means the Reimbursement Agreement (Reserve Fund Surety), dated as of May 1, 2008, by and among the City, the Authority, the Trustee and the 2008 Certificate Insurer, which 2008 Reimbursement Agreement shall constitute a Parity Bank Agreement for purposes of the Master Contract and hereof.

"2008 Supplemental Contract" means this 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

"2008 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.04 hereof.

"2008 Swap Insurance Policy" the interest rate swap insurance policy issued by the 2008 Certificate Insurer guaranteeing certain payments due by the City under the 2008 Interest Rate Swap Agreement.

"2008 Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2008 Certificates executed and delivered by the City on the date of initial delivery of the 2008 Certificates, including any and all exhibits attached thereto.

"2008 Trust Agreement" means that certain Trust Agreement, dated as of May 1, 2008, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

Section 1.02. Definitions in Master Contract and 2008 Trust Agreement. Except as otherwise herein defined or unless the context otherwise requires, the terms defined in the Master Contract or the 2008 Trust Agreement shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein have the meanings defined therein, such definitions to be equally applicable to both the singular and plural forms of any of the terms defined therein. With respect to any defined term which is given a different meaning under this 2008 Supplemental Contract than under the Master Contract or the 2008 Trust Agreement, as used herein it shall have the meaning given herein.

ARTICLE II

TERMS OF THE 2008 SUPPLEMENTAL CONTRACT

Section 2.01. Authority for the 2008 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of this 2008 Supplemental Contract 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 or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 2008 Supplemental Contract in the manner and form provided herein for the financing of the costs of the 2008 Project.

Section 2.02. Purpose of the 2008 Supplemental Contract. The City hereby transfers to the Authority the 2006 Project for the purpose of refinancing and acquiring as the 2008 Project from the Authority hereunder. The City agrees to immediately acquire the 2008 Project from the Authority pursuant to the terms hereof and Section 2.01 of the Master Contract and to provide for the prepayment of all payments due under the 2006 Supplemental Contract in accordance with the terms thereof. Immediately upon payment of the purchase price for the 2008 Project, all right, title and interest in and to each such component of the 2008 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

The City and the Authority do hereby agree that upon the payment of the purchase price as provided in Section 2.04 hereof and the deposit of the proceeds thereof with the Trustee under the 2006 Trust Agreement, the obligations of the City under the 2006 Supplemental Contract shall cease and terminate in accordance with Article VI of the Master Contract, except (i) the obligation of the City to make or cause to be made the 2006 Payments from such amounts deposited pursuant to the 2006 Trust Agreement as and when the same comes due and (ii) the amendments to the Master Contract contained in the 2006 Supplemental Contract remain in full force and effect.

Section 2.03. 2008 Supplemental Contract Payment Account. There is hereby established, within the Parity Obligation Payment Fund, the 2008 Supplemental Contract Payment Account. On or before the third Business Day immediately preceding each 2008 Payment Date or the date on which any net scheduled payment or insured termination payment is due under the 2008 Interest Rate Swap Agreement, the City shall, from the money in the Parity Obligation Payment Fund, deposit in the 2008 Supplemental Contract Payment Account (i) a sum equal to the amount of the interest and principal components of the 2008 Payments becoming due and payable under the 2008 Supplemental Contract on the next succeeding 2006 Payment Date and (ii) the net scheduled payments and any insured termination payment, if applicable, due under the 2008 Interest Rate Swap Agreement, except that no such deposit need be made if the amount then on deposit in the 2008 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2008 Payments becoming due and payable under the 2008 Supplemental Contract on the next succeeding 2008 Payment Date plus the net scheduled payments and any insured termination payment, if applicable, due under the 2008 Interest Rate Swap Agreement on such next succeeding due date therefor. Moneys on deposit in the 2008 Supplemental Contract Payment Account shall (i) be

transferred by the City to the Trustee on the Business Day immediately preceding each 2008 Payment Date to make and satisfy the 2008 Payment due on such 2008 Payment Date and (ii) be transferred by the City to the Trustee on the due date therefor to satisfy the net scheduled payment and any insured termination payment, if applicable, due under the 2008 Interest Rate Swap Agreement, all in accordance with the Master Contract and the 2008 Trust Agreement.

Section 2.04. Payment of 2008 Payments. The City shall, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 2008 Project the sum of $47,625,000, without offset or deduction of any kind, by paying the principal installments of the 2008 Payments annually on October 1 in each year in accordance with Exhibit B attached hereto and incorporated herein, together with interest installments of the 2008 Payments, which interest installments shall be payable in accordance with Section 2.03 hereof in the amounts and on the 2008 Payment Dates so as to enable interest evidenced by the 2008 Certificates to be paid on a timely basis, and which interest shall constitute interest paid on the principal amount of the City's obligation hereunder.

The obligation of the City to pay the 2008 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 2008 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 2008 Payments required to be paid by it under this Section 2.04 when due, whether or not the Water Utility System or any part thereof (including the 2008 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

The City shall receive a credit against its obligation to pay 2008 Payments that constitute Sinking Fund Payments under the 2008 Trust Agreement if, during the 12-month period immediately preceding the Sinking Fund Payment date with respect to such Sinking Fund Payment, the City or the Authority has deposited Term Certificates with the Trustee (together with a request of the Authority or the City to apply such Certificates so deposited to the Sinking Fund Payment due on said Sinking Fund Payment date) and the full principal amount evidenced and represented thereby has been applied to reduce said Sinking Fund Payment in accordance with Section 2.03 of the 2008 Trust Agreement.

In addition to the 2008 Payments, the City shall also pay such amounts ("Additional Payments") as shall be required for the payment of all fees and administrative costs of the Authority and the Trustee under the 2008 Trust Agreement or otherwise relating to the 2008 Certificates, including, without limitation, payments required to satisfy the Rebate Requirement, all expenses, compensation and indemnification of the Authority, the 2008 Certificate Insurer and the Trustee payable hereunder and under the 2008 Trust Agreement, fees of remarketing agents, auditors, accountants, attorneys or engineers, and all other necessary administrative costs of the Authority or charges required to be paid by it to comply with the terms of this 2008 Supplemental Contract, the 2008 Certificates, the 2008 Certificate Insurance Policy, and the 2008 Trust Agreement.

Section 2.05. Prepayment of 2008 Payments.

(a) The City may optionally prepay 2008 Payments as follows:

(1) The City may prepay all or a portion of the 2008 Payments in accordance with Section 6.01(c) of the Master Contract by depositing cash or Federal Securities with the Trustee subject to the terms and conditions set forth in Article IX of the 2008 Trust Agreement, sufficient to pay the principal of, premium, if any, and interest evidenced by the 2008 Certificates to be paid or prepaid with such 2008 Payments; or

(2) The City may prepay all or a portion of the 2008 Payments from any source of available funds, on any date on which 2008 Certificates may be optionally prepaid, by paying (A) all or a portion (in an amount equal to an Authorized Denomination under the 2008 Trust Agreement), as elected by the City, of such 2008 Payments, (B) an amount equal to the accrued but unpaid interest on the 2008 Certificates to be prepaid from the proceeds of such prepaid 2008 Payments to the date of such prepayment, and (C) an amount equal to any premium to be paid upon the optional prepayment of the 2008 Certificates to be prepaid from the proceeds of such prepaid 2008 Payments.

(b) The 2008 Payments shall be subject to mandatory prepayment to the extent required to effect the mandatory prepayment of Liquidity Provider Certificates in accordance with Section 2.03(b) of the 2008 Trust Agreement.

(c) If less than all of the 2008 Payments are prepaid pursuant to this Section 2.05 then, as of the date of such prepayment pursuant to this Section, the schedule of 2008 Payments attached as Exhibit B hereto shall be recalculated by the City in order to take such prepayment into account. The City shall deliver a copy of such revised schedule to the Trustee and such revised schedule shall automatically supersede and replace the previous form of Exhibit B.

(d) Before making any prepayment pursuant to this Section, the City shall give written notice to the Authority specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than 50 days from the date such notice is given; provided, that notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under this article, until the 2008 Payments and all amounts due under the 2008 Reimbursement Agreement shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VI of the Master Contract).

Section 2.06. Establishment of 2008 Rebate Fund. The City hereby agrees to establish and maintain, so long as any 2008 Certificates remain Outstanding, a fund separate from any other fund established and maintained hereunder designated the "City of Modesto Water Utility System 2008 Rebate Fund." All amounts at any time on deposit in the 2008 Rebate Fund shall be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free

and clear of any lien under the Master Contract and the 2008 Supplemental Contract and shall be governed by this Section 2.06 and by the 2008 Tax Certificate.

(1) Within 60 days of the end of each Certificate Year (as such term is defined in the 2008 Tax Certificate), or such other period ending no later than 60 days after the end of the fifth Certificate Year, (i) the City shall calculate or cause to be calculated with respect to the 2008 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Certificate Year, and (ii) the City shall deposit to the 2008 Rebate Fund from amounts on deposit in the Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the 2008 Rebate Fund to be equal to the "rebate amount" so calculated.

The City shall not be required to deposit any amount to the 2008 Rebate Fund in accordance with preceding sentence if the amount on deposit in the 2008 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 2008 Rebate Fund to the extent permitted under paragraph (2) of this Section.

The City shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the 2008 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 2008 Certificates (including amounts treated as proceeds of the 2008 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a 1.5% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 2008 Rebate Fund after payment of all the 2008 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this Section, or provision made therefor, including accrued interest, shall be transferred by the City to the Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this Section to the requirement to calculate the "rebate amount" and make deposits to the 2008 Rebate Fund, the City shall pay to the United States, from amounts on deposit in the 2008 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount"

calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 2008 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this Section shall be made to the Internal Revenue Service on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 2008 Rebate Fund, the amount in the 2008 Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 2008 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this Section, but prior to any deposit made under said subsection, the amount on deposit in the 2008 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City shall transfer the excess from the 2008 Rebate Fund to the Revenue Fund.

(7) The City shall retain records of all determinations made hereunder until six years after the final payment or discharge of all 2008 Certificates.

(8) Notwithstanding anything in the Master Contract or the 2008 Supplemental Contract to the contrary, the Rebate Requirement shall survive the payment in full or discharge of the 2008 Certificates and the 2008 Payments.

Section 2.07. Tax Covenants. The City hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 2008 Payments constituting interest under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the 2008 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2008 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 2008 Payments constituting interest.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 2008 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 2008 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2008 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 2008 Certificates

on other obligations delivered in connection with the 2008 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2008 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 2008 Supplemental Contract as "governmental bonds."

The City shall not, directly or indirectly, use or permit the use of any proceeds of the 2008 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 2008 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2008 Supplemental Contract.

The City shall not make any use of the proceeds of the 2008 Supplemental Contract or any other funds of the City, or take or omit to take any other action, that would cause the 2008 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the 2008 Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or discharge of the 2008 Certificates and the 2008 Payments.

The Authority and the City covenant that, in the event of any change in the 2008 Trust Agreement, this 2008 Supplemental Contract or other relevant documents relating to the 2008 Certificates, or any other actions taken or omitted by the City or the Authority, upon the advice or with the approving opinion of Special Counsel other than Sidley Austin LLP, Special Counsel in connection with the original execution and delivery of the 2008 Certificates, the Authority and the City will, upon the making of any such change, or the taking or omission of any such other action, cause to be delivered an opinion of Special Counsel (together with a reliance letter thereon addressed to the 2008 Certificate Insurer and the Trustee) nationally recognized in the area of municipal bonds to the effect that the portion of each 2008 Payment due under this 2008 Supplemental Contract designated as and comprising interest with respect to the 2008 Certificates is excluded from gross income for federal income tax purposes.

Section 2.08. Continuing Disclosure. So long as the Bonds are in a Daily Mode or Weekly Mode, the City shall have no continuing disclosure obligation hereunder. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement delivered in connection with the execution and delivery of the 2008 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure

of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Master Contract or hereunder.

Section 2.09. Provisions Related to the 2008 Certificate Insurance Policy. For so long as, and only during such time as, the 2008 Certificate Insurance Policy is in effect and the 2008 Certificate Insurer is not in default thereunder, the following provisions shall be in effect, and any conflict between the provisions of this Section 2.09 and the provisions of any other Section hereof shall be governed by the provisions of this Section 2.09:

(a) In determining whether a payment default has occurred hereunder, or whether a 2008 Payment has been made hereunder, no effect shall be given to payments made under the 2008 Certificate Insurance Policy.

(b) Any acceleration of the unpaid 2008 Payments pursuant to Section 5.01 of the Master Contract or any annulment thereof shall be subject to the prior written consent of the 2008 Certificate Insurer.

(c) Neither the City nor the Authority will use the 2008 Certificate Insurer's name in any public document including, without limitation, a press release or presentation, announcement or forum without the 2008 Certificate Insurer's prior consent; provided, however, such prohibition on the use of the 2008 Certificate Insurer's name shall not relate to the use of the 2008 Certificate Insurer's standard approved form of disclosure in public documents issued in connection with the 2008 Certificates to be issued in accordance with the terms of the 2008 Certificate Insurer's commitment letter; and provided further such prohibition shall not apply to the use of the 2008 Certificate Insurer's name in order to comply with public notice, public meeting or public reporting requirements.

(d) The 2008 Certificate Insurer shall be a third-party beneficiary of this 2008 Supplemental Contract.

(e) The Authority and the City shall provide the 2008 Certificate Insurer with a copy of any notice required to be given by such party hereunder, such notice to be delivered at the address for the 2008 Certificate Insurer set forth in the 2008 Trust Agreement.

Section 2.10. 2008 Interest Rate Swap Agreement.

(a) The City and the Authority hereby agree and acknowledge that the 2008 Interest Rate Swap Agreement (excluding the obligations thereunder to post collateral under certain circumstances and to make termination payments upon any early termination event or event of default except to the extent such termination payment is insured under the terms of the 2008 Swap Insurance Policy) constitutes a Parity Payment Agreement and a Parity Obligation payable solely from and secured by a pledge of Gross Revenues on a parity with all other existing and future Parity Obligations. The City and the Authority hereby agree and acknowledge that obligations under the 2008 Interest Rate Swap Agreement to post collateral under certain circumstances or to make termination payments upon an early termination event or event of default under the 2008 Interest Rate Swap Agreement (other than to the extent such termination payment is insured under the terms of the 2008 Swap Insurance Policy) are Subordinate Obligations payable solely from and secured by a pledge of Gross Revenues on a subordinate

basis to the Parity Obligations. Amounts payable by the City as a termination payment under the 2008 Interest Rate Swap Agreement upon an event of default with respect to the City thereunder and the designation of an early termination by the 2008 Certificate Insurer pursuant to the terms of the 2008 Interest Rate Swap Agreement (which payments are insured under the terms of the 2008 Swap Insurance Policy) constitute a Parity Obligation payable solely from and secured by a pledge of Gross Revenues on a parity with all other existing and future Parity Obligations. In the event any obligation of the City to post collateral or to make payments upon an early termination or event of default under the 2008 Interest Rate Swap Agreement constituting a Subordinate Obligation shall arise, the City shall establish a fund as necessary for the purpose of satisfying such obligation. As provided and on the dates under Section 2.04 of the Master Contract and Section 2.03 hereof, the City shall from the money in the Revenue Fund deposit in the 2008 Supplemental Contract Payment Account of the Parity Obligation Payment Fund a sum equal to the scheduled payments next due on the 2008 Interest Rate Swap Agreement. The City shall not be required to advance any moneys derived from any source of income other than the Gross Revenues for the payments due under the 2008 Interest Rate Swap Agreement or for the performance of any agreements or covenants required to be performed by it contained in the 2008 Interest Rate Swap Agreement. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payments under the 2008 Interest Rate Swap Agreement.

(b) Any interest rate swap agreements relating to the 2008 Certificates entered after the date hereof shall meet the following conditions (unless otherwise agreed to by the 2008 Certificate Insurer in writing): (i) the interest rate swap agreement must be entered into to manage interest costs related to, or a hedge against (a) assets then held, (b) debt then outstanding, or (c) debt reasonably expected to be issued or incurred within thirty-six months of the proposed interest rate swap, and (ii) the interest rate swap agreement shall not contain any leverage element or multiplier component greater than 1.0x unless there is a matching hedge arrangement which effectively off-sets the exposure from any such element or component. Unless otherwise consented to in writing by 2008 Certificate Insurer, the net settlement, breakage or other termination amount then in effect shall be subordinate to debt service on the 2008 Certificates and on any debt on a parity with the 2008 Certificates, provided, that any insured termination amounts shall be on a parity with the interest rate swap obligations and any uninsured termination amounts shall be subordinate to the interest rate swap obligations and on any debt on a parity with the interest rate swap obligations. The City shall not terminate interest rate swap agreement unless it demonstrates to the satisfaction of the 2008 Certificate Insurer prior to the payment of any such termination amount that (a) such payment will not cause the City to be in default of the interest rate swap agreement, and (b) such payment will not cause the City to be in default under any financing agreement, as such agreement may be amended or supplemented, including but not limited to, any monetary obligations thereunder. All counterparties or guarantors to the interest rate swap agreement must have a rating of at least "A" and "A2" by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's"). If the counterparty or guarantor's rating falls below "A-" or "A3" by either S&P or Moody's, the counterparty or guarantor shall execute a credit support annex to the interest rate swap agreement, which credit support annex shall be acceptable to the 2008 Certificate Insurer. If the counterparty or the guarantor's long term unsecured rating falls below "Baa3" or "BBB-" by either Moody's or S&P, a replacement counterparty or guarantor, acceptable to the 2008 Certificate Insurer, shall be required.

Section 2.11. Maintaining Liquidity Facility. The City agrees that at any time when the 2008 Certificates bear interest in a Daily Mode, a Weekly Mode, a Flexible Mode or a Term Mode, it will maintain a Liquidity Facility, as required by Section 3.11 of the 2008 Trust Agreement, acceptable to the 2008 Certificate Insurer, in the Required Stated Amount or in such other amount as may be required by the 2008 Certificate Insurer and the Rating Agencies then rating the 2008 Certificates. The City shall replace such Liquidity Facility if the Liquidity Facility's rating is withdrawn, suspended or lowered below a rating that is acceptable to the 2008 Certificate Insurer. The City covenants that it will not voluntarily terminate a Liquidity Facility then in effect without either: (i) providing for an Alternate Liquidity Facility prior to the effective date of the termination; or (ii) converting the Daily Mode, Weekly Mode, Flexible Mode or Term Mode to a Fixed Rate Mode. If 2008 Certificates bearing interest in the Daily Mode, the Weekly Mode, the Flexible Mode or the Term Mode are then Outstanding, the Trustee shall not release the applicable Liquidity Facility until it has received the Alternate Liquidity Facility. The City shall give, or cause to be given pursuant to Section 3.11(d) of the 2008 Trust Agreement, written notice of its intention to terminate a Liquidity Facility and exercise its option to provide an Alternate Liquidity Facility to the Trustee and each of the other Notice Parties 30 days before the proposed termination date of the Liquidity Facility and the effective date of such Alternate Liquidity Facility. The City shall provide notice of any expiration, termination, extension or substitution of the Liquidity Facility to the Rating Agencies.

ARTICLE III

MISCELLANEOUS

Section 3.01. Terms of the 2008 Supplemental Contract Subject to the Master Contract. This 2008 Supplemental Contract constitutes a Parity Obligation and a Supplemental Contract under the Master Contract and, as such, shall be subject to the provisions of the Master Contract and shall have all of the advantages, benefits, interests and security afforded Parity Obligations and Supplemental Contracts pursuant to the Master Contract. Every term and condition contained in the Master Contract shall apply to the 2008 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 2008 Supplemental Contract.

Section 3.02. Assignment of the 2008 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the 2008 Trust Agreement, all of the 2008 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee shall not assume any responsibilities for any duties or covenants or warranties of the Authority hereunder.

Section 3.03. 2006 Amendments. Notwithstanding anything to the contrary herein, the amendments to the Master Contract contained in the 2006 Supplemental Contract remain in full force and effect.

Section 3.04. California Law. This 2008 Supplemental Contract shall be construed and governed in accordance with the laws of the State of California.

IN WITNESS WHEREOF, the parties hereto have executed and attested this 2008 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF MODESTO

By _____
Finance Director/Treasurer

Attest:

_____
City Clerk

MODESTO PUBLIC FINANCING AUTHORITY

By _____
Auditor and Treasurer

Attest:

_____
Secretary

EXHIBIT A

Description of the 2008 Project

The City is proposing to refinance the costs of improvements made by the City in connection with the expansion of the Modesto Regional Water Treatment Plant (MRWTP), including the construction of several new downstream water facilities, and various water distribution system improvements to the Water System to ensure the reliability of water supply to both existing and future customers. The 2008 Project includes refinancing the acquisition of land and right-of-way, and design and construction costs related to the new facilities and improvements. The facilities included the acquisition, construction and installation of three storage tanks and connecting transmission facilities, construction and improvement of transmission/distribution mains and associated pump stations, and installation of motor-operated control valves which will control the flow of treated surface water from the MRWTP to the City system. The facilities and improvements refinanced as the 2008 Project helped replace lost reliable groundwater production capacity, improve the City's ability to maintain desired system operational pressures during high demand periods and meet other operational criteria. These facilities improved system distribution capabilities to future customers.

EXHIBIT B

Schedule of Principal Installments
Relating to
2008 Payments

Principal Payment Date (October 1)	Principal Installment
2008	$ 290,000
2009	285,000
2010	285,000
2011	285,000
2012	310,000
2013	310,000
2014	340,000
2015	340,000
2016	365,000
2017	365,000
2018	395,000
2019	395,000
2020	395,000
2021	425,000
2022	450,000
2023	2,300,000
2024	2,410,000
2025	2,515,000
2026	2,595,000
2027	2,705,000
2028	2,810,000
2029	2,945,000
2030	3,055,000
2031	3,185,000
2032	3,295,000
2033	3,430,000
2034	3,570,000
2035	3,705,000
2036	3,870,000
	$47,625,000

Pursuant to Section 2.03 of the 2008 Supplemental Contract, the 2008 Payments should be made no later than 3 Business Days preceding the due date therefor. In addition to the foregoing principal payments, the 2008 Payments shall include interest payable on each Interest Payment Date under the 2008 Trust Agreement in an amount equal to the interest due on the 2008 Certificates on each Interest Payment Date.

ASSURED GUARANTY

ENDURING FINANCIAL STRENGTH℠
AAA S&P • Aaa Moody's • AAA Fitch

Financial Guaranty Insurance Policy

Issuer:	City of Modesto, California	**Policy No.:**	D-2008-461
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation 2008 Series A	**Premium:**	$826,615.80
		Effective Date:	May 30, 2008

Assured Guaranty Corp., a Maryland corporation (**"Assured Guaranty"**), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the **"Trustee"**) or the paying agent (the **"Paying Agent"**) for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. **"Avoided Payment"** means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. **"Business Day"** means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. **"Due for Payment"** means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. **"Holder"** means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. **"Insured Payments"** means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. **"Nonpayment"** means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. **"Receipt"** or **"Received"** means actual receipt or notice of or, if notice is given by

Assured Guaranty Corp.

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fax 212 581 3268

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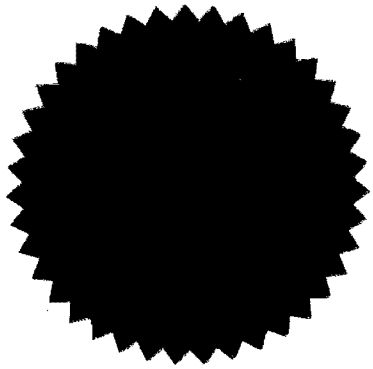
overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. **"Term"** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the **"Fiscal Agent"**) for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.



ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:

_____
Counsel

NOTICE OF NONPAYMENT

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Attention: Risk Management Department - Public Finance Surveillance and General Counsel

The undersigned, [a duly authorized officer of [TRUSTEE][PAYING AGENT]] (the **"Trustee"** or the **"Paying Agent"**), hereby certifies to Assured Guaranty Corp. (**"Assured Guaranty"**) with reference to Financial Guaranty Insurance Policy No. _____ (the **"Policy"**), that:

(i) The deficiency with respect to the Insured Payment that is Due for Payment and unpaid by reason of Nonpayment on [insert applicable payment date] is $[insert applicable amount] (the **"Deficiency Amount"**).

(ii) The [Trustee][Paying Agent] is making a claim under the Policy for the Deficiency Amount.

(iii) The [Trustee][Paying Agent] agrees that, following payment by Assured Guaranty made with respect to the Deficiency Amount which is the subject of this Notice of Nonpayment, it will (a) cause such amounts to be applied directly to the payment of the applicable Insured Payment; (b) insure that such funds are not applied for any other purpose; and (c) cause an accurate record of such payment to be maintained with respect to the appropriate Insured Payment(s), the corresponding claim on the Policy, and the proceeds of such claim.

(iv) The [Trustee][Paying Agent], on behalf of the Holders, hereby assigns to Assured Guaranty all rights of the [Trustee][Paying Agent] and the Holders with respect to the Obligations to the extent of any payments under the Policy, including without limitation any amounts due to the Holders in respect of securities law violations arising from the offer and/or sale of the Obligations; provided, that payments to Assured Guaranty in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all payments in respect of the Obligations. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to Assured Guaranty in respect of such payments. The [Trustee][Paying Agent][Holder] shall take such action and deliver such instruments as may be reasonably requested or required by Assured Guaranty to effectuate the purpose or provisions of this paragraph (iv).

(v) The [Trustee][Paying Agent], on its behalf and on behalf of the Holders, hereby appoints Assured Guaranty as agent and attorney-in-fact for the [Trustee][Paying Agent] and each such Holder in any legal proceeding with respect to the Obligations. The [Trustee][Paying Agent] hereby agrees that, so long as Assured Guaranty shall not be in default in its payment obligations under the Policy, Assured Guaranty may at any time during the continuation of any proceeding by or against the Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an **"Insolvency Proceeding"**) direct all matters relating to such Insolvency Proceeding, including, without limitation, (A) all matters relating to any claim in connection with an Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to the Obligations (a **"Preference Amount"**), (B) the direction of any appeal of any order relating to any Preference Amount at the expense of Assured Guaranty but subject to reimbursement as provided in the documentation providing for the issuance of and securing the Obligations, if any, and (C) the posting of any surety, supersedeas or performance bond pending any appeal. In addition, the [Trustee][Paying Agent] hereby agrees that Assured Guaranty shall be fully subrogated to, and the [Trustee][Paying Agent] on its behalf and on behalf of each Holder, hereby delegates and assigns, to the fullest extent permitted by law, the rights of the [Trustee][Paying Agent] and each Holder in the conduct of any Insolvency Proceeding, including without limitation all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(vi) Payment should be made by credit to the following account:

_____

_____

Capitalized terms used in this Notice of Nonpayment and not otherwise defined herein shall have the respective meanings ascribed thereto in the Policy.

This Notice of Nonpayment may be revoked at any time by written notice of such revocation by the [Trustee][Paying Agent][Holder] to the Assured Guaranty.

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SHALL ALSO BE SUBJECT TO A CIVIL PENALTY NOT TO EXCEED FIVE THOUSAND DOLLARS AND THE STATED VALUE OF THE CLAIM FOR EACH SUCH VIOLATION.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Nonpayment as of the __ day of _____ of ____.

[TRUSTEE/PAYING AGENT]

By:_____
Name:
Title:

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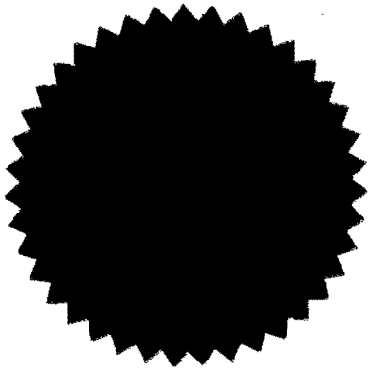
Endorsement to Financial Guaranty Insurance Policy
(California Insurance Guaranty Association)

Issuer:	City of Modesto, California	Policy No.	D-2008-461
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	May 30, 2008

Notwithstanding the terms and provisions contained in the Policy, it is further understood that the insurance provided by the Policy to which this endorsement is attached and of which it forms a part is not covered by the California Insurance Guaranty Association, established pursuant to the laws of the State of California (California Insurance Code, Article 15.2).

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this endorsement shall supersede the Policy language.

IN WITNESS WHEREOF, Assured Guaranty has caused this endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.



ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:

_____
Counsel

Form E-CA001 (05/07)

Assured Guaranty Corp.

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Endorsement to Financial Guaranty Insurance Policy
(California Business Day)

Issuer:	City of Modesto, California	Policy No.	D-2008-461
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	May 30, 2008

Notwithstanding the terms and provisions contained in the Policy, the Policy to which this endorsement is attached and of which it forms a part is hereby amended to provide that the term "Business Day" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York, the State of Maryland or the State of California.

It is further understood the Policy to which this endorsement is attached and of which it forms a part is hereby amended to provide that a Notice will be deemed to be Received on a given Business Day if it is Received prior to 12:00 noon (Pacific Standard time) on such Business Day; otherwise it will be deemed Received on the next Business Day.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this endorsement shall supersede the Policy language.

IN WITNESS WHEREOF, Assured Guaranty has caused this endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.

ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:

_____
Counsel

Form E-CA002 (05/07)

Assured Guaranty Corp.

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Endorsement to Financial Guaranty Insurance Policy
(California Governing Law)

Issuer:	City of Modesto, California	Policy No.	D-2008-461
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	May 30, 2008

Notwithstanding the terms and provisions contained in the Policy, it is further understood that the insurance provided by the Policy to which this endorsement is attached and of which it forms a part shall be governed by, and shall be construed in accordance with, the laws of the State of California.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language the terms of this endorsement shall supersede the Policy language.

IN WITNESS WHEREOF, Assured Guaranty has caused this endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.

ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:
_____
Counsel

Form E-CA003 (05/07)

Assured Guaranty Corp.

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Financial Guaranty Insurance Policy
(Reserve Fund)

Issuer:	City of Modesto, California	**Policy No.:**	D-2008-462
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation 2008 Series A	**Premium:**	$62,475.38
Policy Limit:	The lesser of (i) $2,082,512.74 or (ii) the reserve requirement as set forth in the Transaction Documentation. The Policy Limit shall automatically and irrevocably be reduced from time to time by the amount of each reduction in the reserve fund requirement, as provided in the Transaction Documentation.	**Effective Date:**	May 30, 2008

Assured Guaranty Corp., a Maryland corporation ("**Assured Guaranty**"), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the "**Trustee**") or the paying agent (the "**Paying Agent**") for the Obligations (as set forth in the Transaction Documentation), for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments only upon receipt by Assured Guaranty, in form reasonably satisfactory to it of (i) evidence of the Trustee or Paying Agent's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Trustee or Paying Agent's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such payment, Assured Guaranty shall become entitled to reimbursement of the amount so paid (together with interest and expenses) pursuant to the Reimbursement Agreement. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against any risk other than Nonpayment.

The amount available under this Policy shall not exceed the Policy Limit. The amount available at any particular time to be paid to the Trustee or the Paying Agent under the terms of this Policy shall automatically be reduced by any payment under the Policy. However, after such payment, the amount available under this Policy shall be reinstated in full or in part, but only up to the Policy Limit, to the extent of the reimbursement of such payment (exclusive of interest and expenses) to Assured Guaranty pursuant to the Reimbursement Agreement. Within three (3) Business Days of such reimbursement, Assured Guaranty shall provide the Trustee or the Paying Agent with a Notice of Reinstatement and such reinstatement shall be effective as of the date Assured Guaranty gives such notice.

If the amount payable under this Policy is also payable under another insurance policy or surety bond insuring the Obligations, payment first shall be made under this Policy to the extent of the amount available under this Policy up to the Policy Limit. In no event shall Assured Guaranty incur duplicate liability for the same amounts owing with respect to the Obligations that are covered under this Policy and any other insurance policy or surety bond that Assured Guaranty has issued.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. "**Avoided Payment**" means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. "**Business Day**" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. "**Due for Payment**" means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment

Assured Guaranty Corp.

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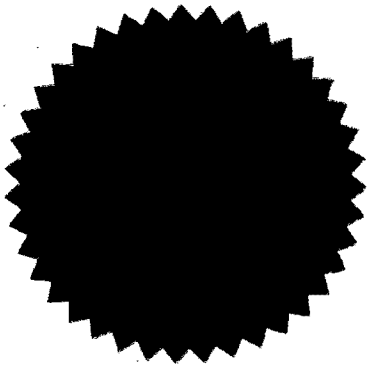
is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and means (ii) when referring to interest on an Obligation, the stated date for payment of such interest. **"Holder"** means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. **"Insured Payments"** means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. **"Nonpayment"** means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. **"Notice of Reinstatement"** means the notice from Assured Guaranty to the Trustee or the Paying Agent reinstating the Policy coverage in an amount not greater than the Policy Limit. **"Receipt"** or **"Received"** means actual receipt or notice of or, if notice is given by overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. **"Reimbursement Agreement"** shall mean the Reimbursement Agreement between the Issuer or the obligor on the Obligations, as applicable, and Assured Guaranty, effective as of the date hereof. **"Term"** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations. **"Transaction Documentation"** means the documentation providing for the issuance of and securing the Obligations.

At any time during the Term of the Policy, Assured Guaranty may appoint a fiscal agent (the **"Fiscal Agent"**) for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. **THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW.** This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.



ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:

_____
Counsel

EXHIBIT A

NOTICE OF NONPAYMENT

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Attention: Risk Management Department-Public Finance Surveillance and General Counsel

The undersigned, [a duly authorized officer of [TRUSTEE] [PAYING AGENT] (the **"Trustee"** or the **"Paying Agent"**), hereby certifies to Assured Guaranty Corp. (**"Assured Guaranty"**) with reference to Financial Guaranty Insurance Policy (Reserve Fund) No. _____ (the **"Policy"**), that:

(i) The deficiency with respect to the Insured Payment that is Due for Payment and unpaid by reason of Nonpayment on [insert applicable payment date] is $[insert applicable amount] (the **"Deficiency Amount"**).

(ii) The reserve fund requirement for the Obligations is $_____.

(iii) The [Trustee][Paying Agent] is making a demand for payment under the Policy for the Deficiency Amount.

(iv) The [Trustee][Paying Agent] agrees that, following payment by Assured Guaranty made with respect to the Deficiency Amount which is the subject of this Notice of Nonpayment, it will (a) cause such amounts to be applied directly to the payment of the applicable Insured Payment; (b) insure that such funds are not applied for any other purpose; and (c) cause an accurate record of such payment to be maintained with respect to the appropriate Insured Payment(s), the corresponding claim on the Policy, and the proceeds of such claim.

(v) The [Trustee][Paying Agent], on behalf of the Holders, hereby assigns to Assured Guaranty all rights of the [Trustee][Paying Agent] and the Holders with respect to the Obligations to the extent of any payments under the Policy, including without limitation any amounts due to the Holders in respect of securities law violations arising from the offer and/or sale of the Obligations; provided, that payments to Assured Guaranty in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all payments in respect of the Obligations. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to Assured Guaranty in respect of such payments. The [Trustee][Paying Agent] shall take such action and deliver such instruments as may be reasonably requested or required by Assured Guaranty to effectuate the purpose or provisions of this paragraph (v).

(vi) The [Trustee][Paying Agent], on its behalf and on behalf of the Holders, hereby appoints Assured Guaranty as agent and attorney-in-fact for the [Trustee][Paying Agent] and each such Holder in any legal proceeding with respect to the Obligations. The [Trustee][Paying Agent] hereby agrees that, so long as Assured Guaranty shall not be in default in its payment obligations under the Policy, Assured Guaranty may at any time during the continuation of any proceeding by or against the Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an **"Insolvency Proceeding"**) direct all matters relating to such Insolvency Proceeding, including, without limitation, (A) all matters relating to any claim in connection with an Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to the Obligations (a **"Preference Amount"**), (B) the direction of any appeal of any order relating to any Preference Amount at the expense of Assured Guaranty but subject to reimbursement as set forth in the Transaction Documentation (as defined in the Policy), if any, and (C) the posting of any surety, supersedeas or performance bond pending any appeal. In addition, the [Trustee][Paying Agent] hereby agrees that Assured Guaranty shall be fully subrogated to, and the [Trustee][Paying Agent] on its behalf and on behalf of each Holder, hereby delegates and assigns, to the fullest extent permitted by law, the rights of the [Trustee][Paying Agent] and each Holder in the conduct of any Insolvency Proceeding, including without limitation all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(vii) Payment should be made by credit to the following account:

_____

_____

Capitalized terms used in this Notice of Nonpayment and not otherwise defined herein shall have the respective meanings ascribed thereto in the Policy.

This Notice of Nonpayment may be revoked at any time by written notice of such revocation by the [Trustee][Paying Agent] to the Assured Guaranty, if and only to the extent that moneys are actually received prior to any such revocation from a source other than Assured Guaranty with respect to the Deficiency set forth herein.

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SHALL ALSO BE SUBJECT TO A CIVIL PENALTY NOT TO EXCEED FIVE THOUSAND DOLLARS AND THE STATED VALUE OF THE CLAIM FOR EACH SUCH VIOLATION.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Nonpayment as of the __ day of _____ of 20__.

[TRUSTEE /PAYING AGENT]

By:_____
Name:
Title:

EXHIBIT B

NOTICE OF REINSTATEMENT

[DATE]

[TRUSTEE] [PAYING AGENT]
[INSERT ADDRESS]

Reference is made to the Financial Guaranty Insurance Policy (Reserve Fund) No. _____ (the "**Policy**") issued by Assured Guaranty Corp. ("**Assured Guaranty**"). The terms which are capitalized herein and not otherwise defined have the meanings specified in the Policy.

Assured Guaranty hereby delivers notice that it is in receipt of payment from the [Issuer][Obligor] pursuant to the Reimbursement Agreement and, as of the date hereof the Policy coverage is $_____, subject to a reduction as the reserve fund requirement is reduced pursuant to the terms set forth in the Transaction Documentation (as defined in the Policy).

ASSURED GUARANTY CORP.

By:_____
Name:
Title:

ASSURED GUARANTY®

ENDURING FINANCIAL STRENGTH™
AAA S&P • Aaa Moody's • AAA Fitch

Endorsement to Financial Guaranty Insurance Policy
(California Insurance Guaranty Association)

Issuer:	City of Modesto, California	Policy No.	D-2008-462
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	May 30, 2008

Notwithstanding the terms and provisions contained in the Policy, it is further understood that the insurance provided by the Policy to which this endorsement is attached and of which it forms a part is not covered by the California Insurance Guaranty Association, established pursuant to the laws of the State of California (California Insurance Code, Article 15.2).

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this endorsement shall supersede the Policy language.

IN WITNESS WHEREOF, Assured Guaranty has caused this endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.

ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:

_____
Counsel

Form E-CA001 (05/07)

Assured Guaranty Corp.

1325 Avenue of the Americas
New York, NY 10019

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fax 212 581 3268

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www.assuredguaranty.com

ASSURED GUARANTY®

ENDURING FINANCIAL STRENGTH™
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Endorsement to Financial Guaranty Insurance Policy
(California Business Day)

Issuer:	City of Modesto, California	Policy No.	D-2008-462
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	May 30, 2008

Notwithstanding the terms and provisions contained in the Policy, the Policy to which this endorsement is attached and of which it forms a part is hereby amended to provide that the term "Business Day" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York, the State of Maryland or the State of California.

It is further understood the Policy to which this endorsement is attached and of which it forms a part is hereby amended to provide that a Notice will be deemed to be Received on a given Business Day if it is Received prior to 12:00 noon (Pacific Standard time) on such Business Day; otherwise it will be deemed Received on the next Business Day.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this endorsement shall supersede the Policy language.

IN WITNESS WHEREOF, Assured Guaranty has caused this endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.

ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:

_____
Counsel

Form E-CA002 (05/07)

Assured Guaranty Corp.

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ASSURED GUARANTY®
ENDURING FINANCIAL STRENGTH℠
AAA S&P • Aaa Moody's • AAA Fitch

Endorsement to Financial Guaranty Insurance Policy
(California Governing Law)

Issuer:	City of Modesto, California	Policy No.	D-2008-462
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	May 30, 2008

Notwithstanding the terms and provisions contained in the Policy, it is further understood that the insurance provided by the Policy to which this endorsement is attached and of which it forms a part shall be governed by, and shall be construed in accordance with, the laws of the State of California.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language the terms of this endorsement shall supersede the Policy language.

IN WITNESS WHEREOF, Assured Guaranty has caused this endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.

ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:
_____
Counsel

Form E-CA003 (05/07)

Assured Guaranty Corp.

1325 Avenue of the Americas
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WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

Evidencing and Representing a Proportionate Interest of the Owner Hereof in 2008 Payments to be made by the City of Modesto to the Modesto Public Financing Authority

Unless this certificate is presented by an authorized representative of The Depository Trust Company a New York corporation ("DTC"), to the Trustee or its agent 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.

No. R-1 $46,765,000

Interest Rate	Certificate Payment Date	Dated Date	CUSIP	Substitution Date
Variable	October 1, 2036	May 30, 2008	607804 AC5	July 14, 2011

SPECIMEN

REGISTERED OWNER: CEDE & CO.

PRINCIPAL SUM: FORTY SIX MILLION SEVEN HUNDRED SIXTY FIVE THOUSAND DOLLARS

THIS IS TO CERTIFY that the registered owner set forth above of this Water Refunding Revenue Certificate of Participation, 2008 Series A (this "Certificate"), is the owner of a proportionate interest in the 2008 Payments (as that term is defined in the Trust Agreement hereinafter mentioned) made under and pursuant to that certain Master Installment Purchase Contract executed and entered into as of November 1, 1997, as heretofore supplemented and as supplemented by that certain 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, each by and between the City of Modesto, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") and the Modesto Public Financing Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority") (which Master Installment Purchase Contract as so supplemented is referred to herein as the "Contract"), all of which rights in the 2008 Payments have been assigned by the Authority to The Bank of New York Mellon Trust Company, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or any other bank or trust company which may at any time be substituted in place of the original trustee as provided in the Trust Agreement hereinafter mentioned (the "Trustee").

Capitalized terms used in this Certificate but not otherwise defined shall have the meanings assigned to them in the Trust Agreement.

The registered owner of this Certificate is entitled to receive, subject to the terms of the Contract and any right of prepayment prior thereto hereinafter provided for, on the Certificate Payment Date set forth above, upon surrender of this Certificate on such Certificate Payment Date or on the date of prepayment prior thereto at the corporate trust office of the Trustee, the principal sum set forth above, representing the registered owner's proportionate share of the 2008 Payments constituting principal installments with respect to Certificates becoming due and payable on such Certificate Payment Date or on the date of prepayment prior thereto, and to receive an interest installment on such principal installment on each Interest Payment Date to the respective Certificate Payment Date or date of prepayment prior thereto. While this Certificate is in a Daily Mode or a Weekly Mode, the Interest Payment Date shall be the first Business Day of the month. Payment of interest evidenced by this Certificate shall be made to the person appearing on the registration books of the Trustee as the Owner thereof as of the close of business on the applicable Record Date, such interest to be payable on each Interest Payment Date by the Trustee (i) by check mailed on such Interest Payment Date to such Owner's address as it appears on the registration books of the Trustee at the close of business on the Record Date or (ii) by wire transfer to any Owner of at least $1,000,000 aggregate principal amount of Certificates according to the written instructions provided by such Owner on or prior to the applicable Record Date to the Trustee, which written instructions shall remain in effect until revised by such Owner by an instrument in writing delivered to the Trustee. Interest evidenced by this Certificate shall accrue from and including the Interest Accrual Date immediately preceding the date of authentication hereof, or, if such date of authentication shall be an Interest Accrual Date, from such Interest Accrual Date or, if such date of authentication shall be prior to the second Interest Accrual Date, from the Delivery Date.

SPECIMEN

This Certificate is one of the duly authorized certificates of participation aggregating $46,765,000, which have been executed by the Trustee under and pursuant to the provisions of a Trust Agreement, dated as of May 1, 2008, as amended and restated by an Amended and Restated Trust Agreement, dated July 14, 2011 (the "Trust Agreement"), between the Authority and the Trustee. Copies of the Trust Agreement are on file at the corporate trust office of the Trustee in San Francisco, California and reference is hereby made to the Trust Agreement and to any and all amendments thereof and supplements thereto for a description of the covenants and pledges securing the 2008 Payments and the Certificates, for the nature, extent and manner of enforcement of such covenants and pledges, for the rights and remedies of the registered owners of the Certificates with respect thereto and for the other conditions and terms upon which the Certificates are executed and delivered thereunder.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto, but no such amendment shall (1) extend the Certificate Payment Date of this Certificate, or change the payment dates of, or reduce the rate of interest or principal or prepayment premium, if any, evidenced and represented hereby, without the express written consent of the registered owner hereof, or (2) reduce the percentage of Certificates required for the written consent to any amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Certificates are delivered as fully registered Certificates in Authorized Denominations. This Certificate is being issued initially in a Weekly Mode and so long as this Certificate shall remain in a Weekly Mode, this Certificate shall bear interest at a Weekly Rate determined by the provisions of the Trust Agreement.

As provided in and subject to the terms and conditions of the Trust Agreement, the Certificates may, from time to time, be changed from a Weekly Mode to a Daily Mode, a Flexible Mode, a Term Rate Mode or a Fixed Rate Mode.

Except in the event of serialization of the Certificates in accordance with the provisions of the Trust Agreement, the Certificates are subject to mandatory prepayment from Sinking Fund Payments prior to their Maturity Date, in part by lot, on October 1 of each year on and after October 1, 2008, in accordance with the schedule set forth below upon notice as provided in the Trust Agreement, from and in the amount of the principal installment of the 2008 Payments due and payable on such dates, at a prepayment price equal to the sum of the principal amount evidenced and represented thereby plus accrued and unpaid interest evidenced and represented thereby to the Prepayment Date, without a prepayment premium.

SPECIMEN

Sinking Fund Payments

Mandatory Sinking Fund Payment Date (October 1)	Sinking Fund Payment	Mandatory Sinking Fund Payment Date (October 1)	Sinking Fund Payment
2008	$290,000	2023	$2,300,000
2009	285,000	2024	2,410,000
2010	285,000	2025	2,515,000
2011	285,000	2026	2,595,000
2012	310,000	2027	2,705,000
2013	310,000	2028	2,810,000
2014	340,000	2029	2,945,000
2015	340,000	2030	3,055,000
2016	365,000	2031	3,185,000
2017	365,000	2032	3,295,000
2018	395,000	2033	3,430,000
2019	395,000	2034	3,570,000
2020	395,000	2035	3,705,000
2021	425,000	2036	3,870,000
2022	450,000		

Additionally, if any portion of this Certificate has been optionally prepaid as described in the succeeding paragraph, the amounts of such Sinking Fund Payments shall be reduced as directed by the Authority, or if not so directed, proportionately in increments of Authorized Denominations by the principal amount evidenced and represented by all such Certificates so optionally prepaid.

Each Certificate in a Daily Mode or a Weekly Mode shall be subject to prepayment at the option of the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a prepayment price equal to 100% of the principal amount thereof, plus, accrued interest, if any, to the Prepayment Date, without premium.

Notice of prepayment of any Certificate selected for prepayment shall be given by first-class mail not less than 30 days nor more than 60 days before the prepayment date to the registered owner hereof, subject to and in accordance with provisions of the Trust Agreement with respect thereto. If notice of prepayment has been duly given and money for the payment of the prepayment price is held by the Trustee, then this Certificate shall, on the prepayment date designated in such notice, become due and payable, and from and after the date so designated interest evidenced and represented by this Certificate shall cease to accrue, and the registered owner of this Certificate shall have no rights with respect hereto except to receive payment of the prepayment price hereof.

This Certificate is transferable on the books to be kept for that purpose at the above-mentioned office of the Trustee by the registered owner hereof in person or by his duly authorized attorney upon payment of the charges provided in the Trust Agreement and upon surrender of this Certificate for cancellation accompanied by delivery of a duly executed written instrument of transfer in a form acceptable to the Trustee, and thereupon a new Certificate or Certificates of the same Certificate Payment Date evidencing and representing a like aggregate principal amount in Authorized Denominations will be delivered to the transferee. This Certificate may be exchanged at the above-mentioned office of the Trustee upon payment of the charges provided in the Trust Agreement for a like aggregate principal amount of Certificates of the same Certificate Payment Date of other Authorized Denominations. The Trustee may deem and treat the registered owner hereof as the absolute owner hereof for the purpose of receiving payment of the interest and principal evidenced and represented hereby and for all other purposes, whether this Certificate shall be overdue or not, and the Trustee shall not be affected by any notice or knowledge to the contrary; and payment of the interest and principal and prepayment premium, if any, evidenced and represented by this Certificate shall be made only to such registered owner, which payments shall be valid and effectual to satisfy and discharge liability on this Certificate to the extent of the sum or sums so paid.

SPECIMEN

The Certificates each evidence and represent a proportionate interest in the 2008 Payments in an amount equal to the aggregate principal amount of Certificates originally executed and delivered by the Trustee pursuant to the Trust Agreement and enjoy the benefits of a security interest in the moneys held in the funds established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the disbursement thereof for or to the purposes and on the conditions and terms set forth therein. The obligation of the City to make the 2008 Payments is a special obligation of the City payable solely from the Gross Revenues of the Water Utility System as provided in the Contract, and does not constitute a debt of the City or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. The City may incur other obligations payable on parity with the 2008 Payments in accordance with the Contract.

The Trustee has no obligation or liability to the Certificate owners for the payment of the interest or principal or the prepayment premiums, if any, evidenced and represented by the

Certificates; but rather the Trustee's sole obligations are to administer, for the benefit of the City and the Certificate owners, the various funds established under the Trust Agreement.

No member, officer or employee of the Authority shall be individually or personally liable for the payment of the interest or principal or prepayment premiums, if any, evidenced and represented by the Certificates by reason of their delivery, but nothing herein contained shall relieve any such member, officer or employee from the performance of any official duty provided by applicable provisions of law or hereby.

The Trust Agreement prescribes the manner in which it may be discharged and after which the Certificates shall no longer be secured by or entitled to the benefits of the Trust Agreement.

SPECIMEN

IN WITNESS WHEREOF, this Certificate has been executed by the manual signature of an authorized signatory of the Trustee as of the date set forth above.

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

By: _____
Authorized Officer

SPECIMEN

ASSIGNMENT

For value received the undersigned hereby sells, assigns and transfers unto _____ (Taxpayer Identification Number: _____) the within Certificate and all rights thereunder, and hereby irrevocably constitutes and appoints _____ attorney to transfer the within Certificate on the books kept for registration thereof, with full power of substitution in the premises.

Dated: _____

Note: The signature to this Assignment must correspond with the name as written on the face of the Certificate in every particular, without alteration or enlargement or any change whatever.

Signature Guaranteed: _____

Notice: Signature must be guaranteed by an eligible guarantor institution.

SPECIMEN

STATEMENT OF INSURANCE

Assured Guaranty Corp. ("Assured Guaranty"), a Maryland-domiciled insurance company, has delivered its financial guaranty insurance policy (the "Policy") with respect to the scheduled payments of principal of and interest on this Certificate to The Bank of New York Trust Company, N.A., as paying agent on behalf of the holders of the Certificates (the "Paying Agent"). Such Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Assured Guaranty or the Paying Agent. All payments required to be made under the Policy shall be made in accordance with the provisions thereof. The owner of this Certificate acknowledges and consents to the subrogation rights of Assured Guaranty as more fully set forth in the Policy.

SPECIMEN

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FOUNDED 1866

May 30, 2008

City Council
City of Modesto
Modesto, California

$47,625,000
CITY OF MODESTO
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

SPECIMEN

Ladies and Gentlemen:

We have acted as special counsel to the City of Modesto (the "City") in connection with the execution and delivery of $47,625,000 principal amount of Water Revenue Certificates of Participation, 2008 Series A (the "Certificates") evidencing and representing proportionate interests of the owners thereof in 2008 Payments (as that term is defined in the Trust Agreement referred to below) to be made by the City under and pursuant to that certain Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Installment Purchase Contract"), by and between the City and the Modesto Public Financing Authority (the "Authority"), as previously supplemented and as amended and supplemented by that certain 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008 (the "2008 Supplemental Installment Purchase Contract"), by and between the City and the Authority. The Master Installment Purchase Contract, as previously supplemented and as amended and supplemented by the 2008 Supplemental Installment Purchase Contract, is referred to herein as the "Installment Purchase Contract." All of the Authority's rights to receive such 2008 Payments have been assigned by the Authority to The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), pursuant to that certain Trust Agreement, dated as of May 1, 2008 (the "Trust Agreement"), by and between the Authority and the Trustee. The Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

In our capacity as special counsel, we have reviewed relevant laws of the State of California, including the City Charter; executed copies of the Installment Purchase Contract and the Trust Agreement; certifications and resolutions of the City, the Authority, the Trustee, and others; opinions of counsel to the City, the Authority and the Trustee; and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Our services as special counsel were limited to such examination and to rendering the opinions set

forth below. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Installment Purchase Contract and the Trust Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest represented by the Certificates to be included in gross income for federal income tax purposes.

Certain requirements and procedures contained or referred to in the Installment Purchase Contract and the Trust Agreement or other relevant documents relating to the Certificates may be changed, and certain actions may be taken (including, without limitation, defeasance of the Certificates) or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of municipal bonds. We express no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the interest represented by the Certificates for federal income tax purposes.

SPECIMEN

With respect to the opinions expressed herein, the enforceability of the Installment Purchase Contract is subject to the limitations on the imposition of certain fees and charges by the City relating to the Water Utility System under Articles XIIIC and XIIID of the California Constitution. In addition, the rights and obligations under the Certificates, the Installment Purchase Contract and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting the enforcement of creditors' rights generally, to the application of equitable principles (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. Furthermore, we express no opinion with respect to any indemnification, contribution, penalty, choice of forum or waiver provisions contained in the foregoing documents.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Master Installment Purchase Contract, the 2008 Supplemental Installment Purchase Contract and the Trust Agreement have been duly authorized, executed and delivered by the Authority; the Master Installment Purchase Contract and the 2008 Supplemental Installment Purchase Contract have been duly authorized, executed and delivered by the City; and, assuming (in the case of the Trust Agreement) due authorization, execution and delivery by the Trustee, such agreements are valid and binding obligations of the Authority and the City (as

the case may be), enforceable against the Authority and the City (as the case may be) in accordance with their respective terms.

2. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

3. The obligation of the City to make the 2008 Payments under the Installment Purchase Contract is a special obligation of the City payable solely from Gross Revenues (as such term is defined in the Installment Purchase Agreement). The general fund of the City is not liable, and neither the credit nor taxing power of the City is pledged, for the payment of the 2008 Payments under the Installment Purchase Contract.

4. Based on existing statutes, regulations, rulings and judicial decisions and assuming compliance by the City with certain covenants in the Installment Purchase Contract and with requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of Certificate proceeds and the timely payment of certain investment earnings to the United States Treasury, interest represented by the Certificates is not includable in the gross income of the owners of the Certificates for purposes of federal income taxation. Failure by the City to comply with the above covenants and requirements may cause interest represented by the Certificates to be included in gross income retroactive to the date of execution and delivery of the Certificates.

SPECIMEN

Interest represented by the Certificates will not be treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals or corporations; however, interest represented by the Certificates will be included as an adjustment in the calculation of the alternative minimum taxable income of corporations and may therefore affect the federal alternative minimum tax liability of corporations.

5. Interest represented by the Certificates is exempt from present State of California personal income taxes.

Other than as described herein, we neither addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest represented by, the Certificates.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

This opinion is limited to the laws of the State of California and the federal laws of the United States. The opinions in this letter are expressed solely as of the date hereof for your benefit and may not be relied upon in any manner for any purposes by any other person.

Respectfully submitted,

Sidley Austin LLP

SPECIMEN

SIDLEY AUSTIN LLP
SIDLEY

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FOUNDED 1866

July 14, 2011

City Council
City of Modesto
Modesto, California

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

JPMorgan Chase Bank, National Association
New York, New York

$47,625,000
CITY OF MODESTO
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

SPECIMEN

Ladies and Gentlemen:

We previously acted as special counsel to the City of Modesto (the "City"), in connection with the execution and delivery of the above-referenced certificates of participation (the "Certificates"). The Certificates were executed and delivered on May 30, 2008, and evidence and represent proportionate interests of the owners thereof in 2008 Payments (as that term is defined in the Trust Agreement referred to below) to be made by the City pursuant to that certain Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Installment Purchase Contract"), by and between the City and the Modesto Public Financing Authority (the "Authority"), as amended and supplemented by that certain 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006 (the "2006 Supplemental Installment Purchase Contract"), by and between the City and the Authority and that certain 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008 (the "2008 Supplemental Installment Purchase Contract"), by and between the City and the Authority. The Master Installment Purchase Contract, as amended and supplemented by the 2006 Supplemental Installment Purchase Contract and the 2008 Supplemental Installment Purchase Contract, is referred to herein as the "Installment Purchase Contract." All of the Authority's rights to receive such 2008 Payments were assigned on May 30, 2008, the date of execution and delivery of the Certificates, by the Authority to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), pursuant to that certain Trust Agreement, dated as of May 1, 2008 (the "Trust Agreement"), by and between the Authority and the Trustee. The Certificates were executed by the Trustee pursuant to the terms of the Trust Agreement. On May 30, 2008, the date of execution and delivery of the Certificates, we rendered our opinion that, subject to certain conditions, assumptions and limitations, interest represented by the Certificates would be excludable from gross income retroactive to the date of execution and delivery of the Certificates for federal income tax purposes (the "Original Special Counsel Opinion"). Capitalized terms not defined

herein shall have the meanings ascribed to them in the Trust Agreement or in the Original Special Counsel Opinion.

This opinion is being rendered pursuant to Section 3.11(e) of the Trust Agreement in connection with the delivery by the Authority to the Trustee of an Alternate Liquidity Facility on the date hereof in substitution for the Liquidity Facility.

In connection with our rendering the opinions set forth herein, we have reviewed the Installment Purchase Contract and the Trust Agreement and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. As to questions of fact material to our opinion, we have relied upon, and have assumed the accuracy of, the certified proceedings and other certifications of public officials and officials of the Authority furnished to us without undertaking to verify the same by independent investigation.

We have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. Further, we have assumed compliance with all covenants contained in the Installment Purchase Contract and the Trust Agreement, including (without limitation) covenants and agreements, compliance with which is necessary to assure that actions, omissions or events on and after the execution and delivery of issuance of the Certificates have not caused and will not cause interest represented by the Certificates to be included in gross income for federal income tax purposes. We have not been engaged to undertake and we have not undertaken to determine compliance with any of such covenants and agreements or any other requirements of law, and, except as expressly set forth below, we have not otherwise reviewed any actions, omissions or events occurring after the execution and delivery of the Certificates or the exclusion of interest represented by the Certificates from gross income for federal income tax purposes. Accordingly, except as expressly set forth below, no opinion is expressed herein as to whether interest represented by the Certificates is excludable from gross income for federal income tax purposes or as to any other tax consequences related to the ownership or disposition of, or the accrual or receipt of interest represented by the Certificates.

SPECIMEN

Based upon the foregoing, under existing law, we are of the opinion that the delivery to the Trustee of an Alternate Liquidity Facility in substitution for the Liquidity Facility (i) is authorized under the Trust Agreement, (ii) complies with the terms of the Trust Agreement and (iii) will not adversely affect the exclusion of interest represented by the Certificates from gross income for purposes of federal income taxation.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and speak as of the date hereof. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after such date. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of any such actions or events.

Respectfully submitted,

Sidley Austin LLP

FIRST SUPPLEMENTAL TRUST AGREEMENT

between

MODESTO PUBLIC FINANCING AUTHORITY

and

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

Dated as of June 1, 2023

Relating to

WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

EVIDENCING AND REPRESENTING PROPORTIONATE INTERESTS
OF THE OWNERS THEREOF IN 2008 PAYMENTS TO BE MADE BY THE
CITY OF MODESTO
TO THE
MODESTO PUBLIC FINANCING AUTHORITY

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FIRST SUPPLEMENTAL TRUST AGREEMENT

THIS FIRST SUPPLEMENTAL TRUST AGREEMENT, dated as of June 1, 2023 (this "First Supplement"), amending and supplementing the Amended and Restated Trust Agreement, dated as of May 1, 2008 (the "Existing Trust Agreement" and, together with the First Supplement, the "Trust Agreement"), is by and between MODESTO PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as successor trustee (the "Trustee");

W I T N E S S E T H:

WHEREAS, as a result of the expiration of the direct-pay letter of credit (the "JPM Letter of Credit") from JPMorgan Chase Bank, N.A. (the "Bank"), the Authority and the City have elected to replace the JPM Letter of Credit with an Alternate Liquidity Facility in the form of a standby certificate purchase agreement (the "Standby Certificate Purchase Agreement") effective on the Substitution Date (as defined in the Trust Agreement), thereby triggering a mandatory tender of the 2008 Certificates in whole on the Substitution Date; and

WHEREAS, the Standby Certificate Purchase Agreement constitutes an Alternate Liquidity Facility for purposes of the Contract (as defined in the Trust Agreement) and this Trust Agreement; and

WHEREAS, the Existing Trust Agreement is being amended and supplemented as of the Substitution Date pursuant to this Trust Agreement, in order to modify provisions relating to the JPM Letter of Credit and the Standby Certificate Purchase Agreement; and

WHEREAS, Section 7.01 of the Existing Trust Agreement permits any amendments of the Existing Trust Agreement, with the prior written consent of the 2008 Certificate Insurer (as defined in the Trust Agreement), but without the consent of the Owners, if effective upon the remarketing of the 2008 Certificates following mandatory tender of the 2008 Certificates; and

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants herein, and for other valuable consideration, the parties hereto do hereby covenant and agree, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Definitions and Rules of Construction. Unless the context otherwise requires, the capitalized terms used in this First Supplement shall have the meanings specified in the Existing Trust Agreement.

ARTICLE II

AMENDMENTS TO EXISTING TRUST AGREEMENT

SECTION 2.1. Amendments to Section 1.01 (Definitions).

(a) The following defined terms are deleted:

"Assigned Rights to Interest," "Bank," "Cancellation Date," "Control Event," "Replacement Liquidity Facility," "Subrogated Certificate" and "2008 Liquidity Facility Payment Account."

(b) The defined term "Alternate Liquidity Facility" is amended to read (deletions stricken):

> "Alternate Liquidity Facility" means a letter of credit ~~(including, without limitation, the Replacement Liquidity Facility)~~, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, approved by the 2008 Certificate Insurer and issued in accordance with the terms hereof with respect to the 2008 Certificates as a replacement or substitute for any Liquidity Facility then in effect.

(c) The defined term "Credit Enhancement" is amended to read (deletions stricken):

> "Credit Enhancement" means the 2008 Certificate Insurance Policy issued by the 2008 Certificate Insurer. ~~In case a letter of credit is provided as a Liquidity Facility, such letter of credit will also be considered a Credit Enhancement and its issuer, a Credit Enhancement Provider, if such letter of credit is a direct-pay letter of credit that provides for the payment of the principal of, and interest with respect to, the 2008 Certificates as they become due.~~

(d) The defined term "Credit Enhancement Provider" is amended to read:

> "Credit Enhancement Provider" means the 2008 Certificate Insurer.

(e) Clause (a) of the defined term "Insurer Indenture Event of Default" is amended to read (deletions stricken):

> (a) any principal or interest evidenced by the 2008 Certificates (including Liquidity Provider Certificates ~~or Subrogated Certificates~~) is not paid by the 2008 Certificate Insurer when, as, and in the amounts required to be paid pursuant to the terms of the 2008 Certificate Insurance Policy; or

(f) The defined term "Liquidity Facility" is amended to read (deletions stricken):

"Liquidity Facility" means, as of any time, the Initial Liquidity Facility~~, the Replacement Liquidity Facility~~ or an Alternate Liquidity Facility, as applicable, which provides for the payment of the purchase price of the 2008 Certificates upon the tender thereof in the event remarketing proceeds are insufficient therefor.

(g) The defined term "Liquidity Facility Provider" is amended to read (additions underlined and deletions stricken):

"Liquidity Facility Provider" means, with respect to the Initial Liquidity Facility, the Initial Liquidity Facility Provider ~~Replacement Liquidity Facility, the Bank~~, and with respect to any Alternate Liquidity Facility for the 2008 Certificates, a bank, insurance company, pension fund or other financial institution acceptable to the 2008 Certificate Insurer.

(h) The defined term "Mandatory Purchase Date" is amended to read (additions underlined and deletions stricken):

"Mandatory Purchase Date" means: (i) with respect to a Flexible Rate Certificate, the first Business Day following the last day of each Flexible Rate Period with respect to such Flexible Rate Certificate; (ii) for the 2008 Certificates in a Term Rate Mode, the first Business Day following the last day of each Term Rate Period for such 2008 Certificates; (iii) any Mode Change Date; (iv) any Substitution Date; (v) the fifth Business Day prior to an Expiration Date; (vi) the date specified by the Trustee following the occurrence of an event of default with respect to the Liquidity Facility or under the related Reimbursement Agreement which requires or gives the Liquidity Facility Provider the option to terminate the Liquidity Facility upon notice and requires that all Outstanding 2008 Certificates secured by such Liquidity Facility be tendered for purchase, which date shall be a Business Day not less than 7 days after the Trustee's receipt of notice of such event of default from the applicable Liquidity Facility Provider and in no event later than the Business Day preceding the termination date specified in the notice of event of default delivered to the Trustee by such Liquidity Facility Provider; and (vii) for the 2008 Certificates in a Daily Mode or a Weekly Mode, any Business Day specified by the Authority in a notice delivered to the Trustee and consented to by the Liquidity Facility Provider, which Mandatory Purchase Date shall be not less than twenty (20) days after the Trustee's receipt of such notice from the Authority~~, and (viii) the Business Day prior to the Cancellation Date~~.

(i) Clause (11) of the defined term "Permitted Investments" is amended to read (deletions stricken):

(11) Other investments approved in writing by the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~; and

(j) The defined term "Reimbursement Agreement" is amended to read (deletions stricken):

"Reimbursement Agreement" means any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, between a Credit Enhancement Provider or a Liquidity Facility Provider, as applicable, and the Authority and/or the City, as the same may be amended from time to time pursuant to its terms~~, including the Reimbursement Agreement, dated as of July 1, 2011, by and between the City and the Bank~~.

(k) The defined term "Remarketing Agent" is amended to read:

"Remarketing Agent" means each Person selected by the Authority to act as remarketing agent for the 2008 Certificates pursuant to Section 3.12 hereof and approved by the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~.

SECTION 2.2. Amendments to Section 3.04 (Source of Funds for Purchase of 2008 Certificates in Daily Mode, Weekly Mode, Flexible Mode, or Term Rate Mode). The final paragraph of Section 3.04 is deleted.

SECTION 2.3. Amendments to Section 3.05 (Delivery of Certificates in Daily Mode, Weekly Mode, Flexible Mode or Term Rate Mode). Clause (b) of Section 3.05 is amended to read (deletions stricken):

(b) Each 2008 Certificate purchased by the Trustee with moneys described in Section 3.04(b) ~~hereof or purchased from proceeds from the 2008 Liquidity Facility Payment Account~~ shall be registered immediately in the name of the applicable Liquidity Facility Provider or its nominee (which may be the Securities Depository) as provided in Section 2.1 l(d), if any, on or before 3:00 p.m. New York City time. The Trustee shall not release any Liquidity Provider Certificates unless the Trustee shall have received evidence that the Liquidity Facility has been reinstated to an amount equal to the principal amount of unremarketed 2008 Certificates, including Liquidity Provider Certificates, plus interest at the Maximum Rate for the number of days required under the Liquidity Facility.

SECTION 2.4. Amendments to Section 3.09(a) (Establishment of 2008 Purchase Fund – Remarketing Proceeds Account). Section 3.09(a) is amended to read (additions underlined):

(a) Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of any 2008 Certificate (including Liquidity Provider Certificates) on the date such 2008 Certificate is to be purchased, the Trustee shall deposit such remarketing proceeds in the Remarketing Proceeds Account, such remarketing proceeds to be applied to the payment of the Purchase Price of such 2008 Certificate. The Authority shall not have any right, title or interest in any of the funds held on deposit in any Remarketing Proceeds Account nor any remarketing proceeds held for any period of time by any Remarketing Agent.

SECTION 2.5. Amendments to Section 3.11(b) (Liquidity Facility; Alternate Liquidity Facility). Section 3.11(b) is amended to read (deletions stricken):

(b) If a Liquidity Facility is in effect with respect to the 2008 Certificates, on each date on which a 2008 Certificate is to be purchased, the Trustee, by demand given by Electronic means before 12:30 p.m. New York City time, shall draw on the applicable Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 2:30 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of such 2008 Certificates on such date, to enable the Trustee to pay the Purchase Price in connection therewith. The proceeds of such draw shall be paid to the Trustee, who shall deposit said proceeds in the applicable Liquidity Facility Account pursuant to Section 3.09(b) hereof ~~or, in the case of the Replacement Liquidity Facility, the 2008 Liquidity Facility Payment Account~~.

SECTION 2.6. Amendments to Section 3.13 (Duties of Remarketing Agent). The final paragraph of Section 3.13 is amended to read (additions underlined and deletions stricken):

Notwithstanding any provision of this Trust Agreement to the contrary, if there shall have occurred and be continuing ~~(i) a Control Event and no other Credit Enhancement Provider Failure or Liquidity Facility Provider Failure, the Remarketing Agent shall continue remarketing 2008 Certificates or (ii) a Control Event and either another~~ either a Credit Enhancement Provider Failure or a Liquidity Facility Provider Failure, the Remarketing Agent shall not be required to remarket 2008 Certificates.

SECTION 2.7. Amendments to Section 4.03(a) (Establishment and Maintenance of Accounts for Use of Money in the 2008 Debt Service Fund – 2008 Interest Account). Section 4.03(a) is amended to read (additions underlined and deletions stricken):

(a) 2008 Interest Account. On the Delivery Date, the Trustee shall deposit in the 2008 Interest Account any Payment Agreement Receipts relating to the 2008 Interest Rate Swap Agreement which the City has directed under the 2008 Interest Rate Swap Agreement to be transferred to the Trustee for deposit in the 2008 Interest Account and any amounts transferred to the Trustee pursuant to Section 2.03 of the 2008 Supplemental Contract for the payment of payments due under the 2008 Interest Rate Swap Agreement. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall set aside from the 2008 Debt Service Fund and deposit in the 2008 Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) becoming due and payable on each such Interest Payment Date~~, unless such amounts are required to be used to reimburse the Bank pursuant to clause (c) below~~. The Trustee will also apply amounts on deposit in the 2008 Fees Subaccount to pay on behalf of the City, the Payment Agreement Payments required to be paid under the 2008 Interest Rate Swap Agreement and to pay the Remarketing Agent fees as the same shall become due on each due date therefor until such 2008 Fees Subaccount shall be depleted (expected to be on or about November 29, 2008). Investment earnings on amounts on deposit in the 2008 Fees Subaccount shall be transferred to the City for deposit in the Revenue Fund.

No deposit need be made in the 2008 Interest Account if the amount contained therein (exclusive of amounts transferred for the payment of amounts due under the 2008 Interest Rate Swap Agreement) is at least equal to the aggregate amount of interest

evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) becoming due and payable on such Interest Payment Date.

Except as otherwise provided herein, all money in the 2008 Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest (including accrued interest evidenced and represented by any 2008 Certificates (including Liquidity Provider Certificates) purchased or prepaid prior to their respective Certificate Payment Date) with respect to the 2008 Certificates (including Liquidity Provider Certificates) as it shall become due and payable~~, or for reimbursing the Bank~~ and paying the Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement as they shall become due and payable. The Trustee shall be under no obligation to calculate the amount of Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement and shall be entitled to rely conclusively on the information received by it with respect to the amount of the Payment Agreement Payments due and owing by the City.

SECTION 2.8. Amendments to Section 4.03(b) (Establishment and Maintenance of Accounts for Use of Money in the 2008 Debt Service Fund – 2008 Principal Account).

(a) Section 4.03(b) is amended to read (additions underlined and deletions stricken):

(b) 2008 Principal Account. On the Business Day immediately preceding each October 1, commencing on October 1, 2008, the Trustee shall set aside from the 2008 Debt Service Fund and deposit in the 2008 Principal Subaccount an amount of money equal to the principal amount evidenced and represented by the Outstanding Serial Certificates and Liquidity Provider Certificates with a Certificate Payment Date of such October 1, and in the 2008 Sinking Fund Subaccount in the 2008 Principal Account the amount of all Sinking Fund Payments required to be made on such October 1.

Amounts to be applied to (i) the optional prepayment of the principal component of the 2008 Certificates pursuant to Section 2.03(c) hereof and (ii) to the mandatory prepayment of the principal component of Liquidity Provider Certificates pursuant to Section 2.03(b) shall be deposited in the 2008 Prepayment Subaccount of the 2008 Principal Account. All money in the 2008 Prepayment Subaccount shall be used and withdrawn by the Trustee for the purpose of paying such prepayments on the respective prepayment dates.

No deposit need be made in the 2008 Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding Serial Certificates with a Certificate Payment Date of such October 1 and the amount contained in the 2008 Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Payments required to be made on such October 1.

All money in the 2008 Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Serial Certificates as they shall become due and payable, whether at their respective

Certificate Payment Dates or on prior prepayment and Liquidity Provider Certificates as they shall become due and payable whether at their respective Certificate Payment Dates or on prior prepayment, and all money in the 2008 Sinking Fund Subaccount of the 2008 Principal Account shall be used and withdrawn by the Trustee only to purchase or to prepay or to pay Term Certificates, and with respect to the 2008 Sinking Fund Subaccount, on each Sinking Fund Payment date, the Trustee shall apply the Sinking Fund Payment required on that date to the prepayment (or payment at Certificate Payment Date, as the case may be) of the Term Certificates upon the notice and in the manner provided in Article II; provided, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Written Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation Term Certificates in accordance with Section 2.03(a) hereof~~, and provided further that so long as the Liquidity Facility is in place, amounts in the 2008 Principal Account shall be used as provided in clause (c) below~~.

(b) Section 4.03(c) is deleted.

SECTION 2.9. Amendments to Section 4.04 (Parity Reserve Fund).

(a) The first paragraph of Section 4.04 is amended to read (additions underlined and deletions stricken):

The Parity Reserve Fund created pursuant to Section 3.04 of the 1997 Trust Agreement is hereby continued. The Trustee hereby agrees and covenants to maintain the Parity Reserve Fund so long as the Contract has not been discharged in accordance with its terms or any 2008 Certificates remain Outstanding hereunder. Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the 1997 Certificates, the 2008 Certificates (including Liquidity Provider Certificates ~~and Subrogated Certificates~~) and any other obligations hereafter issued in connection with a Supplemental Contract and shall be applied only for such purposes as hereinafter provided. The Trustee shall deposit in the Parity Reserve Fund from the proceeds of the 2008 Certificates, the amount specified in Section 2.12, such amount being sufficient to cause the balance on deposit in or credited to the Parity Reserve Fund, to be equal to the Reserve Fund Requirement upon delivery of the 2008 Certificates. The Trustee shall deposit in the Parity Reserve Fund such other amounts transferred to the Trustee by the City pursuant to Section 2.04(b)(2) of the Contract, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the Parity Reserve Fund shall be transferred by the Trustee to the 2008 Debt Service Fund to pay principal and interest evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) on any ~~Interest Payment Date or to reimburse the Liquidity Facility Provider for any unreimbursed drawing made under the Liquidity Facility to pay such principal and interest on any such~~ Interest Payment Date in the event amounts on deposit herein are insufficient for such purposes. The Trustee shall also, from such amounts on deposit in the Parity Reserve Fund, transfer or cause to be transferred to any applicable debt service fund established under the 1997 Trust Agreement and under any other trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made pursuant to this sentence and the

preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a Supplemental Contract. All investments in the Parity Reserve Fund shall (notwithstanding anything in the 1997 Trust Agreement to the contrary) be valued on or before October 1 of each year at the lesser of the cost or market value thereof. Following such valuation, any moneys on deposit in the Parity Reserve Fund representing an excess of the Reserve Fund Requirement will be transferred by the Trustee to the City for deposit in the Revenue Fund. The Trustee may create such subaccounts in the Parity Reserve Fund as may be necessary or convenient for the purposes of this Section 4.04.

(b) The final paragraph of Section 4.04 is deleted.

SECTION 2.10. Amendments to Section 4.08 (2008 Liquidity Facility Payment Account; Payment of Principal and Interest and Mandatory Purchase Price of the 2008 Certificates). Section 4.08 is deleted.

SECTION 2.11. Amendments to Section 6.02(c). Section 6.02(c) is amended to read (additions underlined):

(c) 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, as applicable, the Credit Enhancement Provider, the Liquidity Facility Provider or the Owners of not less than a majority in aggregate principal amount of the 2008 Certificates 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.

SECTION 2.12. Amendments to Section 6.02(d). Section 6.02(d) is amended to read (additions underlined):

(d) 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, as applicable, the Credit Enhancement Provider, the Liquidity Facility Provider, or any of the Owners pursuant to the provisions hereof unless, as applicable, the Credit Enhancement Provider, the Liquidity Facility Provider, or such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or prepayment premium, if any, evidenced and represented by the 2008 Certificates from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties hereunder.

SECTION 2.13. Amendments to Section 8.07 (Control of Remedies by Credit Enhancement Provider or Liquidity Facility Provider). Section 8.07 is amended to read:

Provided that the Credit Enhancement remains in effect, notwithstanding anything in this Trust Agreement to the contrary, the Credit Enhancement Provider shall have the right to direct all remedies upon the occurrence of an Event of Default. If the Credit

Enhancement is no longer in effect or a default has occurred with respect to the Credit Enhancement, and the Liquidity Facility is in effect, the Liquidity Facility Provider shall have the right to direct all remedies upon the occurrence of an Event of Default.

Notwithstanding the foregoing, if the Credit Enhancement is no longer in effect or a default has occurred with respect to the Credit Enhancement, if a Liquidity Facility is in effect and the Liquidity Facility Provider thereof has failed to honor its payment obligations under the Liquidity Facility in respect of the purchase price of Certificates upon tender thereof, fifty-one percent (51%) of the Certificate holders of the Certificates enhanced by such Liquidity Facility (excluding Certificates owned by the City and Liquidity Provider Certificates), shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of such payment obligations; provided that such direction shall be in accordance with applicable law.

SECTION 2.14. Amendments to Section 9.01 (Discharge of Trust Agreement).

(a) The first paragraph of Section 9.01 is amended to read (additions underlined and deletions stricken):

When the obligations of the City under the Contract shall cease pursuant to Article VI of the Contract (except for the right of the Trustee and the obligation of the City to have the money and Federal Securities mentioned therein applied to the payment of 2008 Payments as therein set forth) and (a)(i) the 2008 Certificates are in Fixed Rate Mode at the time moneys or Federal Securities are deposited pursuant to Section 9.02~~,~~ or (ii) ~~the deposit of money and Federal Securities is sufficient to pay the 2008 Certificates at the Maximum Rate to the earlier of the first possible tender or redemption date, (iii) the City shall have received a Rating Confirmation Notice on any 2008 Certificate that shall remain Outstanding following such redemption, and (iv)~~ the 2008 Certificates are not in Fixed Rate Mode at the time moneys or Federal Securities are deposited pursuant to 9.02 and the Trustee has received written confirmation from each of Moody's and S&P stating that its rating on the 2008 Certificates will not be reduced or withdrawn as a result of such defeasance, and (b) all other sums payable hereunder, including to the 2008 Certificate Insurer and the Liquidity Facility Provider ~~Bank~~, have been paid, then and in such case the obligations created by this Trust Agreement shall thereupon cease, terminate and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and Federal Securities to the payment of the 2008 Certificates as herein set forth and the right of the Trustee to collect any fees or expenses due hereunder and the Trustee shall turn over to the City, as an overpayment of 2008 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the 2008 Certificates at maturity or on prepayment, which moneys and Federal Securities shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the 2008 Certificates, and after such payment, this Trust Agreement shall become void.

(b) The third paragraph of Section 9.01 is amended to read (deletions stricken):

In connection with any defeasance of any of the 2008 Certificates pursuant to this Article, the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~ shall receive (i) a Favorable Opinion of Special Counsel and (ii) an escrow agreement and an Opinion of Counsel regarding the validity and enforceability of the escrow agreement, such escrow agreement shall provide that: (1) any substitution of securities shall require a verification by an independent certified public accountant and the prior written consent of the 2008 Certificate Insurer; (2) the Authority will not exercise any optional redemption of the 2008 Certificates secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (a) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding obligations, and (b) as a condition of any such redemption there shall be provided to the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~ a verification of an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption; and (3) the Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~.

SECTION 2.15. Amendments to Section 10.01 (Payment Under the 2008 Certificate Insurance Policy).

(a) Clause (a) of Section 10.01 is amended to read (additions underlined and deletions stricken):

In the event that, on the second Business Day, and again on the Business Day, prior to an interest payment date for the 2008 Certificates the Trustee has not received sufficient moneys to pay all of the principal and interest with respect to the 2008 Certificates ~~(including amounts required to reimburse the Bank for the payment of such principal and interest)~~ due on the second following, or following, ~~Business Day,~~ as the case may be, Business Day, the Trustee shall promptly on such Business Day moneys are not received, notify the 2008 Certificate Insurer or its designee on the same Business Day by telephone, electronic mail or facsimile, confirmed in writing by registered or certified mail of the amount of the deficiency, the obligations which such deficiency is applicable and whether such obligations will be deficient as to principal or interest or both. If the deficiency is cured in whole or in part prior to or on the interest payment date, the Trustee shall so notify the 2008 Certificate Insurer or its designee.

(b) Clause (c) of Section 10.01 is amended to read (deletions stricken):

(c) The Trustee shall provide the 2008 Certificate Insurer and any fiscal agent with a list of registered owners of the 2008 Certificates entitled to receive principal or interest payments from the 2008 Certificate Insurer under the terms of the 2008 Certificate Insurance Policy, and shall make arrangements with the 2008 Certificate Insurer, the fiscal agent or another designee of the 2008 Certificate Insurer to (i) mail

checks or drafts to the registered owners of the 2008 Certificates ~~(including the Bank)~~ entitled to receive full or partial interest payments from the 2008 Certificate Insurer and (ii) pay principal upon the 2008 Certificates surrendered to the 2008 Certificate Insurer, the fiscal agent or another designee of the 2008 Certificate Insurer by the registered owners of the 2008 Certificates ~~(including the Bank)~~ entitled to receive full or partial principal payments from the 2008 Certificate Insurer.

(c) Clause (d) of Section 10.01 is amended to read (deletions stricken):

(d) The Trustee shall, at the time it provides notice to the 2008 Certificate Insurer of any deficiency pursuant to clause (a) above, notify registered owners of the 2008 Certificates ~~(including the Bank)~~ entitled to receive the payment of principal or interest thereon from the 2008 Certificate Insurer (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that the 2008 Certificate Insurer will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to the 2008 Certificate Insurer or any fiscal agent, in form satisfactory to the 2008 Certificate Insurer, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from the 2008 Certificate Insurer, they must surrender the related the 2008 Certificates for payment first to the Trustee, which will note on such the 2008 Certificates the portion of the principal paid by the Trustee and second to the 2008 Certificate Insurer or its designee, together with an appropriate assignment, in form satisfactory to the 2008 Certificate Insurer, to permit ownership of the 2008 Certificates to be registered in the name of the 2008 Certificate Insurer, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from the 2008 Certificate Insurer, they must surrender the 2008 Certificates for payment to the 2008 Certificate Insurer or its designee, rather than the Trustee, together with the an appropriate assignment, in form satisfactory to the 2008 Certificate Insurer, to permit ownership of the 2008 Certificates to be registered in the name of the 2008 Certificate Insurer.

(d) Clause (e) of Section 10.01 is amended to read (deletions stricken):

(e) In addition, if the Trustee has written notice that any Owner of a 2008 Certificate ~~(including the Bank)~~ has been required to disgorge payments of principal or interest with respect to the 2008 Certificates to the City or its trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the 2008 Certificate Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(e) The introductory clause of clause (f) of Section 10.01 is amended to read (additions underlined and deletions stricken):

(f) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the 2008 Certificates ~~(including the Bank)~~ as follows:

(f) Clause (g) of Section 10.01 is amended to read (deletions stricken):

(g) ~~In the event that the Trustee shall have made a claim under the 2008 Certificate Insurance Policy with respect to principal and/or interest due on any payment date with respect to the 2008 Certificates and the Bank shall have paid on such payment date a draw made by the Trustee on the Bank's Credit Enhancement for such principal and/or interest, then, notwithstanding anything to the contrary, the amount paid by the 2008 Certificate Insurer with respect to the 2008 Certificates (the "Held Amount") on such payment date pursuant to such claim under the 2008 Certificate Insurance Policy shall be held uninvested by the Trustee until the Trustee shall have received notice from the 2008 Certificate Insurer that: (A) the Bank has directed the 2008 Certificate Insurer to reimburse the Bank for such draw pursuant to the Reimbursement Agreement between the Bank and the City, in which case the Trustee shall immediately pay the Held Amount to the Bank; or (B) the Bank has failed to direct the 2008 Certificate Insurer to reimburse the Bank for such draw within the time period set forth in the Reimbursement Agreement between the Bank and the City, in which case the Trustee shall immediately return the Held Amount to the 2008 Certificate Insurer. If the Held Amount is returned to the 2008 Certificate Insurer, the Authority shall pay interest at the Reimbursement Rate on such Held Amount from the date paid by the 2008 Certificate Insurer until such return to the 2008 Certificate Insurer.~~ Payments with respect to claims for interest and principal with respect to the 2008 Certificates disbursed by the Trustee from proceeds of the 2008 Certificate Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such 2008 Certificates, and the 2008 Certificate Insurer shall become the Owner of such unpaid 2008 Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this Section 10.01 or otherwise.

References to 2008 Certificates in this Section 10.01 include Liquidity Provider Certificates, except that Liquidity Provider Certificates need not be surrendered as a condition for payment and principal and interest payments on Liquidity Provider Certificates by the 2008 Certificate Insurer shall not be paid by mailed check or draft, but principal and interest payments on Liquidity Provider Certificates shall instead be paid by the 2008 Certificate Insurer pursuant to the procedures set forth for payment of Liquidity Provider Certificates in Section 2.02 hereof.

SECTION 2.16. Amendments to Section 10.04 (Modification, Cancellation, Termination or Substitution of 2008 Certificate Insurance Policy). Section 10.04 is amended to read (additions underlined and deletions stricken):

The Authority shall not consent to the surrender, cancellation, termination, amendment or modification in any material respect of the 2008 Certificate Insurance Policy by the 2008 Certificate Insurer, or to the substitution of a different Credit Enhancement for the 2008 Certificate Insurance Policy, unless the Authority and the Trustee shall have received the consent of the Liquidity Facility Provider ~~Bank, and the~~

~~Authority and the Trustee shall consent to any such surrender, cancellation, termination, amendment or modification of the 2008 Certificate Insurance Policy by the 2008 Certificate Insurer if so directed by the Bank within seven days of receiving such direction~~. If, upon receipt of such consent ~~or direction~~ from the Liquidity Facility Provider ~~Bank~~, the 2008 Certificate Insurance Policy is so surrendered, cancelled, terminated, amended or modified in any material respect by the 2008 Certificate Insurer, or a different Credit Enhancement is so substituted for the 2008 Certificate Insurance Policy, the 2008 Certificates shall be subject to mandatory tender.

SECTION 2.17. Amendments to Section 10.05 (Additional Provisions with respect to Rights of the Bank). Section 10.05 is deleted.

SECTION 2.18. Amendments to Section 11.01 (Benefits of this Trust Agreement Limited to Parties) . Section 11.01 is amended to read (additions underlined and deletions stricken):

Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the 2008 Certificate Insurer, the Liquidity Facility Provider ~~Bank~~ and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the 2008 Certificate Insurer, the Liquidity Facility Provider ~~Bank~~ and the Owners. The 2008 Certificate Insurer and the Liquidity Facility Provider ~~Bank~~ shall be third-party beneficiaries of this Trust Agreement.

ARTICLE III

MISCELLANEOUS

SECTION 3.1. Effectiveness of this First Supplement. This First Amendment shall be effective with the prior written consent of the 2008 Certificate Insurer, but without the consent of the Owners, upon the remarketing of the 2008 Certificates following the first mandatory tender of the 2008 Certificates following the date of execution and delivery of this First Amendment.

SECTION 3.2. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

SECTION 3.3. Headings . The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely of reference and shall not affect the meaning, construction or effect of this First Supplement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this First Supplement as of the date and year first above written.

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

By: _____
Authorized Officer

MODESTO PUBLIC FINANCING
AUTHORITY

By: _____
Auditor and Treasurer

IN WITNESS WHEREOF, the parties have executed this First Supplement as of the date and year first above written.

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

By: _____
Authorized Officer

MODESTO PUBLIC FINANCING
AUTHORITY

By: _____
Auditor and Treasurer

Execution Copy

STANDBY CERTIFICATE PURCHASE AGREEMENT

among

MODESTO PUBLIC FINANCING AUTHORITY,

CITY OF MODESTO,

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

and

BMO HARRIS BANK N.A.

Dated as of June 1, 2023

Relating to

$47,625,000.00
original aggregate principal amount of
City of Modesto
Water Revenue Refunding Certificates of Participation, 2008 Series A

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Exhibits

Exhibit A ..... Form of Notice of Bank Purchase (Liquidity Purchase)
Exhibit B ..... Form of Notice of Bank Purchase (Mandatory Purchase)
Exhibit C ..... Form of Request for Extension
Exhibit D ..... Form of Custodian Agreement

This STANDBY CERTIFICATE PURCHASE AGREEMENT dated as of June 1, 2023 among the MODESTO PUBLIC FINANCING AUTHORITY, a California joint exercise of powers entity (the "Authority"), the CITY OF MODESTO, a California municipal corporation and charter city (the "City"), THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, as successor trustee (together with its successors, the "Trustee") appointed under the hereinafter defined Trust Agreement, and BMO HARRIS BANK, N.A., a national banking association (including its successors, the "Bank").

WITNESSETH:

WHEREAS, the Authority and the City have heretofore entered into a Master Installment Purchase Contract, dated as of November 1, 1997 (as more specifically defined herein, the "Master Contract"), as supplemented by the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997 (as more specifically defined herein, the "1997 Supplemental Contract"), under and pursuant to which the Authority agreed to assist the City by refinancing certain additions, betterments, extensions and improvements to the Water Utility System of the City (the "1997 Project" as defined therein); and

WHEREAS, the City is obligated to make certain payments to the Authority under the 1997 Supplemental Contract (the "1997 Payments"), and all rights to receive such payments have been assigned by the Authority to State Street Bank and Trust Company of California, N.A, as succeeded by The Bank of New York Trust Company, N.A., as successor trustee for the owners of the Refunding Revenue Certificates of Participation (1997 Water Utility Refinancing Project); and

WHEREAS, the Authority and the City have heretofore entered into the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006 (as more specifically defined herein, the "2006 Supplemental Contract", under and pursuant to which the Authority agreed to assist the City by financing certain additions, betterments, extensions and improvements to the Water Utility System of the City (the "2006 Project" as defined therein); and

WHEREAS, the City is obligated to make certain payments to the Authority under the 2006 Supplemental Contract (the "2006 Payments"), and all rights to receive such payments have been assigned by the Authority to The Bank of New York Trust Company, N.A., as successor trustee for the owners of the Water Revenue Certificates of Participation 2006 Series A; and

WHEREAS, the Authority and the City, concurrently with the execution and delivery of a Trust Agreement dated as of May 1, 2008 (as more specifically defined herein, the "Original Trust Agreement") between the Authority and the Trustee, executed and delivered a 2008 Supplemental Installment Purchase Contract dated as of May 1, 2008 (the "2008 Supplemental Contract" and collectively with the Master Contract, the 1997 Supplemental Contract, the 2006 Supplemental Contract and any other Supplemental Contract, and as more specifically defined herein, the "Contract"), under and pursuant to which the Authority agreed to assist the City in refinancing the 2006 Project as described in the 2008 Supplemental Contract (the "2008 Project" as defined therein); and

WHEREAS, the City is obligated to make certain payments to the Authority under the 2008 Supplemental Contract (the "2008 Payments"), and all rights to receive such payments are being assigned by the Authority to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") for the owners of the Water Revenue Refunding Certificates of Participation, 2008 Series A (the "2008 Certificates") pursuant to the Original Trust Agreement, as amended and restated by an Amended and Restated Trust Agreement, dated as of May 1, 2008, as amended and restated on July 14, 2011, and as amended by a First Supplemental Trust Agreement, dated as of June 1, 2023 (as so amended and restated and as more specifically defined herein, the "Trust Agreement"), each between the Authority and the Trustee; and

WHEREAS, the Authority and the City, concurrently with the execution and delivery of the Original Trust Agreement, executed and delivered a 2008 Supplemental Installment Purchase Contract dated as of May 1, 2008 (the "2008 Supplemental Contract" and collectively with the Master Contract, the 1997 Supplemental Contract, and the 2006 Supplemental Contract, the "Contract"), under and pursuant to which the Authority agreed to assist the City in refinancing the 2006 Project as described in the 2008 Supplemental Contract (the "2008 Project" as defined therein); and

WHEREAS, the payment of the principal of and interest on the Certificates (including Bank Certificates, as hereinafter defined) is insured by a financial guaranty insurance policy (together with any and all riders and endorsements thereto, including the Endorsement (as defined herein), the "Bond Insurance Policy") issued by Assured Guaranty Corp., a Maryland-domiciled insurance company (the "Bond Insurer"), in favor of the holders of the Certificates (including the Bank); and

WHEREAS, the Certificates are subject to purchase from time to time at the option of the owner thereof and are required to be purchased in certain events; and in order to further assure the availability of funds for the payment of the purchase price therefor, the Authority has provided for the remarketing of such Certificates and, to the extent such remarketing may not be successful, for the purchase of such Certificates by the provider of a liquidity facility, such provider initially being Bank of America, N.A. pursuant to a Standby Certificate Purchase Agreement, dated as of May 1, 2008, by and among the Authority, the City and Bank of America, N.A. (the "Initial Liquidity Facility"); and

WHEREAS, the Authority and the City subsequently replaced the Initial Liquidity Facility with an irrevocable direct pay letter of credit issued by JPMorgan Chase Bank, National Association (the "Prior Bank") on June 14, 2011, as extended from time to time (the "Prior Liquidity Facility"); and

WHEREAS, the Authority and the City have requested the Bank to enter to this Agreement to replace the Prior Liquidity Facility in order to further assure the availability of funds for the payment of the purchase price of the Certificates subject to purchase from time to time at the option of the owner thereof and required to be purchased in certain events; and

WHEREAS, this Agreement will constitute an Alternate Liquidity Facility for purposes of the Contract and the Trust Agreement; and

NOW, THEREFORE, in consideration of the respective agreements contained herein, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.01 Definitions. The following terms have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

"Affiliate" means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

"Additional Payments" has the meaning assigned to that term in the 2008 Supplemental Contract.

"Agreement" means this Standby Certificate Purchase Agreement, as amended, modified and supplemented from time to time.

"Alternate Liquidity Facility" has the meaning assigned to that term in the Trust Agreement.

"Authority" has the meaning assigned to that term in the introductory paragraph.

"Authorized Representative" shall mean such Person at the time and from time to time authorized by resolution to act on behalf of the City or the Authority by written certificate furnished to the Bank.

"Available Commitment" means on any day the sum of the Available Principal Commitment and the Available Interest Commitment on such day.

"Available Interest Commitment" means for each Weekly Rate Period $487,776, representing an amount equal to 35 days of interest on the Available Principal Commitment calculated at the assumed rate of interest of 12% per annum (on the basis of actual days elapsed and a 365-day year) and rounded up to the nearest dollar. The Available Interest Commitment shall increase or decrease concurrently and proportionately with each increase or decrease in the Available Principal Commitment. Notwithstanding the foregoing provisions of this defined term, in no event shall the Available Interest Commitment exceed $487,776.

"Available Principal Commitment" means initially $42,390,000.00 and thereafter means such amount adjusted from time to time as follows: (a) downward by the amount of any reduction or termination of the Available Principal Commitment pursuant to Section 2.04 hereof, (b) downward by the principal amount of any Certificates purchased by the Bank pursuant to Section 2.03 hereof; and (c) upward by the principal amount of

any Certificates theretofore purchased by the Bank pursuant to Section 2.03 hereof, which are remarketed pursuant to Section 2.05(b) hereof or are prepaid pursuant to the terms hereof and for which the Bank has received immediately available funds equal to the principal amount thereof and accrued interest thereon, or which cease to bear interest at the Bank Rate pursuant to Section 2.05(c) hereof; provided that after giving effect to such adjustment the Available Principal Commitment shall never exceed $42,390,000. Any adjustment pursuant to clause (a), (b) or (c) in this defined term shall occur simultaneously with the event requiring such adjustment.

"Bank" has the meaning assigned to that term in the introductory paragraph.

"Bank Assignees" has the meaning assigned to that term in Section 8.01(c) hereof.

"Bank Certificate" means each Certificate (whether or not such Certificate is at the time of determination owned by the Bank) purchased with funds provided by the Bank hereunder, until such Certificate is remarketed in accordance with Section 2.05(b) hereof, prepaid in accordance with the terms hereof or ceases to bear interest at the Bank Rate pursuant to Section 2.05(c) hereof.

"Bank Certificateholder" means (a) the Bank in its capacity as owner of Bank Certificates purchased pursuant to this Agreement and (b) any Bank Assignee to whom the Bank has sold Bank Certificates in accordance with the terms of this Agreement.

"Bank Payment Account" shall have the meaning set forth in the Fee Letter Agreement.

"Bank Purchase Period" means the period from the Effective Date to and including the earliest of (a) the Stated Expiration Date then in effect; (b) the first Business Day following the date on which the Interest Period for all of the Certificates ceases to be a Weekly Rate Period; (c) the close of business of the Bank on the Business Day following the Substitution Date; (d) the Purchase Termination Date (except to the extent that purchases are permitted on the Termination Date pursuant to Section 7.02(b)); (e) the date on which no Certificates are Outstanding; and (f) the date on which the Available Commitment is terminated in whole pursuant to Section 2.04(b).

"Bank Rate" means on any day, (a) if such day occurs during the Bank Purchase Period but on or prior to the ninetieth day following the date on which such Bank Certificate was purchased by the Bank hereunder, a rate per annum equal to the Base Rate plus 1.00%; and (b) if such day occurs during the Bank Purchase Period but after the ninetieth day following the date on which such Bank Certificate was purchased by the Bank hereunder or if such day occurs after the Bank Purchase Period has terminated or expired, a rate per annum equal to the Base Rate plus 3.00%; provided that from and after the occurrence of an Event of Default, the Bank Rate shall mean the Default Rate; provided, further, that in no event shall the Bank Rate be less than the rate on the Certificates that are not Bank Certificates.

"Base Rate" means, for any day, the higher of (a) the Prime Rate or (b) the Federal Funds Rate plus 1.00% per annum.

"Bond Insurance Policy" has the meaning assigned to that term in the recitals to this Agreement.

"Bond Insurer" has the meaning assigned to that term in the recitals to this Agreement.

"Bond Insurer Event of Insolvency" means the occurrence and continuance of one or more of the following events: (a) the issuance by an oversight body or court of appropriate jurisdiction, under the laws of the state of incorporation or formation of the Bond Insurer, of an order of relief (including a seizure order or injunction), rehabilitation, reorganization, conservation or liquidation of the Bond Insurer; (b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking an order for relief, rehabilitation, reorganization, conservation or liquidation with respect to the Bond Insurer or its debts or claims under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator or other similar official for the Bond Insurer or any substantial part of its property; (c) the commencement by an oversight body or court of appropriate jurisdiction of a delinquency proceeding or an involuntary case or other proceeding seeking an order for relief (including a seizure order or injunction), rehabilitation, reorganization, conservation or liquidation with respect to the Bond Insurer or its debts or claims under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator or other similar official for the Bond Insurer or any substantial part of its property, and such involuntary case or appointment remains undismissed and unstayed for a period of 90 consecutive days; (d) the consent of the Bond Insurer to any relief referred to in the preceding clause (c) in an involuntary case or other proceeding commenced against it; (e) the making by the Bond Insurer of a general assignment for the benefit of creditors; (f) the Bond Insurer admits in writing its inability to pay its debts generally as they become due or claims under any of its insurance policies as such claims are made; or (g) the board of directors or any senior officer of the Bond Insurer shall take any action to authorize any of the foregoing.

"Business Day" means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California or in any state in which the office of the Remarketing Agent or the Trustee is located or at which Notice of Bank Purchases are to be presented and payments made by the Bank pursuant thereto are authorized or required to remain closed or a day on which the New York Stock Exchange is closed; provided, however, that the Bank shall not be deemed to have notice of any day that is a legal holiday on which banking institutions in the state in which the office of the Remarketing Agent or the Trustee is located are authorized or required to remain closed unless the Bank has received written notice thereof from the Authority, the City, the Remarketing Agent and/or the Trustee.

"Certificate Purchase Contract" means the Purchase Contract, dated May 29, 2008, by and between the Authority and Banc of America Securities LLC, as the underwriter of the Certificates.

"Certificates" has the meaning assigned to that term in the recitals to this Agreement and shall include, unless the context otherwise requires, all Bank Certificates.

"Change of Law" shall mean occurrence of any of the following: (a) the adoption or taking effect of any law, rule, regulation, statute, treaty, regulation, policy, guideline or directive, (b) any change in any law, rule, regulation, statute, treaty, regulation, policy, guideline or directive or in the interpretation, promulgation, implementation, administration or enforcement thereof by any governmental authority, court, central bank or comparable agency charged with the interpretation or administration thereof, (c) the making or issuance of any request, rule, ruling, guideline or directive (whether or not having the force of law) of any such authority, court, central bank or comparable agency, or (d) compliance by the Bank with any request or directive regarding capital adequacy or liquidity (whether or not having the force of law) of any such authority, court, central bank or comparable agency; provided that notwithstanding anything in this Agreement to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States financial regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change of Law," regardless of the date adopted, issued, promulgated, enacted or implemented.

"City" has the meaning assigned to that term in the introductory paragraph.

"Contract" means the Master Contract, as the same may be amended or supplemented from time to time, including as supplemented by the 1997 Supplemental Contract, the 2006 Supplemental Contract and the 2008 Supplemental Contract.

"Custodian Agreement" means the Custodian Agreement to be entered into among the Bank, the City and the Trustee on or prior to the Effective Date, the form of which is attached hereto as Exhibit D.

"Debt" of any Person means at any date, without duplication, (a) all obligations of such person for borrowed money; (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; (d) all obligations of such Person as lessee under capital leases; (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person; and (f) all obligations, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other person including, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against

loss in respect thereof (in whole or in part); provided, however, that with respect to the City, Debt shall exclude conduit, enterprise and other Debt that have no claim on the General Fund of the City other than obligations payable from the Revenue Fund.

"Defaulted Interest" means accrued interest payable on a Certificate, which was not paid when due under the terms of the Trust Agreement.

"Default Rate" means a rate per annum equal to the Base Rate plus 5.00% per annum.

"Differential Interest Amount" means, with respect to any Bank Certificate, the excess of (a) the interest which has accrued and could actually be paid on such Bank Certificate at the Bank Rate, as determined in accordance with Section 3.01 hereof, up to but excluding the Business Day on which such Bank Certificate is purchased from a Bank Certificateholder pursuant to Section 2.05(b) hereof, less (b) the interest accrued on such Certificate received by the Bank Certificateholder thereof as part of the Sale Price.

"Dollars" and "$" means the lawful currency of the United States of America.

"Effective Date" means the first date on which all of the conditions set forth in Section 6.01 have been satisfied or waived by the Bank.

"Eligible Certificate" means any Certificate bearing interest at the Weekly Rate other than Bank Certificates and Certificates owned by, for the account of, or on behalf of, the Authority or the City.

"Endorsement" has the meaning assigned to that term in Section 2.08(c) hereof.

"Environmental Laws" means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof

"Event of Default" has the meaning assigned to that term in Section 7.01 hereof.

"Excess Interest Amount" has the meaning assigned to that term in Section 3.01(c) hereof.

"Existing Swap Agreement" means, collectively, the ISDA Master Agreement, the ISDA U.S. Municipal Counterparty Schedule to the Master Agreement, the ISDA Credit Support Annex and the Confirmation, each dated September 27, 2006 and amended on May 29, 2008, between the City and Bank of America, N.A.

"Extended Bank Purchase Period" has the meaning assigned to that term in Section 8.15 hereof.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank. Notwithstanding anything herein to the contrary, if the Federal Funds Rate as determined as provided above would be less than zero percent (0.0%), then the Federal Funds Rate shall be deemed to be zero percent (0.0%).

"Fee Letter Agreement" means the Fee Letter Agreement dated June 8, 2023 among the Authority, the City and the Bank, as the same may be amended or supplemented from time to time.

"First Supplemental Trust Agreement" means the First Supplemental Trust Agreement dated as of June 1, 2023 between the Authority and the Trustee.

"Fitch" means Fitch Ratings and its successors.

"Gross Revenues" has the meaning assigned to that term in the Contract.

"Indemnitee" has the meaning assigned to that term in Section 8.06(a) hereof.

"Involuntary Insolvency Event" has the meaning assigned to that term in Section 7.02(c) hereof.

"Interest Component" has the meaning assigned to that term in Section 2.01 hereof.

"Interest Payment Date" has the meaning assigned to that term in the Trust Agreement.

"Interest Period" has the meaning assigned to that term in the Trust Agreement.

"Liquidity Payment Date" has the meaning assigned to that term in Section 3.01(a) hereof.

"Mandatory Purchase" means a mandatory purchase of all or a portion of the Certificates on any date on which the Certificates are subject to mandatory tender for purchase as described in subsections (iii), (iv), (v), (vi) and (vii) of the definition of "Mandatory Purchase Date" in the Trust Agreement, in each case, at a price equal to the principal amount thereof plus accrued interest thereon if the date of Mandatory Purchase

is other than an Interest Payment Date for the Certificates that are subject to mandatory purchase.

"Master Contract" means the Master Installment Purchase Contract, dated as of November 1, 1997, by and between the Authority and the City.

"Maximum Interest Rate" means, with respect to Bank Certificates and all other payment obligations under this Agreement, the lower of (i) eighteen percent (18%) per annum and (ii) the highest rate permitted by law.

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

"1997 Supplemental Contract" means the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997, by and between the Authority and the City, as the same may be amended or supplemented from time to time.

"Notice of Bank Purchase" means (a) in the case of a purchase of Eligible Certificates by the Bank as a result of an Optional Tender, a notice in the form of Exhibit A attached hereto and incorporated herein by this reference or (b) in the case of a purchase of Eligible Certificates by the Bank as a result of a Mandatory Purchase, a notice in the form of Exhibit B attached hereto and incorporated herein by this reference, in each case with blanks appropriately completed and executed by the Trustee.

"Notice of Termination" has the meaning assigned to that term in Section 7.02(b) hereof.

"Optional Tender" means the tender of Certificates by the registered owner thereof in accordance with the applicable provisions of Section 3.01 of the Trust Agreement.

"Original Trust Agreement" means the Trust Agreement, dated as of May 1, 2008, by and between the Authority and The Bank of New York Trust Company, N.A., as the same may be amended or supplemented from time to time.

"Other Event of Insolvency" means the occurrence and continuance of one or more of the following events: (a) the Authority or the City shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code (the "Bankruptcy Code") or any other federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for itself or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or (b) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Authority, the City or of a substantial part of the property of the Authority or the City, under the Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or

similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Authority, the City or for a substantial part of the property of the Authority or the City, and such proceeding or petition shall continue undismissed and unstayed for 60 days; or an order or decree for relief shall be entered against the Authority or the City under the Bankruptcy Code as now or hereafter in effect.

"Outstanding" has the meaning assigned to that term in the Trust Agreement.

"Participants" has the meaning assigned to that term in Section 8.01(c) hereof.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

"Potential Event of Default" means the occurrence of any event that, with the passage of time, the giving of notice, or both, would become an Event of Default.

"Prime Rate" shall mean the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate; provided, that if the Prime Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

"Prior Bank" has the meaning assigned to that term in the Whereas clauses above.

"Prior Liquidity Facility" has the meaning assigned to that term in the Whereas clauses above.

"Purchase Date" means the date on which the Bank purchases Eligible Certificates following its receipt of a Notice of Bank Purchase.

"Purchase Price" means, with respect to any Eligible Certificate or portion thereof on a Purchase Date therefor, the unpaid principal amount thereof plus accrued but unpaid interest thereon, other than Defaulted Interest, to but excluding a Purchase Date, without premium; provided that if a Purchase Date is an Interest Payment Date, interest payable on such Bond on such Interest Payment Date shall not be taken into account in the computation of the Purchase Price.

"Purchase Termination Date" means the date on which the Bank is no longer required to purchase Eligible Certificates pursuant to Section 7.02(a), (b) or (c) hereof.

"Rating Agencies" means Fitch, Moody's and S&P.

"Related Documents" means the Fee Letter Agreement, the Certificates, the Trust Agreement, the Contract, the Custodian Agreement, the Remarketing Memorandum, the Bond Insurance Policy and the Remarketing Agreement.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"Remarketing Agent" means PNC Capital Markets LLC, as Remarketing Agent, or any other firm which may at any time be substituted in its place as Remarketing Agent under the Trust Agreement.

"Remarketing Agreement" means the Remarketing Agreement, made and entered into as of June 1, 2023 (with an effective date of June 7, 2023), by and between the Authority and the Remarketing Agent, with respect to the Certificates, as the same may be amended or supplemented from time to time, or any similar agreement between the Authority and any successor Remarketing Agent.

"Remarketing Memorandum" means the Remarketing Memorandum of the Authority, dated June 2, 2023, with respect to the Certificates, and any supplement and/or amendment thereto used with respect to the Certificates.

"Request for Extension" has the meaning assigned to that term in Section 8.15 hereof.

"Rescission Notice" has the meaning assigned to that term in Section 7.02(c) hereof.

"Revenue Fund" has the meaning assigned to that term in the Contract.

"Revenues" has the meaning assigned to that term in the Trust Agreement.

"Sale Price" has the meaning assigned to that term in Section 2.05(b) hereof.

"Sanctions" has the meaning assigned to that term in Section 4.01(s) hereof.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc., and any successor to such division.

"State" means the State of California.

"Stated Expiration Date" means the later of (a) June 8, 2026 and (b) the last day of the Extended Bank Purchase Period as extended from time to time pursuant to Section 8.15 hereof or, if any such day is not a Business Day, the next preceding Business Day to such day.

"Substitution Date" means the date of the acceptance by the Trustee of an Alternate Liquidity Facility.

"Swap" means any interest rate swap agreement, forward payment conversion agreement, futures or contracts providing for payment based on levels of, or changes in, interest rates or other indices, or contracts to exchange cash flows or a series of payments or contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar exposure.

"Termination Date" has the meaning assigned to that term in Section 7.02(b) hereof.

"Termination Event" has the meaning assigned to that term in Section 7.02(a) hereof.

"Term-Out Conversion Date" means the earliest of (i) the ninety-first day following the date Bank Certificates are purchased and (ii) the Purchase Termination Date.

"Term-Out Period" means the period commencing on the Term-Out Conversion Date and ending on the earliest of (a) the fifth anniversary of the Term-Out Conversion Date, (b) the fifth anniversary of the Stated Expiration Date, (c) the Substitution Date, (d) the date on which the Interest Period for all of the Certificates ceases to be a Weekly Rate Period; and (e) the date that the Available Commitment is permanently reduced to zero.

"Term-Out Payments" means for each year during the Term-Out Period an amount equal to the sum of (i) (a) the quotient obtained by dividing the aggregate principal amount of all Bank Certificates that are Outstanding immediately following the Term-Out Conversion Date by five (5) and (b) the interest to accrue on the amount determined in accordance with clause (a) above during such year, assuming a per annum interest rate equal to the Maximum Interest Rate (based on a 365-day year and actual days elapsed), plus (ii) the principal and interest due with respect to all Certificates that are not Bank Certificates.

"Trust Agreement" means the Original Trust Agreement, as amended and restated by the Amended and Restated Trust Agreement, dated as of May 1, 2008, as amended and restated on July 14, 2011, between the Authority and the Trustee, and as amended by the First Supplemental Trust Agreement, and as the same may be further amended or supplemented from time to time.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as successor trustee and any successor thereto appointed from time to time to serve as trustee under the Trust Agreement.

"Trust Estate" means all, any amounts on deposit in the Parity Reserve Fund (as such term is defined in the Master Contract), any amounts on deposit in the 2008 Debt Service Fund, and any other amounts (including proceeds of the sale of the Certificates) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit or the Purchase Fund (as such term is defined in the Trust Agreement), subject to the terms of the Master Contract and the Trust Agreement permitting the application of such amounts on the terms provided in such agreements.

"2006 Supplemental Contract" means the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006, by and between the Authority and the City, as the same may be amended or supplemented from time to time.

"2008 Payments" has the meaning assigned to that term in the Whereas clauses above.

"2008 Project" has the meaning assigned to that term in the Whereas clauses above.

"2008 Supplemental Contract" means the 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, by and between the Authority and the City, as the same may be amended or supplemented from time to time.

"Water Utility System" has the meaning assigned to that term in the Contract.

"Weekly Rate" has the meaning assigned to that term in the Trust Agreement.

"Weekly Rate Period" has the meaning assigned to that term in the Trust Agreement.

"Written" or "in writing" means any form of written communication or a communication by means of e-mail or facsimile.

1.02 Incorporated of Certain Definitions by Reference. Each capitalized term used herein and not defined herein has the meaning provided therefor in the Trust Agreement.

1.03 Construction. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (d) all references herein to Sections and Exhibits shall be construed to refer to Sections of, and Exhibits to, this Agreement.

SECTION 2. PURCHASE COMMITMENT; FEES

2.01 Commitment to Purchase Certificates. The Bank agrees, on the terms and conditions contained in this Agreement, at the request of the Trustee, to purchase from time to time during the Bank Purchase Period at the Purchase Price, with its own immediately available funds, Eligible Certificates tendered or deemed tendered for purchase pursuant to an Optional Tender or a Mandatory Purchase and which, in either case, the Remarketing Agent has been unable to remarket. The aggregate principal amount of any Certificate purchased by the Bank on a

Purchase Date shall be an authorized denomination applicable to Certificates bearing interest at the Weekly Rate, and in any case the aggregate principal amount of all Certificates purchased on the applicable Purchase Date shall not exceed the Available Principal Commitment on such date (calculated immediately before giving effect to any such purchase of Certificates by the Bank on such date). The aggregate amount of the Purchase Price comprising interest on the Certificates (the "Interest Component") purchased on a Purchase Date shall not exceed the lesser of (a) the Available Interest Commitment on such date and (b) the actual aggregate amount of interest accrued and unpaid on each such Certificate, other than Defaulted Interest, to but excluding a Purchase Date; provided that if a Purchase Date is an Interest Payment Date the amount described in this clause (b) shall be reduced by the amount of interest payable on each such Certificate on such Interest Payment Date.

2.02 Bank Certificates; Rights of Bank Certificateholders. Any Certificates purchased by the Bank pursuant to Section 2.01 shall thereupon constitute Bank Certificates and shall, from the date of such purchase and while they are Bank Certificates, bear interest at the Bank Rate and have other characteristics of Bank Certificates as set forth herein and in the Trust Agreement. Upon purchasing Bank Certificates, Bank Certificateholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Certificateholders, except to the extent such rights and privileges conflict with this Agreement, in which case the terms of this Agreement shall prevail and govern. Upon purchasing Bank Certificates, Bank Certificateholders shall be recognized by the Authority, the Bond Insurer, the City and the Trustee as the true and lawful owners of such Bank Certificates, free from any claims, liens, security interests, equitable interests and other interests of the Authority and/or the City, except as such interests might exist under the terms of the Bank Certificates with respect to all owners of the Certificates.

2.03 Method of Purchasing. If the Trustee determines that the Bank is required to purchase Eligible Certificates during the Bank Purchase Period as a result of an Optional Tender, the Trustee shall deliver to the Bank a Notice of Bank Purchase in the form of Exhibit A. If the Trustee determines that the Bank is required to purchase Eligible Certificates during the Bank Purchase Period as a result of a Mandatory Purchase, the Trustee shall deliver to the Bank a Notice of Bank Purchase in the form of Exhibit B. Each Notice of Bank Purchase shall be executed by the Trustee and delivered to the Bank by facsimile (confirmed by telephone). If the Bank receives a Notice of Bank Purchase from the Trustee at or before 9:30 a.m. (California time) on a Business Day during the Bank Purchase Period, the Bank will, unless it determines that any applicable condition specified in Section 6.02 below is not satisfied, transfer not later than 11:30 a.m. (California time) on the same Business Day to the Trustee, in funds of the Bank to be available as specified in such Notice of Bank Purchase, an amount equal to the aggregate Purchase Price of such Certificates. If the Bank receives a Notice of Bank Purchase from the Trustee after 9:30 a.m. (California time) but before 4:00 p.m. (California time) on a Business Day during the Bank Purchase Period, the Bank will, unless it determines that any applicable condition specified in Section 6.02 below is not satisfied, transfer not later than 11:30 a.m. (California time) on the next Business Day to the Trustee, in funds of the Bank to be available as specified in such Notice of Bank Purchase, an amount equal to the aggregate Purchase Price of such Certificates.

The Trustee shall receive and hold in trust in non-commingled funds, (a) the Purchase Price advanced by the Bank hereunder until such amounts are made available to the Owners of such Certificates. Such monies held by the Trustee shall not be considered monies of the City or the

Authority, and the City and the Authority shall not have any right, title or interest in or to such monies; no such monies shall be invested; and no Certificates purchased by the Trustee shall be deemed to have been purchased by, for or on behalf of the City or the Authority. Without limiting the generality of Section 8.13 hereof, the Bank shall not have any responsibility for, or incur any liability in respect of any act, or any failure to act, by the Trustee which results in the failure of the Trustee (a) to credit the appropriate account with funds made available by the Bank pursuant to this Section or (b) to effect the purchase for the account of the Bank of Certificates with such funds pursuant to this Section or (c) deliver a completed Notice of Bank Purchase to the Bank on or prior to the expiration of the Bank Purchase Period.

The Certificates purchased with amounts made available hereunder shall be registered in the name of the Bank or its nominee and shall be held as Bank Certificates in custody by the Trustee in its capacity as custodian for the benefit of the Bank or such nominee as provided in the Custodian Agreement. Immediately following the purchase of Certificates by the Bank, the Trustee shall take such steps as necessary, subject to the cooperation of the parties hereto, to assign the separate CUSIP number for Bank Certificates to such Bank Certificates and to make such Bank Certificates eligible for book-entry with DTC and the Authority and the City shall cause any such Bank Certificates to have any rating(s) by a nationally recognized securities rating agency required for the Bank to assign and pledge such Bank Certificates to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. Upon the sale of Bank Certificates or payment in full of such Certificates pursuant to the terms of this Agreement, the Bank Certificates shall be released by the Bank and the Trustee shall take such actions as may be necessary to return such Certificates to the CUSIP number assigned to the Certificates other than Bank Certificates.

Amounts made available hereunder on a Purchase Date that are not so used to purchase Certificates or which are not required by the Trustee to purchase undelivered Certificates will be returned to the Bank no later than 1:00 p.m. California time on the same Purchase Date. In the event the Trustee fails to return such funds by 1:00 p.m. California time on such date, the City shall pay the Bank as Additional Payments interest on such unused amount for each day until such funds are returned at a rate equal to the Bank's cost of funds for one night overdrafts in New York, New York. For purposes of computing such interest, funds returned after 1:00 p.m. California time on a Business Day shall be deemed to have been returned on the following Business Day.

2.04 Reduction and Termination of Commitment.

(a) Mandatory Reduction and Termination of Commitment. Upon any prepayment, repayment or other payment pursuant to the Trust Agreement of all or any portion of the principal amount of the Certificates so that such Certificates shall cease to be Outstanding under the Trust Agreement or the conversion of a portion of the Certificates to an Interest Period other than a Weekly Rate Period, the aggregate Available Principal Commitment of the Bank shall automatically be reduced by the principal amount of such Certificates so prepaid, repaid or otherwise deemed paid or converted, and the Available Interest Commitment shall also be simultaneously reduced as provided in the definition thereof in Section 1.01 hereof. The Trustee shall notify the Bank within two Business Days of such prepayment, repayment or other payment or conversion. The Available Commitment shall automatically terminate on the last day of the

Bank Purchase Period (except to the extent that purchases are permitted or required on the Termination Date pursuant to Section 7.02(b) hereof).

(b) Voluntary Termination of Commitment. Subject to Section 5.01(n), the City may substitute this Agreement with an Alternate Liquidity Facility and thereby terminate the Available Commitment in whole (but not in part) upon sixty (60) days written notice to the Bank at any time. In the event the City so terminates this Agreement prior to the second anniversary of the execution and delivery of this Agreement, the City shall pay the Bank a fee (the "Termination Fee") in an amount equal to the Commitment Fee payable pursuant to Section 2.06(a) that would have accrued had this Agreement been in effect for two full years (less any amounts then paid pursuant to Section 2.06(a) hereof). Notwithstanding the foregoing, no Termination Fee shall be payable in the event this Reimbursement Agreement is terminated due to (i) a downgrading of the Bank's long-term ratings to below "BBB-","Baa3" and "BBB-", or short-term ratings to below "A-1" or "P-1" or "F-1" by Moody's, S&P or Fitch or (ii) the imposition by the Bank of any increased costs pursuant to Section 2.07 hereof.

2.05 Sale of Bank Certificates.

(a) Right to Sell Bank Certificates. The Bank shall not have the right to sell Bank Certificates to any Person other than: (i) Bank Assignees, provided that each Bank Assignee acknowledges that: (A) so long as such Bank Certificates remain as such, it has no right to tender such Bank Certificates for purchase and (B) the ratings otherwise applicable to the Certificates will not apply to the Bank Certificates purchased by such purchaser, (ii) the Remarketing Agent (or a purchaser identified by the Remarketing Agent), (iii) the Authority, (iv) the City or (v) an Alternate Liquidity Facility provider. The City and the Authority agree that any Bank Certificates sold by the Bank pursuant to this Section 2.05(a) shall, subject to Section 2.05(b), remain Bank Certificates in the hands of the purchaser thereof. Each Person that purchases Bank Certificates from the Bank pursuant to this Section 2.05(a) shall by his or its acceptance of such Bank Certificates be deemed to have agreed to sell such Bank Certificates only to (1) the Bank, (2) the Remarketing Agent (or a purchaser identified by the Remarketing Agent), (3) the Authority, (4) the City or (5) an Alternate Liquidity Facility provider.

(b) Sales by Remarketing Agent. In accordance with the Trust Agreement and subject to the following, all Bank Certificates shall be repurchased from each Bank Certificateholder on the date such Bank Certificates are successfully remarketed in accordance with the Trust Agreement, any such repurchase to be made from the proceeds of such remarketing and payment of the Differential Interest Amount as described below. Each Bank Certificateholder by its acceptance of Bank Certificates hereby authorizes the Remarketing Agent to sell Bank Certificates on behalf of such Bank Certificateholder pursuant to the Trust Agreement at a price equal to the principal amount thereof (plus unpaid accrued interest thereon to but excluding the date such Bank Certificates are to be sold pursuant to this Section 2.05(b) at the interest rate to be borne by the Certificates after such sale or, if less, the Bank Rate) (the "Sale Price"); provided that no Bank Certificateholder shall have any obligation to deliver Bank Certificates as directed by the Remarketing Agent or sell such Bank Certificates unless (i) the City has paid or has duly provided for the payment of the Differential Interest Amount to the Bank for the account of such Bank Certificateholder and (ii) such Bank Certificateholder has received one Business Day's prior written notice of such sale. Any sale of a Bank Certificate pursuant to this Section 2.05(b) shall be

without recourse to the seller and without representation or warranty of any kind. Each Bank Certificateholder by its acceptance of Bank Certificates agrees to deliver (but only upon receipt by the Bank of Dollars in the amount of the Sale Price and the Differential Interest Amount) to the Trustee each certificate representing a Bank Certificate sold by it pursuant to this Section 2.05(b), including without limitation certificates representing Bank Certificates which are deemed to have been delivered in accordance with the provisions of the Trust Agreement. Notwithstanding the foregoing or anything else in this Agreement, each Bank Certificateholder shall have the right, by notice to the Remarketing Agent, to elect not to sell Bank Certificates or any portion thereof.

(c) Right to Retain Certificates. After any sale of Bank Certificates by the Remarketing Agent pursuant to Section 2.05(b) and payment (or, in the case of the Differential Interest Amount accrued on such Bank Certificates, provision for payment thereof on the date of such sale in accordance with the Trust Agreement) to the Bank of the Sale Price, or any election by a Bank Certificateholder not to sell such Bank Certificates or any portion thereof through the Remarketing Agent pursuant to Section 2.05(b) hereof, such Bank Certificates so sold or as to which such election is made, shall from such sale date or upon such election cease to bear interest at the Bank Rate and shall bear interest at a rate calculated in accordance with the provisions applicable to such Certificates immediately prior to the Bank's purchase thereof.

2.06 Fees.

(a) Commitment Fee. The Authority and the City (by payment of Additional Payments) shall pay to Bank a nonrefundable commitment fee at the times and in such amounts as set forth in Section 1.1 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

(b) Payment Dates. The commitment fee shall be due and payable as set forth in Section 1.2 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

(c) Other Fees. In addition, the Authority and the City (by payment of Additional Payments) shall pay to Bank upon the amendment or transfer of this Agreement and upon purchase of Eligible Certificates under this Agreement, fees and charges at the times and in such amounts as set forth in Section 1.3 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

(d) Calculation of Fees and Interest. All fees and interest payable under this Agreement shall be calculated as set forth in Section 1.4 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

(e) Initial Costs and Expenses. The Authority and the City (by payment of Additional Payments) shall pay to the Bank any and all fees, charges and expenses as set forth in Section 1.5 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

2.07 Compensation for Increased Costs, Capital Adequacy or Liquidity.

(a) If the Bank shall have determined that any Change of Law regarding capital adequacy or liquidity shall impose, modify or deem applicable any capital adequacy or liquidity or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank allocates capital resources to its commitments), affects or would affect the amount of capital to be maintained by the Bank or has or would have the effect of reducing the rate of return on the capital of the Bank (or its parent) as a consequence of the Bank's commitment or obligations hereunder, including issuing, participating in or maintaining this Agreement, purchasing, owning, holding or remarketing Bank Certificates or any participation therein or any collateral therefor, to a level below that which the Bank would have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy or liquidity), then from time to time, within fifteen (15) days after written demand by the Bank made through the Bank, the Authority and the City (by payment of Additional Payments) shall pay to the Bank such additional amount or amounts as will compensate the Bank for such event.

(b) If the Bank shall have determined that any Change of Law:

(i) shall subject the Bank to any tax, duty or other charge with respect to its commitment or obligations under this Agreement, or shall change the basis of taxation of payments to the Bank of the Bank Certificates or in respect of any amounts due under this Agreement (except for changes in the rate of tax on the overall net income of the Bank imposed by any taxing jurisdiction in which the Bank's principal executive office is located and other than by reason of any amount hereunder not being tax-exempt income to the recipient); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), against assets of, deposits with or for the account of, or credit extended by, the Bank;

and the result of any of the foregoing is to increase the cost to the Bank of issuing this Agreement, its purchase of Eligible Certificates or holding any Bank Certificates, or to reduce the amount of any sum received or receivable by the Bank under this Agreement, by an amount deemed by the Bank to be material, then, within fifteen (15) days after written demand by the Bank made through the Bank, the Authority and the City (by payment of Additional Payments) agrees to pay or cause to be paid to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction.

(c) A certificate of the Bank claiming compensation under this Section 2.07 and setting forth the additional amount or amounts to be paid to it hereunder (accompanied by a statement specifying the reasons therefor) shall be conclusive in the absence of manifest error. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

2.08 Term-Out Payments; Increase in Amount of 2008 Payments.

(a) Subject to the following sentence, the City and the Authority shall increase the amount of the 2008 Payments payable under the 2008 Supplemental Contract so that all Bank Certificates are prepaid or purchased on the Term-Out Conversion Date. If on the Term-Out Conversion Date, no Event of Default of the type described in Section 7.01(a), (b), (c), (d), (g), (n) or (q) shall have occurred and be continuing, commencing on the Term-Out Conversion Date and until the last day of the Term-Out Period, the City and the Authority shall increase the amount of the monthly installments of 2008 Payments payable under the 2008 Supplemental Contract during the Term-Out Period to one-twelfth (1/12) of the Term-Out Payments so that all Bank Certificates are prepaid or purchased by the last day of the Term-Out Period.

(b) Subject to the following sentence, the Bank Certificates shall be subject to mandatory prepayment pursuant to Section 2.03(b) of the Trust Agreement and this Section 2.08, at a Prepayment Price (the "Prepayment Price") equal to 100% of the principal amount of the Bank Certificates to be prepaid plus accrued interest at the Bank Rate to the prepayment date, on Term-Out Conversion Date. If on the Term-Out Conversion Date, no Event of Default of the type described in Section 7.01(a), (b), (c), (d), (g), (n) or (q) shall have occurred and be continuing, the Authority and the City shall not be required to prepay or purchase Bank Certificates pursuant to Section 2.03(b) of the Trust Agreement and this Section 2.08 on the Term-Out Conversion Date but rather shall be required to prepay or purchase Bank Certificates pursuant to Section 2.03(b) of the Trust Agreement and this Section 2.08 on each Bank Certificate Prepayment Date (as defined below) so that all Bank Certificates are prepaid or purchased by the last day of the Term-Out Period. The term "Bank Certificate Prepayment Date" means the first Business Day of each April and October during the Term-Out Period, provided that the first Bank Certificate Prepayment Date shall be the first such date that is at least five (5) complete calendar months following the first Purchase Date.

(c) The City shall cause the Bond Insurer to insure payment of the Prepayment Price of the Bank Certificates required to be prepaid pursuant to Section 2.08(b) by endorsement of the Bond Insurance Policy, in form and substance satisfactory to the Bank (the "Endorsement").

(d) The insurance required by Section 2.08(c) is in addition to, and not by way of limitation of, the obligation of the Bond Insurer under its Bond Insurance Policy to insure timely payment of the principal of, interest on, and scheduled Prepayment Price of the Certificates (including Bank Certificates) in accordance with the terms of the Trust Agreement.

2.09 Interest Component of Draws. The Authority agrees to pay the component, if any, of each advance made by the Bank under this Agreement to purchase any Certificate which corresponds to accrued interest on such Certificate, together with interest on such component accruing at the Bank Rate from and including the date on which the Bank purchased such Certificate to but excluding the date on which such component (and accrued interest thereon) is paid in full.

2.10 Bank Records. All transactions relating to the Available Commitment and Bank Certificates including, without limitation, prepayments, repayments, interest charges and reductions in the amount of the Available Commitment shall be reflected in the books and records

of the Bank, which records shall be conclusive and binding upon the Authority and the City absent manifest error. The Bank agrees, following its receipt of a written request of the City, to provide the City and the Authority with reasonable access during the Bank's regular business hours to the Bank's books and records related to the Available Commitment and Bank Certificates for the sole purpose of verifying the existence or lack of existence of manifest error in such books and records as they relate to the Available Commitment and Bank Certificates.

SECTION 3. BANK RATE

3.01 Bank Certificates to Bear Interest at Bank Rate.

(a) Bank Rate. Each Bank Certificate shall bear interest at the Bank Rate for the period commencing from the date that the Bank shall have purchased such Certificate (subject to Section 2.05(c) hereof) and continuing until such Certificate is paid in full or remarketed as provided in Section 2.05(b) hereof. Interest on Bank Certificates shall be payable (i) on the first Business Day of each calendar month, (ii) at maturity, (iii) upon prepayment or purchase by the Authority and (iv) on the date such Bank Certificates are remarketed as provided in Section 2.05(b) (each such date, a "Liquidity Payment Date"). The Bank shall give telephonic notice, confirmed in writing, to the City, the Authority and the Trustee with a copy to the Bond Insurer on the Business Day preceding each Liquidity Payment Date of the interest payment due on such date. The failure of the Bank to give any notice shall not limit or otherwise affect the obligation of the Authority to pay interest on the Bank Certificates at the rates specified in this Section 3.01.

(b) Default Rate. If the principal amount of any Bank Certificate, or any other obligation of the Authority or the City under this Agreement or the Bank Certificates (including, to the extent permitted by law, any interest payment required thereunder) is not paid when due (whether by acceleration, prepayment or otherwise), such overdue principal payment or other obligation shall bear interest from the date such principal amount or other obligation, as the case may be, was due until paid in full (after as well as before judgment) at a rate per annum (computed on the basis of a year of 365/366 days and actual days elapsed) equal to the Default Rate. Such interest shall be payable on demand. If at any time an Event of Default has occurred and is continuing, the principal amount of any Bank Certificate, or any other obligation of the Authority or the City under this Agreement or the Bank Certificates (including, to the extent permitted by law, any interest payment required thereunder), shall bear interest from the date such principal amount or other obligation, as the case may be, was due until paid in full (after as well as before judgment) at the Default Rate (computed on the basis of a year of 365/366 days and actual days elapsed). Such interest shall be payable on demand.

(c) Excess Interest Amount. If the amount of interest accrued in respect of any Bank Certificate for any day during a period ending on any Liquidity Payment Date exceeds the amount of interest that would have accrued for such day had interest for such day been calculated at the Maximum Interest Rate, then the amount of interest payable on such Bank Certificate for such day shall be calculated at the Maximum Interest Rate. The aggregate amount of interest, if any, accrued on Bank Certificates under Sections 3.01(a) and (b) for all periods ending on a Liquidity Payment Date in excess of the amount of interest actually paid for all such periods as a result of the preceding sentence shall constitute the "Excess Interest Amount." If the Excess Interest Amount is a positive amount on any day when the Bank Rate is less than the Maximum Interest Rate, then for purposes

of calculating the interest accrued and payable on all Bank Certificates outstanding on such day, interest shall accrue for such day at the Maximum Interest Rate instead of the Bank Rate and, upon payment of such interest on the applicable Liquidity Payment Date, the amount of such accrual difference shall be applied Dollar-for-Dollar to reduce the Excess Interest Amount until such time, if any, as the Excess Interest Amount is zero.

3.02 Payments.

(a) Place of Payment, Etc. Except to the extent otherwise provided in the Trust Agreement with respect to payments on Bank Certificates, all payments hereunder shall be made to the Bank Payment Account prior to 10:00 a.m. California time on the date such payment is due and shall be made in immediately available funds.

(b) Withholding. All payments to the Bank under this Agreement and the Bank Certificates shall be made in Dollars and in immediately available and freely transferable funds at the place of payment without counterclaim, defense, set-off, condition or qualification, and free and clear of and without deduction or withholding for or by reason of any present or future taxes, levies, imposts, deductions, fees, assessments or charges of any nature whatsoever. In the event that the City is compelled by law to make any such deduction or withholding, the City shall nevertheless pay to the Bank such amounts as will result in the receipt by the Bank of the sum it would have received had not such deduction or withholding been required to be made. If requested, the Bank or any Bank Assignee, shall from time to time provide the Authority, the City, the Trustee and the United States Internal Revenue Service (to the extent such information and forms may be lawfully provided by the Bank or such Bank Assignee) with such information and forms as may be required by Treasury Regulations Section 1.1411 or any other such information and forms as may be necessary to establish that neither the Authority nor the City is subject to any withholding obligation under Section 1442 or other comparable provisions of the Code.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY AND THE CITY

4.01 Representations of the Authority. The Authority makes the following representations and warranties to the Bank as of the date hereof, the Effective Date and as of each Purchase Date:

(a) Valid Existence. The Authority is a joint exercise of powers entity, duly organized and validly existing under the laws of the State and has the necessary power and authority to execute and deliver this Agreement and the Related Documents to which the Authority is a party, to perform its obligations hereunder and thereunder and to conduct the business of the Authority as presently conducted.

(b) Authorization and Validity. The execution, delivery and performance by the Authority of this Agreement and the Related Documents to which the Authority is a party have been duly authorized by proper proceedings of the Authority, and no further approval, authorization or consents are required by law or otherwise. This Agreement and such Related Documents constitute the legal, valid and binding obligations of the Authority enforceable in

accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally and principles of equity and public policy.

(c) Compliance with Laws and Contracts. Neither the execution and delivery by the Authority of this Agreement and the Related Documents to which the Authority is a party, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will (i) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Authority or the Authority's organizational documents; (ii) result in any material breach of or default under the provisions of any material indenture, instrument or agreement to which the Authority is a party or is subject, or by which it or its property is bound, or (iii) conflict with or result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement.

(d) Litigation. Except as disclosed in the Remarketing Memorandum, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending with service of process accomplished or, to the knowledge of the Authority after due inquiry, threatened against or affecting the Authority, the 2008 Project or any properties or rights of the Authority (i) wherein an unfavorable decision, ruling or finding would adversely affect (A) the Authority's ability to perform its obligations under this Agreement and the other Related Documents to which the Authority is a party or (B) the validity of this Agreement, any of the Related Documents to which the Authority is a party or any other agreement or instrument to which the Authority is a party and which pertains to the 2008Project; or (ii) which in any way contests the existence, organization or powers of the Authority or the titles of the officers of the Authority to their respective offices.

(e) No Event of Default. No Event of Default or Potential Event of Default has occurred and is continuing.

(f) Title to 2008 Project. Upon the Effective Date, the City will own the 2008 Project free and clear of all liens and encumbrances other than those approved by the Bank.

(g) Contract; 2008 Supplemental Contract. The Contract and the 2008 Supplemental Contract are in full force and effect. The Authority has not granted any waiver, indulgence or postponement of any of the City's obligations under the Contract or the 2008 Supplemental Contract. There exists no event of default or event, occurrence, condition or act that, with the giving of notice, the lapse of time or the happening of any further event or condition, would become a default under the Contract or the 2008 Supplemental Contract.

(h) Security. The payment of Bank Certificates is further secured by a Trust Estate. The Trust Agreement creates a valid security interest in favor of the Trustee in the Trust Estate and, as of the Effective Date, all necessary action on the part of the Authority, the Trustee and the Bank has been taken as required (other than delivery of possession of after-acquired moneys, securities and instruments to the Trustee) to pledge and grant a valid security interest in the Trust Estate for the benefit of the Bank, the Bond Insurer and the Certificateholders under the Trust Agreement prior to any pledge, lien, assignment or security interest of any other creditors of the Authority. The Bank is a Liquidity Facility Provider (and the Prior Bank is no longer a Liquidity Facility Provider and the Bank) within the meaning of the Trust Agreement. This Agreement is an

Alternate Liquidity Facility and therefore the Liquidity Facility (and the Prior Liquidity Facility is no longer an Alternate Liquidity Facility or the Liquidity Facility) within the meaning of the Trust Agreement, and this Agreement is a Reimbursement Agreement (and the Prior Liquidity Facility is no longer a Reimbursement Agreement) within the meaning of the Trust Agreement. There is no longer a Cancellation Agreement within the meaning of the Trust Agreement.

(i) Accurate and Complete Disclosure. All factual information certified by the Authority in writing to the Bank (including without limitation all information contained in, or made pursuant to, this Agreement and the Related Documents to which the Authority is a party) is, and all other such factual information hereafter certified by the Authority in writing to the Bank will be, to the knowledge of the authorized person making such certification after reasonable inquiry, accurate and complete in all material respects on the date as of which such information is certified. The Remarketing Memorandum, true copies of which have heretofore been delivered to the Bank, and each amendment or supplement thereto prepared subsequent to the Effective Date (a true copy of which shall be furnished to the Bank), do not and will not contain any untrue statement of a material fact and do not and will not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to any information furnished by the Bond Insurer, the Trustee, DTC or the Bank expressly for inclusion therein.

(j) Certificates. Each Certificate will be duly issued under the Trust Agreement and entitled to the benefits thereof.

(k) Regulatory Approvals. On the Effective Date, each authorization, consent, approval, license or formal exemption from or filing, declaration or registration with, any court governmental agency or regulatory authority (federal, state or local), required in connection with the Authority's execution and delivery of, and performance under, this Agreement and the Related Documents (and the documents contemplated thereby) to which the Authority is a party, or the issuance by the Authority of the Certificates in the manner and for the purpose contemplated by this Agreement and the Related Documents, has been obtained or made and is in full force and effect; provided, however, that no representation is made as to State blue sky laws.

(l) Use of Proceeds. The proceeds of the Certificates will be used only as authorized in the Trust Agreement.

(m) Other Documents. This Agreement and each of the Related Documents to which the Authority is a party is in full force and effect, and the Authority hereby makes to the Bank each of the representations and warranties made by the Authority therein as if set forth at length herein. None of this Agreement or the Related Documents has been amended or supplemented except by such amendments or supplements as have previously been delivered to the Bank.

(n) Prospective Change in Law. To the best knowledge of the Authority (after due inquiry), except as otherwise disclosed in the Remarketing Memorandum, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation which has passed either house of the State legislature or is under consideration by any conference or similar committee, or any published judicial decision

interpreting any of the foregoing, the effect of which is to materially adversely affect the ability of the Authority to perform its obligations under this Agreement or any of the Related Documents to which it is a party.

(o) Tax-Exempt Status. The Authority has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Certificates from gross income for Federal income tax purposes or the exemption of such interest from the State's personal income tax.

(p) No Other Defaults. The Authority is not in default on any Debt to any person or entity in excess of $500,000.

(q) No Immunity. The Authority is subject to liability for damages in contract and in tort in the manner and to the extent provided by the laws of the State. The Authority is subject to claims and to suit for money or damages in connection with or under this Agreement pursuant to and in accordance with the laws of the State applicable to public entities, including, but not limited to Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California. The Authority is a "local public entity" as defined in Section 900.4 of the Government Code of the State of California. To the extent the Authority has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty or otherwise, the Authority hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising with or under this Agreement or any Related Document.

(r) Usury; Maximum Rate. The terms of this Agreement, the Fee Letter Agreement and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws. The Authority is authorized by Section 5922 of the California Government Code to enter into this Agreement and the Fee Letter Agreement and the transactions contemplated hereby and thereby. The obligations of the Authority hereunder and under the Fee Letter Agreement and the Contract are not subject to any maximum interest rate imposed by law.

(s) Government Sanctions. Neither the Authority nor, to the knowledge of the Authority, any of its Related Parties, is an individual or entity or Person currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC"), the United Nations Security Council ("UNSC"), the European Union, Her Majesty's Treasury ("HMT"), or other relevant sanctions authority (collectively, "Sanctions"), nor is the Authority located, organized or resident in a country or territory that is the subject of Sanctions.

(t) Incorporation by Reference. The Authority hereby makes to the Bank the same representations and warranties made by the Authority in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are incorporated herein by this reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations, warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

4.02 Representations of the City. The City makes the following representations and warranties to the Bank as of the date hereof, the Effective Date and as of each Purchase Date:

(a) Valid Existence. The City is a charter city and municipal corporation, duly organized and validly existing under its charter and the Constitution of the State and has the necessary power and authority to execute and deliver this Agreement and the Related Documents to which the City is a party and to perform its obligations hereunder and thereunder.

(b) Authorization and Validity. The execution, delivery and performance by the City of this Agreement and the Related Documents to which the City is a party have been duly authorized by all proper proceedings of the City, and no further approval, authorization or consents are required by law or otherwise. This Agreement and such Related Documents constitute the legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally and principles of equity and public policy.

(c) Compliance with Laws and Contracts. Neither the execution and delivery by the City of this Agreement and the Related Documents to which the City is a party, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will (i) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the City or the City's charter, (ii) result in any material breach of, or default under the provisions of any material indenture, instrument or agreement to which the City is a party or is subject, or by which it or its property is bound, or (iii) conflict with or result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement.

(d) Litigation. Except as disclosed in the Remarketing Memorandum, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending with service of process accomplished or, to the knowledge of the City after due inquiry, threatened against or affecting the City, the 2008 Project or any properties or rights of the City (i) wherein an unfavorable decision, ruling or finding would adversely affect (A) the City's ability to perform its obligations under this Agreement and the Related Documents to which the City is a party or (B) the validity of this Agreement, any of the Related Documents to which the City is a party or any other agreement or instrument to which the City is a party and which pertains to the 2008 Project; or (ii) which in any way contests the existence, organization or powers of the City or the titles of the officers of the City to their respective offices.

(e) No Event of Default. No Event of Default or Potential Event of Default has occurred and is continuing.

(f) Financial Statements. The audited statements of revenues, expenses and changes in fund balances and changes in financial position of the City for the most recently completed fiscal year as heretofore delivered to the Bank pursuant to Section 5.02(h)(i)(A) or 6.01(b)(xvi) hereof, including balance sheets as of June 30 of such fiscal year, and statements of revenue and expense as of June 30 of such fiscal year, all examined and reported on by independent public accountants, prepared by the City, correctly and fairly present the financial condition of the City as of said date and the results of the operations of the City for such period, respectively, and have

been prepared in accordance with generally accepted accounting principles consistently applied except as stated in the notes thereto. Since June 30 of such fiscal year, there has been no material adverse change in the financial condition, operations or prospects of the City or its ability to perform its obligations under this Agreement or any Related Document.

(g) Master Contract; 2008 Supplemental Contract. The Master Contract and the 2008 Supplemental Contract are in full force and effect. The City has not been granted any waiver, indulgence or postponement of any of the City's obligations under the Master Contract or the 2008 Supplemental Contract. There exists no event of default or event, occurrence, condition or act that, with the giving of notice, the lapse of time or the happening of any further event or condition, would become a default under the Master Contract or the 2008 Supplemental Contract.

(h) Accurate and Complete Disclosure. All factual information certified by the City in writing to the Bank (including without limitation all information contained in, or made pursuant to, this Agreement and the Related Documents to which the City is a party) is, and all other such factual information hereafter certified by the City in writing to the Bank will be, to the knowledge of the authorized person making such certification after reasonable inquiry, accurate and complete in all material respects on the date as of which such information is certified. The Remarketing Memorandum, true copies of which have heretofore been delivered to the Bank, and each Remarketing Memorandum pertaining to the Certificates (including any amendments or supplements) prepared subsequent to the Effective Date (a true copy of which shall be furnished to the Bank prior to the distribution thereof) do not and will not contain any untrue statement of a material fact and do not and will not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to any information furnished by the Bond Insurer, the Trustee, DTC or the Bank expressly for inclusion therein.

(i) Regulatory Approvals. Each authorization, consent, approval, license or formal exemption from or filing, declaration or registration with, any court governmental agency or regulatory authority (federal, state or local), required in connection with the City's execution and delivery of, and performance under, this Agreement and each of the Related Documents to which the City is a party has been obtained or made and is in full force and effect; provided, however, that no representation is made as to State blue sky laws.

(j) Other Documents. This Agreement and each of the Related Documents to which the City is a party is in full force and effect, and the City hereby makes to the Bank each of the representations and warranties made by the City therein as if set forth at length herein. None of this Agreement or the Related Documents has been amended or supplemented except by such amendments or supplements as have previously been delivered to the Bank.

(k) Prospective Change in Law. To the best knowledge of the City (after due inquiry), except as otherwise disclosed in the Remarketing Memorandum, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation which has passed either house of the State legislature or is under consideration by any conference or similar committee, or any published judicial decision interpreting any of the

foregoing, the effect of which is to materially adversely affect the ability of the City to perform its obligations under this Agreement or any of the Related Documents to which it is a party.

(l) Tax-Exempt Status. The City has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Certificates from gross income for Federal income tax purposes or the exemption of such interest from the State's personal income tax.

(m) No Other Defaults. The City is not in default on any debt to any Person or entity in excess of $500,000 (measured in the case of any Swap, by the amount of any settlement amount that would be payable by the City if such Swap were terminated as of such date).

(n) No Immunity. The City is subject to liability for damages in contract and in tort in the manner and to the extent provided by the laws of the State. The City is subject to claims and to suit for money or damages in connection with or under this Agreement pursuant to and in accordance with the laws of the State applicable to public entities, including, but not limited to Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California. The City is a "local public entity" as defined in Section 900.4 of the Government Code of the State of California. To the extent the City has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty or otherwise, the City hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising with or under this Agreement or any Related Document.

(o) Usury; Maximum Rate. The terms of this Agreement, the Fee Letter Agreement and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws. The City is authorized by Section 5922 of the California Government Code to enter into this Agreement and the Fee Letter Agreement and the transactions contemplated hereby and thereby. The obligations of the City hereunder and under the Fee Letter Agreement and the Contract are not subject to any maximum interest rate imposed by law.

(p) Parity Obligations. The obligations under this agreement constitute Parity Obligations of the City under the Master Contract, secured by a valid pledge of the Gross Revenues of the Revenue Fund on a parity with all other Parity Obligations and are subject to the limitations set forth in Section 7.01 of the Master Contract. There are no obligations of the City outstanding secured by Gross Revenues that are senior in right of payment to the Parity Obligations (including the 2008 Payments). Except for early termination payments under the Existing Swap Agreement that are insured by the Bond Insurer, the City is not a party to any Swap that contains termination payments that are Parity Obligations.

(q) Insurance. The City currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, businesses of like type, size and character to the City and of such type and in such amounts required by the Contract.

(r) Government Sanctions. Neither the City nor, to the knowledge of the City, any of its Related Parties, is an individual or entity or Person currently the subject of any Sanctions, nor is the City located, organized or resident in a country or territory that is the subject of Sanctions.

(s) Incorporation by Reference. The City hereby makes to the Bank the same representations and warranties made by the City in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are incorporated herein by this reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations, warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

SECTION 5. COVENANTS OF THE AUTHORITY AND THE CITY

5.01 Covenants of the Authority. During the term of this Agreement, and until the obligations of the Authority and the City to the Bank hereunder are paid in full, including full payment of the Bank Certificates, and the Bank has no further commitment hereunder, unless the Bank shall otherwise consent in writing, the Authority covenants and agrees as follows:

(a) Notice of Default. As soon as practicable but in any event not more than five (5) Business Days after the Authority shall have obtained knowledge of the occurrence of an Event of Default or Potential Event of Default provide to the Bank the written statement of an Authorized Representative of the Authority setting forth the details of each such Event of Default or Potential Event of Default and the action, if any, which the Authority proposes to take with respect thereto.

(b) Compliance With Laws. The Authority shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject: provided, however, that the Authority may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the Authority's power and authority to execute and deliver this Agreement, to perform its obligations and pay all amounts payable by it hereunder, or to execute and deliver this Agreement or the Related Documents and to perform its obligations hereunder and thereunder.

(c) Use of Proceeds. The Authority shall (i) cause the proceeds from purchases of Certificates made hereunder to be used solely to pay the Purchase Price of such Certificates as more fully described in Section 2.01 hereof and (ii) use the proceeds of the Certificates for the purpose set forth in the Trust Agreement.

(d) Related Obligations. The Authority shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party. The Authority shall use its best efforts to cause the Bond Insurer at all times to comply with the Bond Insurance Policy, and the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

(e) Financial Statements. The Authority shall provide to the Bank copies of all financial statements and other information of the Authority, if any, that it is required to provide to the Bond Insurer concurrently with providing the same to the Bond Insurer.

(f) Inspection Rights. At any reasonable time and from time to time the Authority shall permit the Bank or any agents or representatives thereof to examine and make copies of the records and books of account related to the Trust Estate and the transactions contemplated by this Agreement and the Related Documents, to visit its properties and to discuss its affairs, finances and accounts with any of its officers and independent accountants.

(g) Amendments. The Authority shall not amend, modify, terminate or grant, or permit the amendment, modification, termination or grant of, any waiver under, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, termination, modification, or grant of a waiver under the Bond Insurance Policy or any other Related Document without the prior written consent of the Bank, provided that such consent shall not be required if the Bank notifies the Authority in writing that the Bank, in its sole discretion, has determined that any such amendment, modification or waiver does not affect its rights, duties or obligations.

(h) Remarketing Memorandum. The Authority shall not refer to the Bank in any official statement (including the Remarketing Memorandum) or make any changes in reference to the Bank in any official statement (including the Remarketing Memorandum) without the Bank's prior written consent thereto, which the Bank shall not unreasonably withhold or delay based upon customary business practices at the time such consent is requested.

(i) Voluntary Prepayment. Without the prior written consent of the Bank, the Authority shall not voluntarily prepay pursuant to the Trust Agreement any Certificates (other than Bank Certificates) issued under the Trust Agreement prior to prepaying the Bank Certificates in full.

(j) Conversion. The Authority shall promptly furnish, or cause to be furnished, to the Bank, notice of any proposed conversion of the Interest Period on the Certificates to an interest rate period other than a Weekly Rate Period.

(k) Certain Notices. The Authority shall furnish to the Bank a copy of any notice, certification, demand or other writing or communication given by the Bond Insurer to the Authority or by the Authority to the Bond Insurer under or in connection with the Certificates or any of the Related Documents, in each case promptly after the receipt or giving of the same. The Authority shall give the Bank prompt notice of any action, suit or proceeding known to it at law or in equity or by or before any governmental instrumentality, entity or other agency which, if adversely determined, would materially impair the ability of the Authority to carry out its obligations under this Agreement, the Related Documents to which it is a party or any other document, instrument or agreement required hereunder or thereunder, or would materially and adversely affect its assets or financial condition. The Authority shall promptly give written notice to the Bank of (i) any material dispute which may exist between the Authority on the one hand and the Bond Insurer, the Trustee or the Remarketing Agent on the other hand or any dispute in connection with any transaction contemplated under this Agreement or any Related Document, or

(ii) any matter or event which may result in a material adverse change in the Authority's financial condition or operations.

(l) Existence. The Authority shall maintain its existence as a joint exercise of powers authority, duly organized and validly existing under its charter and the Constitution of the State and its rights, franchises and privileges material to the conduct of its business and shall not, without the prior written consent of the Bank, initiate proceedings to reorganize, merge or consolidate with or into any Person, wind up, liquidate or dissolve its affairs (or suffer any liquidation or dissolution) or convert, sell, assign, transfer, lease or otherwise dispose of (or agree to do any of the foregoing at any future time), whether in one transaction or a series of transactions, all or substantially all of its property or assets.

(m) Bond Insurance Policy. Except as provided in Section 5.01(r), the Authority shall at all times maintain the Bond Insurance Policy with respect to the Certificates. The Authority shall take no action that could reasonably be expected to impair the ability of the Trustee to present claims for payment under, and in accordance with, the terms of the Bond Insurance Policy. The Authority shall not, without the prior written consent of the Bank, cause or permit the Bond Insurance Policy to be surrendered, canceled or terminated.

(n) Liquidity. The Authority agrees to use its best efforts to obtain an Alternate Liquidity Facility to replace this Agreement in the event (i) the Bank shall decide not to extend the Stated Expiration Date (such replacement to occur on or before the then current Stated Expiration Date), (ii) the Bank shall furnish a Notice of Termination pursuant to Section 7.02(b) hereof to the Trustee, or (iii) a mandatory purchase of Certificates shall have been effected with any funds made available hereunder, unless the Bank shall have been immediately reimbursed therefor by the proceeds of the remarketing of the Certificates. The Authority agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Authority, the City or the issuer of the Alternate Liquidity Facility, as the case may be, will provide immediately available funds, on the date of such termination or provision, which funds, when taken together with funds available to the Bank under the Trust Agreement, will be sufficient to ensure the payment of all Bank Certificates then outstanding (at par plus accrued and unpaid interest thereon at the Bank Rate) and all other amounts due to the Bank hereunder, including, without limitation, payment of any fees due hereunder and interest accrued thereon and payment of any Differential Interest Amount.

(o) Appointment of Successors. The Authority shall not, without the prior written consent of the Bank, which consent shall not be unreasonably withheld, appoint a successor Trustee or Remarketing Agent.

(p) Incorporation of Certain Covenants. The covenants of the Authority set forth in the Trust Agreement, the Master Contract and the 2008 Supplemental Contract are hereby incorporated by reference in this Agreement for the benefit of the Bank. The Authority further confirms to and agrees with the Bank that the Trust Agreement has been made and was entered into for the express benefit of the holder of any Certificates and shall constitute a contract among the Authority, the Trustee and the Bank, in its capacities hereunder as the "Liquidity Facility Provider" and as holder of any Certificates that are Bank Certificates.

(q) Liens, Etc. The Authority shall not create or suffer to exist any lien upon or with respect to any of the Trust Estate.

(r) Rating of Bond Insurer's Obligations. If the ratings assigned by both Moody's and S&P to the claims paying ability of the Bond Insurer shall, for any uninterrupted period of thirty (30) days drop below: (i) in the case of Moody's, a financial strength rating of A2 (or its equivalent); or (ii) in the case of S&P, a financial strength rating of AA (or its equivalent) (a suspension or withdrawal of a rating shall be treated as "below" the stated rating for purposes of the foregoing), the Authority shall use its best efforts to (including soliciting the assistance of the City to) (x) replace the Bond Insurer with a bond insurer rated at least "A2" (or its equivalent) by Moody's and "AA" (or its equivalent) by S&P or obtain additional insurance or other credit enhancement in respect of the payment of principal and interest on the Certificates (including Bank Certificates) on terms comparable to the Bond Insurance Policy or as the Bank may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Bank, (y) convert the Certificates to a rate not covered by this Agreement and terminate this Agreement or (z) obtain an Alternate Liquidity Facility.

(s) Further Assurances. The Authority shall execute and deliver to the Bank all such documents, consents and instruments and do all such other acts and things as may be reasonably necessary or required by the Bank to enable the Bank to exercise and enforce its rights under the Related Documents and the Related Documents and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the Bank to validate, preserve and protect the position of the Bank under the Related Documents.

(t) Government Sanctions. The Authority shall not, directly or indirectly, use the proceeds from purchases of Certificates made hereunder or any other credit provided under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or in any manner that will result in a violation by any Person (including any Person participating in the transactions contemplated by this Agreement, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(u) Additional Covenants Regarding Remarketing Agent. The Authority shall at all times cause a Remarketing Agent acceptable to the Bank to be in place and at all times have in place a Remarketing Agreement with respect thereto acceptable to the Bank. The Authority shall cause the Remarketing Agreement to at all times provide that (a) the Remarketing Agent shall use its best efforts to remarket the Certificates (including without limitation Bank Certificates) at rates up to and including the maximum rate permitted under the Trust Agreement without regard to the rate paid to the Bank with respect to Bank Certificates; (b) if at any time the Remarketing Agent shall fail to remarket the Certificates for a period of thirty (30) consecutive calendar days or shall otherwise fail to perform its duties under the Remarketing Agreement, the Authority shall, at the direction of the Bank, appoint a successor remarketing agent acceptable to the Bank; (c) the Remarketing Agent must give at least 60 days' written notice prior to resigning; and (d) the Bank must be a third-party beneficiary of the Remarketing Agreement.

(v) Maintenance of Tax Exempt Status of the Certificates. The Authority shall not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the Certificates from gross income for purposes of federal income taxation or the exemption of such interest from State income taxes.

(w) Sovereign Immunity. To the fullest extent permitted by law, the Authority agrees not to assert the defense of sovereign immunity, if available, in any proceeding to enforce any of the obligations of the Authority hereunder or under any Related Document in any federal or state court of competent jurisdiction.

(x) Additional Rights. In the event that the Authority shall enter into or otherwise consent to any credit agreement, reimbursement agreement, bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplement or modification thereto) pursuant to which a financial institution or financial institutions (other than the Authority or the City) (each, a "Lender") undertakes to make loans or advances or extend credit or liquidity to the Authority and/or the City secured by Gross Revenues (each, a "Bank Agreement"), which Bank Agreement contains (i) covenants that are more restrictive on the part of the City or the Authority than those contained in this Agreement, (ii) termination events, suspension events or events of default not included in this Agreement, (iii) termination events, suspension events or events of default which are included in this Agreement but which are more favorable to the Lender (e.g., shorter cure periods) than those contained in this Agreement, (iv) additional or more expansive remedies, and/or (v) collateral in addition to a pledge of Gross Revenues (collectively, the "Additional Rights"), such Additional Rights (other than any Rating Confirmable Additional Rights) (the "Other Additional Rights") shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Other Additional Rights. Upon entering into or consenting to any Bank Agreement, which Bank Agreement contains any Other Additional Rights, the Authority shall promptly enter into an amendment to this Agreement to include such Other Additional Rights, provided that the Bank shall maintain the benefit of such Other Additional Rights even if the Authority fails to provide such amendment. If the Authority shall amend any such Bank Agreement which contains any Other Additional Rights such that it no longer provides for such Other Additional Rights, then, without the consent of the Bank, this Agreement shall automatically no longer contain such Other Additional Rights and the Bank shall no longer have the benefits of any of such Other Additional Rights. "Rating Confirmable Additional Rights" means those Additional Rights which provide additional or more expansive automatic termination events, automatic suspension events, noticed termination events or conditions to purchase which are more favorable to the Lender (e.g. shorter notice periods) than those contained in this Agreement. In the event that the Authority shall enter into or otherwise consent to any Bank Agreement, which Bank Agreement contains any Rating Confirmable Additional Rights, such Rating Confirmable Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Rating Confirmable Additional Rights subject to confirmation by each Rating Agency that the then current ratings on the Certificates supported by this Agreement, including such Rating Confirmable Additional Rights, will not be lowered or withdrawn as a result thereof. Upon entering into or consenting to any Bank Agreement, which Bank Agreement contains any Rating Confirmable Additional Rights, the Authority shall promptly enter into an amendment to this Agreement to include such Rating Confirmable Additional Rights subject to confirmation by each Rating Agency then rating the Certificates that the then current ratings on the Certificates

supported by this Agreement, including such Rating Confirmable Additional Rights, will not be lowered or withdrawn as a result thereof. If the Authority shall amend any such Bank Agreement which contains any Rating Confirmable Additional Rights such that it no longer provides for such Rating Confirmable Additional Rights, then, without the consent of the Bank, this Agreement shall automatically no longer contain such Rating Confirmable Additional Rights and the Bank shall no longer have the benefits of any of such Rating Confirmable Additional Rights.

5.02 Covenants of the City. During the term of this Agreement, and until the obligations of the Authority and the City to the Bank hereunder are paid in full, including full payment of the Bank Certificates, and the Bank has no further commitment hereunder, unless the Bank shall otherwise consent in writing, the City covenants and agrees as follows:

(a) Notice of Default. As soon as practicable but in any event not more than five (5) Business Days after an Authorized Representative of the City shall have obtained knowledge of the occurrence of an Event of Default or Potential Event of Default provide to the Bank the written statement of an Authorized City Representative setting forth the details of each such Event of Default or Potential Event of Default and the action, if any, which the City proposes to take with respect thereto.

(b) Compliance With Laws. The City shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided, however, that the City may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the City's power and authority to execute and deliver this Agreement, to perform its obligations and pay all amounts payable by it hereunder, or to execute and deliver this Agreement or the Related Documents to which it is a party and to perform its obligations hereunder or thereunder.

(c) Related Obligations. The City shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party. The City shall use its best efforts to cause the Bond Insurer at all times to comply with the Bond Insurance Policy, and the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

(d) Inspection Rights. At any reasonable time and from time to time the City shall permit the Bank or any agents or representatives thereof to examine and make copies of the records and books of account related to the transactions contemplated by this Agreement and the Related Documents, to visit its properties and to discuss its affairs, finances and accounts with any of its officers and independent accountants.

(e) Amendments. The City shall not amend, modify, terminate or grant, or permit the amendment, modification, termination or grant of, any waiver under, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, termination, modification, or grant of a waiver under the Bond Insurance Policy or any other Related Document without the prior written consent of the Bank; provided that such consent shall not be required if the Bank notifies the City in writing that the Bank, in its sole discretion, has determined that any such amendment, modification or waiver does not affect its rights, duties or

obligations; and provided further that nothing herein shall prevent the City from incurring additional Parity Obligations under the Master Contract in accordance with its terms.

(f) Remarketing Memorandum. The City shall not refer to the Bank in any official statement (including the Remarketing Memorandum) or make any changes in reference to the Bank in any official statement (including the Remarketing Memorandum) without the Bank's prior written consent thereto, which the Bank shall not unreasonably withhold or delay based upon customary business practices at the time such consent is requested.

(g) Voluntary Prepayment. Without the prior written consent of the Bank, the City shall not permit the prepayment pursuant to the Trust Agreement of any Certificates (other than Bank Certificates) prior to prepaying the Bank Certificates in full.

(h) Certain Notices; Financial Statements. The City shall provide or cause to be provided to the Bank copies of:

(i) Financial Statements. The City shall provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time:

(A) Within 270 days of the City's fiscal year end, the City's annual financial statements, including statements of revenue and expense for the City's Water Utility System as of June 30 of each year, certified and dated by an authorized financial officer of the City. These financial statements must be audited (with an unqualified opinion, using the accounting standards then applicable to the City) by a Certified Public Accountant .

(B) The City shall, promptly upon its approval and upon publication of the annual budget of the City each year, deliver to the Bank a copy of such budget and promptly after the adoption thereof.

(C) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by the City to or from the City's auditor, or, if no management letter is prepared, a letter from such auditor stating that no deficiencies were noted that would otherwise be addressed in a management letter.

(D) Together with the annual financial statements of the City delivered pursuant to Section 5.02 (i)(A), a certificate signed by an Authorized Representative of the City stating (1) that under his/her supervision the City has made a review of its activities during the preceding annual period for the purpose of determining whether or not the City has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents (including without limitation Sections 5.02(j) and (n) hereof and Sections 3.01, 3.02 and 4.12 of the Master Contract) and including calculations showing compliance with Section 5.02(n) hereof and Section 4.12 of the Master Contract and (2) to the best of his/her knowledge, whether there existed, as of the date of such financial statements, any default in the performance or observance of any of the terms,

covenants, provisions or conditions of this Agreement or any of the Related Documents and whether there exists, as of the date of the certificate, any default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if any such default existed or exists, specifying the nature thereof and the action the City is taking and proposes to take with respect thereto.

(E) A copy of the annual report of the City, if any, which is delivered in accordance with the City's "continuing disclosure certificate" related to the Certificates at the time it is delivered thereunder.

(ii) Promptly, notice of any action, suit or proceeding known to it at law or in equity or by or before any governmental instrumentality, entity or other agency for any uninsured claim which, if adversely determined, could result in a judgment against the City of $500,000 or more against the Revenue Fund, or would materially and adversely affect the City's ability to pay its obligations under this Agreement.

(iii) Promptly, notice of (A) any material dispute which may exist between the City on the one hand and the Bond Insurer, the Remarketing Agent, the Trustee or the Custodian on the other hand or any dispute in connection with any transaction contemplated under this Agreement or any Related Document, (B) any matter or event which may result in a material adverse change in the City's ability to pay its obligations under this Agreement, (C) any inquiry by the Internal Revenue Service or the Securities and Exchange Commission, (D) any amendment to any Related Document, and (E) the resignation or removal of the Remarketing Agent, the Trustee or the Custodian;

(iv) Any notice, certification, demand or other writing or communication given by the Bond Insurer to the City or by the City to the Bond Insurer under or in connection with the Certificates or any of the Related Documents, in each case promptly after the receipt or giving of the same;

(v) As soon as practicable after the sale by the City of any securities payable from the Revenue Fund with respect to which an offering memorandum or official statement was prepared, such offering memorandum or official statement; and

(vi) Such additional information concerning the Revenue Fund, the Water Utility System, the Gross Revenues, the Related Documents, the City or the Authority, as requested by the Bank from time to time.

(i) Existence. The City shall maintain its existence as a charter city, duly organized and validly existing under its charter and the Constitution of the State and its rights, franchises and privileges material to the conduct of its business and shall not, without the prior written consent of the Bank, initiate proceedings to reorganize, merge or consolidate with or into any Person, wind up, liquidate or dissolve its affairs (or suffer any liquidation or dissolution) or convert, sell, assign, transfer, lease or otherwise dispose of (or agree to do any of the foregoing at any future time), whether in one transaction or a series of transactions, all or substantially all of its property or assets.

(j) Incorporation of Certain Covenants. The covenants of the City set forth in the Master Contract (including without limitation Sections 3.01 and 3.02 thereof) are hereby incorporated by reference in this Agreement for the benefit of the Bank.

(k) Liens, Etc. The City shall not issue any obligation secured by Gross Revenues that is senior in right of payment to the Parity Obligations (including the 2008 Payments). The City shall not enter into any Swap with termination payments that are Parity Obligations.

(l) Insurance. The City shall maintain at all times the insurance required by Section 4.08 of the Master Contract.

(m) Maintenance of 2008 Project. Without limiting the generality of Section 4.06 of the Master Contract, the City shall maintain and preserve the 2008 Project in good working order and condition, making all repairs or replacements as necessary.

(n) Rate Covenant. The City shall comply with the rate covenant set forth in Section 4.12 of the Master Contract.

(o) Further Assurances. The City shall execute and deliver to the Bank all such documents, consents and instruments and do all such other acts and things as may be reasonably necessary or required by the Bank to enable the Bank to exercise and enforce its rights under the Related Documents and the Related Documents and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the Bank to validate, preserve and protect the position of the Bank under the Related Documents.

(p) Additional Rights. In the event that the City shall enter into or otherwise consent to any Bank Agreement, which Bank Agreement contains any Other Additional Rights, such Other Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Other Additional Rights. Upon entering into or consenting to any Bank Agreement, which Bank Agreement contains any Other Additional Rights, the City shall promptly enter into an amendment to this Agreement to include such Other Additional Rights, provided that the Bank shall maintain the benefit of such Other Additional Rights even if the City fails to provide such amendment. If the City shall amend any such Bank Agreement which contains any Other Additional Rights such that it no longer provides for such Other Additional Rights, then, without the consent of the Bank, this Agreement shall automatically no longer contain such Other Additional Rights and the Bank shall no longer have the benefits of any of such Other Additional Rights. In the event that the City shall enter into or otherwise consent to any Bank Agreement, which Bank Agreement contains any Rating Confirmable Additional Rights, such Rating Confirmable Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Rating Confirmable Additional Rights subject to confirmation by each Rating Agency that the then current ratings on the Certificates supported by this Agreement, including such Rating Confirmable Additional Rights, will not be lowered or withdrawn as a result thereof. Upon entering into or consenting to any Bank Agreement, which Bank Agreement contains any Rating Confirmable Additional Rights, the City shall promptly enter into an amendment to this Agreement to include such Rating Confirmable Additional Rights subject to confirmation by each Rating Agency then rating the Certificates that

the then current ratings on the Certificates supported by this Agreement, including such Rating Confirmable Additional Rights, will not be lowered or withdrawn as a result thereof. If the City shall amend any such Bank Agreement which contains any Rating Confirmable Additional Rights such that it no longer provides for such Rating Confirmable Additional Rights, then, without the consent of the Bank, this Agreement shall automatically no longer contain such Rating Confirmable Additional Rights and the Bank shall no longer have the benefits of any of such Rating Confirmable Additional Rights.

(q) Government Sanctions. The City shall not, directly or indirectly, use the proceeds from purchases of Certificates made hereunder or any other credit provided under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or in any manner that will result in a violation by any Person (including any Person participating in the transactions contemplated by this Agreement, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(r) Maintenance of Tax Exempt Status of the Certificates. The City shall not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the Certificates from gross income for purposes of federal income taxation or the exemption of such interest from State income taxes.

(s) Sovereign Immunity. To the fullest extent permitted by law, the City agrees not to assert the defense of sovereign immunity, if available, in any proceeding to enforce any of the obligations of the City hereunder or under any Related Document in any federal or state court of competent jurisdiction.

SECTION 6. CONDITIONS PRECEDENT

6.01 Conditions to Bank's Entering Into Agreement. It shall be a condition precedent to the Bank's entering into this Agreement that all corporate and other proceedings taken in connection with the transactions contemplated hereby and all documents incident thereto including the Related Documents and the Bond Insurance Policy shall be in form and substance satisfactory to the Bank and that the conditions enumerated in this Section 6.01 have been fulfilled to the satisfaction of the Bank. Delivery by the Bank of fully executed signature pages to this Agreement shall constitute acknowledgment and acceptance by the Bank that all such conditions have been met or waived.

(a) Representations. On the Effective Date (and after giving effect to the issuance of the Certificates and the effectiveness hereof), (i) there shall exist no Event of Default or Potential Event of Default or Involuntary Insolvency Event, (ii) all representations and warranties made by the Authority or the City herein or in any of the Related Documents to which it is a party shall be true and correct with the same effect as though such representations and warranties had been made at and as of such time and (iii) each of this Agreement and the Related Documents to which the Authority or the City is a party, as amended (if applicable), is in full force and effect and has not been amended, modified or changed.

(b) Supporting Documents. On or prior to the Effective Date, the Bank shall have received, in form and substance satisfactory to the Bank, the following:

(i) (A) True and complete executed originals of this Agreement, the Fee Letter Agreement, the Custodian Agreement, the First Supplemental Trust Agreement and the Remarketing Agreement, and true and complete certified copies of the other Related Documents, (B) a specimen of the executed Bond Insurance Policy and an executed original of the Endorsement, (C) a copy of the Remarketing Memorandum and (D) a specimen Certificate;

(ii) Certified copies of the resolutions of the Authority authorizing this Agreement, the Fee Letter Agreement, the First Supplemental Trust Agreement, the Remarketing Agreement and the Related Documents to which the Authority is a party and the issuance of the Certificates and approving the distribution of the Remarketing Memorandum, certified on the Effective Date by the Secretary of the Commission of the Authority and certified copies of the Authority's joint exercise of powers agreement, notice of a joint powers agreement filed with the Secretary of State and roster of public agencies filing and acknowledgement from the California Secretary of State;

(iii) Signature and incumbency certificates, dated the Effective Date and in form and substance satisfactory to the Bank, of the signatories of the Authority executing this Agreement, the Fee Letter Agreement, the First Supplemental Trust Agreement and the Remarketing Agreement;

(iv) A certificate of an Authorized Representative of the Authority, dated the Effective Date and Date and in form and substance satisfactory to the Bank, making the representations set forth in Section 6.01(a) with respect to the Authority and covering such other matters as the Bank may reasonably request;

(v) Certified copies of the resolutions of the City authorizing this Agreement, the Fee Letter Agreement, the Custodian Agreement and the Related Documents to which the City is a party, approving the issuance of the Certificates and approving distribution of the Remarketing Memorandum, certified on the Effective Date by the City Clerk of the City;

(vi) Signature and incumbency certificates, dated the Effective Date and in form and substance satisfactory to the Bank, of the signatories of the City executing this Agreement, the Fee Letter Agreement and the Custodian Agreement;

(vii) A certificate of an Authorized Representative of the City, dated the Effective Date and in form and substance satisfactory to the Bank, making the representations set forth in Section 6.01(a) with respect to the City and covering such other matters as the Bank may reasonably request;

(viii) Executed copies of all legal opinions, certificates, reports and other documents rendered or delivered in connection with the issuance of the Certificates, the Remarketing Memorandum, the delivery of this Agreement, the Fee Letter Agreement, the Custodian Agreement and the First Supplemental Trust Agreement and the delivery of the

Related Documents and any other documents which the Bank may reasonably request evidencing that all necessary action (including, without limitation, adoption of resolutions) required to be taken by the Authority and the City in connection with the authorization, execution, issuance, delivery and performance of such documents and any other document required to be delivered by the Authority or the City pursuant to or in connection with this Agreement, the Fee Letter Agreement, the Custodian Agreement, the First Supplemental Trust Agreement, the Remarketing Memorandum or the transactions contemplated hereby or thereby, has been taken;

(ix) Executed legal opinions or reliance letters, as applicable, dated the Effective Date, addressed to the Bank and in form and substance satisfactory to the Bank, (A) of counsel to the Bond Insurer, permitting the Bank to rely on its opinion rendered at the time the Bond Insurance Policy was originally issued, addressing the enforceability of the Endorsement and covering such other matters as the Bank may reasonably request; (B) of counsel to the Authority, to the effect set forth in Section 4.01(a)-(d), inclusive, Section 4.01(k) and covering such other matters as the Bank may reasonably request; (C) of counsel to the City, to the effect set forth in Section 4.02(a)-(d), inclusive, Section 4.02(i) and covering such other matters as the Bank may reasonably request; (D) of counsel to the Trustee, addressing the enforceability of this Agreement, the Custodian Agreement and the Trust Agreement as amended by the First Supplemental Trust Agreement, and covering such matters as the Bank may reasonably request; and (E) of Special Counsel, addressing the enforceability of the Trust Agreement (including as amended by the First Supplemental Trust Agreement) and permitting the Bank to rely on any opinions rendered on the Effective Date;

(x) Satisfactory evidence that the Bank Certificates have been assigned a CUSIP number that is unique and distinct from the CUSIP number assigned to Certificates other than Bank Certificates;

(xi) Satisfactory evidence that either Moody's or S&P has assigned unenhanced long-term and underlying ratings (SPUR) on the Revenue Fund (and on the City's outstanding long-term water revenue bonds) of "AA" (including satisfactory evidence that S&P has assigned unenhanced long-term ratings of "Aa3" by Moody's and "AA" by S&P to the Certificates);

(xii) Signature and incumbency certificates, dated the Effective Date and in form and substance satisfactory to the Bank, of the signatories of the Trustee executing this Agreement, the Custodian Agreement and the First Supplemental Trust Agreement;

(xiii) Evidence that the conditions precedent to the delivery of this Agreement as an Alternate Liquidity Facility under Section 3.11 of the Trust Agreement have been satisfied, including a Favorable Opinion of Special Counsel upon which the Bank is permitted to rely;

(xiv) Except for state "blue sky" laws, true and correct copies of any and all governmental approvals necessary for the City and the Authority to enter into this

Agreement, the Fee Letter Agreement, the Custodian Agreement and the First Supplemental Trust Agreement and the distribution of the Remarketing Memorandum and such approvals necessary at the Effective Date for the transactions contemplated hereby and thereby, or if no governmental approvals are required, a certificate of an Authorized Representative of the City to the effect that no such approvals are necessary;

(xv) Evidence that the City has received all consents and other approvals from creditors necessary for the City to execute, deliver and perform this Agreement, the Fee Letter Agreement, the Custodian Agreement and the Related Documents to which it is a party, to authorize the distribution of the Remarketing Memorandum and to authorize the City to obtain the issuance of this Agreement;

(xvi) Review and approval by the Bank of the City's financial condition;

(xvii) Review and approval of the City's adopted budget for the 2022-2023 fiscal year; and

(xviii) Such further documentation, certificates or opinions as the Bank may reasonably request in connection with the matters arising under this Agreement.

(c) Certain Payments. The Bank shall be reasonably satisfied that payment will be made promptly after demand therefor of the fees and expenses of counsel to the Bank as provided in Sections 2.06(e) and 8.05 hereof and the Fee Letter Agreement.

(d) Ratings. The Bank shall have received satisfactory evidence that the Certificates have been assigned long-term ratings of "A2" by Moody's and "AA" by S&P.

(e) Legal Matters. All other legal matters pertaining to the execution and delivery of this Agreement, the Fee Letter Agreement, the Custodian Agreement, the First Supplemental Trust Agreement, the Remarketing Memorandum and the other Related Documents shall be reasonably satisfactory to the Bank and its counsel.

6.02 Obligation to Purchase. The obligation of the Bank to purchase any of the Certificates hereunder on a Purchase Date is subject to the satisfaction of the following conditions on such date:

(a) No Termination Event. No Termination Event shall have occurred.

(b) No Suspension or Termination. The obligation of the Bank to purchase Certificates hereunder shall not have been suspended or terminated pursuant to Section 7.02(c) hereof.

(c) Notices of Purchase. The Bank shall have received the required Notice of Bank Purchase with respect to such purchase provided for in Section 2.03 hereof.

SECTION 7. EVENTS OF DEFAULT; TERMINATION EVENTS AND REMEDIES

7.01 Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Certificates is not paid by the Authority when due and such principal or interest is not paid by the Bond Insurer when, as and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy; or

(b) a Bond Insurer Event of Insolvency shall have occurred; or

(c) (i) the Bond Insurance Policy, with respect to the payment of principal or interest on the Certificates, at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Bond Insurance Policy or is declared or ruled to be null and void by a court or other governmental agency of appropriate jurisdiction; or (ii) the Bond Insurer shall (A) in writing to the Trustee claim that the Bond Insurance Policy with respect to the payment of principal or interest on the Certificates is not valid and binding on the Bond Insurer, (B) repudiate in writing the obligations of the Bond Insurer under the Bond Insurance Policy with respect to payment of principal of or interest due on the Certificates, or (C) initiate legal proceedings seeking an adjudication that the Bond Insurance Policy, with respect to the payment of principal or interest on the Certificates, is not valid and binding on the Bond Insurer; or

(d) the Bond Insurer shall default in any payment or payments of amounts payable by it under any insurance policy or policies that insure or support the payment of principal and interest on municipal obligations (other than the Bond Insurance Policy) when due and such default shall continue for a period of thirty (30) days; (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) any material representation or warranty made by the Authority or the City under or in connection with this Agreement or in any Related Document shall prove to be untrue in any material respect on the date as of which it was made; or

(f) any Other Event of Insolvency shall have occurred; or

(g) (i) nonpayment of any fees due to the Bank hereunder pursuant to Section 2.06(a), if such failure to pay when due shall continue for ten (10) Business Days after the City, the Authority and the Bond Insurer have received written notice thereof from the Bank; or (ii) nonpayment of any other amounts payable to the Bank under this Agreement or under any of the Related Documents and such failure is not cured within 20 days after the City, the Authority and the Bond Insurer have received written notice thereof from the Bank; or

(h) the breach by the Authority or the City of any of the terms or provisions of Section 5.01(c)(i) (in respect of proceeds from the purchases of Certificates hereunder), (g), (i), (j), (1), (m), the second sentence of (n), (o) or (q) hereof or 5.02(e), (g), (i), (k) or (p) hereof; or

(i) the Authority shall default in the performance or observance of any other material covenant or agreement contained (or incorporated by reference) in this Agreement and such default shall continue unremedied for a period of thirty (30) days after the Authority has received written notice thereof from the Bank; or

(j) the City shall default in the performance or observance of any other material covenant or agreement contained (or incorporated by reference) in this Agreement and such default shall continue unremedied for a period of thirty (30) days after the City has received written notice thereof from the Bank; or

(k) any provision of this Agreement or any of the Related Documents ceases to be valid and binding against the Authority or the City or shall be declared null and void or the Authority or the City repudiates its obligations under this Agreement or any of the Related Documents or the pledge and assignment pursuant to this Agreement and the Related Documents shall for any reason cease to be fully enforceable with the priority required hereunder and thereunder; or

(l) the occurrence of any "event of default" under any of the Related Documents which is not otherwise described in this Section 7.01, other than the failure of the Bank to provide funds for the purchase of Eligible Certificates when required by the terms and conditions of this Agreement; or

(m) the Trustee ceases to have an effective security interest in the Trust Estate prior to any lien, pledge, assignment or security interest of any creditors of the City or the Authority; or

(n) (i) each of S&P and Moody's shall suspend or withdraw the long-term rating on the Certificates for credit related reasons or shall reduce such rating below BBB- (or its equivalent) in the case of S&P and Baa3 (or its equivalent) in the case of Moody's, or (ii) the long term claims-paying or financial strength rating of the Bond Insurer is lowered below A3 (or its equivalent) and A- (or its equivalent) by each of Moody's, and S&P, respectively; or

(o) the City shall default in any payment of principal of or premium, if any, or interest on any of its Debts in excess of $500,000 and such default shall continue beyond the expiration of the applicable grace period, if any, or the City shall fail to perform any other agreement, term or condition contained in any agreement under which any obligation for the payment of $500,000 or more is created or secured, which shall permit or result in the declaring due and payable of such obligation prior to the date on which it would otherwise have become due and payable; or

(p) a final judgment or order for the payment of money for an uninsured claim in excess of $500,000 shall have been rendered against the City and such judgment or order shall not have been satisfied, stayed or bonded pending appeal within a period of thirty (30) days from the date on which it was first so rendered; or

(q) any cancellation, termination, replacement, amendment, replacement or other modification of the Bond Insurance Policy or substitution of the Bond Insurer occurs without the prior written consent of the Bank; or

(r) the long-term, unenhanced rating of the Revenue Fund shall be withdrawn or suspended or otherwise unavailable for credit-related reasons or reduced below Baa1 (or its equivalent) in the case of Moody's, BBB+ (or its equivalent) in the case of S&P or BBB+ (or its equivalent) in the case of Fitch; provided that in the event of split ratings, the default will be determined by reference to the lowest rating; or

(s) a moratorium shall have been declared with respect to the payment of the debts of the Authority or the City; or

(t) any of the funds or accounts established pursuant to the Trust Agreement or the Contract or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City or the Authority and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within thirty (30) days after its issue or levy; or

(u) an event shall have occurred that in the opinion of the Bank has a material adverse effect on the financial condition, operations or prospects of the City or its ability to perform its obligations under this Agreement or any Related Document.

7.02 Remedies.

(a) In the case of an Event of Default specified in Section 7.01(a), 7.01(b), 7.01(c)(i), 7.01(d), 7.01(n)(i) or 7.01(q) hereof (each, a "Termination Event"), the Available Commitment and the obligation of the Bank to purchase Certificates shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Certificates. Promptly after the Bank receives written notice of such Termination Event, the Bank shall give written notice of the same to the Trustee, the Authority, the City, the Rating Agencies and the Remarketing Agent; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the Bank's obligation to purchase Eligible Certificates pursuant to this Agreement.

(b) Upon the occurrence and during the continuance of an Event of Default specified in Section 7.01(g)(i) or 7.01(n)(ii) hereof, the Bank may terminate the Available Commitment by giving written notice (a "Notice of Termination") to the City, the Trustee, the Remarketing Agent and the Bond Insurer, specifying the date on which at 3:00 p.m. California time the Available Commitment shall terminate (the "Termination Date"), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and after the Termination Date the Bank shall be under no further obligation to purchase Certificates hereunder other than Certificates which are the subject of the Notice of Bank Purchase delivered by the Trustee in accordance with Section 2.03 hereof and received by the Bank on or prior to the Termination Date.

(c) In the case of (i) the occurrence of an Event of Default of the type specified in Section 7.01(c)(ii) hereof or (ii) the commencement of an involuntary case or other involuntary proceeding seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution with respect to the Bond Insurer or its debts or claims under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator or other similar official for the Bond Insurer or any substantial part of its property (an "Involuntary Insolvency Event"), the Bank's obligation to purchase Eligible Certificates hereunder shall immediately be suspended without further action on the part of any Person. Upon such a suspension, the Bank shall give written notice thereof to the City, the Trustee, the Remarketing Agent and the Bond Insurer; provided, however, that the failure

of the Bank to give such notice shall not affect the validity of such suspension. The obligation of the Bank to purchase Eligible Certificates shall be suspended until either (x) the Bank delivers a written notice to the Trustee rescinding the automatic suspension of its obligation to purchase Eligible Certificates under this Agreement (a "Rescission Notice") or, (y)(1) in the case of a suspension event of the type described in Section 7.01(c)(ii) hereof, a final non-appealable order of a court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Bond Insurance Policy are upheld in their entirety or (2) in the case of an Involuntary Insolvency Event, a court having jurisdiction in the premises shall dismiss or stay such involuntary case, proceeding or appointment within 60 days. In the event a final non-appealable order is entered declaring any material provision of the Bond Insurance Policy to be null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Bond Insurance Policy or in the event an Involuntary Insolvency Event is not dismissed or stayed within 60 days by a court having jurisdiction in the premises, then the obligation of the Bank to purchase Eligible Certificates shall immediately terminate without any further action by any Person. In the event a final non-appealable order is entered declaring that all material contested provisions of the Bond Insurance Policy are upheld in their entirety or in the event a court having jurisdiction in the premises shall dismiss or stay any Involuntary Insolvency Event within 60 days, the obligation of the Bank to purchase Eligible Certificates shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank Purchase Period shall have otherwise expired or terminated) as if there had been no such suspension. Notwithstanding the foregoing, if the Bank has not delivered a Rescission Notice to the Trustee and if, upon the earlier of (a) the last day of the Bank Purchase Period or (b)(i) in the case of the occurrence of an Event of Default of the type described in Section 7.01(c)(ii) hereof, the date which is three years after the effective date of suspension of the obligation of the Bank to purchase Eligible Certificates, litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy has not been obtained or (ii) in the case of the occurrence of an Involuntary Insolvency Event, the date which is 60 days after the commencement of the involuntary case, proceeding or appointment, such involuntary case, proceeding or appointment has not been dismissed or stayed, then the Available Commitment and the obligation of the Bank to purchase Eligible Certificates shall at such time terminate without notice or demand and thereafter the Bank shall be under no further obligation to purchase Eligible Certificates.

(d) In addition to the rights and remedies set forth in Section 7.02(a), (b) and (c) hereof, in the case of any Event of Default, upon the election of the Bank: (i) all amounts payable hereunder (other than payments of principal and interest on Bank Certificates) shall upon notice to the City become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Authority and the City, and (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents or otherwise pursuant to law or equity other than acceleration of the Certificates or termination of its obligation to purchase Certificates.

SECTION 8. MISCELLANEOUS

8.01 Other Matters.

(a) No failure or delay on the part of the Bank in exercising any right, power or privilege hereunder and no course of dealing shall operate as a waiver thereof; nor shall any single

or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies that the Bank would otherwise have. No notice to or demand on the Authority, the City or any other party hereto in any case shall entitle the Authority, the City or such other party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Bank to any other or further action in any circumstances without notice or demand.

(b) No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto; provided that the provisions of Sections 2.06, 2.07, 2.08, 3.01, 6.02, 7, 8.01(b) and 8.07 and the following defined terms: Available Commitment, Available Interest Commitment, Available Principal Commitment, Bank Purchase Period, Bank Rate, Bond Insurer Event of Insolvency and Maximum Interest Rate may be changed, waived, discharged or terminated by instruments in writing signed by the parties hereto with the consent of the Bond Insurer. The City shall give notice to Moody's, S&P and Fitch of any amendments to this Agreement.

(c) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that neither the Authority nor the City may assign or transfer any of its rights or obligations hereunder without the prior written consent of the Bank. The Bank shall have the right at any time to sell or assign all or part of its rights (but not its obligations) hereunder, under the Related Documents and/or in and to Bank Certificates owned by the Bank to any commercial bank or institutional investor (herein, the "Bank Assignees") without the consent of or notice to the Authority or the City; provided, however, that no such sale or assignment shall relieve the Bank from any of its obligations under this Agreement (including its obligation to purchase Eligible Certificates in accordance with the terms of this Agreement) and the Authority, the City, the Trustee and the Remarketing Agent may deal exclusively with the Bank for all purposes of this Agreement. The Bank shall also have the right at any time to grant or sell participation interests in all or part of its rights and obligations hereunder, under the Related Documents and/or in and to Bank Certificates owned by the Bank to any Person (herein, the "Participants") without the consent of or notice to the Authority or the City; provided that no participation shall relieve the Bank from any of its obligations under this Agreement (including its obligation to purchase Eligible Certificates in accordance with the terms of this Agreement with its own funds). If participation is sold or the loan is assigned, the purchaser will have the benefit of Sections 2.07, 3.02(b), 8.05 and 8.06 hereof. The Bank may disclose to any Bank Assignees, prospective Bank Assignees, participants or prospective participants any information or other data or material in the Bank's possession relating to this Agreement, any Related Document, the Bond Insurer, the City and the Authority, without the consent of or notice to the Bond Insurer, the City or the Authority. If the Bank seeks to assign its obligations to any Bank Assignee and such assignment would relieve the Bank of its obligation to purchase any portion of Eligible Certificates pursuant to this Agreement with its own funds, the Bank shall obtain prior written confirmation from the rating agencies that the rating on the Certificates will not be lowered or withdrawn as a result of such assignment. The Bank may collaterally assign and pledge all or any portion of the obligations owing to it hereunder or under the other Related Documents to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of

such assigned obligations made by the Authority or the City to the Bank in accordance with the terms of this Agreement shall satisfy the obligations of the Authority or the City, respectively, hereunder in respect of such assigned obligation to the extent of such payment.

8.02 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

8.03 Severability. If any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

8.04 Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument. This Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

8.05 Expenses. The City shall pay counsel to the Bank fees and expenses and shall reimburse counsel to the Bank for its reasonable out-of-pocket expenses, in each case, in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The City shall also pay on demand (a) all reasonable out-of-pocket expenses of the Bank, including reasonable fees and expenses of counsel retained by the Bank in connection with any waiver or consent hereunder, under the Certificates or under any Related Documents or any amendment hereof or thereof and (b) all costs and expenses incurred by the Bank (including fees and expenses of counsel and other experts retained by the Bank) in connection with the enforcement, attempted enforcement or preservation of any rights or remedies under this Agreement, the Related Documents and any other documents delivered hereunder or thereunder, whether or not suit is filed and whether or not a Potential Event of Default or an Event of Default or an Involuntary Insolvency Event exists (including all such costs and expenses incurred during any "workout" or restructuring in respect of this Agreement, the Bond Insurance Policy or the Certificates and during any legal proceeding, including any proceeding under any debtor relief law).

8.06 Indemnification.

(a) To the extent permitted by law, the City agrees to indemnify and hold harmless the Bank, each Bank Assignee, each Participant and each of their respective officers, directors, employees and their agents (each, an "Indemnitee") from and against any and all claims, damages, penalties, actions, losses, liabilities, judgments, suits and reasonable costs or expenses (including, without limitation, reasonable attorneys' fees and expenses) whatsoever which an Indemnitee may incur (or which may be claimed against an Indemnitee by any person or entity whatsoever) by reason of or in connection with (i) the offering, sale, remarketing or resale of the Certificates (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in this Agreement, the Related Documents or the Remarketing Memorandum (other than in connection with the description of the Bank therein and any other information provided by the Bank for inclusion therein), or in any supplement

or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances in which they are or were made, not misleading); (ii) the validity, sufficiency or genuineness of this Agreement (other than a failure thereof resulting from any invalidity on the part of the Bank), the Related Documents or the Remarketing Memorandum; or (iii) the execution and delivery of this Agreement (other than by the Bank), or the making or the failure to make purchases of Certificates under this Agreement; provided that the City shall not be required to indemnify any Indemnitee for any losses, claims, damages, liabilities, costs and expenses to the extent, that there has been a final, nonappealable determination by a court of competent jurisdiction that such losses, claims, damages, liabilities, costs and expenses were caused by the willful misconduct or gross negligence of such Indemnitee.

(b) To the extent permitted by law, the City agrees to indemnify and hold each Indemnitee harmless (on a net after-tax basis) from any present or future claim or liability for stamp, transfer, documentary, excise or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with the execution, delivery and performance of, or any payment made under, this Agreement, the Certificates and the other Related Documents, or any amendment thereto.

8.07 Term of the Agreement. The obligation of the Bank to purchase Certificates under this Agreement shall terminate on the last day of the Bank Purchase Period (as it may be extended pursuant to Section 8.15 hereof). Except for the City's obligations to indemnify the Bank and each Indemnitee as provided in Section 8.06 and except as provided in Section 8.12, this Agreement shall terminate when (a) the Bank Purchase Period (as it may be extended pursuant to Section 8.15 hereof) shall have expired or terminated and (b) the principal of and interest on all Certificates purchased by the Bank hereunder and all other amounts owing to the Bank hereunder shall have been paid in full.

8.08 Enforcement by Trustee; Third Party Beneficiaries. The Bank agrees that the Trustee may enforce the provisions of this Agreement on behalf of the Certificateholders against the Bank. The Bank further agrees that if any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, as between the Bank and the City and the Authority, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable as between the Bank and the Trustee, nor shall the same affect the Bank's rights and remedies hereunder, including, under certain circumstances, causing the mandatory tender of Certificates or terminating the obligation of the Bank to purchase Certificates as expressly provided herein. The Trustee and the Bond Insurer are each hereby made an express third party beneficiary.

8.09 Notice. Any notice, demand, direction, request or other instrument authorized or required by this Agreement to be given to or filed with the Authority, the City, the Remarketing Agent, the Trustee, the Bank or the Bond Insurer, shall be deemed or have been sufficiently given or filed for all purposes, if any, when delivered by hand or when sent by registered mail, return receipt requested, postage prepaid, and if given by telecopy or telegraphic means shall be deemed given when transmitted (receipt confirmed):

If to the Authority:

Modesto Public Financing Authority
c/o City of Modesto
City Hall
1010 Tenth Street, Suite 5200
Modesto, California 95354
Attention: Director of Finance;

If to the City:

City of Modesto
City Hall
1010 Tenth Street, Suite 5200
Modesto, California 95354
Attention: Director of Finance

If to the Bank:

To the addresses set forth in the Fee Letter Agreement.

If to the Bond Insurer:

Assured Guaranty Corp.
1633 Broadway
New York, New York 10019
Attention: Managing Director – Municipal Surveillance
Re: Policy No. 2008-461
Email: munidisclosure@agltd.com

If to the Remarketing Agent:

To the address for notices set forth in the Remarketing Agreement.

If to the Trustee or any Rating Agency:

To the address for notices set forth in the Trust Agreement.

8.10 Obligations Absolute. The obligations of the Authority and the City under this Agreement shall be primary, absolute, independent, unconditional and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) Any lack of validity or enforceability of this Agreement or the Related Documents;

(b) Any amendment or waiver of or any consent to or departure from all or any of the Related Documents or this Agreement;

(c) Any exchange, release or non-perfection of any collateral or any release or amendment or waiver of or consent to departure from any guaranty and insurance documents;

(d) The existence of any claim, set-off, defense, or other right which the Authority or the City may have at any time against the Authority, the City, the Trustee, the Remarketing Agent, the Bond Insurer, the Bank (other than the defense of the payment to the Bank in accordance with the terms of this Agreement) or any other person or entity, whether in connection with this Agreement, the Related Documents or any unrelated transactions;

(e) Any certificate, notice or any other document presented under this Agreement proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(f) Any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

Notwithstanding the foregoing, all liability of the City under this Agreement shall be limited obligations of the City payable solely from Gross Revenues on a parity with other Parity Obligations.

8.11 Holidays. Except as otherwise provided herein, whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

8.12 Survival. All representations, warranties, covenants and agreements of the Authority and the City contained in this Agreement as amended or supplemented from time to time or made in writing in connection herewith shall survive the execution and delivery hereof and the purchase of Certificates by the Bank hereunder and shall continue in full force and effect until payment in full of all the obligations of the Authority and the City hereunder, it being understood that the agreements, obligations and liabilities of the City found in Sections 2.06, 2.07, 3.02(b), 8.05 and 8.06 hereof shall survive the termination of this Agreement, the Fee Letter Agreement and the Contract and the Authority's and the City's obligations hereunder and thereunder and the payment in full of all 2008 Payments and Additional Payments.

8.13 Liability of the Bank. The Authority and the City agree that none of the Bank, its officers, directors, employees and their agents shall have any liability or responsibility for the acts or omissions of either the Trustee or the Remarketing Agent in respect of its use of this Agreement or any amounts made available by the Bank hereunder. The Bank, its officers, directors, employees and their agents shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee or the Remarketing Agent which results in the failure of the Trustee to effect the purchase of Eligible Certificates for the account of the Bank with funds provided by the Bank pursuant to Section 2.03 hereof or to comply with the applicable provisions of the Trust Agreement. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of this Agreement or any amounts made available by the Bank hereunder or for any acts or omissions of the Trustee or the Remarketing Agent in

connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respect invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement, other than, in the case of the Bank, other than any direct, as opposed to consequential, special, punitive, exemplary or indirect damages suffered by the Authority or the City which the Authority and the City proves were caused by the Bank's gross negligence or willful failure to purchase Eligible Certificates when required under the terms and conditions of this Agreement.

8.14 Bank Information. The Bank hereby consents to the use of the information concerning the Bank and this Agreement contained in the Remarketing Memorandum under the caption "STANDBY PURCHASE AGREEMENT- The Bank." The Bank shall, upon the written request, provide the Authority with the Bank's most recent disclosure information for inclusion in official statements.

8.15 Extension of Bank Purchase Period. Upon the City's written request in the form attached hereto as Exhibit C (a "Request for Extension") and the Bank's agreement thereto, the then current Stated Expiration Date may be extended to a later date (the period from the then current Stated Expiration Date to such new Stated Expiration Date is hereinafter referred to as the "Extended Bank Purchase Period"). The City may submit no more than one Request for Extension for a minimum of one year and a maximum of three years. The City shall not submit a Request for Extension any earlier than the 120th day, or any later than the 90th day, prior to the then current Stated Expiration Date. The Bank has no obligation to agree to any Request for Extension. If the Bank, in its sole discretion, agrees to a Request for Extension, the Bank shall promptly give written notice of the election to extend to the City (with a copy to the Trustee, the Remarketing Agent and the Bond Insurer); provided, however, that if the Bank fails for any reason or no reason to give such written notice within 60 days of its receipt of a Request for Extension, the Bank shall be deemed to have denied such Request for Extension. At the time of any extension, the Bank may, in its sole discretion, renegotiate terms and conditions of this Agreement, including the duration of the extended term, the commitment fees and the Bank Rate. Any extension shall not become effective unless the Bond Insurer shall have consented thereto; provided, however, that in no event shall the Bond Insurer's consent be required (i) if the Bond Insurer is in default under the Bond Insurance Policy or (ii) for any change in the rate upon which the commitment fee described in Section 2.06 is calculated.

8.16 One Agreement. This Agreement, the Fee Letter Agreement and the Related Documents, collectively:

(a) represent the sum of the understandings and agreements among the Authority, the City, the Trustee and the Bank concerning the subject matter hereof;

(b) replace any prior oral or written agreements between or among the Bank and the Authority, the City and/or the Trustee concerning the subject matter hereof; and

(c) are intended by the Authority, the City, the Trustee and the Bank as the final, complete and exclusive statement of the terms agreed to by them concerning the subject matter hereof.

In the event of any conflict between this Agreement and the Fee Letter Agreement and any other Related Documents, this Agreement and the Fee Letter Agreement will prevail.

8.17 Headings. Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

8.18 Set-Off. Upon the occurrence and during the continuance of any Event of Default the Bank and each of its affiliates are hereby authorized at any time and from time to time, without notice to the Authority or the City (any such notice being expressly waived by the Authority and the City) and to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisions or final) at any time held and other indebtedness at any time owing by the Bank or any of its affiliates, except in connection with the Bank's obligation to purchase Eligible Certificates under this Agreement as herein provided, to or for the credit or the account of the Authority or the City against any and all of the obligations of the Authority and the City now or hereafter existing under this Agreement, irrespective of whether or not the Bank shall have made any demand hereunder and although such obligations may not have matured. The rights of the Bank and each of its affiliates under this Section are in addition to other rights and remedies which the Bank and each of its affiliates may have including, without limitation, other rights of set-off. For such purpose, the Bank and each of its affiliates shall have, and the Authority and the City each hereby grants to the Bank and each of its affiliates, a first lien on and security interest in such deposits or indebtedness held or maintained by the Bank or any of its affiliates and the proceeds thereof.

8.19 Waiver of Suretyship. The Authority, City and the Bank intend that the obligations of the Authority and the City under this Agreement constitute direct obligations of the Authority and the City, respectively, and not obligations in the nature of a guaranty or a surety. Nevertheless, should it ever be deemed that the Authority's or the City's obligations hereunder are in the nature of a guarantor or surety, then the Authority and the City expressly waive any and all rights of subrogation, reimbursement, indemnification and contribution and any other rights and defenses under applicable suretyship or similar laws now or hereafter in effect, including without limitation Sections 2787 to 2855, inclusive, 2899 and 3433 of the California Civil Code. The Authority and the City, respectively, agree that the Bank may enforce this Agreement without the necessity of resorting to or exhausting any security or collateral, and the Authority and the City waive the right to require the Bank to proceed against the other co-obligor to exercise any right or remedy under this Agreement or to pursue any other remedy, or to enforce any other right.

Further, should it ever be deemed that the Authority's or the City's obligations hereunder are in the nature of a guarantor or surety and the Authority's or the City's obligations hereunder are secured by real property, then each of the Authority and the City, respectively, waives all rights and defenses that it may have because the other co-obligor's Obligations hereunder are secured by real property. This means, among other things: (1) the Bank may collect from either the Authority or the City without first foreclosing on any real or personal property collateral pledged by the other co-obligor; (2) if the Bank forecloses on any real property collateral pledged by the other co-obligor, (A) the amount of the obligation may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price and (B) the Bank may collect from the Authority or the City even if the Bank, by foreclosing on the real property collateral, has destroyed any right the Authority or the City, as applicable, may have to

collect from the other co-obligor. This is an unconditional and irrevocable waiver of any rights and defenses the Authority or the City may have because the other co-obligor's Obligations hereunder are secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure. In addition, each of the Authority and the City, respectively, waives all rights and defenses arising out of an election of remedies by the Bank, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the Authority's or the City's, as applicable, rights of subrogation and reimbursement against the principal by the operation of Section 580d of the Code of Civil Procedure or otherwise.

8.20 Waiver of Jury Trial; Judicial Reference.

(a) TO THE FULL EXTENT PERMITTED BY LAW, THE AUTHORITY AND THE CITY EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY RELATED DOCUMENT OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY OR IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY THE AUTHORITY OR THE CITY AGAINST THE BANK OR ANY BANK-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH OF THE AUTHORITY AND THE CITY FURTHER AGREES, TO THE FULLEST EXTENT PERMITTED BY LAW, THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT JURY. WITHOUT LIMITING THE FOREGOING, TO THE EXTENT PERMITTED BY LAW, EACH OF THE AUTHORITY AND THE CITY FURTHER AGREES THAT ITS RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, ANY RELATED DOCUMENT OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENT AND ANY OTHER DOCUMENTS DELIVERED IN CONNECTION THEREWITH.

(b) In the event the waiver of jury trial as set forth in subsection (a) of this Section shall be declared void or unenforceable, each of the Authority and the City agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure.

8.21 Concerning the Trustee. The Trustee is executing this Agreement solely in its capacity as Trustee under the Trust Agreement and shall have all of the rights, indemnities and protections hereunder as afforded to it as Trustee under the Trust Agreement.

8.22 No Advisory or Fiduciary Relationship. The Authority and the City each acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm's length, commercial transaction among the Authority, the City and the Bank in which the Bank is

acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the City; (ii) the Bank has not assumed any advisory or fiduciary responsibility to the Authority or the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Authority or the City on other matters); (iii) the only obligations the Bank has to the Authority or the City with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (iv) the Authority and the City each has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

8.23 Redaction. In the event on or subsequent to the Effective Date the City or the Authority delivers or causes to be delivered to the Remarketing Agent for delivery to the Municipal Securities Rulemaking Board, or directly to the Municipal Securities Rulemaking Board, in either instance pursuant to Rule G-34 ("CUSIP Numbers, New Issue, and Market Information Requirements"), a copy of this Agreement (including without limitation any amendments hereto or thereto), the City and the Authority shall only provide or cause to be provided a copy of this Agreement (including without limitation any amendments hereto or thereto), in the form provided by the Bank, that redacts such confidential information contained in this Agreement (including without limitation any amendments hereto) which could be used in a fraudulent manner, such as any VRDO liquidity bank routing or account numbers, staff names and contact information and fees assessed by the Bank, which redaction is consistent with MSRB Notice 2011-17 (February 23, 2011) and the City and the Authority shall not provide or cause to be provided a copy of the Fee Letter Agreement. The Bank shall provide such redacted copy of this Agreement (including without limitation any amendments hereto) upon request by the City or the Authority. The City and the Authority shall cause the Remarketing Agent to deliver only such redacted copy of this Agreement (including without limitation any amendments hereto), in the form provided by the Bank, and shall not permit delivery of a copy of the Fee Letter Agreement, to the Municipal Securities Rulemaking Board pursuant to said Rule G-34.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement, effective as of the day and year first above written.

MODESTO PUBLIC FINANCING AUTHORITY

By:_____
Name: DeAnna Christensen
Title: Auditor and Treasurer

CITY OF MODESTO

By:_____
Name: DeAnna Christensen
Title: Finance Director/Treasurer

Attest:

By:_____
Name: Diane Navarres-Perez
Title: City Clerk

Approved as to Form:

By:_____
Name: _____
Title:_____

Federal law requires the Bank to provide the following notice. This notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE. Federal law requires all financial institutions to obtain, verify and record information that identifies each Person who opens an account or obtains a loan. The Bank will ask for the Authority's and the City's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Authority, the City, guarantors or other related Persons.

[Signatures continue on the next page]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement, effective as of the day and year first above written.

MODESTO PUBLIC FINANCING AUTHORITY

By:_____
Name: DeAnna Christensen
Title: Auditor and Treasurer

CITY OF MODESTO

By:_____
Name: DeAnna Christensen
Title: Finance Director/Treasurer

Attest:

By:_____
Name: Diane Navares-Perez
Title: City Clerk

Approved as to Form:

By:_____
Name: Jose M. Sanchez
Title: City Attorney

Federal law requires the Bank to provide the following notice. This notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE. Federal law requires all financial institutions to obtain, verify and record information that identifies each Person who opens an account or obtains a loan. The Bank will ask for the Authority's and the City's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Authority, the City, guarantors or other related Persons.

[Signatures continue on the next page]

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

By: _____

Name: Fanny Chen

Title: Vice President

[Signatures continue on the next page]

BMO HARRIS BANK N.A.

By: Edward C Neu

Name: Edward C. Neu
Title: Managing Director

EXHIBIT A

FORM OF NOTICE OF BANK PURCHASE
(LIQUIDITY PURCHASE)

BMO Harris Bank N.A.
180 Montgomery Street
San Francisco, California 94104
Attention: Ted Neu
Telephone: (415) 765-4938
Email: ted.neu@bankofthewest.com

BMO Harris Bank N.A.
500 Capitol Mall, Suite 1200
Sacramento, CA 95814
Attention: Andrea M. Williams
Telephone: (916) 552-4351
Email: andrea.williams@bankofthewest.com

Re: City of Modesto Financing Authority Water Revenue Certificates of Participation, 2008 Series A

The undersigned, a duly authorized officer of The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), hereby certifies to BMO Harris Bank N.A. (the "Bank"), in accordance with the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (as amended, modified and supplemented through the date hereof, the "Standby Certificate Purchase Agreement"), among the City of Modesto Financing Authority, the City of Modesto, The Bank of New York Mellon Trust Company, N.A., as successor trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Certificate Purchase Agreement), that:

1. Eligible Certificates have been tendered for purchase pursuant to Section 3.01 of the Trust Agreement. As provided in Section 2.08 of the Trust Agreement, the Trustee may deem and treat the registered owner of any Eligible Certificates as the absolute owner of such Eligible Certificates.

2. Insufficient moneys are available for such purchase pursuant to Section 3.03(b) of the Trust Agreement.

3. [(a)] The total principal amount of the Eligible Certificates referred to above is $[_____], which amount does not exceed the Available Principal Commitment.

[(b)] Accrued but unpaid interest on such Eligible Certificates (other than Defaulted Interest), computed in accordance with the terms of the Certificates and the Trust Agreement, as of the date of delivery hereof to the Bank is $[_____], which amount does not exceed the Available Interest Commitment.][1]

4. The Eligible Certificates referred to above are being delivered to the Bank for purchase pursuant to the Standby Certificate Purchase Agreement on the date hereof

[1] If the Certificates are to be purchased on an Interest Payment Date, this amount will exclude the interest payable on such date. If exclusion results in no interest, delete (b).

for an aggregate purchase price of $[_____],[2] which amount does not exceed the Available Commitment.

5. Upon completion of purchase, the Trustee will cause the Certificate to be assigned the separate CUSIP number for Bank Certificates and made eligible for book-entry with DTC and to register such Certificates for the benefit of the Bank in accordance with the procedures of DTC in effect as such time, or, if the Certificates are then certificated, to register the Certificate in the name of the Bank, or if a Certificate is not delivered and the Certificates are not in book-entry form, to issue a new Certificate in replacement of the undelivered Certificate, in the name of the Bank or if directed in writing by the Bank its nominee or designee on the Certificate register, and the Trustee will hold such Certificates (or new Certificates) in accordance with the terms of the Custodian Agreement.

6. The Purchase Date is [_____], and the wire instructions for payment of the Purchase Price are as follows: [insert payment instructions.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the [____] day of [_____], [____].

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

By:_____
Title:_____

[2] Insert the sum of principal and accrued interest shown in paragraphs 3(a) and (b).

EXHIBIT B

FORM OF NOTICE OF BANK PURCHASE
(MANDATORY PURCHASE)

BMO Harris Bank N.A.
180 Montgomery Street
San Francisco, California 94104
Attention: Ted Neu
Telephone: (415) 765-4938
Email: ted.neu@bankofthewest.com

BMO Harris Bank N.A.
500 Capitol Mall, Suite 1200
Sacramento, CA 95814
Attention: Andrea M. Williams
Telephone: (916) 552-4351
Email: andrea.williams@bankofthewest.com

Re: City of Modesto Financing Authority Water Revenue Certificates of Participation, 2008 Series A

The undersigned, a duly authorized officer of The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), hereby certifies to BMO Harris Bank N.A. (the "Bank"), in accordance with the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (as amended, modified and supplemented through the date hereof, the "Standby Certificate Purchase Agreement"), among the City of Modesto Financing Authority, the City of Modesto, The Bank of New York Mellon Trust Company, N.A., as successor trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Certificate Purchase Agreement), that:

1. Eligible Certificates have been tendered or deemed tendered for mandatory purchase as described in subsections (iii), (iv), (v), (vi) or (vii) of the definition of "Mandatory Purchase Date" in the Trust Agreement pursuant to Section 3.02 of the Trust Agreement. As provided in Section 2.08 of the Trust Agreement, the Trustee may deem and treat the registered owner of any Eligible Certificates as the absolute owner of such Eligible Certificates.

2. Insufficient moneys from remarketing proceeds are available for such purchase pursuant to Section 3.04 of the Trust Agreement.

3. [(a)] The total principal amount of the Eligible Certificates referred to above is $[_____], which amount does not exceed the Available Principal Commitment.

[(b)] Accrued but unpaid interest on such Eligible Certificates (other than Defaulted Interest), computed in accordance with the terms of the Certificates and the Trust Agreement, as of the date of delivery hereof to the Bank is $[_____][3], which amount does not exceed the Available Commitment.

4. The Eligible Certificates referred to above are being delivered to the Bank for purchase pursuant to the Standby Certificate Purchase Agreement on the date hereof

[3] If the Certificates are to be purchased on an Interest Payment Date, this amount will exclude the interest payable on such date. If exclusion results in no interest, delete (b).

for an aggregate purchase price of $[_____][4], which amount does not exceed the Available Commitment.

5. Upon completion of purchase, the Trustee will cause the Certificate to be assigned the separate CUSIP number for Bank Certificates and made eligible for book-entry with DTC and to register such Certificates for the benefit of the Bank in accordance with the procedures of DTC in effect as such time, or, if the Certificates are then certificated, to register the Certificate in the name of the Bank, or if a Certificate is not delivered and the Certificates are not in book-entry form, to issue a new Certificate in replacement of the undelivered Certificate, in the name of the Bank or if directed in writing by the Bank its nominee or designee on the Certificate register, and the Trustee will hold such Certificates (or new Certificates) in accordance with the terms of the Custodian Agreement.

6. The Purchase Date is [_____], and the wire instructions for payment of the Purchase Price are as follows: [insert payment instructions.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the [_____] day of [_____], [_____].

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

By: _____
Title: _____

[4] Insert the sum of principal and accrued interest shown in paragraphs 3(a) and (b).

EXHIBIT C

FORM OF REQUEST FOR EXTENSION

[Date]

BMO Harris Bank N.A.
180 Montgomery Street
San Francisco, California 94104
Attention: Ted Neu
Telephone: (415) 765-4938
Email: ted.neu@bankofthewest.com

Ladies and Gentlemen:

Reference is made to the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (as amended, modified and supplemented through the date hereof, the "Agreement"), among the Modesto Public Financing Authority, the City of Modesto, The Bank of New York Mellon Trust Company, N.A., as successor trustee and BMO Harris Bank N.A. Capitalized terms not otherwise defined herein have the meanings set forth in the Agreement.

The City hereby requests, pursuant to Section 8.15 of the Agreement, that the Stated Expiration Date with respect to the Agreement as of the date hereof be extended by [_____] to [_____].

The City hereby certifies that, as of the date hereof:

1. The outstanding principal amount of the Certificates is $[_____].

2. [Except as described below,] [N]o Potential Event of Default or Event of Default has occurred and is continuing.

3. [Except as described below,] [T]he representations and warranties of the Authority and the City as set forth in Section 4 of the Agreement are true and correct as though made on the date hereof.

If you agree to extend the Stated Expiration Date, you are required to provide written notice thereof to the City (with a copy to the Trustee, the Remarketing Agent and the Certificate Insurer).

If you fail to notify the City of your decision within 30 days, you shall be deemed to have rejected such request.

Very truly yours,

By: _____
Title: _____

EXHIBIT D

FORM OF CUSTODIAN AGREEMENT

CUSTODIAN AGREEMENT, dated as of June 1, 2023 (as the same may be amended, modified and supplemented from time to time, this "Agreement"), BMO HARRIS BANK N.A. (the "Bank"), CITY OF MODESTO (the "City") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Custodian"), as custodian for the Bank.

WITNESSETH:

WHEREAS, the Bank has entered into that certain Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"; all terms capitalized herein and not defined herein shall have the meaning ascribed to them in the Standby Certificate Purchase Agreement), among the Bank, the City, The Bank of New York Mellon Trust Company, N.A., as successor trustee and the Modesto Public Financing Authority (the "Authority");

WHEREAS, pursuant to the terms of the Standby Certificate Purchase Agreement the Bank has agreed to purchase from time to time Eligible Certificates tendered or deemed tendered for purchase in accordance with the terms of the Trust Agreement;

WHEREAS, it is a condition precedent, among others, to the effectiveness of the Standby Certificate Purchase Agreement that the City and Custodian shall have executed and delivered this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the terms and conditions of this Agreement, and other good and valuable consideration, the parties hereto do hereby agree as follows:

1. Appointment and Acceptance.

(a) The Bank hereby appoints The Bank of New York Mellon Trust Company, N.A. to act as agent, bailee and custodian ("Custodian") for the exclusive benefit of the Bank with respect to Bank Certificates. The Bank of New York Mellon Trust Company, N.A. hereby accepts such appointment and agrees to maintain and hold all Bank Certificates at any time delivered to it as agent, bailee or custodian for the exclusive benefit of the Bank in accordance with the terms of this Agreement.

(b) The Custodian acknowledges and agrees that it is acting and will act with respect to Bank Certificates at the direction of the Bank for the exclusive benefit of the Bank and is not and shall not at any time be subject in any manner or to any extent to the direction or control of the City or the Authority with respect to such Bank Certificates. The Custodian agrees to act in strict accordance with this Agreement and in accordance with any lawful written instructions from the Bank delivered to the Custodian from time to time pursuant hereto. Under no circumstances shall the Custodian deliver possession of the Bank Certificates to, or cause Bank Certificates to be registered in the name of, the City, the Authority, the Remarketing Agent or any Person other than

the Bank except in accordance with the express terms of this Agreement or otherwise upon the written instructions of the Bank.

The Custodian acknowledges that it is familiar with the procedures set forth in a notice from DTC, dated April 4, 2008, respecting "Variable Rate Demand Obligations ("VDRO") Failed Remarketings and Issuance of Bank Certificates", as amended by DTC Notice number B3488-08, dated May 15, 2008, as further amended by DTC Notice number B13531-20, dated June 16, 2020 (as amended, the "DTC April 4 Notice") which, as of the date hereof, must be followed in the event that any of the Certificates that are tendered for purchase become Bank Certificates. The Custodian agrees that, if any of the Certificates become Bank Certificates and if the DTC April 4 Notice is in effect at such time, at the expense of the City, it will follow the DTC procedures set forth in the DTC April 4 Notice, as the same may be amended from time to time, including the withdrawal from DTC of any Certificates that have become Bank Certificates and the simultaneous deposit with DTC of the Bank Certificates, as identified by new CUSIP numbers, to be held in the DTC accounts of the Bank. The Bank agrees that it shall not request the Custodian to, and the Custodian shall not be required to, deviate from the DTC procedures set forth in the DTC April 4 Notice, as amended from time to time, to the extent that the DTC April 4 Notice is in effect.

(c) The Custodian may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Custodian shall not be liable for any error in judgment made in good faith by its responsible officers, employees and agents unless the Custodian, its responsible officers, employees or agents were negligent or engaged in willful misconduct. Anything herein to the contrary notwithstanding, the Custodian shall have no liability hereunder for any act or omission except as shall result from its gross negligence or willful misconduct. The Custodian undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Custodian. None of the provisions of this Agreement shall require the Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Custodian may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel. The Custodian may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

2. Receipt of the Bank Certificates. The Custodian agrees to receive and hold Bank Certificates in custody for the Bank. Immediately upon the Custodian's receipt of Bank Certificates, the Custodian shall (a) promptly give e-mail notice to the Bank that it has received such Bank Certificates and (b) within 2 Business Days following such receipt, send or cause to be sent to the Bank, (i) a copy of the transfer journal entry for such Bank Certificates identifying the principal amount of such Bank Certificates and (ii) confirmation that the Bank or its nominee has been registered as the owner of such Bank Certificates. If the Certificates are in book-entry, the Custodian shall cause the Certificate to be assigned the separate CUSIP number for Bank

Certificates and made eligible for book-entry with DTC and shall register such Certificates for the benefit of the Bank in accordance with the procedures of DTC in effect as such time.

3. Payments with respect to the Certificates. If, while this Agreement is in effect, the Custodian shall become entitled to receive or shall receive any payment in respect of any Bank Certificates, the Custodian agrees to accept the same as the Bank's agent and to hold the same in trust on behalf of the Bank and to deliver the same forthwith to the Bank in accordance with the payment instructions provided to the Custodian from time to time by the Bank in writing (any such payment instructions to remain effective until the Custodian receives written instructions from the Bank to the contrary).

4. Release of Bank Certificates.

(a) Upon the remarketing of any Bank Certificates and receipt by the Bank of the proceeds thereof (or receipt by the Trustee of the proceeds thereof in trust for the Bank), the Custodian shall release Bank Certificates in a principal amount equal to the principal amount so remarketed to the Remarketing Agent in accordance with the terms of the Trust Agreement.

(b) In order to facilitate the transfer of Bank Certificates in physical form, the Bank agrees to deliver to the Custodian from time to time upon the written request of the Custodian, instruments of transfer duly endorsed in blank by the Bank.

5. No Disposition, Etc. Except as provided in Section 4 above, without the prior written consent of the Bank, the Custodian agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, Bank Certificates, and will not create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance or take any other action with respect to Bank Certificates, or any interest therein, or any proceeds thereof.

6. Information Regarding Bank Certificates. The Custodian shall deliver to the Bank at the Bank's request such information as may be in the possession of the Custodian with respect to Bank Certificates.

7. Standard of Care. The Custodian agrees that it will perform its duties hereunder in accordance with the express terms of this Agreement. The Custodian shall perform such duties and only such duties as set forth herein. The Custodian shall not be liable to the Bank except for gross negligence or willful misconduct in the performance of its obligations under this Agreement. The City shall indemnify and hold harmless the Custodian and its officers, directors, agents and employees from and against any and all liability arising out of the performance of its obligations under the Agreement except for any liability arising out of the gross negligence or willful misconduct of the Custodian or the breach by the Custodian of its obligations under this Agreement. The terms of this paragraph shall survive the Custodian's resignation or removal hereunder, the termination of this Agreement, the Fee Letter Agreement and the Contract and the Authority's and the City's obligations hereunder and thereunder and the payment in full of all 2008 Payments and Additional Payments.

8. Removal or Resignation. The Bank may, at any time, effective immediately, and with or without cause, remove and discharge the Custodian from the performance of the

Custodian's duties under this Agreement by written notice to the Custodian with a copy to the City and the Trustee. The Custodian may, at any time, effective upon five (5) business days' prior written notice to the Bank, resign from its duties hereunder. Upon the effective date of any such removal or resignation, the Custodian shall deliver all Bank Certificates then in its custody to any successor custodian appointed by the Bank to be held in accordance with this Agreement or any other document executed by such successor custodian or, if the Bank has not designated a successor custodian, to the Bank.

9. Insurance. If the Custodian is holding Bank Certificates, the Custodian, at its own expense, shall maintain and keep in full force and effect at all times during the existence of this Agreement: (a) fidelity insurance, (b) theft of documents insurance, (c) forgery insurance, and (d) errors and omissions insurance (which may be maintained by self-insurance). All such insurance shall be in amounts, with standard coverage and subject to deductibles, that are customary for insurance typically maintained by a bank or other financial institution acting as custodian.

10. Payment of Expenses. The City acknowledges and agrees that the transactions contemplated by this Agreement are for the benefit of the City and the City agrees to pay or cause to be paid all reasonable out-of-pocket fees, costs, disbursements, taxes and expenses (including, without limitation, the reasonable attorney's fees and expenses) incurred by the Custodian in connection with the performance by the Custodian of its obligations hereunder.

11. Further Assurances. The Custodian and the City each agree that at any time upon the written request of the Bank and at the expense of the City, such party will execute and deliver or cause to be executed and delivered any and all such further documents and do any and all such further acts and things as the Bank may reasonably request in order to effect the purposes of this Agreement.

12. Availability of Documents. The Custodian agrees to keep and to cause its agents to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available upon reasonable prior notice for inspection by the Bank, its agents, accountants, attorneys and auditors.

13. Originals and Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which counterparts shall be deemed to be an original, and which counterparts shall constitute and be one and the same instrument.

14. Notices. Except as otherwise expressly provided in this Agreement, all notices shall be in writing, and delivered personally or by certified or registered United States mail, postage prepaid, or by expedited mail or courier, return receipt requested, charges prepaid, addressed to the respective party at the address set forth below:

If to the Bank:	To the addresses set forth in the Standby Certificate Purchase Agreement
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A.

333 S. Hope Street
Los Angeles, California 90071
Attention: Corporate Trust Dept.
Telephone: (213) 630-6206

If to the City:

City of Modesto
Finance Department
City Hall
101 Tenth Street, Suite 5200
Modesto, California 95353
Attention: Director of Finance

Any party may change the address to which notices are to be sent by giving written notice of such change to the other parties hereto.

15. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. Waivers, Amendments. None of the terms or provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by each of the Bank, the City and the Custodian. This Agreement and all obligations of the Custodian and the City hereunder shall be binding upon their respective successors and assigns and shall, together with the rights and remedies of the Bank hereunder, inure to the benefit of the Bank and its successors and assigns.

17. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

* * *

IN WITNESS WHEREOF, each of the parties hereto has caused this Custodian Agreement to be duly executed and delivered on the day and year first above written.

BMO HARRIS BANK N.A.

By:_____
Name: Edward C. Neu
Title: Managing Director

[Signatures continue on the next page]

CITY OF MODESTO

By:_____
Name: DeAnna Christensen
Title: Finance Director/Treasurer

Attest:

By:_____
Name: Diane Navares-Perez
Title: City Clerk

Approved as to Form:

By:_____
Name: _____
Title:_____

[Signatures continue on the next page]

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
in its capacity as Custodian

By:_____
Name: _____
Title:_____

Tab 4

Fee Letter Agreement, dated June 8, 2023 (the "Fee Letter Agreement"), among the Authority, the City and the Bank

[Provided to the Authority, the City and the Bank]

FEE LETTER AGREEMENT

June 8, 2023

City of Modesto
1010 Tenth Street, Suite 5200
Modesto, California 95354

Modesto Public Financing Authority
c/o City of Modesto
1010 Tenth Street, Suite 5200
Modesto, California 95354

Re: City of Modesto Water Refunding Revenue Certificates of Participation, 2008 Series A

Ladies and Gentlemen:

Reference is hereby made to that certain Standby Certificate Purchase Agreement, dated as of June 1, 2023 (as the same may be amended or supplemented from time to time, the "Agreement"), among the Modesto Public Financing Authority (the "Authority"), the City of Modesto (the "City"), The Bank of New York Mellon Trust Company, N.A., as successor trustee and BMO Harris Bank N.A. (the "Bank"), supporting the above-referenced Certificates. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Agreement.

Certain provisions of the Agreement make reference to a Fee Letter Agreement, dated June 8, 2023 (this "Fee Letter Agreement") among the Authority, the City and the Bank, as the same may be amended or supplemented from time to time. This is the Fee Letter Agreement referenced in the Agreement, and the terms hereof are incorporated by reference into the Agreement as if fully set forth therein. The Authority, the City and the Bank hereby agree that the Effective Date shall be the date hereof.

In consideration for the issuance of the Agreement pursuant to the terms of the Agreement, the parties hereto agree as follows:

ARTICLE I. FEES AND PAYMENTS.

Section 1.1. Commitment Fee. The Authority and the City (by payment of Additional Payments) hereby agree to pay or cause to be paid to the Bank a nonrefundable commitment fee (the "Commitment Fee") payable semiannually in arrears for each semiannual period from and after the Effective Date (or, in the case of the first semiannual period, the semiannual period from the Effective Date through September 30, 2023), equal to (i) the Commitment Fee Rate multiplied by (ii) the Available Commitment for each day during such semiannual period

commencing on the first day of such semiannual period (or, in the case of the first semiannual period, the Effective Date) and ending on the last calendar day of such semiannual period. As used above, "Commitment Fee Rate" shall mean 0.30% per annum, increased one time per level by the percentage points indicated below for each level below the A2/A/A level through or to which the current rating assigned to any long-term, unenhanced rating of the Revenue Fund by Moody's. S&P or Fitch falls:

Rating (Moody's/S&P/Fitch)	Percentage Point Increase
A2/A/A or higher	0.00%
A3/A-/A-	0.10%
Baa1/BBB+/BBB+	0.10%

In the event that (x) the long-term, unenhanced ratings assigned to the Revenue Fund shall be withdrawn or suspended or otherwise unavailable for credit-related reasons or reduced below Baa1 by Moody's, BBB+ by S&P or BBB+ by Fitch or (y) upon the occurrence of an Event of Default, the then current Commitment Fee Rate based on the table above will be increased by an additional 1.50% per annum. In the event of split ratings, the Commitment Rate will be based on the level that includes the lowest such rating. All such fee increases shall be cumulative.

Section 1.2. Payment Dates. The Commitment Fee shall be paid semiannually in arrears for the preceding semiannual period on the first Business Day of each April and October, commencing on October 1, 2023, and on the last day of the Bank Purchase Period.

Section 1.3. Other Fees. In addition, the Authority and City (by payment of Additional Payments) shall pay to Bank upon each transfer of the Agreement in accordance with its terms to any successor Trustee, a transfer fee of $2,500 and upon each amendment of the Agreement, this Fee Letter Agreement or any of the other Related Documents, an amendment fee in a minimum amount equal to $5,000 to be determined by the Bank at the time thereof, plus the fees and expenses of counsel to the Bank in connection therewith.

Section 1.4. Calculation of Fees and Interest. All fees payable hereunder shall be nonrefundable and shall be calculated on the basis of a 365/366-day year and actual days elapsed, including the Effective Date and the last day of the Bank Purchase Period. All interest payable under the Agreement shall be calculated on the basis of a 365/366-day year and actual days elapsed.

Section 1.5. Initial Costs and Expenses. The Authority and the City (by payment of Additional Payments) shall pay to the Bank any and all reasonable fees, charges and expenses, payable or incurred by the Bank (consisting solely of the fees and expenses of counsel to the Bank) in connection with the preparation, due diligence and execution and delivery of the Agreement and the Custodian Agreement, together with interest on such amounts from the date such payment is due until paid at a rate per annum equal to the Default Rate, and agrees to save the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such fees and expenses. The obligations and liabilities under

this Section 1.5 shall survive the termination of this Fee Letter Agreement, the Agreement and the Contract and the Authority's and the City's obligations hereunder and thereunder and the payment in full of all 2008 Payments and Additional Payments.

Section 1.6. Bank Payment Account. "Bank Payment Account" shall mean the following account of the Bank, or such other account as may be subsequently designated by the Bank in writing to the City, the Authority and the Trustee:

BMO Harris Bank N.A.
13300 Crossroads Pkwy North
City of Industry, CA 91746
ABA #: 121100782
Account Name: Commercial Loan Servicing
Account #: 239855-332
Ref: City of Modesto Water 2008 – Obligor # 1000203410 (Closed on 6/8/23)
Attention: Katherine Mendoza

ARTICLE II NOTICES.

Any notice, demand, direction, request or other instrument authorized or required by the Agreement to be given to or filed with the Authority, the City, the Remarketing Agent, the Trustee, the Bank or the Bond Insurer, shall be deemed or have been sufficiently given or filed for all purposes, if any, when delivered by hand or when sent by registered mail, return receipt requested, postage prepaid, and if given by telecopy or telegraphic means shall be deemed given when transmitted (receipt confirmed):

If to the Bank:

If with respect to purchases under the Agreement, to:

BMO Harris Bank N.A.
180 Montgomery Street
San Francisco, California 94104
Attention: Ted Neu
Telephone: (415) 765-4938
Email: ted.neu@bankofthewest.com

with a copy to:

BMO Harris Bank N.A.
500 Capitol Mall, Suite 1200
Sacramento, CA 95814
Attention: Andrea M. Williams
Telephone: (916) 552-4351
Email: andrea.williams@bankofthewest.com

If with respect to all other matters, to:

BMO Harris Bank N.A.
180 Montgomery Street
San Francisco, California 94104
Attention: Ted Neu
Telephone: (415) 765-4938
Email: ted.neu@bankofthewest.com

ARTICLE III MISCELLANEOUS.

Section 2.1. Other Matters. No provision of this Fee Letter Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto. No failure or delay on the part of the Bank in exercising any right, power or privilege hereunder and no course of dealing shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies that the Bank would otherwise have. No notice to or demand on the Authority, the City or any other party hereto in any case shall entitle the Authority, the City or such other party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Bank to any other or further action in any circumstances without notice or demand.

Section 2.2. Governing Law. This Fee Letter Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

Section 2.3. Severability. If any provision of this Fee Letter Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

Section 2.4. Counterparts. This Fee Letter Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument. This Fee Letter Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

Section 2.5. One Agreement. This Agreement, the Fee Letter Agreement and any related security or other agreements required by this Agreement, collectively: (a) represent the sum of the understandings and agreements among the Authority, the Bank, the City and the Trustee with respect to the subject matter hereof; (b) replace any prior oral or written agreements between or among the Bank and the Authority, the City and/or the Trustee concerning the subject matter hereof; and (c) are intended by the Authority, the City, the Trustee and the Bank as the final, complete and exclusive statement of the terms agreed to by them with respect to the subject matter hereof. In the event of any conflict between this Fee Letter Agreement and the Agreement and any other Related Documents, this Fee Letter Agreement will prevail. This Fee Letter Agreement and the Agreement shall be construed as one agreement among the City, the Authority, the Trustee and the Bank and shall be governed by the provisions of the Agreement.

[The remainder of this page intentionally left blank]

If the foregoing accurately reflects our agreement, please indicate the same by signing in the space provided below.

Very truly yours,

BMO HARRIS BANK N.A.

By: Edward C Neu
Name: Edward C. Neu
Title: Managing Director

[Signatures continue on the next page]

Accepted and Agreed to:

CITY OF MODESTO

By:_____
Name: DeAnna Christensen
Title: Finance Director/Treasurer

Attest:

By:_____
Name: Diane Navares-Perez
Title: City Clerk

Approved as to Form:

By:_____
Name: _____
Title: _____

MODESTO PUBLIC FINANCING AUTHORITY

By:_____
Name: DeAnna Christensen
Title: Auditor and Treasurer

Accepted and Agreed to:

CITY OF MODESTO

By:_____
Name: DeAnna Christensen
Title: Finance Director/Treasurer

Attest:

By:_____
Name: Diane Navares-Perez
Title: City Clerk

Approved as to Form:

By:_____
Name: Jose M. Sanchez
Title: City Attorney

MODESTO PUBLIC FINANCING
AUTHORITY

By:_____
Name: DeAnna Christensen
Title: Auditor and Treasurer

CUSTODIAN AGREEMENT

CUSTODIAN AGREEMENT, dated as of June 1, 2023 (as the same may be amended, modified and supplemented from time to time, this "Agreement"), BMO HARRIS BANK N.A. (the "Bank"), CITY OF MODESTO (the "City") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Custodian"), as custodian for the Bank.

WITNESSETH:

WHEREAS, the Bank has entered into that certain Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"; all terms capitalized herein and not defined herein shall have the meaning ascribed to them in the Standby Certificate Purchase Agreement), among the Bank, the City, The Bank of New York Mellon Trust Company, N.A., as successor trustee and the Modesto Public Financing Authority (the "Authority");

WHEREAS, pursuant to the terms of the Standby Certificate Purchase Agreement the Bank has agreed to purchase from time to time Eligible Certificates tendered or deemed tendered for purchase in accordance with the terms of the Trust Agreement;

WHEREAS, it is a condition precedent, among others, to the effectiveness of the Standby Certificate Purchase Agreement that the City and Custodian shall have executed and delivered this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the terms and conditions of this Agreement, and other good and valuable consideration, the parties hereto do hereby agree as follows:

1. Appointment and Acceptance.

(a) The Bank hereby appoints The Bank of New York Mellon Trust Company, N.A. to act as agent, bailee and custodian ("Custodian") for the exclusive benefit of the Bank with respect to Bank Certificates. The Bank of New York Mellon Trust Company, N.A. hereby accepts such appointment and agrees to maintain and hold all Bank Certificates at any time delivered to it as agent, bailee or custodian for the exclusive benefit of the Bank in accordance with the terms of this Agreement.

(b) The Custodian acknowledges and agrees that it is acting and will act with respect to Bank Certificates at the direction of the Bank for the exclusive benefit of the Bank and is not and shall not at any time be subject in any manner or to any extent to the direction or control of the City or the Authority with respect to such Bank Certificates. The Custodian agrees to act in strict accordance with this Agreement and in accordance with any lawful written instructions from the Bank delivered to the Custodian from time to time pursuant hereto. Under no circumstances shall the Custodian deliver possession of the Bank Certificates to, or cause Bank Certificates to be registered in the name of, the City, the Authority, the Remarketing Agent or any Person other than the Bank except in accordance with the express terms of this Agreement or otherwise upon the written instructions of the Bank.

The Custodian acknowledges that it is familiar with the procedures set forth in a notice from DTC, dated April 4, 2008, respecting "Variable Rate Demand Obligations ("VDRO") Failed Remarketings and Issuance of Bank Certificates", as amended by DTC Notice number B3488-08, dated May 15, 2008, as further amended by DTC Notice number B13531-20, dated June 16, 2020 (as amended, the "DTC April 4 Notice") which, as of the date hereof, must be followed in the event that any of the Certificates that are tendered for purchase become Bank Certificates. The Custodian agrees that, if any of the Certificates become Bank Certificates and if the DTC April 4 Notice is in effect at such time, at the expense of the City, it will follow the DTC procedures set forth in the DTC April 4 Notice, as the same may be amended from time to time, including the withdrawal from DTC of any Certificates that have become Bank Certificates and the simultaneous deposit with DTC of the Bank Certificates, as identified by new CUSIP numbers, to be held in the DTC accounts of the Bank. The Bank agrees that it shall not request the Custodian to, and the Custodian shall not be required to, deviate from the DTC procedures set forth in the DTC April 4 Notice, as amended from time to time, to the extent that the DTC April 4 Notice is in effect.

(c) The Custodian may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Custodian shall not be liable for any error in judgment made in good faith by its responsible officers, employees and agents unless the Custodian, its responsible officers, employees or agents were negligent or engaged in willful misconduct. Anything herein to the contrary notwithstanding, the Custodian shall have no liability hereunder for any act or omission except as shall result from its gross negligence or willful misconduct. The Custodian undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Custodian. None of the provisions of this Agreement shall require the Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Custodian may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel. The Custodian may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

2. Receipt of the Bank Certificates. The Custodian agrees to receive and hold Bank Certificates in custody for the Bank. Immediately upon the Custodian's receipt of Bank Certificates, the Custodian shall (a) promptly give e-mail notice to the Bank that it has received such Bank Certificates and (b) within 2 Business Days following such receipt, send or cause to be sent to the Bank, (i) a copy of the transfer journal entry for such Bank Certificates identifying the principal amount of such Bank Certificates and (ii) confirmation that the Bank or its nominee has been registered as the owner of such Bank Certificates. If the Certificates are in book-entry, the Custodian shall cause the Certificate to be assigned the separate CUSIP number for Bank Certificates and made eligible for book-entry with DTC and shall register such Certificates for the benefit of the Bank in accordance with the procedures of DTC in effect as such time.

3. Payments with respect to the Certificates. If, while this Agreement is in effect, the Custodian shall become entitled to receive or shall receive any payment in respect of any Bank Certificates, the Custodian agrees to accept the same as the Bank's agent and to hold the same in trust on behalf of the Bank and to deliver the same forthwith to the Bank in accordance with the payment instructions provided to the Custodian from time to time by the Bank in writing (any such payment instructions to remain effective until the Custodian receives written instructions from the Bank to the contrary).

4. Release of Bank Certificates.

(a) Upon the remarketing of any Bank Certificates and receipt by the Bank of the proceeds thereof (or receipt by the Trustee of the proceeds thereof in trust for the Bank), the Custodian shall release Bank Certificates in a principal amount equal to the principal amount so remarketed to the Remarketing Agent in accordance with the terms of the Trust Agreement.

(b) In order to facilitate the transfer of Bank Certificates in physical form, the Bank agrees to deliver to the Custodian from time to time upon the written request of the Custodian, instruments of transfer duly endorsed in blank by the Bank.

5. No Disposition, Etc. Except as provided in Section 4 above, without the prior written consent of the Bank, the Custodian agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, Bank Certificates, and will not create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance or take any other action with respect to Bank Certificates, or any interest therein, or any proceeds thereof.

6. Information Regarding Bank Certificates. The Custodian shall deliver to the Bank at the Bank's request such information as may be in the possession of the Custodian with respect to Bank Certificates.

7. Standard of Care. The Custodian agrees that it will perform its duties hereunder in accordance with the express terms of this Agreement. The Custodian shall perform such duties and only such duties as set forth herein. The Custodian shall not be liable to the Bank except for gross negligence or willful misconduct in the performance of its obligations under this Agreement. The City shall indemnify and hold harmless the Custodian and its officers, directors, agents and employees from and against any and all liability arising out of the performance of its obligations under the Agreement except for any liability arising out of the gross negligence or willful misconduct of the Custodian or the breach by the Custodian of its obligations under this Agreement. The terms of this paragraph shall survive the Custodian's resignation or removal hereunder, the termination of this Agreement, the Fee Letter Agreement and the Contract and the Authority's and the City's obligations hereunder and thereunder and the payment in full of all 2008 Payments and Additional Payments.

8. Removal or Resignation. The Bank may, at any time, effective immediately, and with or without cause, remove and discharge the Custodian from the performance of the Custodian's duties under this Agreement by written notice to the Custodian with a copy to the City and the Trustee. The Custodian may, at any time, effective upon five (5) business days' prior

written notice to the Bank, resign from its duties hereunder. Upon the effective date of any such removal or resignation, the Custodian shall deliver all Bank Certificates then in its custody to any successor custodian appointed by the Bank to be held in accordance with this Agreement or any other document executed by such successor custodian or, if the Bank has not designated a successor custodian, to the Bank.

9. Insurance. If the Custodian is holding Bank Certificates, the Custodian, at its own expense, shall maintain and keep in full force and effect at all times during the existence of this Agreement: (a) fidelity insurance, (b) theft of documents insurance, (c) forgery insurance, and (d) errors and omissions insurance (which may be maintained by self-insurance). All such insurance shall be in amounts, with standard coverage and subject to deductibles, that are customary for insurance typically maintained by a bank or other financial institution acting as custodian.

10. Payment of Expenses. The City acknowledges and agrees that the transactions contemplated by this Agreement are for the benefit of the City and the City agrees to pay or cause to be paid all reasonable out-of-pocket fees, costs, disbursements, taxes and expenses (including, without limitation, the reasonable attorney's fees and expenses) incurred by the Custodian in connection with the performance by the Custodian of its obligations hereunder.

11. Further Assurances. The Custodian and the City each agree that at any time upon the written request of the Bank and at the expense of the City, such party will execute and deliver or cause to be executed and delivered any and all such further documents and do any and all such further acts and things as the Bank may reasonably request in order to effect the purposes of this Agreement.

12. Availability of Documents. The Custodian agrees to keep and to cause its agents to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available upon reasonable prior notice for inspection by the Bank, its agents, accountants, attorneys and auditors.

13. Originals and Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which counterparts shall be deemed to be an original, and which counterparts shall constitute and be one and the same instrument.

14. Notices. Except as otherwise expressly provided in this Agreement, all notices shall be in writing, and delivered personally or by certified or registered United States mail, postage prepaid, or by expedited mail or courier, return receipt requested, charges prepaid, addressed to the respective party at the address set forth below:

If to the Bank:	To the addresses set forth in the Standby Certificate Purchase Agreement
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 333 S. Hope Street Los Angeles, California 90071

Attention: Corporate Trust Dept.
Telephone: (213) 630-6206

If to the City:

City of Modesto
Finance Department
City Hall
101 Tenth Street, Suite 5200
Modesto, California 95353
Attention: Director of Finance

Any party may change the address to which notices are to be sent by giving written notice of such change to the other parties hereto.

15. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. Waivers, Amendments. None of the terms or provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by each of the Bank, the City and the Custodian. This Agreement and all obligations of the Custodian and the City hereunder shall be binding upon their respective successors and assigns and shall, together with the rights and remedies of the Bank hereunder, inure to the benefit of the Bank and its successors and assigns.

17. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

* * *

IN WITNESS WHEREOF, each of the parties hereto has caused this Custodian Agreement to be duly executed and delivered on the day and year first above written.

BMO HARRIS BANK N.A.

By: Edward C Neu
Name: Edward C. Neu
Title: Managing Director

[Signatures continue on the next page]

CITY OF MODESTO

By:_____
Name: DeAnna Christensen
Title: Finance Director/Treasurer

Attest:

By:_____
Name: Diane Navarres-Perez
Title: City Clerk

Approved as to Form:

By:_____
Name: _____
Title:_____

[Signatures continue on the next page]

CITY OF MODESTO

By:_____
Name: DeAnna Christensen
Title: Finance Director/Treasurer

Attest:

By:_____
Name: Diane Navares-Perez
Title: City Clerk

Approved as to Form:

By:_____
Name: Jose M. Sanchez
Title: City Attorney

[Signatures continue on the next page]

THE BANK OF NEW YORK TRUST COMPANY, N.A.,
in its capacity as Custodian

By:_____
Name: Fanny Chen
Title: Vice President

TERMINATION AGREEMENT
(Certificate Insurance Policy Cancellation Agreement)

THIS TERMINATION AGREEMENT (this "Termination Agreement") dated as of June 8, 2023 is entered into by and among the **CITY OF MODESTO, CALIFORNIA** (the "City"), **MODESTO PUBLIC FINANCING AUTHORITY** (the "Authority"), **THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.**, as trustee, formerly known as The Bank of New York Trust Company, N.A. (the "Trustee"), **JPMORGAN CHASE BANK, NATIONAL ASSOCIATION** (the "Bank") and **ASSURED GUARANTY CORP.**, a Maryland corporation ("AGC").

RECITALS

WHEREAS, pursuant to the Trust Agreement dated as of May 1, 2008, as amended and supplemented (the "Original Trust Agreement"), between the Authority and The Bank of New York Trust Company, N.A., as trustee, the Authority caused to be executed and delivered Water Refunding Revenue Certificates of Participation, 2008 Series A (the "2008 Certificates"); and

WHEREAS, concurrently with the issuance of the 2008 Certificates, AGC delivered its (a) municipal bond insurance policy no. D-2008-461 (the "Certificate Insurance Policy") to insure the payment of scheduled debt service on the 2008 Certificates when due and (b) its financial guaranty insurance policy (reserve fund) no. D-2008-462 (the "Reserve Fund Policy") to satisfy the debt service reserve fund requirement with respect to the 2008 Certificates pursuant to the Original Trust Agreement; and

WHEREAS, in order to provide liquidity support for the payment of the purchase price of the 2008 Certificates tendered for purchase pursuant to the Original Trust Agreement, the Authority, the City and Bank of America, N.A. entered into a Standby Certificate Purchase Agreement dated as of May 1, 2008 (the "Initial Liquidity Facility"); and

WHEREAS, the Authority and the City elected to replace the Initial Liquidity Facility with an Alternate Liquidity Facility in the form of a direct-pay letter of credit (the "Replacement Liquidity Facility") from the Bank; and

WHEREAS, concurrently with delivery of the Replacement Liquidity Facility, the Authority and the Trustee amended and restated the Original Trust Agreement by the Amended and Restated Trust Agreement dated as of May 1, 2008 and amended and restated July 14, 2011, between the Authority and the Trustee (the Original Trust Agreement, as so amended and restated, the "Trust Agreement"; capitalized terms used but not defined herein have the respective meanings assigned thereto in the Trust Agreement); and

WHEREAS, under certain circumstances set forth in the Trust Agreement and the Reimbursement Agreement dated as of July 1, 2011 (the "Reimbursement Agreement") by and between the Bank and the City, the Bank, or the Authority with the consent of the Bank, have the right to direct that the Certificate Insurance Policy be terminated and, in such event, the Authority, the City and the Bank are obligated under the Trust Agreement and the Reimbursement Agreement to take such action as shall be necessary to effect such termination; and

WHEREAS, in connection therewith, the Authority, the City, the Trustee, the Bank and AGC entered into a Certificate Insurance Policy Cancellation Agreement, dated as of July 1, 2011 (the "Cancellation Agreement"); and

WHEREAS, the Authority and the City propose to replace the Replacement Liquidity Facility issued by the Bank with an Alternate Liquidity Facility and, in connection therewith, amend the Trust Agreement under a First Supplemental Trust Agreement, dated as of June 1, 2023 (the "First Supplemental Trust Agreement"), by and between the Authority and the Trustee, including to eliminate the provisions relating to cancellation of the Certificate Insurance Policy described above; and

WHEREAS the First Supplemental Trust Agreement is effective by its terms upon the successful remarketing of the 2008 Certificates following the first mandatory tender of the 2008 Certificates following the date of execution and delivery thereof, which remarketing has occurred on the date hereof, concurrently with delivery of the Alternate Liquidity Facility and the mandatory tender in connection therewith;

NOW THEREFORE, in consideration of the premises and the mutual promises set forth below, the parties hereto agree as follows:

AGREEMENT

Section 1. As of the date hereof, the parties agree that the Cancellation Agreement is terminated.

Section 2. This Termination Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

Section 3. This Termination Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to conflicts of law principles.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Termination Agreement as of the dated date hereof.

CITY OF MODESTO, CALIFORNIA

By:_____
Title: Director of Finance

MODESTO PUBLIC FINANCING AUTHORITY

By:_____
Title: Auditor and Treasurer

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

By:_____
Title:_____

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By:_____
Title:_____

ASSURED GUARANTY CORP.

By:_____
Title:_____

IN WITNESS WHEREOF, the parties have executed this Termination Agreement as of the dated date hereof.

CITY OF MODESTO, CALIFORNIA

By:_____
Title: Director of Finance

MODESTO PUBLIC FINANCING AUTHORITY

By:_____
Title: Auditor and Treasurer

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

By:_____
Title: Vice President

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By:_____
Title:_____

ASSURED GUARANTY CORP.

By:_____
Title:_____

IN WITNESS WHEREOF, the parties have executed this Termination Agreement as of the dated date hereof.

CITY OF MODESTO, CALIFORNIA

By:_____
Title: Director of Finance

MODESTO PUBLIC FINANCING AUTHORITY

By:_____
Title: Auditor and Treasurer

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

By:_____
Title:_____

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By:_____
Title: James G. Millard
Executive Director

ASSURED GUARANTY CORP.

By:_____
Title:_____

IN WITNESS WHEREOF, the parties have executed this Termination Agreement as of the dated date hereof.

CITY OF MODESTO, CALIFORNIA

By:_____
Title: Director of Finance

MODESTO PUBLIC FINANCING AUTHORITY

By:_____
Title: Auditor and Treasurer

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

By:_____
Title:_____

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By:_____
Title:_____

ASSURED GUARANTY CORP.

By: Barbara Baulé
Title: Director

TERMINATION AGREEMENT
(Agreement Regarding Insured Swap Transaction)

THIS TERMINATION AGREEMENT (this "Termination Agreement") dated June 8, 2023 is entered into by and between the **CITY OF MODESTO, CALIFORNIA** (the "City") and **ASSURED GUARANTY CORP.** ("Assured").

RECITALS

WHEREAS, Assured has previously issued a financial guaranty insurance policy number D-2008-463 dated May 30, 2008 (the "Swap Policy") relating to the interest rate swap transaction with reference number 4812575 (the "Swap Transaction") between the City and Bank of America, N.A. evidenced by a Confirmation dated May 29, 2008 (the "Confirmation") and governed by an ISDA Master Agreement dated as of May 29, 2008, including the Schedule and Credit Support Annex thereto (the "Master Agreement" and, together with the Confirmation, the "Swap Agreement"); and

WHEREAS, the Swap Agreement was entered into in order to hedge interest rate risk associated with the Water Refunding Revenue Certificates of Participation, 2008 Series A (the "2008 Certificates") which were executed and delivered pursuant to the Trust Agreement dated as of May 1, 2008 (the "2008 Trust Agreement") between the Modesto Public Financing Authority (the "Issuer") and The Bank of New York Mellon Trust Company, N.A., as trustee, formerly known as The Bank of New York Trust Company, N.A. (the "Trustee"); and

WHEREAS, concurrently with the issuance of the 2008 Certificates, Assured delivered its municipal bond insurance policy no. D-2008-461 effective May 30, 2008 (the "Certificate Insurance Policy") to insure the 2008 Certificates; and

WHEREAS, in order to provide liquidity support for the payment of the purchase price of the 2008 Certificates, the Issuer, the City and Bank of America, N.A. entered into a Standby Certificate Purchase Agreement dated as of May 1, 2008 (the "2008 Liquidity Facility"); and

WHEREAS, the Issuer and the City elected to replace the 2008 Liquidity Facility with an Alternate Liquidity Facility in the form of a direct-pay letter of credit (the "Replacement Liquidity Facility") issued by JPMorgan Chase Bank, N.A. (the "Bank"); and

WHEREAS, concurrently with delivery of the Replacement Liquidity Facility, the Issuer and the Trustee amended and restated the 2008 Trust Agreement by the Amended and Restated Trust Agreement dated as of May 1, 2008 and amended and restated July 14, 2011, between the Issuer and the Trustee (the 2008 Trust Agreement, as so amended and restated and as further amended and supplemented to the date hereof, the "Trust Agreement"); and

WHEREAS, in connection therewith, Assured agreed to amend its Certificate Insurance Policy as requested by the City, the Issuer and the Trustee; and

WHEREAS, in consideration thereof, the City agreed to provide periodic reports to Assured regarding the mark-to-market value of the Swap Transaction, to terminate the Swap Transaction and to cause the Swap Policy to be surrendered in certain specified circumstances as

set forth in the Agreement Regarding Insured Swap Transaction, dated as of July 1, 2011, by and between the City and Assured (the "Agreement"); and

WHEREAS the Swap Transaction has not been terminated and the Swap Policy has not been surrendered under the Agreement;

WHEREAS, the Issuer and the City have replaced on the date hereof the Replacement Liquidity Facility issued by the JPMorgan with an Alternate Liquidity Facility; and

WHEREAS, with the replacement of the Replacement Liquidity Facility, the Agreement is not longer required;

NOW THEREFORE, in consideration of the premises and the mutual promises set forth below, the parties hereto agree as follows:

AGREEMENT

Section 1. Defined terms used herein and not otherwise defined have the meanings given in the Agreement or the Trust Agreement.

Section 2. As of the date hereof, the parties agree that the Agreement is terminated.

Section 3. This Termination Agreement may be executed in counterparts, each of which shall be deemed an original and all of which shall constitute one and the same instrument.

Section 4. This Termination Agreement shall be governed by and construed in accordance with the laws of the State of New York, without reference to conflicts of law principles.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties have executed this Termination Agreement as of the dated date hereof.

CITY OF MODESTO, CALIFORNIA

By:_____
Title: Director of Finance

ASSURED GUARANTY CORP.

By:_____
Title:_____

IN WITNESS WHEREOF, the parties have executed this Termination Agreement as of the dated date hereof.

CITY OF MODESTO, CALIFORNIA

By:_____
Title: Director of Finance

ASSURED GUARANTY CORP.

By: Barbara Baudé
Title: Director

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

CERTIFICATE REGARDING CITY RESOLUTIONS

June 8, 2023

I, Diane Nayares-Perez, hereby certify that I am the City Clerk of the City of Modesto (the "City"), a charter city duly organized under the Constitution and the laws of the State of California, and that as such I am authorized to execute this Certificate on behalf of the City.

I hereby further certify that the attached Resolution No. 2008-294 is a full, true and correct copy of such resolution, adopted at the regular meeting of the City Council of the City held on May 13, 2008, of which meeting all of the members of the City Council of the City had due notice and at which a quorum was present and acting throughout. I hereby further certify that I have carefully compared the same with the original Resolution No. 2008-294 so adopted at said meeting and that it is a full, true and correct copy of said resolution; and that said resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

I hereby further certify that the attached Resolution No. 2011-201 is a full, true and correct copy of such resolution, adopted at the regular meeting of the City Council of the City held on June 7, 2011, of which meeting all of the members of the City Council of the City had due notice and at which a quorum was present and acting throughout. I hereby further certify that I have carefully compared the same with the original Resolution No. 2011-201 so adopted at said meeting and that it is a full, true and correct copy of said resolution; and that said resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

I hereby further certify that the attached Resolution No. 2023-191 is a full, true and correct copy of such resolution, adopted at the regular meeting of the City Council of the City held on April 11, 2023, of which meeting all of the members of the City Council of the City had due notice and at which a quorum was present and acting throughout. I hereby further certify that I have carefully compared the same with the original Resolution No. 2023-191 so adopted at said meeting and that it is a full, true and correct copy of said resolution; and that said resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

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IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

CITY OF MODESTO

By: _____

Diane Nayares-Perez
City Clerk

(Signature Page to Certificate Regarding City Resolution)

MODESTO CITY COUNCIL
RESOLUTION NO. 2008-294

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MODESTO RELATING TO WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2008; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A 2008 SUPPLEMENTAL CONTRACT, A LIQUIDITY FACILITY AND A PURCHASE CONTRACT; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION THEREWITH; AUTHORIZING THE 2008 SWAP AMENDMENTS AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS

WHEREAS, the City of Modesto is a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City");

WHEREAS, the City and the Modesto Public Financing Authority (the "Authority"), a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California, have previously entered into a Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract") in order to provide for the financing and refinancing from time to time of the costs of acquisition and construction of various additions, betterments, extensions and improvements to the City's Water Utility System;

WHEREAS, the City previously refinanced certain improvements to its Water Utility System, pursuant to the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997, by and between the City and the Authority, supplementing the Master Contract, with proceeds of $25,585,000 in aggregate principal amount of Refunding Revenue Certificates of Participation (1997 Water Utility System Refinancing Project) (the "1997 Certificates") executed and delivered pursuant to a Trust Agreement, dated as of November 1,

1997, by and between the Authority and The Bank of New York Trust Company, N.A., as successor trustee;

WHEREAS, the City previously financed certain improvements to its Water Utility System (the "2006 Project"), pursuant to the 2006 Supplemental Installment Purchase Contract (the "2006 Supplement Contract"), dated as of November 1, 2006, by and between the City and the Authority, supplementing the Master Contract, with proceeds of $46,275,000 in aggregate principal amount of Water Revenue Certificates of Participation 2006 Series A (the "2006 Certificates"), executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2006, by and between the Authority and The Bank of New York Trust Company, N.A., as trustee;

WHEREAS, pursuant to Article III of the Master Contract, the City may incur additional obligations payable on a parity thereunder, including by execution of a supplemental installment purchase contract;

WHEREAS, the City has experienced unusually high interest rates on its auction securities due to market disruptions;

WHEREAS, the City has determined that by refinancing the 2006 Certificates, the City can achieve interest cost savings and/or a desirable restructuring of debt obligations so as to minimize the impact of current and potentially future market instability;

WHEREAS, the City now desires to cause to be executed and delivered an additional series of certificates in an aggregate initial principal amount not to exceed $52,000,000 and designated as City of Modesto Water Refunding Revenue Certificates of Participation, Series

2008 (the "2008 Certificates") for the purpose of (i) refinancing the outstanding 2006 Series A Certificates, (ii) funding a parity reserve fund with cash, proceeds of the 2008 Certificates, or debt service reserve surety bonds and (iii) financing the costs of execution and delivery of the 2008 Certificates;

WHEREAS, the Authority and the City will enter into a 2008 Supplemental Installment Purchase Contract (the "2008 Supplemental Contract") to refinance the 2006 Project (the "2008 Project");

WHEREAS, pursuant to a Trust Agreement (the "2008 Trust Agreement") proposed to be executed and entered into by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "2008 Trustee"), the Authority proposes to assign certain of its rights under the 2008 Supplemental Contract, including its right to receive the payments to be made by the City thereunder;

WHEREAS, in consideration of such assignment and the execution and entering into of the 2008 Trust Agreement by the 2008 Trustee and the Authority, the 2008 Trustee has agreed to execute and deliver the 2008 Certificates, evidencing and representing proportionate interests of the owners thereof in installment payments to be made by the City;

WHEREAS, the 2008 Certificates are expected to be initially executed and delivered as variable rate demand securities;

WHEREAS, Banc of America, N.A., as Liquidity Facility Provider (the "Liquidity Facility Provider"), the City and the Authority propose to execute and enter into a Stand-By

Certificate Purchase Agreement (the "Liquidity Facility"), relating to the performance of certain duties with respect to the remarketing of the 2008 Certificates;

WHEREAS, the City proposes to execute and enter into a Purchase Contract (the "Purchase Contract") with Banc of America Securities LLC (the "Underwriter") and the Authority, pursuant to which the Underwriter will purchase the 2008 Certificates for reoffering to the public;

WHEREAS, the City proposes to execute and deliver an Official Statement (the "Official Statement") relating to the 2008 Certificates and to authorize the distribution of such Official Statement to prospective and actual purchasers of the 2008 Certificates;

WHEREAS the City and Bank of America, N.A. (the "Counterparty"), as a qualified counterparty, previously entered into a ISDA Master Agreement (Local Currency–Single Jurisdiction 1992), the U.S. Municipal Counterparty Schedule thereto, a Credit Support Annex, each dated as of September 27, 2006, and a Confirmation, entered into on September 27, 2006 (collectively, the "2006 Interest Rate Swap Agreement");

WHEREAS the City and Bank of America, N.A., now desire to amend and supplement the 2006 Interest Rate Swap Agreement so as to relate the 2006 Interest Rate Swap Agreement to the 2008 Certificates and include certain provisions required by the Insurer (as defined below) (the "2008 Interest Rate Swap Amendments");

WHEREAS, the City intends to obtain from a municipal bond insurance provider (the "Insurer") municipal bond insurance policies to insure certain payments on the 2008 Certificates

and certain swap payments to be made by the City under the 2008 Interest Rate Swap Amendments and surety bonds to meet the parity reserve fund requirement; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Modesto, as follows:

Section 1. Findings. The City Council hereby specifically finds and determines that the actions authorized hereby constitute and are with respect to the public affairs of the City and that the statements, findings and determinations of the City set forth above and in the preambles of the documents approved herein are true and correct and that the consummation of the transactions contemplated therein shall result in significant public benefits to the City.

Section 2. 2008 Supplemental Contract. The 2008 Supplemental Contract, proposed to be executed and entered into by and between the City and the Authority, in the form presented at this meeting and on file with the City Clerk of the City, is hereby approved. Each of the City Manager and the Finance Director, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Authority the 2008 Supplemental Contract in substantially said form, with such changes therein as such officer executing the 2008 Supplemental Contract may require or approve, such approval to be conclusively evidenced by

the execution and delivery thereof; provided, that the schedule of the installment payments to be contained in the 2008 Supplemental Contract and to be attached as an exhibit thereto shall be determined by the City Manager or the Finance Director of the City upon the sale of the 2008 Certificates, the aggregate principal amount of 2008 Certificates to be executed and delivered shall not exceed $52,000,000, the final principal payment date of the 2008 Certificates shall not be later than 35 years from the initial installment payment, and the 2008 Certificates initially shall be issued as variable rate demand securities bearing interest at a rate not to exceed 12% per annum (except when such 2008 Certificates are held by the Liquidity Facility Provider).

Section 3. Liquidity Facility. The Liquidity Facility, proposed to be executed and entered into by and among the City, the Authority and the Liquidity Facility Provider, in the form presented at this meeting and on file with on file with the City Clerk, is hereby approved, and each of the City Manager and the Finance Director, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Liquidity Facility Provider and the Authority the Liquidity Facility in substantially said form, with such changes therein as such officer executing the Liquidity Facility may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Purchase Contract. The Purchase Contract, proposed to be executed and entered into by and among the City, the Authority, and the Underwriter, in the form presented at this meeting and on file with the City Clerk, is hereby approved, and each of the City Manager and the Finance Director, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver to the Underwriter and the Authority the Purchase Contract in substantially said form, with such changes therein as such officer executing

the Purchase Contract may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Official Statement. The Official Statement, in the form presented at this meeting and on file with the City Clerk, is hereby approved. Each of the Mayor, the City Manager and the Finance Director, acting singly, is hereby authorized and directed to cause the Official Statement, in substantially said form, with such changes therein as such officer may require or approve, to be distributed to potential and actual purchasers of the 2008 Certificates. Each of the Mayor, the City Manager and the Finance Director, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Official Statement in substantially said form, with such changes therein as such officer executing the Official Statement may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. 2008 Interest Rate Swap Amendments. The execution and delivery of the 2008 Interest Rate Swap Amendments, in such form, as recommended by Sidley Austin LLP, and approved by the City Manager or the Finance Director, necessary to relate the 2006 Interest Rate Swap Agreement to the 2008 Certificates and obtain a swap insurance policy from the Insurer, is hereby approved and each of the City Manager and the Finance Director, acting singly, is hereby authorized and directed for and in the name and on behalf of the City to execute and deliver to the Counterparty the 2008 Interest Rate Swap Amendments, with such changes therein as such officer executing the 2008 Interest Rate Swap Amendments may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. Attestations. The City Clerk is hereby authorized and directed to attest the signature of the Mayor, the City Manager and the Finance Director and to affix and attest the seal of the City, as may be required or appropriate in connection with the execution and delivery of the 2008 Certificates and the documents approved by this Resolution.

Section 8. Other Actions. The officers of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or desirable in order to consummate the transactions authorized hereby and to consummate the sale, execution and delivery of the 2008 Certificates and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, the 2008 Supplemental Contract, the Liquidity Facility, the Purchase Contract, the Official Statement, the 2008 Interest Rate Swap Amendments and the 2008 Certificates; to obtain municipal bond insurance policies and debt service reserve surety bonds, if upon the advice of the City's financial advisor such policies and surety bonds are projected to result in a savings to the City; to effect the redemption of the 2006 Certificates; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 9. Effective Date. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was introduced at a meeting of the City of Modesto held on the 13th day of May, 2008, by Councilmember Hawn, who moved its adoption, which motion being duly seconded by Councilmember Marsh, was upon roll call carried and the resolution adopted by the following vote:

AYES:	Councilmembers:	Hawn, Lopez, Marsh, Olsen, Mayor Ridenour
NOES:	Councilmembers:	None
ABSENT:	Councilmembers:	Keating, O'Bryant

ATTEST: _____
STEPHANIE LOPEZ, City Clerk

(SEAL)

APPROVED AS TO FORM:

By: _____
SUSANA ALCALA WOOD, City Attorney

THIS IS TO CERTIFY THAT THIS
IS A TRUE COPY OF THE DOCUMENT ON
FILE WITH THIS OFFICE.
DATE May 28, 2008
_____
SIGNATURE
CITY CLERK
CITY OF MODESTO, CA

MODESTO CITY COUNCIL
RESOLUTION NO. 2011-201

RESOLUTION APPROVING THE REPLACEMENT OF THE BANK OF AMERICA STANDBY PURCHASE AGREEMENT WITH THE JP MORGAN CHASE BANK DIRECT-PAY LETTER OF CREDIT ON THE WATER REFUNDING REVENUE CERTIFICATES OF PARTICPATION, SERIES 2008A, AND WHICH APPROVES THE VARIOUS DOCUMENTS AND AUTHORIZES BOTH THE DISTRIBUTION TO INVESTORS OF THE SUPPLEMENT TO THE OFFICIAL STATEMENT AND THE EXECUTION OF THE VARIOUS AGREEMENTS AND CERTAIN OTHER ACTIONS RELATED TO THIS TRANSACTION

WHEREAS, the City has a Stand-By Purchase Agreement (SBPA) with Bank of America on the Water Fund's Water Refunding Revenue Certificates of Participation (Water COPs), Series 2008A, which has an outstanding balance of $46,765,000, and

WHEREAS, the Bank of America SBPA has an annual fee of .40%, and

WHEREAS, the Bank of America SBPA expires on May 29, 2011, and

WHEREAS, the Water COPs require the City replace this liquidity support with a new Letter of Credit (LOC) or SBPA, and

WHEREAS, the Water COPs are also insured by a bond insurance policy issued by Assured Guaranty, and

WHEREAS, in December 2010, the City learned that Bank of America would not be renewing its SBPA on the Water COPs, and

WHEREAS, the City, with assistance from Public Financial Management, Inc., issued a Request for Proposal to financial institutions for a new LOC or SBPA to provide liquidity support to the Water COPs, and

WHEREAS, staff recommends the City accept the proposal submitted by JP Morgan Chase Bank (JP Morgan) to provide the City with a LOC on the Water COPs for a period of three years at an annual fee of 1.20%, and

WHEREAS, staff recommends JP Morgan replace Bank of America as the remarketing agent for the Water COPs, and

WHEREAS, Bank of America has offered to extend the termination date of the current SBPA from May 29, 2011 to July 28, 2011, and

WHEREAS, the LOC replacement is expected to be complete in early July 2011, and

WHEREAS, replacing the SBPA with a LOC allows the City to avoid taking other actions, such as refunding the Water COPs with long-term variable or fixed rate debt and possibly having to make a swap termination payment of $8.2 million, as of May 6, 2011, and

WHEREAS, the Finance Committee, on February 28, 2011, accepted a staff report on this issue and directed staff to bring appropriate documents to Council for adoption,

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Modesto that it hereby approves the replacement of the Bank of America Standby Purchase Agreement with the JP Morgan Chase Bank Direct-Pay Letter of Credit on the Water Refunding Revenue Certificates of Participation, Series 2008A.

BE IT FURTHER RESOLVED that the form of and authorization of the distribution of a Supplement to an Official Statement in connection wherewith is approved.

BE IT FURTHER RESOLVED that the Council hereby authorizes the execution of various other agreements and certain other actions related to this transaction.

The foregoing resolution was introduced at a regular meeting of the Council of the City of Modesto held on the 7th day of June, 2011, by Councilmember Burnside, who moved its adoption, which motion being duly seconded by Councilmember Hawn, was upon roll call carried and the resolution adopted by the following vote:

AYES:	Councilmembers:	Burnside, Geer, Hawn, Lopez, Marsh, Muratore, Mayor Ridenour
NOES:	Councilmembers:	None
ABSENT:	Councilmembers:	None

ATTEST: _____
STEPHANIE LOPEZ, City Clerk

(SEAL)

APPROVED AS TO FORM:

By: _____
SUSANA ALCALA WOOD, City Attorney

MODESTO CITY COUNCIL
RESOLUTION NO. 2023-191

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MODESTO RELATING TO WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, 2008 SERIES A; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A STANDBY CERTIFICATE PURCHASE AGREEMENT AND A FEE LETTER WITH BMO HARRIS BANK N.A. (SUCCESSOR IN INTEREST TO BANK OF THE WEST); APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A REMARKETING MEMORANDUM IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS

WHEREAS, the City of Modesto is a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"); and

WHEREAS, the City has caused to be executed and delivered the $47,625,000 City of Modesto, California Water Refunding Revenue Certificates of Participation, 2008 Series A (the "2008 Certificates"); and

WHEREAS, in connection with the issuance of the 2008 Certificates, Bank of America, N.A., as liquidity facility provider, the City, and the Modesto Public Financing Authority (the "Authority") previously entered into a Standby Certificate Purchase Agreement, dated as of May 1, 2008 (the "Original Standby Certificate Purchase Agreement"), relating to the performance of certain duties with respect to the remarketing of the 2008 Certificates; and

WHEREAS, the Original Standby Certificate Purchase Agreement was later replaced with an irrevocable direct-pay letter of credit (the "Letter of Credit") issued by JPMorgan Chase Bank, N.A. ("JPMorgan") pursuant to the terms of a Reimbursement Agreement, dated as of July 1, 2011, as amended, by and between the City and JPMorgan; and

WHEREAS, the City has determined to be in its best interest to replace the Letter of Credit with a liquidity facility provided by BMO Harris Bank N.A. (the "Liquidity Provider"), under a Standby Certificate Purchase Agreement (the "Standby Certificate Purchase Agreement"), among the Liquidity Provider, the City, and the Authority; and

WHEREAS, in connection with the Standby Certificate Purchase Agreement, the City, the Authority and the Liquidity Provider will enter into a Fee Letter Agreement (the "Fee Letter"); and

WHEREAS, staff recommends PNC Capital Markets LLC replace J.P. Morgan Securities LLC as the remarketing agent for the 2008 Certificates, and

WHEREAS, the City proposes to execute a Remarketing Memorandum (the "Remarketing Memorandum"), relating to the 2008 Certificates, and to authorize the distribution of the Remarketing Memorandum to prospective and actual purchasers of the 2008 Certificates; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the City is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Modesto, as follows:

Section 1. Findings. The City Council hereby specifically finds and determines that the actions authorized hereby constitute and are with respect to the public affairs of the City and that the statements, findings and determinations of the City set forth above and in the preambles of the documents approved herein are true and correct and that the consummation of the transactions contemplated therein shall result in significant public benefits to the City.

Section 2. Approval of the Standby Certificate Purchase Agreement and Fee Letter. The Standby Certificate Purchase Agreement and the Fee Letter proposed to be executed and entered into by the City, in the forms presented at this meeting and on file with the City Clerk, are hereby approved, and each of the City Manager and the Finance Director, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute and deliver the Standby Certificate Purchase Agreement and the Fee Letter in substantially said forms, with such changes therein as such officer executing the Standby Certificate Purchase Agreement and the Fee Letter may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Approval of Remarketing Memorandum. The Remarketing Memorandum, in the form presented at this meeting and on file with the City Clerk, is hereby approved. Each of the City Manager and the Finance Director, acting singly, is hereby authorized and directed, for and in the name and on behalf of the City, to execute the Remarketing Memorandum in substantially said form, with such changes therein as such officer executing the Remarketing Memorandum may require or approve, such approval to be conclusively evidenced by the execution thereof. Each of the City

Manager and the Finance Director, acting singly, is hereby authorized and directed to cause the Remarketing Memorandum, in substantially said form, with such changes therein as such officer may require or approve, to be distributed to potential and actual purchasers of the 2008 Certificates.

Section 4. Attestations. The City Clerk is hereby authorized and directed to attest the signature of the City Manager and the Finance Director and to affix and attest the seal of the City, as may be required or appropriate in connection with the documents approved by this Resolution.

Section 5. Other Actions. The City Manager and the Finance Director, or their designees, of the City are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents (including without limitation a custodian agreement) which they may deem necessary or desirable in order to consummate the transactions authorized hereby and to carry out, give effect to and comply with the terms and intent of this Resolution, the Standby Certificate Purchase Agreement, the Fee Letter and the Remarketing Memorandum; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 6. Effective Date. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was introduced at a regular meeting of the Council of the City of Modesto held on the 11th day of April, 2023, by Councilmember Wright, who moved its adoption, which motion being duly seconded by Councilmember Escutia-Braaton, was upon roll call carried and the resolution adopted by the following vote:

AYES:	Councilmembers:	Alvarez, Bavaro, Escutia-Braaton, Ricci, Williams, Wright, Mayor Zwahlen
NOES:	Councilmembers:	None
ABSENT:	Councilmembers:	None

ATTEST: _____
DIANE NAYARES-PEREZ, CMC,
City Clerk

(SEAL)

APPROVED AS TO FORM:

BY: _____
JOSE M. SANCHEZ, City Attorney

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

CERTIFICATE REGARDING AUTHORITY RESOLUTIONS

June 8, 2023

I, Diane Nayares-Perez, hereby certify that I am the Secretary of the Commission of the Modesto Public Financing Authority (the "Authority"), a joint exercise of powers authority organized under the laws of the State of California, and that as such I am authorized to execute this Certificate on behalf of the Authority.

I hereby further certify that the attached Resolution No. 01-2008 is a full, true and correct copy of such resolution, adopted at the meeting of the Commission of the Authority held on May 13, 2008, of which meeting all of the members of the Governing Board had due notice and at which a quorum was present and acting throughout. I hereby further certify that I have carefully compared the same with the original Resolution No. 01-2008 so adopted at said meeting and that it is a full, true and correct copy of said resolution; and that said resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

I hereby further certify that the attached Resolution No. 02-2023 is a full, true and correct copy of such resolution, adopted at the meeting of the Commission of the Authority held on April 11, 2023, of which meeting all of the members of the Governing Board had due notice and at which a quorum was present and acting throughout. I hereby further certify that I have carefully compared the same with the original Resolution No. 02-2023 so adopted at said meeting and that it is a full, true and correct copy of said resolution; and that said resolution has not been amended, modified or rescinded since the date of adoption and is now in full force and effect.

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IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

MODESTO PUBLIC FINANCING AUTHORITY

By: _____

Diane Nayares-Perez
Secretary

(Signature Page to Certificate Regarding Authority Resolution)

MODESTO PUBLIC FINANCING AUTHORITY
RESOLUTION NO.01-2008

A RESOLUTION OF THE MODESTO PUBLIC FINANCING AUTHORITY RELATING TO WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, SERIES 2008; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A 2008 TRUST AGREEMENT, A 2008 SUPPLEMENTAL CONTRACT, A REMARKETING AGREEMENT, A LIQUIDITY FACILITY AND A PURCHASE CONTRACT; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF AN OFFICIAL STATEMENT IN CONNECTION THEREWITH; APPOINTING A TRUSTEE; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS

WHEREAS, the Modesto Public Financing Authority (the "Authority") is a joint exercise of powers authority duly organized and existing pursuant to the Modesto Public Financing Joint Exercise of Powers Agreement, dated as of December 5, 1989, by and between the City of Modesto (the "City"), a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California, and the Industrial Development Authority of the City;

WHEREAS, the Authority and the City have previously entered into a Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract") in order to provide for the financing and refinancing from time to time of the costs of acquisition and construction of various additions, betterments, extensions and improvements to the City's Water Utility System;

WHEREAS, the City previously refinanced certain improvements to its Water Utility System pursuant to the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997, by and between the City and the Authority, supplementing the Master Contract, with proceeds of $25,585,000 in aggregate principal amount of Refunding Revenue Certificates of Participation (1997 Water Utility System Refinancing Project) (the "1997

Certificates"), executed and delivered pursuant to a Trust Agreement, dated as of November 1, 1997 (the "1997 Trust Agreement"), by and between the Authority and The Bank of New York Trust Company, N.A., as successor trustee (the "1997 Trustee");

WHEREAS, the City previously financed certain improvements to its Water Utility System (the "2006 Project"), pursuant to the 2006 Supplemental Installment Purchase Contract (the "2006 Supplemental Contract"), dated as of November 1, 2006, with proceeds $46,275,000 in aggregate principal amount of Water Revenue Certificates of Participation 2006 Series A (the "2006 Certificates"), executed and delivered pursuant to a Trust Agreement, dated as of November 1, 2006 (the "2006 Trust Agreement"), by and between the Authority and The Bank of New York Trust Company, N.A., as trustee (the "2006 Trustee");

WHEREAS, pursuant to Article III of the Master Contract, the City may incur additional obligations payable on a parity thereunder, including by execution of a supplemental installment purchase contract;

WHEREAS the City has experienced unusually high interest rates on its auction securities due to market disruptions;

WHEREAS the City has determined that by refinancing the 2006 Certificates, the City can achieve interest cost savings and/or a desirable restructuring of debt obligations so as to minimize the impact of current and potentially future market instability;

WHEREAS, the City now desires to cause to be executed and delivered an additional series of certificates in an aggregate initial principal amount not to exceed $52,000,000 and designated as the Refunding Water Refunding Revenue Certificates of Participation, Series 2008

(the "2008 Certificates") for the purpose of (i) refinancing the outstanding 2006 Certificates, (ii) funding a deposit to the parity reserve fund with cash, proceeds of the 2008 Certificates, or a debt service reserve surety bonds and (iii) financing the costs of execution and delivery of the 2008 Certificates;

WHEREAS, the Authority and the City will enter into a 2008 Supplemental Installment Purchase Contract (the "2008 Supplemental Contract") to refinance the 2006 Project (the "2008 Project");

WHEREAS, The Bank of New York Trust Company, N.A., as trustee (the "2008 Trustee"), and the Authority will enter into a Trust Agreement (the "2008 Trust Agreement") in order to provide for the execution and delivery of the 2008 Certificates and pursuant to which the Authority will assign certain of its rights under the 2008 Supplemental Contract, including its right to receive the payments to be made by the City thereunder;

WHEREAS, in consideration of such assignment and the execution and entering into of the 2008 Trust Agreement by the 2008 Trustee and the Authority, the 2008 Trustee has agreed to execute and deliver the 2008 Certificates, evidencing and representing proportionate interests of the owners thereof in installment payments to be made by the City;

WHEREAS, the City has determined to execute and deliver the 2008 Certificates initially as variable rate demand certificates;

WHEREAS, Banc of America Securities LLC, as Remarketing Agent (the "Remarketing Agent"), and the Authority propose to execute and enter into a Remarketing and Interest Services

Agreement (the "Remarketing Agreement"), relating to the performance of certain duties with respect to the remarketing of the 2008 Certificates;

WHEREAS, Banc of America, N.A., as Liquidity Facility Provider (the "Liquidity Facility Provider"), the City, and the Authority propose to execute and enter into a Stand-By Certificate Purchase Agreement (the "Liquidity Facility"), relating to the performance of certain duties with respect to the remarketing of the 2008 Certificates;

WHEREAS, the Authority proposes to execute and enter into a Purchase Contract (the "Purchase Contract") with Banc of America Securities LLC (the "Underwriter") and the City, pursuant to which the Underwriter will purchase the 2008 Certificates for reoffering to the public;

WHEREAS, the Authority proposes to execute and deliver an Official Statement (the "Official Statement") relating to the 2008 Certificates and to authorize the distribution of such Official Statement to prospective and actual purchasers of the 2008 Certificates;

WHEREAS, the City intends to obtain from a municipal bond insurance provider (the "Insurer") municipal bond insurance policies to insure certain payments on the 2008 Certificates and certain swap payments to be made by the City under a related interest rate swap agreement and surety bonds to meet the parity reserve fund requirement; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is

now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED by the Commission of the Authority, as follows:

Section 1. Findings. The Commission of the Authority hereby specifically finds and determines it is desirable and furthers the public purpose to assist the City in the financing of the 2008 Project through the actions authorized hereby and that the statements, findings and determinations of the Authority set forth above and in the preambles of the documents approved herein are true and correct.

Section 2. 2008 Trust Agreement. The 2008 Trust Agreement, proposed to be executed and entered into by and between the Authority and the 2008 Trustee, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved, and each of the Chairperson, Vice Chairperson, Executive Director, and Auditor and Treasurer of the Authority, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the 2008 Trustee the 2008 Trust Agreement in substantially said form, with such changes therein as such officer executing the 2008 Trust Agreement may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof; provided, that the aggregate principal amount of the 2008 Certificates to be executed and delivered thereunder shall not exceed $52,000,000, the final principal payment date of the 2008 Certificates shall be not later than 35 years from the initial installment payment, and the 2008 Certificates initially shall be delivered as variable rate demand securities bearing interest at

a rate not to exceed 12% per annum (except when such 2008 Certificates are held by the Liquidity Facility Provider)

Section 3. 2008 Supplemental Contract. The 2008 Supplemental Contract, proposed to be executed and entered into by and between the City and the Authority, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved, and each of the Chairperson, Vice Chairperson, Executive Director and Auditor and Treasurer of the Authority, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the City the 2008 Supplemental Contract in substantially said form, with such changes therein as such officer executing the 2008 Supplemental Contract may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Remarketing Agreement. The Remarketing Agreement, proposed to be executed and entered into by and among the Remarketing Agent and the Authority, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved, and each of the Chairperson, Vice Chairperson, Executive Director and Auditor and Treasurer of the Authority, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the Remarketing Agent and the City the Remarketing Agreement in substantially said form, with such changes therein as such officer executing the Remarketing Agreement may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Liquidity Facility. The Liquidity Facility, proposed to be executed and entered into by and among the City, the Authority and the Liquidity Facility Provider propose to

execute and enter into the Liquidity Facility, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved, and each of the Chairperson, Vice Chairperson, Executive Director and Auditor and Treasurer of the Authority, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the Liquidity Facility Provider and the City the Liquidity Facility in substantially said form, with such changes therein as such officer executing the Liquidity Facility may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 6. Purchase Contract. The Purchase Contract, proposed to be executed and entered into by and among the City, the Authority and the Underwriter, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved, and each of the Chairperson, Vice Chairperson, Executive Director and Auditor and Treasurer of the Authority, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver to the Underwriter and the City the Purchase Contract in substantially said form, with such changes therein as such officer executing the Purchase Contract may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 7. Official Statement. The Official Statement, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved. Each of the Chairperson, Vice Chairperson, Executive Director and Auditor and Treasurer of the Authority, acting singly, is hereby authorized and directed to cause the Official Statement, in substantially said form, with such changes therein as such officer may require or approve, to be distributed to potential and actual purchasers of the 2008 Certificates. Each of the Chairperson, Vice Chairperson, Executive Director and Auditor and Treasurer of the Authority, acting singly, is

hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Official Statement in substantially said form, with such changes therein as such officer executing the Official Statement may require or approve with such approved by such officer executing the Official Statement, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 8. Attestations. The Secretary of the Authority is hereby authorized and directed to attest the signatures of the Chairperson, Vice Chairperson, Executive Director or the Auditor and Treasurer of the Authority in connection with the execution and delivery of the 2008 Certificates and the documents approved by this Resolution.

Section 9. Other Actions. The Chairperson, Vice Chairperson, Executive Director, the Auditor and Treasurer and Secretary of the Authority are hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which they may deem necessary or desirable in order to consummate the transactions authorized hereby and to consummate the sale, execution and delivery of the 2008 Certificates and otherwise to carry out, give effect to and comply with the terms and intent of this Resolution, the 2008 Supplemental Contract, the 2008 Trust Agreement, the Remarketing Agreement, the Liquidity Facility, the Purchase Contract, the Official Statement, and the 2008 Certificates; to obtain municipal bond insurance policies and debt service reserve surety bonds, if upon the advice of the City's financial advisor such policies and surety bonds are projected to result in a savings to the City; to effect the redemption of the 2006 Certificates; to effect any required amendments to the City's related interest rate swap agreement; and all such actions heretofore taken by such officers are hereby ratified, confirmed and approved.

Section 10. Effective Date. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was introduced at a meeting of the Modesto Public Financing Authority of the City of Modesto held on the 13th day of May, 2008, by Authority Member Hawn, who moved its adoption, which motion being duly seconded by Authority Member Marsh, was upon roll call carried and the resolution adopted by the following vote:

AYES:	Authority Commissioners:	Hawn, Lopez, Marsh, Olsen, Mayor Ridenour
NOES:	Authority Commissioners:	Keating, O'Bryant
ABSENT:	Authority Commissioners:	None

ATTEST: _____
STEPHANIE LOPEZ, Secretary

APPROVED AS TO FORM:

By: _____
SUSANA ALCALA WOOD,
City Attorney
Acting as Authority General Counsel

THIS IS TO CERTIFY THAT THIS
IS A TRUE COPY OF THE DOCUMENT ON
FILE WITH THIS OFFICE.
DATE May 28, 2008
_____
SIGNATURE
CITY CLERK
CITY OF MODESTO, CA

MODESTO PUBLIC FINANCING AUTHORITY
RESOLUTION NO. 02-2023

RESOLUTION OF THE MODESTO PUBLIC FINANCING AUTHORITY RELATING TO WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, 2008 SERIES A; APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A STANDBY CERTIFICATE PURCHASE AGREEMENT AND A FEE LETTER AGREEMENT WITH BMO HARRIS BANK N.A. (SUCCESSOR IN INTEREST TO BANK OF THE WEST); APPROVING A FIRST SUPPLEMENTAL TRUST AGREEMENT AND APPROVING THE FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A REMARKETING AGREEMENT WITH PNC; APPROVING THE FORM OF AND AUTHORIZING THE DISTRIBUTION OF A REMARKETING MEMORANDUM IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS

WHEREAS, the Modesto Public Financing Authority (the "Authority") is a joint exercise of powers authority duly organized and existing pursuant to the Modesto Public Financing Joint Exercise of Powers Agreement, dated as of December 5, 1989, by and between the City of Modesto (the "City"), a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California, and the Industrial Development Authority of the City; and

WHEREAS, the City has caused to be executed and delivered the $47,625,000 City of Modesto, California Water Refunding Revenue Certificates of Participation, 2008 Series A (the "2008 Certificates"); and

WHEREAS, in connection with the issuance of the 2008 Certificates, Bank of America, N.A., as liquidity facility provider, the City, and the Authority previously entered into a Standby Certificate Purchase Agreement, dated as of May 1, 2008 (the "Original Standby Certificate Purchase Agreement"), relating to the performance of certain duties with respect to the remarketing of the 2008 Certificates; and

WHEREAS, the Original Standby Certificate Purchase Agreement was subsequently replaced with an irrevocable direct-pay letter of credit (the "Letter of Credit") issued by JPMorgan Chase Bank, N.A. ("JPMorgan") pursuant to the terms of a Reimbursement Agreement, dated as of July 1, 2011, as amended (the "Reimbursement Agreement"), by and between the City and JPMorgan; and

WHEREAS, the City has determined to be in its best interest to replace the Letter of Credit with a liquidity facility provided by BMO Harris Bank N.A. (the "Liquidity Provider"), under a Standby Certificate Purchase Agreement (the "Standby Certificate Purchase Agreement"), among the Liquidity Provider, the City, and the Authority; and

WHEREAS, in connection with the Standby Certificate Purchase Agreement, the City, the Authority and the Liquidity Provider will enter into a Fee Letter Agreement (the "Fee Letter"); and

WHEREAS, in connection with the issuance of the replacement of the Letter of Credit with the Standby Certificate Purchase Agreement, the Authority proposes to execute a First Supplemental Trust Agreement (the "First Supplemental Trust Agreement"), amending and supplementing the Amended and Restated Trust Agreement, dated as of May 1, 2008 and amended and restated July 1, 2011, relating to the 2008 Certificates; and

WHEREAS, in connection with the execution and delivery of the Standby Certificate Purchase Agreement, the Authority desires to replace J.P. Morgan Securities LLC as remarketing agent for the 2008 Certificates with PNC Capital Markets LLC; and

WHEREAS, in connection with the replacement of the remarketing agent, the Authority proposes to execute a Remarketing Agreement (the "Remarketing Agreement") with PNC Capital Markets LLC; and

WHEREAS, the Authority proposes to execute a Remarketing Memorandum (the "Remarketing Memorandum"), relating to the 2008 Certificates, and to authorize the distribution of the Remarketing Memorandum to prospective and actual purchasers of the 2008 Certificates; and

WHEREAS, all acts, conditions and things required by the laws of the State of California to exist, to have happened and to have been performed precedent to and in connection with the consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, BE IT RESOLVED by the Governing Board of the Authority, as follows:

Section 1. Findings. The Governing Board hereby specifically finds and determines that the statements, findings and determinations of the Authority set forth above and in the preambles of the documents approved herein are true and correct.

Section 2. Approval of the Standby Certificate Purchase Agreement and Fee Letter. The Standby Certificate Purchase Agreement and the Fee Letter proposed to be executed and entered into by the Authority, in the forms presented at this meeting and on file with the Secretary of the Authority, is hereby approved, and each of the Chairperson,

Vice Chairperson, Executive Director, and Auditor and Treasurer of the Authority (each, an "Authorized Officer"), acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Standby Certificate Purchase Agreement and the Fee Letter in substantially said forms, with such changes therein as such officer executing the Standby Certificate Purchase Agreement and the Fee Letter may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 3. Approval of the First Supplemental Trust Agreement. The First Supplemental Trust Agreement proposed to be executed and entered into by the Authority, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved, and each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the First Supplemental Trust Agreement in substantially said form, with such changes therein as such officer executing the First Supplemental Trust Agreement may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 4. Approval of the Remarketing Agreement. The Remarketing Agreement proposed to be executed and entered into by the Authority, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved, and each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute and deliver the Remarketing Agreement in substantially said form, with such changes therein as such

officer executing the Remarketing Agreement may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof.

Section 5. Approval of Remarketing Memorandum. The Remarketing Memorandum, in the form presented at this meeting and on file with the Secretary of the Authority, is hereby approved. Each Authorized Officer, acting singly, is hereby authorized and directed, for and in the name and on behalf of the Authority, to execute the Remarketing Memorandum in substantially said form, with such changes therein as such officer executing the Remarketing Memorandum may require or approve, such approval to be conclusively evidenced by the execution thereof. Each Authorized Officer, acting singly, is hereby authorized and directed to cause the Remarketing Memorandum, in substantially said form, with such changes therein as such officer may require or approve, to be distributed to potential and actual purchasers of the 2008 Certificates.

Section 6. Attestations. The Secretary of the Authority is hereby authorized and directed to attest the signature of each Authorized Officer in connection with the documents approved by this Resolution.

Section 7. Other Actions. Each Authorized Officer is hereby authorized and directed, jointly and severally, to do any and all things and to execute and deliver any and all documents which such Authorized Officer may deem necessary or desirable in order to consummate the transactions authorized hereby and to carry out, give effect to and comply with the terms and intent of this Resolution, the Standby Certificate Purchase Agreement, the Fee Letter, the First Supplemental Trust Agreement, the Remarketing

Agreement and the Remarketing Memorandum; and all such actions heretofore taken by such Authorized Officers are hereby ratified, confirmed and approved.

Section 8. Effective Date. This Resolution shall take effect immediately upon its passage.

The foregoing resolution was introduced at a meeting of the Modesto Public Financing Authority held on the 11th day of April, 2023, by Authority Member Wright, who moved its adoption, which motion being duly seconded by Mayor Zwahlen was upon roll call carried and the resolution adopted by the following vote:

AYES:	Authority Boardmembers:	Alvarez, Bavaro, Escutia-Braaton, Ricci, Williams, Wright, Mayor Zwahlen
NOES:	Authority Boardmembers:	None
ABSENT:	Authority Boardmembers:	None

ATTEST: _____

DIANE NAYARES-PEREZ, CMC,

Secretary

(SEAL)

APPROVED AS TO FORM:

BY: _____

JOSE M. SANCHEZ, Authority Counsel

REMARKETING MEMORANDUM DATED JUNE 2, 2023

NOT A NEW ISSUE—BOOK-ENTRY ONLY

RATINGS: Moody's "Aa3/P-1"
S&P "AA/A-1"
(See "RATINGS" herein.)

On the date of original delivery of the 2008 Certificates, Sidley Austin LLP, San Francisco, California, ("Original Special Counsel"), rendered its opinion to the effect that, based on then-existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the documents pertaining to the 2008 Certificates and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), interest with respect to the Certificates was not includable in the gross income of the owners of the 2008 Certificates for federal income tax purposes. In the further opinion of Original Special Counsel, interest with respect to the 2008 Certificates was not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest with respect to the 2008 Certificates, however, was included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Original Special Counsel, interest with respect to the 2008 Certificates was exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein. The opinion of Original Special Counsel has not been updated subsequent to the date of delivery of the 2008 Certificates or as of the date of this Remarketing Memorandum. A copy of the opinion of Original Special Counsel is attached hereto as Appendix C.

$47,625,000*
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

Dated: Date of Original Delivery (May 30, 2008) **Price: 100%** **CUSIP† 607804AC5** **Due: October 1, 2036**

This cover page contains certain information for general reference only. It is not intended to be a summary of the security or terms of this issue. Investors are advised to read the entire Remarketing Memorandum to obtain information essential to making an informed investment decision. Capitalized terms used on this cover page not otherwise defined shall have the meanings set forth herein.

The City of Modesto, California Water Refunding Revenue Certificates of Participation, 2008 Series A (the "2008 Certificates") were executed and delivered on May 30, 2008, pursuant to the Amended and Restated Trust Agreement, dated as of May 1, 2008 (the "Amended and Restated Trust Agreement"), by and between the Modesto Public Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), for the principal purpose of refinancing certain improvements to the Water Utility System of the City of Modesto (the "City"). The 2008 Certificates are payable solely from installment payments to be made by the City to the Authority pursuant to the Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented by the 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, by and between the City and the Authority. The obligation of the City to make such installment payments is a special obligation of the City payable solely from Gross Revenues of its Water Utility System and certain funds and accounts created under the Trust Agreement. As described herein, those Gross Revenues are also pledged to the payment of certain other Parity Obligations of the City. In connection with the mandatory tender and remarketing on the effective date of the Liquidity Facility described below, the Authority and the Trustee will enter into a First Supplemental Trust Agreement, dated as of June 1, 2023, supplementing and amending the Amended and Restated Trust Agreement. The Amended and Restated Trust Agreement, as so supplemented and amended, is referred to herein as the "Trust Agreement."

The 2008 Certificates will bear interest at a Weekly Mode to be established by the Remarketing Agent as described herein, until the Mode is converted as provided herein. In general, the Weekly Rate is the rate of interest per annum determined by the Remarketing Agent, on and as of the applicable Rate Determination Date to be the minimum rate of interest which would result in the sale of the 2008 Certificates at a price equal to 100% of the principal amount thereof. Such interest is payable on the first Business Day of each month. The 2008 Certificates are subject to conversion to a different interest rate mode pursuant to the Trust Agreement. *This Remarketing Memorandum describes the 2008 Certificates only while they are in the Weekly Mode.*

While the 2008 Certificates are in the Weekly Mode, they are subject to optional and mandatory tender for purchase under the circumstances described herein. Effective June 8, 2023, payment of the purchase price of the 2008 Certificates will be payable from the proceeds of remarketing of the 2008 Certificates, and, to the extent remarketing proceeds are unavailable, and subject to certain terms and conditions, from amounts available under a Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Liquidity Facility"), by and among the Authority, the City and BMO Harris Bank N.A. (the "Liquidity Facility Provider").

BMO

The obligation of the Liquidity Facility Provider to purchase tendered but unremarketed 2008 Certificates is subject to suspension or termination without notice upon the occurrence of certain events. Unless extended or terminated, the Liquidity Facility will expire on June 8, 2026. The Liquidity Facility does not support, secure or guaranty the payments of the principal of, premium, if any, or interest with respect to the 2008 Certificates.

The 2008 Certificates were executed and delivered in book-entry form only and when executed and delivered were registered in the name of Cede &Co., as nominee of The Depository Trust Company, New York, New York. Beneficial interests in the 2008 Certificates while the 2008 Certificates are in the Weekly Mode will be available for purchase in denominations of $100,000 and any integral multiple of $5,000 in excess thereof. Purchasers of such beneficial interests will not receive certificates representing their beneficial ownership in the 2008 Certificates but will receive credit balances on the books of their respective nominees. The principal of and interest evidenced by the 2008 Certificates are payable by the Trustee to Cede & Co.; and such interest and principal payments are to be disbursed to the beneficial owners of the 2008 Certificates through their nominees.

The 2008 Certificates are subject to optional prepayment and mandatory sinking fund prepayment prior to maturity as well as optional and mandatory tender for purchase as described herein.

The scheduled payment of principal of and interest with respect to the 2008 Certificates when due are guaranteed under a financial guaranty insurance policy that was issued concurrently with the delivery of the 2008 Certificates by Assured Guaranty Corp.

ASSURED GUARANTY CORP.

THE OBLIGATION OF THE CITY TO PAY INSTALLMENTS OF PRINCIPAL AND INTEREST IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM THE GROSS REVENUES OF ITS WATER UTILITY SYSTEM LESS MAINTENANCE AND OPERATIONS COSTS THEREOF (AS DEFINED IN THE MASTER INSTALLMENT PURCHASE CONTRACT), ALL AS FURTHER DESCRIBED HEREIN. SAID OBLIGATION DOES NOT CONSTITUTE A DEBT OF THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION THEREOF, WITHIN THE MEANING OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR THE STATE, OR ANY POLITICAL SUBDIVISION THEREOF, IS PLEDGED TO THE PAYMENT OF THE INSTALLMENT PAYMENTS OR THE INTEREST THEREON.

Norton Rose Fulbright US LLP is currently serving as Special Counsel and Disclosure Counsel to the Authority. As Special Counsel to the Authority, Norton Rose Fulbright US LLP is not providing any opinion to the Owners with respect to the validity and enforceability of the 2008 Certificates. Certain legal matters in connection with the delivery of the Liquidity Facility will be passed upon for the City by Special Counsel. Certain legal matters will be passed upon for the Authority by its City Attorney of the City and for the Liquidity Facility Provider by Hawkins Delafield & Wood LLP, Los Angeles, California.

PNC Capital Markets LLC
(Remarketing Agent)

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* *Original principal amount. As of the date of this Remarketing Memorandum the 2008 Certificates are outstanding in the principal amount of $42,390,000.*

† *CUSIP® is a registered trademark of the American Bankers Association. CUSIP data herein are provided by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association. CUSIP numbers have been assigned by an independent company not affiliated with the Authority, the City, its Municipal Advisor or the Remarketing Agent is responsible for the selection or use of these CUSIP numbers and no representation is made as to their correctness on the 2008 Certificates or as indicated above. The CUSIP number for a specific certificate is subject to being changed after the issuance of the certificate as a result of various subsequent actions including, but not limited to, a refunding in whole or in part of such maturity or as a result of the procurement of secondary market portfolio insurance or other similar enhancement by investors that is applicable to all or a portion of such certificates.*

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CITY OF MODESTO, CALIFORNIA
1010 10th Street
P.O. Box 642
Modesto, California 95353
(209) 577-5369

CITY COUNCIL

Sue Zwahlen, Mayor
Chris Ricci, Vice Mayor
Rosa Escutia-Braaton
Eric E. Alvarez
Nick Bavaro
Jeremiah Williams
David Wright

CITY OFFICIALS

Joseph P. Lopez, City Manager
Jose M. Sanchez, City Attorney
DeAnna Christensen, Finance Director/Treasurer
William Wong, Director of Utilities

SPECIAL SERVICES

Special and Disclosure Counsel

Norton Rose Fulbright US LLP
San Francisco, California

Trustee

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

Municipal Advisor

PFM Financial Advisors LLC
San Francisco, California

All the information which the Authority and the City intends to present investors regarding the Authority, the City and the 2008 Certificates is contained in this Remarketing Memorandum. While the City maintains an internet website for various purposes, none of the information on that website is intended to assist investors in making any investment decision, or to provide any continuing information, with respect to the 2008 Certificates or any other obligations of the City. Moreover, none of the information on the website is incorporated herein by reference. No dealer, broker, salesperson or other person has been authorized by the Authority, the City or the Remarketing Agent to give any information or to make any representations other than those contained in this Remarketing Memorandum in connection with the offering made hereby and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the City or the Remarketing Agent. This Remarketing Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the 2008 Certificates by a person in any jurisdiction in which it is unlawful for such person to make such an offer, solicitation or sale.

This Remarketing Memorandum is not to be construed as a contract with the purchasers of the 2008 Certificates.

The information set forth herein has been obtained from sources which are believed to be reliable, but it is not guaranteed as to accuracy or completeness. The information and expression of opinions herein are subject to change without notice and neither delivery of this Remarketing Memorandum nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Liquidity Facility Provider since the date hereof. All summaries of documents contained herein are made subject to the provisions of such documents and do not purport to be complete statements of any or all such provisions.

The Liquidity Facility Provider has provided only the information related to itself set forth under the heading "LIQUIDITY FACILITY – BMO Harris Bank N.A." for inclusion in this Remarketing Memorandum and has not provided any other information for this Remarketing Memorandum. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date. The Liquidity Facility Provider has not (i) independently verified or reviewed, (ii) made any representation regarding, nor (iii) accepted any responsibility for the accuracy or completeness of this Remarketing Memorandum or any information or disclosure contained herein, other than solely with respect to the information with respect to itself set forth under the heading "LIQUIDITY FACILITY – BMO Harris Bank N.A."

The 2008 Certificate Insurer has provided the following sentence for inclusion in this Remarketing Memorandum:

Assured Guaranty Corp. ("Assured Guaranty") makes no representation regarding the 2008 Certificates or the advisability of investing in the 2008 Certificates. In addition, Assured Guaranty makes no representation regarding, nor does it accept any responsibility for, the accuracy or completeness of this Remarketing Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "CERTIFICATE INSURANCE" and Appendix E — "FINANCIAL GUARANTY INSURANCE POLICY."

The issuance and sale of the 2008 Certificates have not been registered under the Securities Act of 1933 or the Securities Exchange Act of 1934, both as amended, in reliance upon exemptions provided thereunder by Sections 3(a)2 and 3(a)12, respectively, for the issuance and sale of municipal securities.

CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS IN THIS REMARKETING MEMORANDUM

Certain statements included in this Remarketing Memorandum constitute "Forward- Looking Statements" within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended, and Section 27A of the United States Securities Act of 1933, as amended. Such statements are generally identifiable by the terminology used, such as "plan," "expect," "estimate,"

"budget" and other similar words and include, but are not limited to, statements that describe possible future connections to and revenues and expenses of the Water Utility System.

The achievement of certain results or other expectations contained in such forward-looking statements involves known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Statements which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts. The City does not plan to issue any updates or revisions to those forward-looking statements if or when its expectations or events, conditions or circumstances on which statements are based change.

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Remarketing Memorandum
relating to

$47,625,000*
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

INTRODUCTION

This Introduction is subject in all respects to the more complete information contained elsewhere in this Remarketing Memorandum, and the offering of the 2008 Certificates (as defined herein) to potential investors is made only by means of the entire Remarketing Memorandum. Capitalized terms used in this Introduction and not defined herein shall have the respective meanings assigned to them elsewhere in this Remarketing Memorandum or in the hereinafter-referenced Trust Agreement. See also APPENDIX B – "DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

Purpose

The purpose of this Remarketing Memorandum, which includes the cover page and appendices hereto, is to set forth certain information concerning the City of Modesto Refunding Water Revenue Certificates of Participation, 2008 Series A (the "2008 Certificates"), evidencing and representing the proportionate interests of the Owners thereof in certain payments to be made by the City of Modesto, California (the "City"), to be remarketed, as described herein.

The Modesto Public Financing Authority, a California joint exercise of powers agency (the "Authority"), caused the 2008 Certificates to be executed and delivered to refinance certain improvements (collectively, the "2008 Project") to the City's water utility system (the "Water Utility System"). Proceeds derived from the sale of the 2008 Certificates, along with other funds available for such purposes, were used to pay the costs of issuing the 2008 Certificates and to purchase a reserve fund financial guaranty insurance policy (the "Parity Reserve Fund Insurance Policy") that was credited to, the debt service reserve fund for the Parity Obligations (as hereinafter defined) (the "Parity Reserve Fund").

The 2008 Certificates

The 2008 Certificates represent the proportionate undivided interests of the registered owners thereof (the "Owners") in installment payments (the "2008 Payments") payable by the City under the Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), by and between the City and the Authority, as supplemented by supplemental purchase contracts including the 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008 by and between the City and the Authority (the "2008 Contract" and, collectively with the Master Contract, the "Contract"). The 2008 Certificates were executed and delivered pursuant to the Amended and Restated Trust Agreement, dated as of May 1, 2008 (the "Amended and Restated Trust Agreement"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Pursuant to the Trust Agreement, the Authority assigned to the Trustee for the benefit of the Owners of the 2008 Certificates all its rights under the Contract, including its right to receive 2008 Payments payable under the Contract and its right to enforce payment by the City of the 2008 Payments when due. In connection with the mandatory tender and remarketing on the effective date of the Liquidity Facility described below, the Authority and the Trustee will enter into a First Supplemental Trust Agreement, dated as of June 1, 2023, supplementing and amending the Amended and Restated Trust Agreement. The Amended and Restated Trust Agreement, as so supplemented and amended, is referred to herein as the "Trust Agreement."

The 2008 Certificates were dated their date of delivery (May 30, 2008) and will mature on October 1, 2036 (the "Maturity Date"), subject to prepayment prior thereto. The 2008 Certificates are currently in a Weekly Mode, and

* *Original principal amount. As of the date of this Remarketing Memorandum the 2008 Certificates are outstanding in the principal amount of $42,390,000.*

interest with respect to the 2008 Certificates in the Weekly Mode will be evidenced at the Weekly Rate. In general, the Weekly Rate is the rate of interest per annum determined by PNC Capital Markets LLC, as remarketing agent (the "Remarketing Agent"), on and as of the applicable Rate Determination Date to be the minimum rate of interest which would result in the sale of the 2008 Certificates at a price equal to 100% of the principal amount thereof. Such interest is payable on the first Business Day of each month. See "THE 2008 CERTIFICATES." The 2008 Certificates are subject to conversion to a different interest rate mode pursuant to the Trust Agreement. *This Remarketing Memorandum describes the 2008 Certificates only while they are in the Weekly Mode*.

While the 2008 Certificates are in the Weekly Mode, they are subject to optional and mandatory tender for purchase under the circumstances described herein. Effective June 8, 2023, payment of the purchase price of the 2008 Certificates will be payable from the proceeds of remarketing of the 2008 Certificates, and, to the extent remarketing proceeds are unavailable, and subject to certain terms and conditions, from amounts available under a Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Liquidity Facility"), by and among the Authority, the City and BMO Harris Bank N.A. (the "Liquidity Facility Provider"). The obligation of the Liquidity Facility Provider to purchase tendered but unremarketed 2008 Certificates is subject to suspension or termination without notice upon the occurrence of certain events. Unless extended or terminated, the Liquidity Facility will expire on June 8, 2026. The Liquidity Facility does not support, secure or guaranty the payments of the principal of, premium, if any, or interest with respect to the 2008 Certificates. For a description of the Liquidity Facility and information concerning the Liquidity Facility Provider, see "LIQUIDITY FACILITY."

Security for the 2008 Certificates

General. The 2008 Certificates represent the proportionate interests of the Owners in the 2008 Payments. The City is required to make the 2008 Payments pursuant to the provisions of the Contract. The 2008 Payments represent the purchase price of the 2008 Project, which the Authority sold to the City.

The Master Contract. The Master Contract establishes the terms and conditions upon which certain obligations of the City will be incurred and secured. Pursuant to the Master Contract, all Gross Revenues (as defined in the Master Contract) of the Water Utility System are pledged to the payment of the 2008 Payments, all other Parity Obligations and Maintenance and Operations Costs. Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the 2008 Payments and any other obligations hereafter issued in connection with a Supplemental Contract. To provide additional security for the 2008 Certificates and Parity Obligations, the Master Contract contains a rate covenant which requires the City to fix, prescribe, and collect certain minimum rates, fees and charges for the water service, calculated in accordance with the Master Contract. See "SECURITY FOR THE 2008 CERTIFICATES — Rate Covenant."

The 2008 Contract. The 2008 Contract is a Parity Obligation executed and delivered under the provisions of the Master Contract. In consideration of the Authority's agreement to finance the 2008 Project pursuant to the provisions of the 2008 Contract, the City agreed to pay the 2008 Payments to the Authority, solely from Gross Revenues on parity with all other Parity Obligations and Maintenance and Operation Costs, as provided in the 2008 Contract. The obligation of the City to make the 2008 Payments from Gross Revenues is absolute and unconditional; and, until such time as the 2008 Payments have been paid in full (or provision for the payment thereof shall have been made pursuant to the Master Contract), the City will not discontinue or suspend any such payments required to be made by it under the 2008 Contract when due whether or not the Water Utility System or any part thereof is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part. See "SECURITY FOR THE 2008 CERTIFICATES — 2008 Payments."

THE OBLIGATION OF THE CITY TO PAY THE 2008 PAYMENTS IS A SPECIAL OBLIGATION OF THE CITY PAYABLE SOLELY FROM GROSS REVENUES OF THE WATER UTILITY SYSTEM AND DOES NOT CONSTITUTE A DEBT OF THE CITY OR OF THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF IN CONTRAVENTION OF ANY CONSTITUTIONAL OR STATUTORY DEBT LIMITATION OR RESTRICTION. NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY OR THE STATE OF CALIFORNIA, OR ANY POLITICAL SUBDIVISION, THEREOF IS PLEDGED TO THE PAYMENT OF THE 2008 PAYMENTS.

Additional Parity Obligations. The City has previously incurred, and may in the future incur, obligations payable from Gross Revenues on a parity with the 2008 Payments ("Parity Obligations") pursuant to the terms and conditions of the Master Contract. See "SECURITY FOR THE 2008 CERTIFICATES — Existing and Future Parity Obligations."

Certificate Insurance / Reserve Fund Insurance Policy

Assured Guaranty Corp. ("Assured Guaranty" or the "2008 Certificate Insurer") issued a municipal bond insurance policy (the "2008 Certificate Insurance Policy") relating to the 2008 Certificates, effective as of the date of delivery of the 2008 Certificates. By the terms of the 2008 Certificate Insurance Policy, Assured Guaranty agrees to pay the principal and interest represented by the 2008 Certificates which come due for payment but which are unpaid, to the extent that the Trustee has not received sufficient funds from the City with which to make such payment. See "CERTIFICATE INSURANCE" and APPENDIX E — "FINANCIAL GUARANTY INSURANCE POLICY."

Assured Guaranty also issued the Parity Reserve Fund Insurance Policy (see "CERTIFICATE INSURANCE — The Reserve Fund Insurance Policy"); and, in connection therewith, the City and the Trustee entered into an agreement with Assured Guaranty, dated as of May 1, 2008 (the "Reserve Fund Reimbursement Agreement"). The City's obligations under the Reserve Fund Reimbursement Agreement will be Parity Obligations.

Liquidity Facility

While the 2008 Certificates are in the Weekly Mode, they are subject to optional tender and mandatory tender for purchase. Effective June 8, 2023, funds for the payment of the purchase price of 2008 Certificates that are so tendered for purchase and that are not remarketed by the Remarketing Agent will be available (subject to certain conditions precedent and automatic termination events) under the Liquidity Facility. The Liquidity Facility does not support, secure or guaranty the payments of the principal of, premium, if any, or interest with respect to the 2008 Certificates when due. See "LIQUIDITY FACILITY."

2008 Swap Agreement

The City entered into an interest rate swap agreement in the form of an ISDA Master Agreement (Local Currency – Single Jurisdiction), the U.S. Municipal Counterparty Schedule thereto, a Credit Support Annex and a Confirmation each dated as of and entered into on September 27, 2006 (collectively, the "2006 Swap Agreement") with Bank of America, N.A. (the "Swap Provider"). In connection with the execution and delivery of the 2008 Certificates, the City and the Swap Provider amended the 2006 Swap Agreement in various respects, including increasing the notional amount thereof, revising the schedule pursuant to which the notional amount is to be reduced and providing for certain payments thereunder to be insured by Assured Guaranty (as so amended, the "2008 Swap Agreement"). The 2008 Swap Agreement is scheduled to expire on the Maturity Date of the 2008 Certificates; and the notional amount of the 2008 Swap Agreement is scheduled to be reduced on the same dates and in the same amounts as the principal evidenced by the 2008 Certificates is scheduled to be reduced. Pursuant to the 2008 Swap Agreement, the City will be required to make periodic payments to the Swap Provider calculated on the basis of a fixed rate of interest on a notional amount equal to the principal amount represented by the 2008 Certificates. In return, the Swap Provider will be required to make periodic payments to the City calculated on the basis of a variable rate of interest equal to a percentage of one-month London Interbank Offered Rate ("LIBOR") on the same notional amount. The amounts payable by each party pursuant to the 2008 Swap Agreement are netted against the payments to be received by such party thereunder.

On March 5, 2021, the U.K. Financial Conduct Authority, the body that regulates and supervises the publication of LIBOR, announced the cessation of the publication of 1-month USD LIBOR effective June 30, 2023. Prior to the cessation of 1-month USD LIBOR quotations, the Authority intends to adhere to the ISDA 2020 IBOR Fallbacks Protocol and the IBOR Fallbacks Supplement to the 2006 ISDA Definitions, which will uniformly amend the 2008 Swap Agreement by converting any provisions and definitions referencing LIBOR to corresponding provisions and definitions based on the Secured Overnight Financing Rate. See "SECURITY FOR THE 2008 CERTIFICATES — 2008 Swap Agreement."

The City

The City, which has a population of approximately 216,995 as of January 1, 2023, is the county seat of Stanislaus County and was incorporated in 1884. It covers approximately 37.4 square miles. The City operates under a council-manager form of government pursuant to a charter adopted in 1963. The City is located in central California, approximately 93 miles east of the City and County of San Francisco. See Appendix A – "CERTAIN INFORMATION REGARDING THE CITY OF MODESTO." See also "—COVID-19 Pandemic" below.

The Water Utility System

The Water Utility System provides potable water service to residential, commercial and industrial consumers located within the incorporated area of the City and in neighboring areas of Stanislaus County. The City owns, operates and maintains the Water Utility System, which is the sole retail provider of water service in the City. See "THE WATER UTILITY SYSTEM."

THE 2008 PROJECT

The 2008 Project consisted of the City's conveyance to the Authority of certain of improvements made by the City in connection with the Modesto Irrigation District's expansion of the Modesto Regional Water Treatment Plant (the "Water Treatment Plant") and the Authority's reconveyance thereof to the City.

The Water Treatment Plant was constructed and is owned and operated by the Modesto Irrigation District ("MID"). Pursuant to an agreement with the City (the "Treatment and Delivery Agreement"), MID expanded the Water Treatment Plant and its rated capacity from approximately 30 million gallons per day to approximately 60 million gallons per day. (The Water Treatment Plant has been designed to accommodate a possible further expansion subject to a future agreement between the City and MID.)

On June 26, 2007, the Modesto Irrigation District Financing Authority ("MIDFA") issued bonds in a principal amount of $93,190,000 (the "MIDFA 2007 Bonds") in order to provide financing for the previous Water Treatment Plant expansion described above. In connection with the MIDFA 2007 Bonds, MIDFA entered into a swap agreement. The ultimate source of funds to be used to pay debt service on the MIDFA 2007 Bonds and payments under such swap agreement consists of payments to be made by the City to MID pursuant to the Treatment and Delivery Agreement. The pledge thereof for the payment of termination amounts due under such swap agreement shall be on a basis subordinate to the pledge for the payment of Parity Obligations, and such termination payments constitute subordinate debt under the Treatment and Delivery Agreement.

See "THE WATER UTILITY SYSTEM — Treatment and Delivery Agreement."

THE 2008 CERTIFICATES

General Description

The 2008 Certificates represent the proportionate interests of the Owners in the 2008 Payments. The 2008 Certificates were dated their delivery date (May 30, 2008) and will mature on the Maturity Date (October 1, 2036), subject to prepayment prior thereto as described below under "Prepayment." The 2008 Certificates are in the Weekly Mode, and interest with respect to the 2008 Certificates in the Weekly Mode will be evidenced at the Weekly Rate. See "Interest Rate Provisions" below.

The 2008 Certificates are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC acts as securities depository for the 2008 Certificates. Ownership interests in the 2008 Certificates may be purchased in book entry form only. See "Book-Entry-Only System" below. While the 2008 Certificates are in the Weekly Mode such ownership interests may be purchased in denominations of $100,000 and integral multiples of $5,000 in excess thereof.

Book-Entry-Only System

The 2008 Certificates were delivered in book-entry form only. Purchasers of the 2008 Certificates will not receive certificates representing their ownership interests in the 2008 Certificates purchased but will receive credit balances on the books of their respective nominees. All payments with respect to the 2008 Certificates are to be made by the Trustee directly to DTC. DTC is expected to credit such payments to the respective accounts of its Direct Participants which, in turn, are expected to make payment thereof to the purchasers of the 2008 Certificates.

As long as Cede & Co. is the registered owner of the 2008 Certificates, references herein to the Owners of the 2008 Certificates shall refer to Cede & Co. and not to the beneficial owners of the 2008 Certificates (the "Beneficial Owners"). *Neither the Authority nor the City gives any assurance that DTC, its Participants or others will distribute payments with respect to the 2008 Certificates or notices concerning the 2008 Certificates to the Beneficial Owners thereof or that DTC will otherwise serve and act in the manner described in this Remarketing Memorandum*. See APPENDIX D — "INFORMATION CONCERNING DTC" for a further description of DTC and its book-entry system. The information presented therein is based solely on information provided by DTC.

The Authority may decide to discontinue the use of book-entry transfers through DTC (or a successor Securities Depository). In that event, the 2008 Certificates will be printed and delivered to the Beneficial Owners and will be governed by the provisions of the Trust Agreement with respect to the payment of principal and interest and rights of exchange and transfer.

There are a number of provisions in the Trust Agreement relating to the terms of the 2008 Certificates purchased by the Liquidity Facility Provider pursuant to the Liquidity Facility ("Liquidity Provider Certificates"), which are not described in this Remarketing Memorandum. All references to the terms of the 2008 Certificates in this Remarketing Memorandum describe the 2008 Certificates that are not owned by the Liquidity Provider, unless expressly indicated herein.

Interest Rate Provisions

Establishment of the Weekly Rate. The 2008 Certificates will be executed and delivered in the Weekly Mode. The interest rate for the 2008 Certificates while they are in the Weekly Mode will be the rate of interest per annum determined by the Remarketing Agent on and as of the applicable Rate Determination Date (each Wednesday or, if Wednesday is not a Business Day, then the Business Day next succeeding such Wednesday) as the minimum rate of interest which, in the opinion of the Remarketing Agent under then-existing market conditions, would result in the sale of the 2008 Certificates at a price equal to 100% of the principal amount thereof. While the 2008 Certificates are in the Weekly Mode, the Remarketing Agent is obligated to establish the Weekly Rate by 4:00 p.m. New York City time on each Rate Determination Date; and the Weekly Rate shall be in effect during the applicable Weekly Rate Period (generally, the period commencing on Thursday of each week to and including Wednesday of the following week).

Notification of the Weekly Rate. The Remarketing Agent is required to make the Weekly Rate available no later than 5:00 p.m. New York City time on the Business Day following the Rate Determination Date by telephone or Electronic means to the Authority, each other Notice Party and any Beneficial Owner requesting such rate.

Alternate Rate. When the 2008 Certificates are in the Weekly Mode, in the event (i) the Remarketing Agent fails or is unable to determine the interest rate for the 2008 Certificates, (ii) the method by which the Remarketing Agent determines the interest rate with respect to the 2008 Certificates shall be held to be unenforceable by a court of law of competent jurisdiction, or (iii) the Remarketing Agent suspends its remarketing effort in accordance with the provisions of the Remarketing Agreement (as defined in the Trust Agreement), then the 2008 Certificates shall evidence interest during each subsequent Interest Period for the 2008 Certificates at the Alternate Rate in effect on the first day of such Weekly Rate Period. The Alternate Rate for the 2008 Certificates in the Weekly Mode as of any Rate Determination Date is a rate per annum equal to (a) the SIFMA Municipal Swap Index (the "SIFMA Rate") most recently available as of the date of determination, or (b) if such index is no longer available, or if the SIFMA Rate is no longer published, the S&P Weekly High Grade Index (formerly the J.J. Kenny Index), or (c) if neither the SIFMA Rate nor the S&P Weekly High Grade Index is published, the index determined to equal the prevailing rate determined by the Remarketing Agent for tax-exempt state and local government bonds meeting criteria determined in good faith

by the Remarketing Agent to be comparable under the circumstances to the criteria used by the Securities Industry and Financial Markets Association ("SIFMA") to determine the SIFMA Rate just prior to when the SIFMA stopped publishing the SIFMA Rate. If there is no Remarketing Agent for the 2008 Certificates, if the Remarketing Agent fails to make any such determination or if the Remarketing Agent has suspended its remarketing efforts in accordance with the Remarketing Agreement, then a financial advisor, investment banker or other qualified party shall make such determination at the expense of the Authority. Such provisions will continue to apply until such time as the Remarketing Agent (or the Authority, if applicable) resumes making such determinations. In the case of clause (ii) above, the Remarketing Agent (or the Authority, if applicable) shall resume making such determination at such time as there is delivered to the Remarketing Agent or the Authority, as applicable, an opinion of Special Counsel to the effect that there are no longer any legal prohibitions against the Remarketing Agent or Authority, as applicable, making such determinations.

Optional Tender

Subject to the availability of sufficient funds from either the remarketing of such 2008 Certificates or the Liquidity Facility, while the 2008 Certificates are in the Weekly Mode, any 2008 Certificate or portion thereof in a principal amount equal to an Authorized Denomination is required to be purchased on any Business Day at a price equal to the Purchase Price, upon delivery of a Tender Notice to the Trustee by 5:00 p.m. New York City time on the Business Day seven days prior to the applicable Purchase Date. See, "Purchase Fund," "Delayed Remarketing Period," "Liquidity Facility" and "LIQUIDITY FACILITY — Initial Liquidity Facility." A Tender Notice is a notice delivered by Electronic means or in writing that states: (i) the principal amount of the 2008 Certificates to be purchased pursuant to the optional tender provisions of the Trust Agreement; (ii) the Purchase Date on which such 2008 Certificates are to be purchased; (iii) applicable payment instructions with respect to such 2008 Certificates being tendered for purchase; and (iv) an irrevocable demand for such purchase. For so long as the 2008 Certificates are registered in the name of Cede & Co., as nominee for DTC, the tender option rights of Owners of 2008 Certificates may be exercised only by a Direct Participant of DTC acting, directly or indirectly, on behalf of a Beneficial Owner of 2008 Certificates by giving notice of its election to tender 2008 Certificates or portions thereof at the time and in the manner described above. Beneficial Owners will not have any rights to tender 2008 Certificates directly to the Trustee.

If funds sufficient to pay the Purchase Price of any Certificate are held by the Trustee on any Purchase Date, such 2008 Certificate shall be deemed to have been purchased and shall be purchased according to the terms of the Trust Agreement, for all purposes of the Trust Agreement, irrespective of whether or not such 2008 Certificate shall have been delivered to the Trustee; and neither the former Owner of such 2008 Certificate nor any other person shall have any claim thereon, under the Trust Agreement or otherwise, for any amount other than the Purchase Price thereof.

Mandatory Tender for Purchase Upon Change of Mode

Changes in Mode. At the option of the Authority, the 2008 Certificates in the Weekly Mode may be changed to another Mode (other than a Fixed Rate Mode) as set forth below, provided that all the 2008 Certificates shall be converted.

Unless otherwise specified in the Trust Agreement, notice of the proposed change in Mode must be given by the Trustee to the Owners of the 2008 Certificates not less than the 15th day next preceding the applicable Mode Change Date. Such notice must state the Mode to which the conversion will be made and the proposed Mode Change Date and, if applicable, shall be combined with the notice of mandatory purchase required to be delivered by the Trustee pursuant to the Trust Agreement. The new Mode shall commence on the Mode Change Date and the interest rate(s), together, in the case of a change to the Flexible Mode, with the Interest Period or Interest Period(s), as applicable, shall be determined by the Remarketing Agent (or the Authority in the case of the Interest Period for the 2008 Certificates being converted to a Term Rate Mode) in the manner provided in the Trust Agreement.

In the case of a change from the Weekly Mode, the Mode Change Date can be any Business Day. The 2008 Certificates shall be subject to mandatory tender for purchase on such Mode Change Date as described below: and, except as is otherwise described herein, the 2008 Certificates shall be purchased on the Mode Change Date at a Purchase Price equal to 100% of the principal amount thereof; provided, however, that if the 2008 Certificates are to be purchased on an Interest Payment Date other than the last Interest Payment Date applicable to the 2008 Certificates, and if the 2008 Certificates would otherwise be subject to optional prepayment on such Mode Change Date at a

prepayment price of more than 100% of the principal amount thereof, then the 2008 Certificates shall be purchased at a Purchase Price equal to such prepayment price.

Conditions Precedent. It is a condition precedent to a change in Mode that certain items shall have been delivered to the Authority, Trustee, the 2008 Certificate Insurer, and the Remarketing Agent on or prior to the Mode Change Date. Those items include (a) in the case of a change from the Weekly Mode to any Mode other than the Daily Mode, a Favorable Opinion of Special Counsel dated the Mode Change Date and (b) a notice from the Rating Agencies of the rating(s) to be assigned to the 2008 Certificates on such Mode Change Date. In addition, the Authority must also have obtained and delivered to the Trustee the written consent of the 2008 Certificate Insurer to the change in Mode.

Failure to Satisfy Conditions. In the event that the Authority has not withdrawn any election by it to change a Mode as described below and the conditions referred to above have not been satisfied by the applicable Mode Change Date, then the New Mode shall not take effect (although any mandatory purchase shall be made on such date if notice has been sent to the Owners stating that the 2008 Certificates would be subject to mandatory purchase on such date). In the case of a failed change in Mode from the Weekly Mode, the 2008 Certificates shall remain in the Weekly Mode with interest rates established in accordance with the provisions described above under "Interest Rate Provisions" on and as of the failed Mode Change Date.

Rescission of Election to Change Mode. The Authority may rescind any election by it to change a Mode prior to the Mode Change Date by giving written notice thereof to the Notice Parties prior to such Mode Change Date. If the Trustee receives notice of such rescission prior to the time the Trustee has given notice to the Owners of the 2008 Certificates, then such notice of change in Mode shall be of no force and effect. If the Trustee receives notice from the Authority of rescission of a Mode change after the Trustee has given notice thereof to the Owners of the 2008 Certificates, then if the proposed Mode Change Date would have been a Mandatory Purchase Date, such date shall continue to be a Mandatory Purchase Date. If the proposed change in Mode was from the Weekly Mode, the 2008 Certificates shall remain in the Weekly Mode with interest rates established in accordance with the provisions described above under "Interest Rate Provisions" on and as of the proposed Mode Change Date.

Mandatory Tender for Purchase on Change of Mode. A change from the Weekly Mode to any other Mode will result in the mandatory purchase of the 2008 Certificates on the Mode Change Date. The Trustee is required to give notice of each such mandatory purchase by mail to the Owners of the 2008 Certificates subject to mandatory purchase no less than 15 days prior to the applicable Mandatory Purchase Date, which is the Mode Change Date. Such notice is required to state the Mandatory Purchase Date, set forth the Purchase Price applicable on such Mandatory Purchase Date, and identify the 2008 Certificates to be purchased. Such notice must also state that interest on the 2008 Certificates subject to mandatory purchase shall cease to accrue from and after the Mandatory Purchase Date. The failure to mail such notice with respect to any 2008 Certificate shall not affect the validity of the mandatory purchase of any other 2008 Certificate with respect to which notice was so mailed. Any notice mailed will be conclusively presumed to have been given, whether or not actually received by any Owner.

Other Mandatory Tenders

The 2008 Certificates are subject to mandatory tender for purchase on each Mandatory Tender Date, In addition to Mode Change Dates, Mandatory Purchase Dates applicable to 2008 Certificates in the Weekly Mode are: (i) any Substitution Date (the date on which an Alternate Liquidity Facility is substituted for the Liquidity Facility then in effect); (ii) the fifth Business Day prior to an Expiration Date (the stated expiration date of a Liquidity Facility, as it may be extended from time to time as provided in such Liquidity Facility, or any earlier date on which such Liquidity Facility shall terminate at the direction of the Authority, expire or be cancelled, other than the date on which a Liquidity Facility shall terminate as a result of an Automatic Termination Event or an event of default under the Reimbursement Agreement (defined in the Trust Agreement to include the standby certificate purchase agreement among the Liquidity Facility Provider, the City and the Authority in connection with the Liquidity Facility); (iii) the date specified by the Trustee following the occurrence of an event of default with respect to the Liquidity Facility which requires or gives the Liquidity Facility Provider the option to terminate the Liquidity Facility upon notice and requires that all Outstanding 2008 Certificates secured by such Liquidity Facility be tendered for purchase under the applicable Reimbursement Agreement, which date shall be a Business Day not less than 20 days after the Trustee's receipt of notice of such event of default from the applicable Liquidity Facility Provider and in no event later than the

Business Day preceding the termination date specified in the notice of event of default delivered to the Trustee by such Liquidity Facility Provider; and (iv) any Business Day specified by the Authority in a notice delivered to the Trustee, which Mandatory Purchase Date shall be not less than twenty (20) days after the Trustee's receipt of such notice from the Authority.

The Trustee is required to give notice of each such mandatory purchase at the same time and in the same manner as is described above under "Mandatory Tender for Purchase upon Change of Mode - Mandatory Tender for Purchase on Change of Mode," provided that, if the mandatory purchase is directed as a result of an event of default under the Liquidity Facility, such notice may be given no less than 10 days prior to the applicable Mandatory Purchase Date or as late as the Mandatory Purchase Date.

Purchase Fund

The Trust Agreement requires the Trustee to establish and maintain a separate fund to be designated as the "2008 Purchase Fund" (the "2008 Purchase Fund") and separate accounts therein to be designated as the "Remarketing Proceeds Account," the "Liquidity Facility Account" and the "Authority Account." The 2008 Purchase Fund shall be held in trust solely for the benefit of the Owners of tendered 2008 Certificates.

Upon receipt of the proceeds of a remarketing of any 2008 Certificate on the date such 2008 Certificate is to be purchased, the Trustee is required to deposit such remarketing proceeds in the Remarketing Proceeds Account to be applied to the payment of the Purchase Price of such 2008 Certificate. Upon receipt of the proceeds of a draw on a Liquidity Facility, the Trustee is required to deposit such Liquidity Facility proceeds in the Liquidity Facility Account to be applied to the payment of the Purchase Price of the 2008 Certificates to the extent that the moneys on deposit in the Remarketing Proceeds Account shall not be sufficient. Any amounts deposited in a Liquidity Facility Account and not needed for the payment of the Purchase Price of the 2008 Certificates shall be immediately returned to the applicable Liquidity Facility Provider. Upon receipt of funds from the Authority provided at its sole discretion for such purpose, the Trustee is required to deposit such funds in the Authority Account to be applied to the payment of the Purchase Price of the 2008 Certificates. Any amounts deposited in an Authority Account and not needed for the payment of the Purchase Price of the 2008 Certificates shall be immediately returned to the Authority. Amounts held in the Remarketing Proceeds Account, the Liquidity Facility Account and the Authority Account are not permitted to be commingled with any other funds held by the Trustee and must be held uninvested.

Each of the Remarketing Proceeds Account and the Liquidity Facility Account shall meet the requirements of an Eligible Account.

Liquidity Facility

Requirement. While the 2008 Certificates are in the Weekly Mode, the Authority is required to provide a Liquidity Facility. Each such Liquidity Facility (and any Alternate Liquidity Facility provided in replacement thereof) must (i) be in an amount equal to the Required Stated Amount, (ii) be provided by a Liquidity Facility Provider and (iii) provide for the purchase of the 2008 Certificates upon their optional or mandatory tender in accordance with the provisions of the Trust Agreement. The Authority is not permitted to voluntarily terminate such Liquidity Facility or any Alternate Liquidity Facility without providing at least 30 days written notice to the Trustee and each of the other Notice Parties.

Draws. If a Liquidity Facility is in effect with respect to the 2008 Certificates, on each date on which a 2008 Certificate is to be purchased, the Trustee, by demand given by Electronic means before 12:00 p.m. New York City time, is required to draw on the applicable Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 3:00 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of such 2008 Certificates on such date, to enable the Trustee to pay the Purchase Price in connection therewith. The proceeds of such draw shall be paid to the Trustee, who shall deposit said proceeds in the Liquidity Facility Account.

Alternate Liquidity Facility. The Authority may provide an Alternate Liquidity Facility on any Business Day not later than the fifth Business Day prior to the Expiration Date of the Liquidity Facility then in effect for the 2008

Certificates. Any such Alternate Liquidity Facility must be approved by the 2008 Certificate Insurer. The Authority must give at least 30 days' written notice to the Trustee and each of the Notice Parties of its intent to furnish an Alternate Liquidity Facility, which notice shall specify the nature of such Liquidity Facility, the identity of the Liquidity Facility Provider and the proposed Substitution Date. The Trustee must then give notice of each Mandatory Purchase Date resulting from the proposed delivery of an Alternate Liquidity Facility in accordance with the provisions set forth in the Trust Agreement.

The Liquidity Facility to be provided by the Liquidity Facility Provider constitutes an Alternate Liquidity Facility. See "LIQUIDITY FACILITY" herein.

On or before the Substitution Date, there must be delivered to the Trustee: (i) the Alternate Liquidity Facility in substitution for the Liquidity Facility then in effect, (ii) a Favorable Opinion of Special Counsel and (iii) a written Opinion of Counsel for the provider of Alternate Liquidity Facility to the effect that such Alternate Liquidity Facility is a legal, valid, and binding obligation of the provider thereof and covering such other matters as the Authority shall require. Upon the satisfaction of such conditions, the Trustee must accept such Alternate Liquidity Facility and surrender the Liquidity Facility then in effect to the provider thereof on the Substitution Date; provided that if there are insufficient remarketing proceeds to pay the Purchase Price of all 2008 Certificates subject to mandatory purchase on such Substitution Date, the Trustee may not surrender the Liquidity Facility then in effect until the Trustee shall have drawn upon the existing Liquidity Facility to pay the Purchase Price for the 2008 Certificates subject to mandatory purchase on such Substitution Date. If any condition precedent to the substitution of an Alternate Liquidity Facility is not satisfied, the substitution shall not occur, but the affected 2008 Certificates shall remain subject to mandatory purchase on the proposed Substitution Date.

Delayed Remarketing Period

If sufficient funds are not available to pay the Purchase Price of all tendered 2008 Certificates ("Tendered Certificates") to be purchased on any Purchase Date: (i) no purchase of such Tendered Certificates shall be consummated on such Purchase Date; (ii) all such Tendered Certificates shall be returned to the Owners thereof; (iii) all remarketing proceeds shall be returned to the Remarketing Agent for return to the persons providing such moneys; and (iv) such insufficiency and the failure to pay the Purchase Price on any Payment Date shall *not* constitute an Event of Default under the Trust Agreement. All such Tendered Certificates shall evidence interest at the Maximum Rate during the period of time from and including the applicable Purchase Date to (but not including) the date that all such Tendered Certificates are successfully remarketed (the "Delayed Remarketing Period").

The Authority may direct the conversion of such Tendered Certificates to a different Mode during a Delayed Remarketing Period in accordance with the provisions of the Trust Agreement, but the Authority is not required to comply with the notice requirements otherwise applicable to a change of Mode.

During a Delayed Remarketing Period, the Remarketing Agent shall continue to use its best efforts to remarket such Tendered Certificates. Once the Remarketing Agent has advised the Trustee that it has a good faith belief that it is able to remarket all of such Tendered Certificates, the Trustee shall give written notice by mail to the Owners of such Tendered Certificates not later than five Business Days prior to the proposed Purchase Date, which notice shall state: (i) that such Tendered Certificates will be subject to mandatory tender for purchase on the proposed Purchase Date; (ii) the proposed Purchase Date; (iii) the Mode applicable to such Tendered Certificates from and after the proposed Purchase Date; (iv) the procedures for such mandatory tender for purchase; (v) the Purchase Price applicable to such Tendered Certificates; and (vi) the consequences of a failed remarketing.

The Trustee may, upon direction of the Authority, apply amounts on deposit in the 2008 Prepayment Subaccount of the 2008 Principal Account to the prepayment of Tendered Certificates, as a whole or in part on any Business Day during such Delayed Remarketing Period, at a prepayment price equal to the principal amount thereof, together with interest accrued thereon to the date fixed for prepayment, without premium. The Trustee shall give five (5) Business Days' notice of such prepayment to the Owners of the 2008 Certificates to be prepaid.

Interest on Tendered Certificates shall be paid to the Owners thereof (i) on the first Business Day of each calendar month occurring during a Delayed Remarketing Period and (ii) on the day after the last day of such Delayed Remarketing Period.

Prepayment

Optional Prepayment. Each 2008 Certificate in the Weekly Mode is subject to prepayment at the option of the Authority, in whole or in part, in Authorized Denominations on any Business Day, at a prepayment price equal to 100% of the principal amount thereof, plus, accrued interest, if any, to the Prepayment Date, without premium.

Mandatory Sinking Fund Prepayment. Except in the case of 2008 Certificates that have been converted to Serial Certificates upon a change to the Fixed Rate Mode, the 2008 Certificates are subject to mandatory prepayment from Sinking Fund Payments prior to the Maturity Date, in part by lot, on October 1 of each year in accordance with the schedule set forth below upon notice hereinafter described, from and in the amount of the principal installment of the 2008 Payments due and payable on such dates, at a prepayment price equal to the sum of the principal amount evidenced and represented thereby plus accrued and unpaid interest evidenced and represented thereby to the Prepayment Date, without a prepayment premium. In addition, if any 2008 Certificates have been optionally prepaid, the amounts of such Sinking Fund Payments shall be reduced as directed by the Authority, or if not so directed, proportionality in increments of Authorized Denominations, by the principal amount evidenced and represented by all such 2008 Certificates so optionally prepaid

Mandatory Sinking Fund Payment Date (October 1)	***Sinking Fund Payment***
2023	$2,300,000
2024	2,410,000
2025	2,515,000
2026	2,595,000
2027	2,705,000
2028	2,810,000
2029	2,945,000
2030	3,055,000
2031	3,185,000
2032	3,295,000
2033	3,430,000
2034	3,570,000
2035	3,705,000
2036 (maturity)	3,870,000

Notwithstanding the foregoing, no 2008 Certificate (other than a Liquidity Provider Certificate) shall be optionally prepaid while any Liquidity Provider Certificate is Outstanding unless all Outstanding Liquidity Provider Certificates are prepaid or purchased by the Trustee and cancelled concurrently with such prepayment or purchase.

If for any reason, the Liquidity Provider Certificates remain in book-entry but have not been assigned a separate CUSIP number, the Trustee shall apply the amounts in the 2008 Sinking Fund Subaccount set aside for prepayment to the purchase from the Liquidity Facility Provider of Liquidity Provider Certificates in an aggregate principal amount not in excess of the principal amount intended to be prepaid at a purchase price equal to the prepayment price specified above. The Liquidity Provider Certificates so purchased shall be cancelled by the Trustee, and the principal amount thereof shall be credited against the principal amount of the 2008 Certificates otherwise required to be prepaid.

Notice of Prepayment. When the prepayment of 2008 Certificates is authorized as described above, the Trustee is required to give notice thereof. Such notice must state the date of such notice, the prepayment price, the place of prepayment (including the name and appropriate address of the Trustee), the CUSIP number (if any) of the 2008 Certificates to be prepaid, and, if less than all of the 2008 Certificates are to be prepaid, the distinctive certificate numbers thereof to be prepaid and, in the case of 2008 Certificates to be prepaid in part only, the respective portions of the principal amount evidenced and represented thereby to be prepaid. Each such notice shall also state that on said date there will become due and payable on each of said 2008 Certificates the prepayment price thereof and, in the case

of a 2008 Certificate to be prepaid in part only, the specified portion of the principal amount evidenced and represented thereby to be prepaid, together with accrued and unpaid interest evidenced and represented thereby to the prepayment date, and that from and after such prepayment date interest evidenced and represented thereby shall cease to accrue; and such notice shall require that said 2008 Certificates be then surrendered at the address of the Trustee specified in the prepayment notice.

Such notice must be mailed by the Trustee, at least 30 but not more 60 days before the prepayment date to the respective Owners of the 2008 Certificates designated for prepayment at their addresses appearing on the registration books of the Trustee. Such notice is also required to be provided to Securities Depositories and Information Services. Failure to receive such notice shall not invalidate any of the proceedings taken in connection with such prepayment.

Any prepayment may be cancelled if the notice of such prepayment has not been mailed to the respective Owners of the 2008 Certificates or if such notice expressly conditioned the prepayment upon the occurrence of one or more events. Notice of any such cancellation shall be given in the same manner as the notice of prepayment was given at least three Business Days prior to the date scheduled for prepayment.

Effect of Prepayment. If notice of prepayment has been duly given as described above and money for the payment of the prepayment price of the 2008 Certificates called for prepayment together with any accrued interest to the date fixed for prepayment is held by the Trustee, then on the prepayment date designated in such notice, the 2008 Certificates so called for prepayment will become due and payable on the date fixed for prepayment at the prepayment price specified in such notice; and from and after the date so designated, interest evidenced and represented by such 2008 Certificates so called for prepayment shall cease to accrue, and the Owners of such 2008 Certificates shall have no rights in respect thereof except to receive payment of the prepayment price thereof.

Purchase in Lieu of Prepayment

Subject to the provisions of the Trust Agreement, the Authority has the option to purchase any 2008 Certificate on any date on which it would be subject to optional prepayment at a purchase price equal to the then applicable prepayment price plus accrued interest thereon to the date of purchase.

Parity Obligations

The 2008 Payments are obligations payable from Gross Revenues of the City's Water Utility System. Under the terms of the Master Contract, the City has incurred and may incur additional obligations payable from Gross Revenues of its Water Utility System on a parity with the 2008 Payments in the future. In addition to the City's obligation to make the scheduled payments required pursuant to the 2008 Swap Agreement, its obligation to make termination payments under the 2008 Swap Agreement (but only if such payments are insured under the Swap Policy) and its obligations under the Reimbursement Agreement and the Liquidity Facility, the City currently has outstanding unpaid Parity Obligations with MID and the California Public Health Department. See "SECURITY FOR THE 2008 CERTIFICATES — Existing and Future Parity Obligations."

SECURITY FOR THE 2008 CERTIFICATES

General

Each 2008 Certificate represents a proportionate interest in the 2008 Payments to be made by the City under the 2008 Contract. Pursuant to the Trust Agreement, the Authority will assign substantially all of its right, title and interest in the 2008 Contract to the Trustee for the benefit of the Owners of the 2008 Certificates. The rights so assigned include the Authority's right to receive the 2008 Payments and its right to exercise any remedies provided in the 2008 Contract in the event of a default by the City thereunder.

Pursuant to the 2008 Contract, the City has purchased the 2008 Project from the Authority at the purchase price specified in the 2008 Contract, which is equal to the aggregate principal amount evidenced by the 2008

Certificates. The City is obligated to make such purchase by paying the 2008 Payments specified in the 2008 Contract including the interest on such payments.

2008 Payments

Pursuant to the Trust Agreement, the Authority has transferred, assigned and set over to the Trustee all of the 2008 Payments and any and all rights and privileges it has under the 2008 Contract with respect to the 2008 Certificates, including, without limitation, the right to collect and receive directly all of the 2008 Payments and the right to hold and enforce any security interest.

The 2008 Payments under the 2008 Contract represent the purchase price of the 2008 Project, which the Authority has sold to the City pursuant to the 2008 Contract. The obligation of the City to pay the 2008 Payments from Gross Revenues is absolute and unconditional; and, until such time as the 2008 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to the Master Contract), the City will not discontinue or suspend any 2008 Payments required to be paid by it under the 2008 Contract when due, whether or not the Water Utility System or any part thereof (including the 2008 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part; and such payments are not subject to reduction whether by offset, abatement or otherwise and are not conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever. Notwithstanding anything contained in the Contract, however, the City is not required to advance any moneys derived from any source of income other than the Gross Revenues for the payment of the 2008 Payments or for the performance of any agreements or covenants required to be performed by it contained in the Contract.

As more fully described below, under the Contract, Gross Revenues of the Water Utility System are pledged as security for the payment of the 2008 Payments, any other Parity Obligations and the Maintenance and Operation Costs, as defined below.

"Water Utility System" is defined under the Master Contract to mean (i) all property rights, contractual rights and facilities of the City relating to water, including all facilities, properties, structures or works for the treatment, conservation, storage, transmission and distribution of water now owned by the City and (ii) all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

"Gross Revenues" is defined under the Master Contract to mean all gross income and revenue received or receivable by the City from the ownership or operation of the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including all Connection Fees, contributions in aid of construction, and charges and standby water availability charges legally available for debt service) received by the City for the Water Service and the other services and facilities of the Water Utility System and all net proceeds of insurance covering business interruption loss relating to the Water Utility System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water Utility System or arising from the Water Utility System, and including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Revenue Fund or, to the extent deposited in the Revenue Fund, in the Parity Reserve Fund, but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and advances.

"Maintenance and Operation Costs" is defined under the Master Contract to mean the costs paid or incurred by the City for maintaining and operating the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water Utility System in good repair and working order, (b) all costs of water purchased by the City including all costs under the Treatment and Delivery Agreement by and among the City, the Del Este Water Company and MID which do not constitute debt service thereunder, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Water Utility System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, payments into pension funds, and (d) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Master Contract or of any resolution authorizing the execution of any Parity Obligation or of such Parity Obligation, such as compensation, reimbursement and indemnification of the trustee or remarketing agent for

any such Parity Obligation, letter of credit fees for any such Parity Obligations, and fees and expenses of Independent Certified Public Accountants and Independent Consultants, but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense, (3) amounts paid from funds of the City other than Gross Revenues, and (4) in-lieu transfers or recoupment of contributed capital to the City's general fund.

Pledge of Gross Revenues

Pursuant to the Contract, all Gross Revenues of the Water Utility System are irrevocably pledged to the payment of the 2008 Payments, any other Parity Obligations and the Maintenance and Operation Costs; and the Gross Revenues of the Water Utility System may not be used for any other purpose while any of the 2008 Payments remain unpaid; provided, however, that out of Gross Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Contract. Such pledge constitutes a first pledge of and charge and lien upon the Gross Revenues of the Water Utility System for the payment of the amounts due with respect to the Contract, other Parity Obligations and the Maintenance and Operation Costs in accordance with the terms of the Contract.

Rate Covenant

Pursuant to the Master Contract, the City covenants that it will at all times fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least 125% of Annual Debt Service to be paid during such Fiscal Year (the "Rate Covenant").

"Adjusted Annual Net Revenues" is defined under the Master Contract to mean, for any Fiscal Year or any designated 12-month period in question, the Adjusted Annual Gross Revenues during such Fiscal Year or 12-month period less the Maintenance and Operation Costs during such Fiscal Year or 12-month period.

"Adjusted Annual Gross Revenues" is defined under the Master Contract to mean, for any Fiscal Year or any designated 12-month period in question, the Gross Revenues during such Fiscal Year or 12-month period, plus deposits to the City of Modesto Water Utility System Revenue Fund (the "Revenue Fund") from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in the Master Contract, minus (y) amounts transferred from the Revenue Fund to the Rate Stabilization Fund in accordance with the Master Contract and, (z) for purposes of determining compliance with the rate covenant described above only, earnings from the investments in the Parity Reserve Fund that are deposited in the Revenue Fund in such Fiscal Year or 12-month period.

"Adjusted Annual Debt Service" is defined under the Master Contract to mean, for any Fiscal Year or any designated 12-month period in question, the Annual Debt Service for such Fiscal Year or 12-month period minus the sum of (i) for purposes of the rate covenant described above only, the earnings from the investments in the Parity Reserve Fund that are deposited in the Revenue Fund in such Fiscal Year or 12-month period, and (ii) the amount of the Annual Debt Service paid from the proceeds of Parity Obligations or interest earned thereon (other than from the Parity Reserve Fund), all as set forth in a Certificate of the City.

"Annual Debt Service" is generally defined under the Master Contract to mean, for any Fiscal Year or any designated 12-month period in question, the payments required to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or 12-month period; provided, that for purposes of determining compliance with the rate covenant described above, the Reserve Fund Requirement and conditions for the execution of Parity Obligations, certain additional provisions are applicable as described in APPENDIX B — "DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS."

The City's ability to comply with the Rate Covenant may be limited by provisions of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WATER RATES AND CHARGES." The opinion of Sidley Austin LLP, Original Special Counsel, delivered upon execution and delivery of the 2008 Certificates stated that the enforceability of the Contract is subject to the limitations on the imposition by the City of certain fees and charges relating to the Water Utility System under Articles XIIIC and XIIID of the California Constitution. See APPENDIX C — "COPY OF FINAL APPROVING OPINION OF ORIGINAL

SPECIAL COUNSEL DATED MAY 30, 2008." The opinion of Original Special Counsel has not been updated subsequent to the date of delivery of the 2008 Certificates or as of the date of this Remarketing Memorandum. The City's ability to comply with the Rate Covenant may also be adversely affected by other factors. See "RISK FACTORS."

Parity Reserve Fund

The Parity Reserve Fund is provided for under the Trust Agreement. All amounts on deposit in the Parity Reserve Fund are available to be transferred to pay principal and interest evidenced and represented by the 2008 Certificates and any other obligations in connection with a future supplement to the Contract (collectively, the "Parity Certificates") as described in greater detail below. Currently, only the 2008 Certificates are supported by the Parity Reserve Fund.

Concurrently with the execution and delivery of the 2008 Certificates, the Trustee credited the Parity Reserve Fund Insurance Policy to the Parity Reserve Fund; and, as a result of the foregoing, the balance then on deposit in the Parity Reserve Fund was equal to the Reserve Fund Requirement. See "CERTIFICATE INSURANCE — The Reserve Fund Insurance Policy" for a description of the Parity Reserve Fund Insurance Policy.

"Reserve Fund Requirement" is defined under the Master Contract to mean, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) 10% of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) 125% of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings (without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations) (all such instruments collectively, "Reserve Funding Instruments"). If at any time, obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by the definition of Reserve Fund Requirement shall no longer maintain such ratings as required in accordance with the immediately preceding sentence, the City shall provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

Pursuant to the Trust Agreement, the Trustee is to (i) withdraw and use all cash, if any, on deposit in the Parity Reserve Fund prior to using and withdrawing any amounts derived from payments under any Reserve Funding Instruments and (ii) draw on all Reserve Funding Instruments on a pro rata basis, based on the draw limit of each Reserve Funding Instrument. Amounts received by the Trustee from the City pursuant to the Master Contract as a replenishment of amounts withdrawn from the Parity Reserve Fund shall be applied first on a pro rata basis to reimburse draws on Reserve Funding Instruments and then to replenish cash withdrawn from the Parity Reserve Fund.

Moneys on deposit in the Parity Reserve Fund will be transferred by the Trustee to the 2008 Debt Service Fund established pursuant to the Trust Agreement to pay principal and interest evidenced and represented by the 2008 Certificates on any date on which interest is payable with respect thereto in the event amounts on deposit in the 2008 Debt Service Fund are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the Parity Reserve Fund, transfer or cause to be transferred to any applicable debt service fund established under any other trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a Supplemental Contract. Following the valuation of investments in the Parity Reserve Fund on or before each October 1, all moneys on deposit in the Parity Reserve Fund in excess of the Reserve Fund Requirement will be transferred by the Trustee to the City for deposit in the Revenue Fund.

Flow of Funds

Contract Provisions. The City agrees and covenants in the Contract that all Gross Revenues it receives will be deposited when and as received in the Revenue Fund, which the City established under the Master Contract and which the City agrees and covenants to maintain separate and apart from other moneys of the City so long as any Parity Obligations remain unpaid, and all money on deposit in the Revenue Fund is to be applied and used as follows. The City will pay at the following times in the following order of priority:

(1) *Payment of Maintenance and Operation Costs and Parity Obligation Payment Fund Deposits*. The City will, from the money in the Revenue Fund, without preference or priority, and in the event of any insufficiency of such moneys, ratably, without preference or priority (i) pay charges for Maintenance and Operation Costs of the Water Utility System (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) as such charges are due and payable, and (ii) deposit in the City of Modesto Water Utility System Parity Obligation Payment Fund established under the Master Contract, on the last Business Day of each month (1) an amount equal to the interest which has accrued or will accrue under all Parity Obligations during the next succeeding month calculated as if such interest has accrued or will accrue on a daily basis during such period, and (2) an amount equal to the principal which has accrued or will accrue (as a result of maturity, mandatory sinking fund payments or mandatory prepayment or otherwise) under all Parity Obligations during the next succeeding month calculated as if such principal has accrued or will accrue on a daily basis during such period, plus (3) the net payments due or which will be due on all Parity Payment Agreements calculated as if such net payments accrued or will accrue on a daily basis during such period, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal due or becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity Payment Agreements on such next succeeding due date therefor. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable by the City under any Parity Payment Agreement at least one Business Day prior to such next applicable due date.

(2) *Parity Reserve Fund Deposits*. On or before the last Business Day of each month, the City will, from the remaining money on deposit in the Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City will also, from such remaining moneys in the Revenue Fund, transfer or cause to be transferred to the applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded, without preference or priority between transfers made in accordance with this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

After making the foregoing deposits and transfers, the City may apply any remaining money in the Revenue Fund for any lawful purpose of the City, including for the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations.

Pursuant to the Master Contract, the City has established the Rate Stabilization Fund, which currently has a balance of $1,979,350 on deposit therein. The City may deposit in the Rate Stabilization Fund any Gross Revenues, after providing for the payment of Parity Obligations and Maintenance and Operation Costs, and any other money received and available to be used therefor, provided that deposits from such Gross Revenues for each Fiscal Year may be made until (but not after) 180 days after the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund only for inclusion in Adjusted Annual Net Revenues, such withdrawal to be made until (but not after) 180 days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Gross Revenues. Notwithstanding the foregoing, no Gross Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with the rate covenant set forth in the Master Contract or the

conditions for the execution of Parity Obligations contained in the Master Contract and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such rate covenant or conditions.

The City's ability to set rates, fees and charges for the Water Service at levels which would permit the City to make deposits into the Rate Stabilization Fund may be limited by amendments to the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WATER RATES AND CHARGES." See also "THE WATER UTILITY SYSTEM — Summary of Projected Operating Results of the Water Utility System" for currently anticipated deposits into and withdrawals from the Rate Stabilization Fund.

The 2008 Contract establishes within the Parity Obligation Payment Fund the 2008 Supplemental Contract Payment Account. On or before the third Business Day immediately preceding each 2008 Payment Date or the date on which any net scheduled payment or insured termination payment is due under the 2008 Swap Agreement, the City shall, from the money in the Parity Obligation Payment Fund, deposit in the 2008 Supplemental Contract Payment Account (i) a sum equal to the amount of the interest and principal components of the 2008 Payments becoming due and payable under the 2008 Supplemental Contract on the next succeeding 2008 Payment Date and (ii) the net scheduled payments and any insured termination payment, if applicable, due under the 2008 Swap Agreement, except that no such deposit need be made if the amount then on deposit in the 2008 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2008 Payments becoming due and payable under the 2008 Contract on the next succeeding 2008 Payment Date plus the net scheduled payments and any insured termination payment, if applicable, due under the 2008 Swap Agreement on such next succeeding due date therefor. Moneys on deposit in the 2008 Supplemental Contract Payment Account shall (i) be transferred by the City to the Trustee on the Business Day immediately preceding each 2008 Payment Date to make and satisfy the 2008 Payment due on such 2008 Payment Date and (ii) be transferred by the City to the Trustee on the due date therefor to satisfy any net scheduled payment and any insured termination payment, if applicable, due under the 2008 Swap Agreement, all in accordance with the Master Contract and the Trust Agreement.

Trust Agreement Provisions. Pursuant to the Trust Agreement, the Trustee is required to deposit the 2008 Payments in a separate fund established by it and designated as the 2008 Debt Service Fund. The 2008 Debt Service Fund will contain two accounts: the 2008 Interest Account and the 2008 Principal Account (with a 2008 Prepayment Subaccount and a 2008 Sinking Fund Subaccount therein).

On the Business Day immediately preceding each Interest Payment Date, the Trustee is required to set aside from the 2008 Debt Service Fund and deposit in the 2008 Interest Account an amount equal to the amount of interest evidenced and represented by the 2008 Certificates becoming due and payable on each such Interest Payment Date. No deposit is required to be made in the 2008 Interest Account if the amount contained therein (exclusive of amounts transferred for the payment of amounts due under the 2008 Swap Agreement) is at least equal to the aggregate amount of interest evidenced and represented by the 2008 Certificates becoming due and payable on the applicable Interest Payment Date. The Trustee is also required to deposit in the 2008 Interest Account any receipts relating to the 2008 Swap Agreement which the City has directed under the 2008 Swap Agreement to be transferred to the Trustee for deposit in the 2008 Interest Account and any amounts transferred to Trustee pursuant to the 2008 Contract for the payment of payments due under the 2008 Swap Agreement.

Except as otherwise provided in the Trust Agreement, all money in the 2008 Interest Account is required to be used and withdrawn by the Trustee solely for the purpose of paying the interest with respect to the 2008 Certificates as it shall become due and payable (including accrued interest evidenced and represented by any 2008 Certificates purchased or prepaid prior to their respective Certificate Payment Date) and the net scheduled payments due to the Swap Provider under the 2008 Swap Agreement. The Trustee shall be under no obligation to calculate the amount of Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement and shall be entitled to rely conclusively on the information received by it with respect to the amount of the Payment Agreement Payments due and owing by the City. On the Business Day immediately preceding each October 1, the Trustee is required to set aside from the 2008 Debt Service Fund and deposit in the 2008 Principal Subaccount (i) an amount equal to the principal amount evidenced and represented by the Outstanding Serial Certificates with a Certificate Payment Date of such October 1 (at the time of the execution and delivery of the 2008 Certificates, none of the 2008 Certificates will be Serial Certificates) and (ii) in the 2008 Sinking Fund Subaccount the amount of all Sinking Fund Payments required to be made on such October 1. Amounts to be applied to the optional prepayment of the principal component of the 2008 Certificates are to be deposited in the 2008 Prepayment Subaccount. No deposit need be made in the 2008

Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding Serial Certificates with a Certificate Payment Date of such October 1 and the amount contained in the 2008 Sinking Fund Subaccount is at least equal to the aggregate amount of all Sinking Fund Payments required to be made on such October 1.

All money in the 2008 Principal Account is required to be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Serial Certificates as they shall become due and payable, whether at their respective Certificate Payment Dates or on prior prepayment, and all money in the 2008 Sinking Fund Subaccount is required to be used and withdrawn by the Trustee only to purchase or to prepay or pay Term Certificates, and with respect to the 2008 Sinking Fund Subaccount, on each Sinking Fund Payment Date, the Trustee is required to apply the Sinking Fund Payment required on that date to the prepayment (or payment at the Certificate Payment Date, as the case may be) of the Term Certificates upon the notice and in the manner provided in the Trust Agreement, provided that at any time prior to giving notice of such prepayment, the Trustee may, upon the Written Request of the Authority and receipt of sufficient moneys therefor, purchase for cancellation Term Certificates in accordance with the Trust Agreement.

Existing and Future Parity Obligations

The obligation of the City to pay the 2008 Payments is secured on a parity lien basis with certain existing Parity Obligations. In the Master Contract (as clarified in the 2008 Contract), "Parity Obligations" is specifically defined as the payment obligations under the Treatment and Delivery Agreement which constitute debt service and all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Gross Revenues equal to and on a parity with the charge and lien upon the Gross Revenues for the payment of the Payments, other than (i) such portion of the payment obligations (including certain payments due upon an early termination thereof) under any Parity Payment Agreement to the extent such obligations are expressly subordinate to Parity Obligations pursuant to the terms of such Parity Payment Agreement and (ii) Parity Bank Agreements; provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City. Under the Master Contract "Treatment and Delivery Agreement" means the Treatment and Delivery Agreement by and among the City of Modesto, the Del Este Water Company and MID. The Treatment and Delivery Agreement has since been amended and restated and is now called "Amended and Restated Treatment and Delivery Agreement Between Modesto Irrigation District and City of Modesto."

Under the Treatment and Delivery Agreement, the City has agreed to pay all debt service on bonds issued for the construction of the Water Treatment Plant (including, the MIDFA 2007 Bonds), as well as payments under certain related swap agreements, a raw water charge, project operation, administrative services and maintenance costs, insurance on the plant and the cost of electrical energy provided to the plant. The outstanding principal amount of the MIDFA 2007 Bonds as of June 30, 2022 was $93,190,000. See "THE WATER UTILITY SYSTEM — Treatment and Delivery Agreement" for a description of the Treatment and Delivery Agreement and "THE WATER UTILITY SYSTEM — Summary of Projected Operating Results of the Water Utility System" for additional information concerning existing Parity Obligations. See also Appendix B — "DEFINITIONS AND SUMMARY OF PRINCIPAL DOCUMENTS."

In addition to the Parity Obligations specifically defined as such in the Master Contract, the 2008 Swap Agreement (to the extent described below) constitutes a Parity Obligation. The Reimbursement Agreement and the Liquidity Facility constitute Parity Bank Agreements under the Contract; and Parity Bank Agreements are Parity Obligations if any amounts have been drawn thereunder which have not been reimbursed by the City.

In addition, the City has an outstanding Parity Obligation in the form of a loan from the California Department of Public Health for Water System Utilities projects. The loan is currently outstanding in the approximate amount of $290,000.

In addition to the existing Parity Obligations, the City may at any time execute additional Parity Obligations, but subject to the specific conditions set forth in the Master Contract, including the conditions that there be on file with the Trustee either:

(1) A Certificate of the City demonstrating that during any 12 consecutive calendar months out of the immediately preceding 18 calendar month period, the Adjusted Annual Net Revenues were at least equal to 125% of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed; provided, that for the purpose of providing such Certificate, the City may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(i) An allowance for Gross Revenues that would have been derived from each new connection to the Water Utility System that was made prior to the execution of such Parity Obligations but which, during all or any part of said 12 month period, was not in existence, in an amount equal to the estimated additional Gross Revenues that would have been derived from each such connection if it had been made prior to the beginning of said 12 month period, and

(ii) An allowance for Gross Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the execution of such Parity Obligations but which, during all or any part of said 12 month period, was not in effect, in an amount equal to the estimated additional Gross Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of said 12 month period; or

(2) A Consultant's Report showing that the Adjusted Annual Net Revenues for the Fiscal Year next following the end of the period during which interest on the Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligations proposed to be executed are executed, will be at least equal to 125% of the Maximum Annual Debt Service; provided, that for the purpose of providing the Consultant's Report, the Independent Consultant may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(i) An allowance for Gross Revenues that would have been derived from any increase in the rates, fees and charges prescribed for Water Service in effect and being charged, or rates, fees and charges for Water Service that are expected to be charged in accordance with a program of specific rates, fees, charges, rate levels or increases in overall Gross Revenue approved by a resolution of the City Council; and

(ii) An allowance for Gross Revenues from customers of the Water Utility System anticipated to be served by the facilities or improvements financed in substantial part by the Parity Obligations proposed to be executed together with any additional Parity Obligations expected to be executed prior to the Fiscal Year of determination.

Notwithstanding the foregoing, the Master Contract specifies that there shall be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any outstanding Parity Obligation.

2008 Swap Agreement

The City entered into an interest rate swap agreement in the form of an ISDA Master Agreement (Local Currency – Single Jurisdiction), the U.S. Municipal Counterparty Schedule thereto, a Credit Support Annex and a Confirmation each dated as of and entered into on September 27, 2006 (collectively, the "2006 Swap Agreement") with Bank of America, N.A. (the "Swap Provider"). In connection with the execution and delivery of the 2008 Certificates, the City and the Swap Provider amended and restated the 2006 Swap Agreement (as so amended and restated, the "2008 Swap Agreement"). The 2008 Swap Agreement is scheduled to expire on the Maturity Date of the 2008 Certificates; and the notional amount of the 2008 Swap Agreement is scheduled to be reduced on the same dates and in the same amounts as the principal evidenced by the 2008 Certificates is scheduled to be reduced. Pursuant to the 2008 Swap Agreement, the City is required to make periodic payments to the Swap Provider calculated on the basis of a fixed rate of interest of 3.4747% on the notional amount equal to the principal amount represented by the 2008 Certificates. In return, the Swap Provider is required to make periodic payments to the City calculated on the basis of a variable rate of interest equal to 63.7% of 1-month USD London Interbank Offered Rate ("LIBOR") plus 0.154% on the same notional amount. The amounts payable by each party pursuant to the 2008 Swap Agreement are netted against the payments to be received by such party thereunder.

On March 5, 2021, the U.K. Financial Conduct Authority, the body that regulates and supervises the publication of LIBOR, announced the cessation of the publication of 1-month USD LIBOR effective June 30, 2023. Prior to the cessation of 1-month USD LIBOR quotations, the Authority intends to adhere to the ISDA 2020 IBOR Fallbacks Protocol and the IBOR Fallbacks Supplement to the 2006 ISDA Definitions, which will uniformly amend the 2008 Swap Agreement by converting any provisions and definitions referencing LIBOR to corresponding provisions and definitions based on the Secured Overnight Financing Rate.

Certain of the amounts that may be payable by the City to the Swap Provider will be insured pursuant to a policy of interest rate swap insurance to be issued by Assured Guaranty (the "Swap Policy").

The City's obligations under the 2008 Swap Agreement to make scheduled payments and certain termination payments (but only if such termination payments are insured pursuant to the Swap Policy) are Parity Obligations. No arrangements made in respect of the 2008 Swap Agreement will alter the City's obligation to make the 2008 Payments.

Both the City and the Swap Provider have the right to terminate the 2008 Swap Agreement prior to its stated termination date under certain conditions. Any such termination could result in an obligation on the part of the City or the Swap Provider to make termination payments to the other party, and the amount of such termination payments could be substantial. Any obligation on the part of the City to make such a termination payment (other than a termination payment that is insured under the terms of the Swap Policy) will not be a Parity Obligation and will be subordinate to the City's liabilities with respect to Parity Obligations.

Neither the Trustee nor the Owners will have any rights under the 2008 Swap Agreement or against the Swap Provider.

CERTIFICATE INSURANCE

The following information has been provided by Assured Guaranty Corp. It has not been verified by the Authority or the City, and neither the Authority nor the City guarantees its accuracy or completeness. The following information is not complete, and reference is made to Appendix E for a copy of the financial guaranty insurance policy (the "2008 Certificate Insurance Policy") of Assured Guaranty Corp.

Certificate Insurance Policy

On the date of delivery of the 2008 Certificates, Assured Guaranty Corp. ("Assured Guaranty" or the "2008 Certificate Insurer") issued its financial guaranty insurance policy (the "2008 Certificate Insurance Policy") for the 2008 Certificates. The 2008 Certificate Insurance Policy guarantees the scheduled payment of principal of and interest on the 2008 Certificates when due as set forth in the form of the 2008 Certificate Insurance Policy included as an exhibit to this Remarketing Memorandum.

The 2008 Certificate Insurance Policy is not covered by any insurance security or guaranty fund established under New York, California, Connecticut or Florida insurance law.

The Reserve Fund Insurance Policy

On the date of delivery of the 2008 Certificates, Assured Guaranty issued a financial guaranty insurance policy for the reserve fund (the "Reserve Fund Insurance Policy") for the 2008 Certificates. Under the terms of the Reserve Fund Insurance Policy, Assured Guaranty will unconditionally and irrevocably guarantee to pay that portion of the scheduled principal and interest on the 2008 Certificates that becomes due for payment but shall be unpaid by reason of nonpayment by the Authority (the "Insured Payments").

Assured Guaranty will pay each portion of an Insured Payment that is due for payment and unpaid by reason of nonpayment by the Authority to the Trustee or Paying Agent, as beneficiary of the Reserve Fund Insurance Policy on behalf of the holders of the 2008 Certificates on the later to occur of (i) the date such scheduled principal or interest becomes due for payment or (ii) the business day next following the day on which Assured Guaranty receives a demand for payment therefor in accordance with the terms of the Reserve Fund Insurance Policy.

No payment shall be made under the Reserve Fund Insurance Policy in excess of $2,082,512.74 (the "Reserve Fund Insurance Policy Limit"). Pursuant to the terms of the Reserve Fund Insurance Policy, the amount available at any particular time to be paid to the Trustee or Paying Agent shall automatically be reduced to the extent of any payment made by Assured Guaranty under the Reserve Fund Insurance Policy, provided, that, to the extent of the reimbursement of such payment to Assured Guaranty, the amount available under the Reserve Fund Insurance Policy shall be reinstated in full or in part, in an amount not to exceed the Reserve Fund Insurance Policy Limit.

The Reserve Fund Insurance Policy does not insure against nonpayment caused by the insolvency or negligence of the Trustee or Paying Agent.

The Reserve Fund Insurance Policy is not covered by any insurance or guaranty fund established under New York, California, Connecticut or Florida insurance law.

Assured Guaranty Corp.

Assured Guaranty is a Maryland-domiciled insurance company regulated by the Maryland Insurance Administration and licensed to conduct financial guaranty insurance business in all fifty states of the United States, the District of Columbia and Puerto Rico. Assured Guaranty commenced operations in 1988. Assured Guaranty is a wholly owned, indirect subsidiary of Assured Guaranty Ltd. ("AGL"), a Bermuda-based holding company whose shares are publicly traded and are listed on the New York Stock Exchange under the symbol "AGO." AGL, through its operating subsidiaries, provides credit enhancement products to the U.S. and non-U.S. public finance (including infrastructure) and structured finance markets and asset management services. Neither AGL nor any of its shareholders or affiliates, other than Assured Guaranty, is obligated to pay any debts of Assured Guaranty or any claims under any insurance policy issued by Assured Guaranty.

Assured Guaranty's financial strength is rated "AA" (stable outlook) by S&P Global Ratings, a business unit of Standard & Poor's Financial Services LLC ("S&P"), and "AA+" (stable outlook) by Kroll Bond Rating Agency, Inc. ("KBRA"). Each rating of Assured Guaranty should be evaluated independently. An explanation of the significance of the above ratings may be obtained from the applicable rating agency. The above ratings are not recommendations to buy, sell or hold any security, and such ratings are subject to revision or withdrawal at any time by the rating agencies, including withdrawal initiated at the request of Assured Guaranty in its sole discretion. In addition, the rating agencies may at any time change Assured Guaranty's long-term rating outlooks or place such ratings on a watch list for possible downgrade in the near term. Any downward revision or withdrawal of any of the above ratings, the assignment of a negative outlook to such ratings or the placement of such ratings on a negative watch list may have an adverse effect on the market price of any security guaranteed by Assured Guaranty. Assured Guaranty only guarantees scheduled principal and scheduled interest payments payable by the issuer of bonds insured by Assured Guaranty on the date(s) when such amounts were initially scheduled to become due and payable (subject to and in accordance with the terms of the relevant insurance policy), and does not guarantee the market price or liquidity of the securities it insures, nor does it guarantee that the ratings on such securities will not be revised or withdrawn.

Current Financial Strength Ratings

On October 21, 2022, KBRA announced it had affirmed Assured Guaranty's insurance financial strength rating of "AA+" (stable outlook). Assured Guaranty can give no assurance as to any further ratings action that KBRA may take.

On July 8, 2022, S&P announced it had affirmed Assured Guaranty's financial strength rating of "AA" (stable outlook). Assured Guaranty can give no assurance as to any further ratings action that S&P may take.

For more information regarding Assured Guaranty's financial strength ratings and the risks relating thereto, see AGL's Annual Report on Form 10-K for the fiscal year ended December 31, 2022.

Capitalization of Assured Guaranty Corp.

At March 31, 2023:

- The policyholders' surplus of Assured Guaranty was approximately $1,920 million.
- The contingency reserve of Assured Guaranty was approximately $347 million.
- The net unearned premium reserve and net deferred ceding commission income of Assured Guaranty were approximately $326 million.

The policyholders' surplus, contingency reserve, net unearned premium reserve and net deferred ceding commission income of Assured Guaranty were determined in accordance with statutory accounting principles.

Incorporation of Certain Documents by Reference

Portions of the following documents filed by AGL with the Securities and Exchange Commission (the "SEC") that relate to AGL are incorporated by reference into this Remarketing Memorandum and shall be deemed to be a part hereof:

- the Annual Report on Form 10-K for the fiscal year ended December 31, 2022 (filed by AGL with the SEC on March 1, 2023); and
- the Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2023 (filed by AGL with the SEC on May 10, 2023).

All information relating to Assured Guaranty included in, or as exhibits to, documents filed by AGL with the SEC pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, excluding Current Reports or portions thereof "furnished" under Item 2.02 or Item 7.01 of Form 8 K, after the filing of the last document referred to above and before the termination of the offering of the 2008 Certificates shall be deemed to be incorporated by reference into this Remarketing Memorandum and to be a part hereof from the respective dates of filing such documents. Copies of materials incorporated by reference are available over the internet at the SEC's website at http://www.sec.gov, at AGL's website at http://www.assuredguaranty.com, or will be provided upon request to Assured Guaranty Corp.: 1633 Broadway, New York, New York 10019, Attention: Communications Department (telephone (212) 974-0100). Except for the information referred to above, no information available on or through AGL's website shall be deemed to be part of or incorporated in this Remarketing Memorandum.

Any information regarding Assured Guaranty included herein under the caption "CERTIFICATE INSURANCE - Assured Guaranty Corp." or included in a document incorporated by reference herein (collectively, the "Assured Guaranty Information") shall be modified or superseded to the extent that any subsequently included Assured Guaranty Information (either directly or through incorporation by reference) modifies or supersedes such previously included Assured Guaranty Information. Any Assured Guaranty Information so modified or superseded shall not constitute a part of this Remarketing Memorandum, except as so modified or superseded.

Miscellaneous Matters

Assured Guaranty makes no representation regarding the 2008 Certificates or the advisability of investing in the 2008 Certificates. In addition, Assured Guaranty has not independently verified, makes no representation regarding, and does not accept any responsibility for the accuracy or completeness of this Remarketing Memorandum or any information or disclosure contained herein, or omitted herefrom, other than with respect to the accuracy of the information regarding Assured Guaranty supplied by Assured Guaranty and presented under the heading "CERTIFICATE INSURANCE".

LIQUIDITY FACILITY

The following summary of certain provisions of the Liquidity Facility does not purport to be complete or definitive, does not constitute a complete summary of the Liquidity Facility, and is qualified in its entirety by reference to the complete provisions of the Liquidity Facility, which is available from the Authority, City or the Remarketing Agent. Investors should obtain and review a copy of the Liquidity Facility in order to understand all of the terms of the document. The provisions of any substitute liquidity facility or credit facility may be different from those summarized below.

See "RISK FACTORS – Limitations of the Liquidity Facility."

Liquidity Facility

The Liquidity Facility secures only payment of the purchase price of the 2008 Certificates bearing interest at a Weekly Rate tendered for purchase, and does not otherwise secure payment of the principal of or interest on the 2008 Certificates. The Liquidity Facility is subject to termination at the option of the Liquidity Facility Provider as described below.

General. The Liquidity Facility contains various provisions, covenants and conditions, certain of which are summarized below. Capitalized terms used in the following summary are defined in this Remarketing Memorandum or the Liquidity Facility and reference thereto is made for full understanding of their import. The Liquidity Facility will have a stated expiration date of June 8, 2026.

Defined Terms. As used below, the following terms shall have the meanings set forth below:

"Available Commitment" means on any day the sum of the Available Principal Commitment and the Available Interest Commitment on such day.

"Available Interest Commitment" means for each Weekly Rate Period $487,776, representing an amount equal to 35 days of interest on the Available Principal Commitment calculated at the assumed rate of interest of 12% per annum (on the basis of actual days elapsed and a 365-day year) and rounded up to the nearest dollar. The Available Interest Commitment shall increase or decrease concurrently and proportionately with each increase or decrease in the Available Principal Commitment. Notwithstanding the foregoing provisions of this defined term, in no event shall the Available Interest Commitment exceed $487,776.

"Available Principal Commitment" means initially $42,390,000.00 and thereafter means such amount adjusted from time to time as follows: (a) downward by the amount of any reduction or termination of the Available Principal Commitment pursuant to the provisions of the Liquidity Facility, (b) downward by the principal amount of any Certificates purchased by the Liquidity Facility Provider pursuant to the Liquidity Facility; and (c) upward by the principal amount of any Certificates theretofore purchased by the Liquidity Facility Provider pursuant to the Liquidity Facility, which are repurchased upon a successful remarketing in accordance with the Trust Agreement or are prepaid pursuant to the terms of the Liquidity Facility and for which the Liquidity Facility Provider has received immediately available funds equal to the principal amount thereof and accrued interest thereon, or which cease to bear interest at the Bank Rate pursuant to the provisions of the Liquidity Facility; provided that after giving effect to such adjustment the Available Principal Commitment shall never exceed $42,390,000. Any adjustment pursuant to clause (a), (b) or (c) in this defined term shall occur simultaneously with the event requiring such adjustment.

"Debt" of any Person means at any date, without duplication, (a) all obligations of such person for borrowed money; (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; (d) all obligations of such Person as lessee under capital leases; (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person; and (f) all obligations, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other person including, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment

of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part); provided, however, that with respect to the City, Debt shall exclude conduit, enterprise and other Debt that have no claim on the General Fund of the City other than obligations payable from the Revenue Fund.

"Defaulted Interest" means accrued interest payable on a 2008 Certificate, which was not paid when due under the terms of the Trust Agreement.

"Eligible Certificate" means any 2008 Certificate bearing interest at the Weekly Rate other than Liquidity Provider Certificates and 2008 Certificates owned by, for the account of, or on behalf of, the Authority or the City.

"Extended Bank Purchase Period" means, upon the City's written request for extension and the Liquidity Facility Provider's agreement thereto, the period from the then current Stated Expiration Date to such new Stated Expiration Date.

"Notice of Bank Purchase" means a notice in a specified form appropriately completed and executed by the Trustee requesting the Liquidity Facility Provider to purchase Eligible Certificates during the Bank Purchase Period as a result of an optional tender or a mandatory purchase.

"Other Event of Insolvency" means the occurrence and continuance of one or more of the following events: (a) the Authority or the City shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code (the "Bankruptcy Code") or any other federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for itself or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or (b) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Authority, the City or of a substantial part of the property of the Authority or the City, under the Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Authority, the City or for a substantial part of the property of the Authority or the City, and such proceeding or petition shall continue undismissed and unstayed for 60 days; or an order or decree for relief shall be entered against the Authority or the City under the Bankruptcy Code as now or hereafter in effect.

"Purchase Date" means the date on which the Liquidity Facility Provider purchases Eligible Certificates following its receipt of a Notice of Bank Purchase.

"Related Documents" means the fee letter agreement relating to the Liquidity Facility, the 2008 Certificates, the Trust Agreement, the Contract, the custodian agreement relating to the Liquidity Facility, this Remarketing Memorandum, the 2008 Certificate Insurance Policy and the Remarketing Agreement.

"Stated Expiration Date" means the later of (a) June 8, 2026 and (b) the last day of the Extended Bank Purchase Period as extended from time to time at the request of the City pursuant to the Liquidity Facility or, if any such day is not a Business Day, the next preceding Business Day to such day.

"2008 Certificate Insurer Event of Insolvency" means the occurrence and continuance of one or more of the following events: (a) the issuance by an oversight body or court of appropriate jurisdiction, under the laws of the state of incorporation or formation of the 2008 Certificate Insurer, of an order of relief (including a seizure order or injunction), rehabilitation, reorganization, conservation or liquidation of the 2008 Certificate Insurer; (b) the commencement by the 2008 Certificate Insurer of a voluntary case or other proceeding seeking an order for relief, rehabilitation, reorganization, conservation or liquidation with respect to the 2008 Certificate Insurer or its debts or

claims under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator or other similar official for the 2008 Certificate Insurer or any substantial part of its property; (c) the commencement by an oversight body or court of appropriate jurisdiction of a delinquency proceeding or an involuntary case or other proceeding seeking an order for relief (including a seizure order or injunction), rehabilitation, reorganization, conservation or liquidation with respect to the 2008 Certificate Insurer or its debts or claims under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator or other similar official for the 2008 Certificate Insurer or any substantial part of its property, and such involuntary case or appointment remains undismissed and unstayed for a period of 90 consecutive days; (d) the consent of the 2008 Certificate Insurer to any relief referred to in the preceding clause (c) in an involuntary case or other proceeding commenced against it; (e) the making by the 2008 Certificate Insurer of a general assignment for the benefit of creditors; (f) the 2008 Certificate Insurer admits in writing its inability to pay its debts generally as they become due or claims under any of its insurance policies as such claims are made; or (g) the board of directors or any senior officer of the 2008 Certificate Insurer shall take any action to authorize any of the foregoing.

Commitment to Purchase 2008 Certificates. Upon compliance with the terms and conditions of the Liquidity Facility, and subject to the terms and conditions set forth therein, the Liquidity Facility requires the Liquidity Facility Provider, at the request of the Trustee, to purchase from time to time during the Bank Purchase Period at the Purchase Price, with its own immediately available funds, Eligible Certificates tendered or deemed tendered for purchase pursuant to an optional tender or a mandatory purchase and which, in either case, the Remarketing Agent has been unable to remarket. The aggregate principal amount of any 2008 Certificate purchased by the Liquidity Facility Provider on a Purchase Date shall be an authorized denomination applicable to 2008 Certificates bearing interest at the Weekly Rate, and in any case the aggregate principal amount of all 2008 Certificates purchased on the applicable Purchase Date shall not exceed the Available Principal Commitment on such date (calculated immediately before giving effect to any such purchase of 2008 Certificates by the Liquidity Facility Provider on such date). The aggregate amount of the Purchase Price comprising interest on the 2008 Certificates (the "Interest Component") purchased on a Purchase Date shall not exceed the lesser of (a) the Available Interest Commitment on such date and (b) the actual aggregate amount of interest accrued and unpaid on each such 2008 Certificate, other than Defaulted Interest, to but excluding a Purchase Date; provided that if a Purchase Date is an Interest Payment Date the amount described in this clause (b) shall be reduced by the amount of interest payable on each such 2008 Certificate on such Interest Payment Date.

Any Eligible Certificates so purchased by the Liquidity Facility Provider will constitute Liquidity Provider Certificates and will bear interest at the Bank Rate in accordance with the Liquidity Facility.

The Bank Purchase Period means the period from the Effective Date to and including the earliest of (a) the Stated Expiration Date then in effect; (b) the first Business Day following the date on which the Interest Period for all of the 2008 Certificates ceases to be a Weekly Rate Period; (c) the close of business of the Liquidity Facility Provider on the Business Day following the Substitution Date; (d) the Purchase Termination Date (except to the extent that purchases are permitted on the Termination Date following delivery of a Notice of Termination); (e) the date on which no 2008 Certificates are Outstanding; and (f) the date on which the Available Commitment is terminated in whole upon substitution by the City of the Liquidity Facility with an Alternate Liquidity Facility.

If the Liquidity Facility Provider receives a Notice of Bank Purchase from the Trustee at or before 9:30 a.m. (California time) on a Business Day during the Bank Purchase Period to purchase Eligible Certificates during the Bank Purchase Period as a result of an optional tender or a mandatory purchase, the Liquidity Facility Provider will, unless it determines that any applicable condition to the obligation of the Liquidity Facility Provider to purchase any of the Eligible Certificates under the Liquidity Facility on such date is not satisfied, transfer not later than 11:30 a.m. (California time) on the same Business Day to the Trustee, in funds of the Liquidity Facility Provider to be available as specified in such Notice of Bank Purchase, an amount equal to the aggregate Purchase Price of such Eligible Certificates.

Termination of the Liquidity Facility Provider's Commitment to Purchase 2008 Certificates. Upon the occurrence of certain specified Events of Default, the Available Commitment and the obligation of the Liquidity Facility Provider to purchase 2008 Certificates shall immediately terminate without notice or demand, as described below under "Remedies — Immediate Termination. Upon the occurrence of certain other specified Events of Default,

the Liquidity Facility Provider may terminate the Available Commitment by given written notice specifying the date on which the Available Commitment shall terminate, which shall be not less than thirty (30) days from the date of receipt of such notice, as described below under "Remedies — Termination With Notice." Upon the occurrence of certain other specified insolvency events or Events of Default, the Liquidity Facility Provider's obligation to purchase Eligible Certificates under the Liquidity Facility shall immediately be suspended without further action, as described below under "Remedies — Immediate Suspension."

Events of Default. Each of the following events shall constitute an "Event of Default" under the Liquidity Facility:

(a) any principal or interest due on the 2008 Certificates is not paid by the Authority when due and such principal or interest is not paid by the 2008 Certificate Insurer when, as and in the amounts required to be paid pursuant to the terms of the 2008 Certificate Insurance Policy; or

(b) a 2008 Certificate Insurer Event of Insolvency shall have occurred; or

(c) (i) the 2008 Certificate Insurance Policy, with respect to the payment of principal or interest on the 2008 Certificates, at any time for any reason ceases to be valid and binding on the 2008 Certificate Insurer in accordance with the terms of the 2008 Certificate Insurance Policy or is declared or ruled to be null and void by a court or other governmental agency of appropriate jurisdiction; or (ii) the 2008 Certificate Insurer shall (A) in writing to the Trustee claim that the 2008 Certificate Insurance Policy with respect to the payment of principal or interest on the 2008 Certificates is not valid and binding on the 2008 Certificate Insurer, (B) repudiate in writing the obligations of the 2008 Certificate Insurer under the 2008 Certificate Insurance Policy with respect to payment of principal of or interest due on the 2008 Certificates, or (C) initiate legal proceedings seeking an adjudication that the 2008 Certificate Insurance Policy, with respect to the payment of principal or interest on the 2008 Certificates, is not valid and binding on the 2008 Certificate Insurer; or

(d) the 2008 Certificate Insurer shall default in any payment or payments of amounts payable by it under any insurance policy or policies that insure or support the payment of principal and interest on municipal obligations (other than the 2008 Certificate Insurance Policy) when due and such default shall continue for a period of thirty (30) days; (it being understood by the Liquidity Facility Provider that default, for the purposes of this paragraph, shall not mean a situation whereby the 2008 Certificate Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) any material representation or warranty made by the Authority or the City under or in connection with the Liquidity Facility or in any Related Document shall prove to be untrue in any material respect on the date as of which it was made; or

(f) any Other Event of Insolvency shall have occurred; or

(g) (i) nonpayment of any fees due to the Liquidity Facility Provider hereunder pursuant to the Liquidity Facility, if such failure to pay when due shall continue for ten (10) Business Days after the City, the Authority and the 2008 Certificate Insurer have received written notice thereof from the Liquidity Facility Provider; or (ii) nonpayment of any other amounts payable to the Liquidity Facility Provider under the Liquidity Facility or under any of the Related Documents and such failure is not cured within 20 days after the City, the Authority and the 2008 Certificate Insurer have received written notice thereof from the Liquidity Facility Provider; or

(h) the breach by the Authority or the City of any of the terms or provisions of certain specified covenants set forth in the Liquidity Facility; or

(i) the Authority shall default in the performance or observance of any other material covenant or agreement contained (or incorporated by reference) in the Liquidity Facility and such default shall continue unremedied for a period of thirty (30) days after the Authority has received written notice thereof from the Liquidity Facility Provider; or

(j) the City shall default in the performance or observance of any other material covenant or agreement contained (or incorporated by reference) in the Liquidity Facility and such default shall continue unremedied for a period of thirty (30) days after the City has received written notice thereof from the Liquidity Facility Provider; or

(k) any provision of the Liquidity Facility or any of the Related Documents ceases to be valid and binding against the Authority or the City or shall be declared null and void or the Authority or the City repudiates its obligations under the Liquidity Facility or any of the Related Documents or the pledge and assignment pursuant to the Liquidity Facility and the Related Documents shall for any reason cease to be fully enforceable with the priority required hereunder and thereunder; or

(l) the occurrence of any "event of default" under any of the Related Documents which is not otherwise specified as another Event of Default, other than the failure of the Liquidity Facility Provider to provide funds for the purchase of Eligible Certificates when required by the terms and conditions of the Liquidity Facility; or

(m) the Trustee ceases to have an effective security interest in the Trust Estate prior to any lien, pledge, assignment or security interest of any creditors of the City or the Authority; or

(n) (i) each of S&P and Moody's shall suspend or withdraw the long-term rating on the 2008 Certificates for credit related reasons or shall reduce such rating below BBB- (or its equivalent) in the case of S&P and Baa3 (or its equivalent) in the case of Moody's, or (ii) the long term claims-paying or financial strength rating of the 2008 Certificate Insurer is lowered below A3 (or its equivalent) and A- (or its equivalent) by each of Moody's, and S&P, respectively; or

(o) the City shall default in any payment of principal of or premium, if any, or interest on any of its Debts in excess of $500,000 and such default shall continue beyond the expiration of the applicable grace period, if any, or the City shall fail to perform any other agreement, term or condition contained in any agreement under which any obligation for the payment of $500,000 or more is created or secured, which shall permit or result in the declaring due and payable of such obligation prior to the date on which it would otherwise have become due and payable; or

(p) a final judgment or order for the payment of money for an uninsured claim in excess of $500,000 shall have been rendered against the City and such judgment or order shall not have been satisfied, stayed or bonded pending appeal within a period of thirty (30) days from the date on which it was first so rendered; or

(q) any cancellation, termination, replacement, amendment, replacement or other modification of the 2008 Certificate Insurance Policy or substitution of the 2008 Certificate Insurer occurs without the prior written consent of the Liquidity Facility Provider; or

(r) the long-term, unenhanced rating of the Revenue Fund shall be withdrawn or suspended or otherwise unavailable for credit-related reasons or reduced below Baa1 (or its equivalent) in the case of Moody's, BBB+ (or its equivalent) in the case of S&P or BBB+ (or its equivalent) in the case of Fitch; provided that in the event of split ratings, the default will be determined by reference to the lowest rating; or

(s) a moratorium shall have been declared with respect to the payment of the debts of the Authority or the City; or

(t) any of the funds or accounts established pursuant to the Trust Agreement or the Contract or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City or the Authority and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within thirty (30) days after its issue or levy; or

(u) an event shall have occurred that in the opinion of the Liquidity Facility Provider has a material adverse effect on the financial condition, operations or prospects of the City or its ability to perform its obligations under the Liquidity Facility or any Related Document.

Remedies.

Immediate Termination. In the case of an Event of Default specified in paragraphs (a), (b), (c)(i), (d), (n)(i) or (q) above (each, a "Termination Event"), the Available Commitment and the obligation of the Liquidity Facility Provider to purchase 2008 Certificates shall immediately terminate without notice or demand, and thereafter the Liquidity Facility Provider shall be under no obligation to purchase 2008 Certificates. Promptly after the Liquidity Facility Provider receives written notice of such Termination Event, the Liquidity Facility Provider shall give written notice of the same to the Trustee, the Authority, the City, the Rating Agencies and the Remarketing Agent; provided, that the Liquidity Facility Provider shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the Liquidity Facility Provider's obligation to purchase Eligible Certificates pursuant to the Liquidity Facility.

Termination With Notice. Upon the occurrence and during the continuance of an Event of Default specified in paragraphs (g)(i) or (n)(ii) above, the Liquidity Facility Provider may terminate the Available Commitment by giving written notice (a "Notice of Termination") to the City, the Trustee, the Remarketing Agent and the 2008 Certificate Insurer, specifying the date on which at 3:00 p.m. California time the Available Commitment shall terminate (the "Termination Date"), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and after the Termination Date the Liquidity Facility Provider shall be under no further obligation to purchase 2008 Certificates hereunder other than 2008 Certificates which are the subject of the Notice of Liquidity Facility Provider Purchase delivered by the Trustee in accordance with the provisions of the Liquidity Facility and received by the Liquidity Facility Provider on or prior to the Termination Date.

Immediate Suspension. In the case of (i) the occurrence of an Event of Default of the type specified in paragraph (c)(ii) above or (ii) the commencement of an involuntary case or other involuntary proceeding seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution with respect to the 2008 Certificate Insurer or its debts or claims under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator or other similar official for the 2008 Certificate Insurer or any substantial part of its property (an "Involuntary Insolvency Event"), the Liquidity Facility Provider's obligation to purchase Eligible Certificates hereunder shall immediately be suspended without further action on the part of any Person. Upon such a suspension, the Liquidity Facility Provider shall give written notice thereof to the City, the Trustee, the Remarketing Agent and the 2008 Certificate Insurer; provided, however, that the failure of the Liquidity Facility Provider to give such notice shall not affect the validity of such suspension. The obligation of the Liquidity Facility Provider to purchase Eligible Certificates shall be suspended until either (x) the Liquidity Facility Provider delivers a written notice to the Trustee rescinding the automatic suspension of its obligation to purchase Eligible Certificates under the Liquidity Facility (a "Rescission Notice") or, (y)(1) in the case of a suspension event upon an Event of Default specified in paragraph (c)(ii) above, a final non-appealable order of a court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the 2008 Certificate Insurance Policy are upheld in their entirety or (2) in the case of an Involuntary Insolvency Event, a court having jurisdiction in the premises shall dismiss or stay such involuntary case, proceeding or appointment within 60 days. In the event a final non-appealable order is entered declaring any material provision of the 2008 Certificate Insurance Policy to be null and void, or declaring that the 2008 Certificate Insurer does not have any further liability or obligation under the 2008 Certificate Insurance Policy or in the event an Involuntary Insolvency Event is not dismissed or stayed within 60 days by a court having jurisdiction in the premises, then the obligation of the Liquidity Facility Provider to purchase Eligible Certificates shall immediately terminate without any further action by any Person. In the event a final non-appealable order is entered declaring that all material contested provisions of the 2008 Certificate Insurance Policy are upheld in their entirety or in the event a court having jurisdiction in the premises shall dismiss or stay any Involuntary Insolvency Event within 60 days, the obligation of the Liquidity Facility Provider to purchase Eligible Certificates shall be automatically reinstated and the terms of the Liquidity Facility will continue in full force and effect (unless the Bank Purchase Period shall have otherwise expired or terminated) as if there had been no such suspension. Notwithstanding the foregoing, if the Liquidity Facility Provider has not delivered a Rescission Notice to the Trustee and if, upon the earlier of (a) the last day of the Bank Purchase Period or (b)(i) in the case of the occurrence of an Event of Default specified in paragraph (c)(ii) above, the date which is three years after the effective date of suspension of the obligation of the Liquidity Facility Provider to purchase Eligible Certificates, litigation is still pending and a judgment regarding the validity of the 2008 Certificate Insurance Policy has not been obtained or (ii) in the case of the occurrence of an Involuntary Insolvency Event, the date which is 60 days after the commencement of the involuntary case, proceeding or appointment, such involuntary case, proceeding or appointment has not been

dismissed or stayed, then the Available Commitment and the obligation of the Liquidity Facility Provider to purchase Eligible Certificates shall at such time terminate without notice or demand and thereafter the Liquidity Facility Provider shall be under no further obligation to purchase Eligible Certificates.

Other Remedies. In addition to the rights and remedies set forth above under "Immediate Termination," "Termination With Notice" and "Immediate Suspension," in the case of any Event of Default, upon the election of the Liquidity Facility Provider: (i) all amounts payable hereunder (other than payments of principal and interest on Liquidity Provider Certificates) shall upon notice to the City become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Authority and the City, and (ii) the Liquidity Facility Provider shall have all the rights and remedies available to it under the Liquidity Facility, the Related Documents or otherwise pursuant to law or equity other than acceleration of the 2008 Certificates or termination of its obligation to purchase 2008 Certificates.

BMO Harris Bank N.A.

The following information has been provided by BMO Harris Bank N.A. It has not been verified by the Authority or the City, and neither the Authority nor the City guarantees its accuracy or completeness.

Except for the contents under this subheading, BMO Harris Bank N.A. did not participate in the preparation of, or in any way verify the information in, any other part of this Remarketing Memorandum and assumes no responsibility for the nature, contents, accuracy or completeness of the information set forth in this Remarketing Memorandum.

BMO Harris Bank N.A. ("BMOHB"), with executive offices in Chicago, Illinois, is a wholly-owned subsidiary and the principal asset of BMO Financial Corp., a Delaware corporation ("BFC"). BFC is a wholly-owned subsidiary of the Bank of Montreal. BMOHB is a commercial and retail bank offering a wide range of banking and trust services to customers located throughout the United States and around the world.

Each quarter, BMOHB files quarterly reports called "Consolidated Reports of Condition and Income for a Bank with Domestic and Foreign Offices" ("BMOHB Call Reports"). Each BMOHB Call Report may be obtained from the FDIC on its website at http://www.fdic.gov. The financial information referenced in this paragraph is not incorporated by reference into the information under this subheading.

The above information has been supplied by BMOHB. The delivery of the information under this subheading shall not create any implication that there has been no change in the affairs of BMOHB since the date such information was provided by BMOHB, or that the information contained or referred to under this subheading is correct as of any time subsequent to the date it was provided by BMOHB.

Neither BMOHB nor its affiliates make any representations as to the contents of this Remarketing Memorandum (except as to the information under this subheading), the suitability of the 2008 Certificates for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.

REMARKETING

PNC Capital Markets LLC has been appointed to serve as the Remarketing Agent for the 2008 Certificates pursuant to the Trust Agreement and pursuant to the Remarketing Agreement. Subject to the limitations set forth in the Remarketing Agreement, the Remarketing Agent agrees to perform the duties of Remarketing Agent set forth in the Trust Agreement.

PNC Capital Markets LLC, the Remarketing Agent of the 2008 Certificates, and PNC Bank, National Association are both wholly-owned subsidiaries of PNC Financial Services Group, Inc. PNC Capital Markets LLC is not a bank, and is a distinct legal entity from PNC Bank, National Association. PNC Bank, National Association has other banking and financial relationships, with the City.

The Remarketing Agent's responsibilities include determining the interest rate from time to time and remarketing 2008 Certificates that are tendered by the owners thereof either pursuant to an optional or mandatory tender (subject, in each case, to the terms of the Remarketing Agreement), all as further described in this Remarketing Memorandum. The Remarketing Agent is appointed by the Authority and is paid by the Authority for its services. As a result, the interests of the Remarketing Agent may differ from those of existing owners and potential purchasers of 2008 Certificates.

The Remarketing Agent Routinely Purchases 2008 Certificates for its Own Account. The Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations and, in its sole discretion, routinely purchases such obligations for its own account. The Remarketing Agent or any affiliate, in its individual capacity, either as principal or agent, may in good faith buy, sell, own, hold and deal in any of the 2008 Certificates, and may join in any action which any holder of a 2008 Certificate may be entitled to take with like effect as if it did not act in any capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority and may act as depositary, trustee, or agent for any committee or body of any holder of a Certificate or other obligations of the Authority as freely as if it did not act in any capacity under the Remarketing Agreement; provided that, nothing in this paragraph shall interfere with the duties and obligations of the Remarketing Agent under the Remarketing Agreement.

2008 Certificates May be Offered at Different Prices on Any Date Including a Rate Determination Date. Pursuant to the Remarketing Agreement and the Trust Agreement, the Remarketing Agent is required to determine the applicable rate of interest that, in its judgment, is the lowest rate that would permit the sale of the 2008 Certificates bearing interest at the applicable interest rate at par on and as of the applicable Rate Determination Date. The interest rate will reflect, among other factors, the level of market demand for the 2008 Certificates (including whether the Remarketing Agent is willing to purchase 2008 Certificates for its own account). The purchase of the 2008 Certificates by the Remarketing Agent may cause the interest rate to be lower than it would be if the Remarketing Agent did not purchase 2008 Certificates. There may or may not be 2008 Certificates tendered and remarketed on a rate determination date, the Remarketing Agent may or may not be able to remarket any 2008 Certificates tendered for purchase on such date at par and the Remarketing Agent may sell 2008 Certificates at varying prices to different investors on such date or any other date. The Remarketing Agent is not obligated to advise purchasers in a remarketing if it does not have third party buyers for all of the 2008 Certificates at the remarketing price. The Remarketing Agent, in its sole discretion, may offer 2008 Certificates on any date, including the Rate Determination Date, at a discount to par to some investors.

The Ability to Sell the 2008 Certificates other than Through Tender Process May Be Limited. The Remarketing Agent may buy and sell 2008 Certificates other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require owners that wish to tender their 2008 Certificates to do so through the Tender Agent with appropriate notice. Thus, investors who purchase the 2008 Certificates, whether in a remarketing or otherwise, should not assume that they will be able to sell their 2008 Certificates other than by tendering the 2008 Certificates in accordance with the tender process.

Under Certain Circumstances, the Remarketing Agent May Be Removed, Resign or Cease Remarketing the 2008 Certificates, Without a Successor Being Named. Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent, the Trustee is required to apply to a court of competent jurisdiction for appointment of a successor Remarketing Agent.

THE WATER UTILITY SYSTEM

General

The City's Water Utility System serves customers within the metropolitan area of the City, located in the central portion of Stanislaus County, consisting of approximately 36 square miles as well as the communities of Salida, Del Rio, Empire, Grayson, and portions of Turlock and Ceres. Water Utility System delivers surface water and/or groundwater to its customers through about 74,000 water connections. Total water production for the Water Utility System during calendar year 2022 was approximately 17.02 billion gallons.

History of the Water Utility System

The origin of the City's municipal water system dates back to 1876 when a privately-owned utility, later known as the Modesto Water Company, was established to provide water service to the village of Modesto. In 1895, the City purchased the Modesto Water Company, and in subsequent years it purchased other local water systems that have been incorporated in the present Water Utility System.

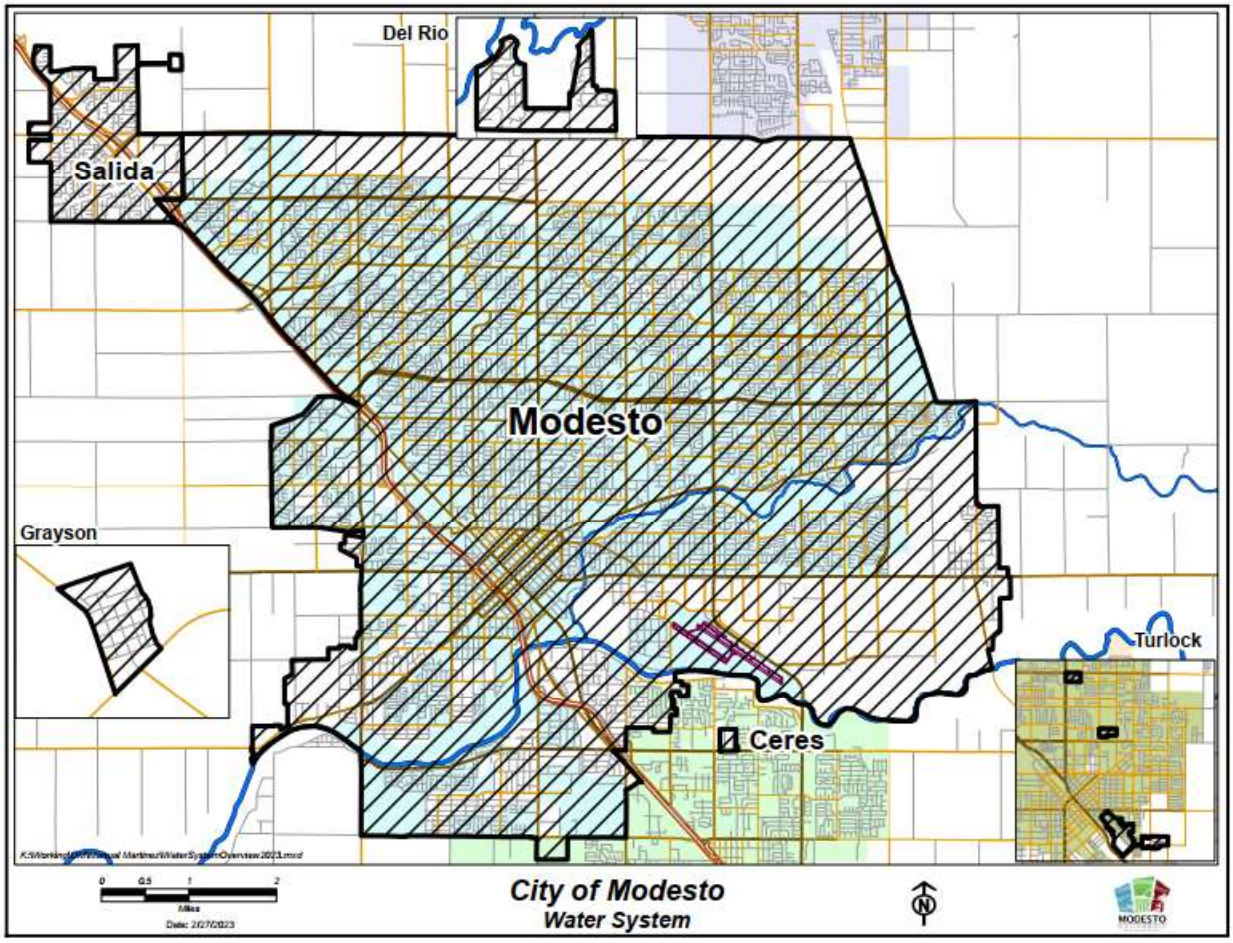
In April 1992, the City entered into the original Treatment and Delivery Agreement with MID and the Del Este Water Company ("Del Este"), providing for a supply of treated water for the City and Del Este from the Water Treatment Plant, which was constructed and is owned and operated by MID. See "— Sources of Water" below. In July 1995, the City purchased substantially all of the assets and assumed substantially all of the liabilities of Del Este, the last private water company within City limits. The acquisition included Del Este's other water service areas including the communities of Salida, Waterford, Empire, Hickman, Grayson, and parts of Turlock, Ceres and Del Rio Estates. As a consequence of the varying operating conditions among these communities, the City initially operated the Water Utility System in three separate zones. However, the three zones were essentially merged into a single zone for rate purposes in 2005.

Under the Treatment and Delivery Agreement, the City is entitled to receive up to 60 million gallons per day of treated water for use of the City's service area that is within MID's authorized service area. See "— Treatment and Delivery Agreement" below.

In general terms, the City's total water service area consists of one large contiguous area and several outlying, non-contiguous service areas. The contiguous water area includes all of the property currently within the corporate boundaries of the City as well as the property located within its sphere of influence and properties located within the communities of North Ceres, Empire and other contiguous Stanislaus County areas. There are five outlying non-contiguous water service areas. They are the communities of Del Rio and Grayson, and portions of the City of Turlock and Ceres.

A map showing the City's water service area appears on page 31.

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Del Rio
Salida
Modesto
Grayson
Turlock
Ceres
0 0.5 1 2
Miles
City of Modesto
Water System

Existing Facilities

The principal facilities serving the existing Water Utility System consist of 92 domestic wells (80 of which are currently active), over 1,000 miles of transmission and distribution lines, twelve active storage tanks and the MID's Water Treatment Plant serving surface water and/or groundwater to its customers, currently through about 75,000 service accounts.

MID surface water is treated at the Water Treatment Plant and conveyed to the City via transmission mains for direct use in the contiguous portion of the City's water service area. The City's facilities are designed to deliver both surface water and groundwater. The Water Treatment Plant does not provide surface water to the outlying, non-contiguous portions of the City's water service areas including those portions that are outside of MID's authorized service boundaries.

Groundwater is pumped directly from the wells into the distribution system, which consists of approximately 1,000 miles of water mains and pipelines. Most of the larger water mains are 10-inch and 12-inch diameter pipelines which have been installed by the City. The installation of smaller pipelines in subdivisions is typically the responsibility of the developer/subdivider. Twelve ground-level tanks and booster pump stations provide storage capacities ranging from 250,000 to 6,000,000 gallons each. There are also two 5.0 million-gallon Water Treatment Plant reservoirs (10.0 million gallons total) that are owned and operated by MID which deliver treated water from MID to the Water Utility System's transmission system.

The following table sets forth statistical information relating to the Water Utility System during the periods shown.

WATER UTILITY SYSTEM STATISTICS
Calendar Years

	2018	*2019*	*2020*	*2021*	*2022*
Number of Service Accounts	73,423	73,591	73,897	74,094	74,356
Total Water Production (MG)[(1)]	16,782.0	16,059.0	17,141.6	17,569.0	17,018.0
Capacity (MGD)[(2)(3)]	168.0	168.2	170.3	135.0	130.0
Peak Daily Distribution (MGD)	77.5	83.5	75.1	75.9	73.6
Average Daily Distribution (MGD)[(4)]	46.0	44.0	47.0	48.1	46.6

(1) "MG" means million gallons.
(2) "MGD" means million gallons per day.
(3) The actual capacity of the Water Utility System for Fiscal Year 2021 was reported using source (wells) and surface water capacity. Reporting for such capacity will be done in this method moving forward.
(4) The decrease in demands is a result of the ongoing drought and increased conservation efforts. The COVID-19 pandemic also played a role in the increased daily distribution in 2020 and 2021 as pandemic-related restrictions required residents to stay at home resulting in higher demand.
Source: City of Modesto.

During the five year period covered by the table above, the City's population decreased, and the aggregate volume of water sold declined by approximately 3%, during the same period. On a per capita basis, consumption of water in the City's service area increased over the course of this period. This increase has been the result of many variables, including weather and increases in infrastructure.

Service Area and Customers

The water service area of the Water Utility System is within the metropolitan area of the City, located in the central portion of Stanislaus County, consisting of approximately 36 square miles as well as the communities of Salida, Del Rio, Empire, Grayson, and portions of Turlock and Ceres.

The following tables set forth (i) the revenues for the periods indicated and (ii) the ten largest water customers of the Water Utility System in terms of total water sales and total billings for the fiscal year ended June 30, 2022.

During the fiscal year ended June 30, 2022, the Water Utility System delivered approximately 17.0 billion gallons of water to an average of approximately 75,000 service accounts. Residential accounts (single family as well as multi-family accounts) represent approximately 64.4% of the City's water consumption and water sales revenues. Commercial, industrial and municipal accounts represent approximately 35.6% of the City's water consumption and water sales revenues. The City's ten largest customers represented approximately 8.93% of total water revenues in fiscal year 2021-22.

WATER UTILITY SYSTEM
Sale of Water

	Fiscal Year Ended June 30				
	2018	***2019***	***2020***	***2021***	***2022***
Revenues					
Residential (Flat)	$ 5,506,516	$ 4,385,017	$ 3,450,868	$ 2,533,090	$ 1,414,328
Residential (Metered)	49,012,923	50,700,789	55,093,989	59,171,381	56,373,665
Commercial, Industrial and Municipal (Metered)	11,099,796	12,232,838	15,081,524	16,997,821	18,694,999
Total	$65,619,235	$67,318,644	$73,626,381	$78,702,292	$76,482,992

Source: City of Modesto.

WATER UTILITY SYSTEM
Ten Largest Customers
(Fiscal Year ended June 30, 2022)

Customer	***Business Type***	***Usage (ccf)[(1)]***	***% of Total Usage***	***Water Sales Revenues***	***% of Total Water Sales Revenue***
1) Modesto City Schools	Education	550,206	2.42%	1,442,306	1.89%
2) City of Modesto	Local Government	368,439	1.62%	1,161,840	1.52%
3) Foster Farms	Dairy Processor	422,907	1.86%	870,256	1.14%
4) Stanislaus Food Products	Cannery	349,278	1.54%	763,063	1.00%
5) Sunopta	Cannery	262,791	1.16%	553,119	0.72%
6) Stanislaus Housing Authority	Housing Authority	165,745	0.73%	510,052	0.67%
7) E & J Gallo Winery	Processor	169,453	0.74%	478,601	0.63%
8) Modesto Irrigation District	Power Company	161,256	0.71%	406,260	0.53%
9) STANCO	Local Government	83,700	0.37%	319,533	0.42%
10) Yosemite Community College	Education	102,041	0.45%	313,365	0.41%
Top Ten Total		2,635,816	11.60%	$6,818,395	8.93%
Total Flat/Metered Revenues				$76,482,992	

(1) "ccf" means hundred cubic feet

Source: City of Modesto.

In five Fiscal Years ended June 30, 2018 through June 30, 2022, the percentage of total water sales revenue attributable to the ten largest customers has ranged between 8.24% and 8.93%.

Sources of Water

The City's primary sources of water supply are surface water provided by MID under the Treatment and Delivery Agreement (described below) and its local groundwater sources. A 30 MGD Water Treatment Plant and delivery system was implemented under the original Treatment and Delivery Agreement, which came on line in January 1995. The Water Treatment Plant was later expanded, bringing the facility to a nominal plant capacity of up to 60 MGD, with a peak capacity of 72 MGD. The Water Utility System's current average day demand is about 46 MGD.

The Water Treatment Plant serves as the baseline supply, and seasonal demands are served by the groundwater wells. In general, the Water Treatment Plant currently supplies approximately 50% of the City's water demands and groundwater supplies the remainder. The Treatment and Delivery Agreement includes a formula to reduce deliveries in drier than average years based on the number of inches allocated to MID's agricultural customers. The reduction in supply is not determined until the time of the shortage. In 2022, due to drought conditions and low water supply, MID reduced its water allocation to all recipients by about 30%. For the 2023-24 season, due to above average precipitation in the region, MID has allotted the City its full allocation of treated surface water.

The Treatment and Delivery Agreement also provides the opportunity for the City to purchase additional water from MID (at a higher rate) or to exchange groundwater meeting the requirements of the Treatment and Delivery Agreement for agricultural use for treated surface water during drought years if such supplemental water supplies are available. See "Treatment and Delivery Agreement – Delivery of Treated Water" below.

The following table sets forth the total water production for the Water Utility System during the last five fiscal years.

WATER UTILITY SYSTEM
Service Area Total Production (Billion Gallons)

Year Ending June 30	*Groundwater*	*Surface Water*	*Total*
2018	9.82	6.23	16.05
2019	5.45	9.86	15.31
2020	7.71	8.76	16.47
2021	7.12	9.56	16.68
2022	8.81	8.21	17.02

Source: City of Modesto.

The City relied exclusively on groundwater to meet water demands until the introduction of treated surface water in 1995. The City currently has 80 active groundwater wells in both the contiguous and outlying service areas. MID currently pumps groundwater only to supplement water supplies to agricultural customers and does not pump and deliver groundwater supply to urban suppliers.

The Sustainable Groundwater Management Act of 2014 (the "SGMA") sets a framework for statewide sustainable groundwater management by local agencies to mitigate overdraft of groundwater basins. The SGMA requires medium- and high-priority basins to develop groundwater sustainability agencies ("GSA"), develop groundwater sustainability plans ("GSP") and manage groundwater for long-term sustainability. The California Department of Water Resources ("DWR") evaluates GSPs to determine if they comply with the SGMA, substantially comply with the GSP regulations, and whether implementation of the GSP is likely to achieve the sustainability goal for the basin. DWR's evaluation and assessment is based on criteria outlined in GSP regulations.

In 2017, member agencies of the Stanislaus and Tuolumne Rivers Groundwater Basin Association ("STRGBA"), including the City, MID, City of Oakdale, Oakdale Irrigation District, City of Riverbank, City of Waterford and Stanislaus County, formed as a GSA. STRGBA GSA has the authority and responsibility to manage the Modesto groundwater basin. Most of the cities within the Modesto basin rely heavily or solely on groundwater.

Many groundwater basins in the San Joaquin Valley have experienced heavy groundwater pumping – especially during recent droughts. Several are now in a condition of critical overdraft. A basin is subject to critical overdraft when continuation of present water management practices would probably result in significant adverse overdraft-related environmental, social, or economic impacts. Overdraft occurs where the average annual amount of groundwater extraction exceeds the long-term average annual supply of water to the basin.

The Modesto basin is not currently considered to be critically overdrafted, but the Modesto basin is considered a high-priority basin. As such a GSP is required. STRGBA GSA engaged a third-party to prepare a GSP for the Modesto basin, and a GSP was adopted in December 2021. The GSP will help to identify areas within the basin that need better groundwater monitoring and provide a path to preventing undesirable results over the next 50 years. See "RISK FACTORS – Water Supply" herein.

During the 2022-2023 winter months, there were several large storm events which brought large amounts of precipitation to California, specifically to the Central Valley, and a record level snow pack in the Sierra Mountains. As a result the City has received its full allotment of surface water, which supplements its ground water supply. These large storms have also helped the State of California ease droughts restrictions for many water purveyors across the state, including the City.

Treatment and Delivery Agreement

In April 1992, MID entered into the original Treatment and Delivery Agreement with the City and Del Este. Pursuant to the Treatment and Delivery Agreement, MID agreed to finance, construct, own and operate the Water Treatment Plant and certain related facilities, and the City agreed to pay the costs of acquisition, construction and operation of the Water Treatment Plant. Pursuant to the Treatment and Delivery Agreement, the City was initially allocated a 70% share of the Water Treatment Plant, and was likewise responsible for 70% of its costs; Del Este was allocated a 30% share and was likewise responsible for 30% of its cost.

Construction of the Water Treatment Plant began in October 1992, and the Water Treatment Plant was placed into operation in May 1995. In July 1995, the City purchased substantially all of the assets and liabilities of Del Este and in accordance with the provisions of the original Treatment and Delivery Agreement assumed all interests, rights and obligations of Del Este under the original Treatment and Delivery Agreement. Accordingly, Del Este had no further obligation to make payments under the Treatment and Delivery Agreement.

MIDFA has issued from time to time its notes and bonds to provide initial acquisition and construction financing for the Water Treatment Plant or to refinance such notes and bonds. On June 26, 2007, MIDFA issued the MIDFA 2007 Bonds in order to provide financing for the Water Treatment Plant expansion described above.

In connection with the MIDFA 2007 Bonds, MIDFA entered into an interest rate swap agreement in the form of an ISDA Master Agreement (Local Currency – Single Jurisdiction), the U.S. Municipal Counterparty Schedule thereto, a Credit Support Annex and Confirmations each dated as of and entered into on June 5, 2007 relating respectively to the MIDFA 2007 Bonds maturing on September 1, 2027 and September 1, 2037 (collectively, the "MIDFA 2007 Swap Agreement") with JPMorgan Chase Bank, N.A. (as successor in interest to Bear Stearns Capital Markets Inc.) (the "MIDFA 2007 Swap Provider"). The swap transactions under the MIDFA 2007 Swap Agreement are scheduled to expire on the respective maturity dates of the corresponding MIDFA 2007 Bonds; and the notional amount of each swap transaction under the MIDFA 2007 Swap Agreement is scheduled to be reduced on the same dates and in the same amounts as the principal of the corresponding maturity of MIDFA 2007 Bonds is scheduled to be reduced. Pursuant to the MIDFA 2007 Swap Agreement, MID will be required to make periodic payments to the MIDFA 2007 Swap Provider calculated on the basis of a fixed rate of interest of 4.378% on a notional amount equal to the principal amount represented by the MIDFA 2007 Bonds maturing on September 1, 2027 and a fixed rate of 4.440% on a notional amount equal to the principal amount represented by the MIDFA 2007 Bonds maturing on September 1, 2037. In return, the MIDFA 2007 Swap Provider will be required to make periodic payments to MID calculated to match the variable rate of interest on the MIDFA 2007 Bonds, which is calculated as 67% of 3-month LIBOR plus a spread of 0.58% for the MIDFA 2007 Bonds maturing on September 1, 2027, and 0.63% for the MIDFA 2007 Bonds maturing on September 1, 2037. The amounts payable by each party pursuant to each swap transaction under the MIDFA 2007 Swap Agreement are netted against the payments to be received by such party under that transaction.

The ultimate source of funds to be used to pay MID's payments on the MIDFA 2007 Swap Agreement consists of payments to be made by the City to MID pursuant to the Treatment and Delivery Agreement.

On March 5, 2021, the U.K. Financial Conduct Authority, the body that regulates and supervises the publication of LIBOR, announced the cessation of the publication of 3-month USD LIBOR effective June 30, 2023. Prior to the cessation of 3-month USD LIBOR quotations, the MID intends to adhere to the ISDA 2020 IBOR Fallbacks Protocol and the LIBOR Fallbacks Supplement to the 2006 ISDA Definitions, which will uniformly amend the MIDFA 2007 Bonds and the MIDFA 2007 Swap Agreement by converting any provisions and definitions referencing LIBOR to corresponding provisions and definitions based on the Secured Overnight Financing Rate.

Certain of the amounts that may be payable by MIDFA to the MIDFA 2007 Swap Provider are insured pursuant to a policy of interest rate swap insurance issued by National Public Finance Guarantee (as successor in interest to MBIA Insurance Corporation).

Both MIDFA and the MIDFA 2007 Swap Provider have the right to terminate the MIDFA 2007 Swap Agreement prior to its stated termination date under certain conditions. Any such termination could result in an obligation on the part of MIDFA or the MIDFA 2007 Swap Provider to make termination payments to the other party, and the amount of such termination payments could be substantial.

Pursuant to the Treatment and Delivery Agreement, the City is obligated to make payments to MID that include principal, interest and other charges, if any, due with respect to indebtedness issued to finance the Water Treatment Plant, including the 2007 MIDFA Bonds, and all scheduled payments, termination payments or other types of payments required to be made under the terms of any swap contract entered into in connection with variable rate financing for the Water Treatment Plant, including the MIDFA 2007 Swap Agreement. Such City payments constitute "debt service" under the Master Contract and are Parity Obligations under the Master Contract, except the pledge of Gross Revenues for the payment of termination amounts due under the MIDFA 2007 Swap Agreement are on a basis subordinate to the pledge for the payment of Parity Obligations, and such termination payments constitute subordinate debt under the Treatment and Delivery Agreement. See "SECURITY FOR THE 2008 CERTIFICATES - Existing and Future Parity Obligations."

The Water Treatment Plant is located directly south of the Modesto Reservoir on an approximately 30-acre site, about 15 miles east of the City. Treated water is pumped from a five-million gallon treated water storage reservoir through approximately 14 miles of transmission pipeline to two five-million gallon terminal-storage reservoirs. The water is then distributed to distribution mains in the City water system.

The Water Treatment Plant derives its raw water from the Tuolumne River at the Modesto Reservoir. Raw water delivered for treatment under the original Treatment and Delivery Agreement was provided under MID's pre-1914 water rights, which are not subject to the permitting authority of the State Water Board. The rights available to MID to treat and deliver water to the City through the Water Treatment Plant consist of (i) various water rights owned by MID, including the pre-1914 water right and (ii) water available to it under a license held by MID and Turlock Irrigation District (License 11058) which authorizes the two districts to store up to 1,046,800 acre-feet of water in New Don Pedro Reservoir between November 1 and the succeeding July 31 for irrigation and recreational use. MID petitioned for and received an order from the State Water Resources Control Board (WR Order 2005-0022-DWR) which amended License 11058 and authorized a long-term transfer of up to 67,200 acre-feet of water per year to the City and which added municipal and industrial uses to the uses of water permitted under the transfer. This long-term transfer is effective through December 31, 2054.

During the period of the long-term transfer, MID is required to comply with all of the terms and conditions required by the Federal Energy Regulatory Commission for the New Don Pedro Project. The New Don Pedro Project, is at the New Don Pedro Reservoir, with impounded water serving irrigation water storage, but also flood control and hydroelectricity production. The terms and conditions required by the Federal Energy Regulatory Commission for the New Don Pedro Project include potential FERC-required releases that could affect long-term water supplies from the Tuolumne River to the Modesto Reservoir, which supplies the Water Treatment Plant's raw water.

In addition, pursuant to California Water Code Sections 100 and 275 as well as the common law public trust doctrine, all rights and privileges under the long-term transfer order, including method of diversion, method of use

and quantity of water diverted, are subject to the continuing authority of the State Water Board in accordance with law and in the interest of the public welfare to protect public trust uses and to prevent waste, unreasonable use, unreasonable method of use or unreasonable method of diversion.

The original Treatment and Delivery Agreement provided that the City would receive 30 million gallons per day of treated water. The terms of the original Treatment and Delivery Agreement were subsequently amended and restated to provide for the expansion of the Water Treatment Plant above. With completion of the expansion the City became entitled to receive up to 60 million gallons per day of treated water on an average annual basis.

In accordance with the Treatment and Delivery Agreement, MID owns, operates, and maintains the Water Treatment Plant for the purposes of treatment and delivery of water to the City. MID may not assign its maintenance and operation responsibility for the Water Treatment Plant without the consent of the City. The City is granted a permanent beneficial interest in the Water Treatment Plant output, which may not be transferred or assigned without the consent of MID.

In addition to payments of debt service and swap payments in connection with the financing of the Water Treatment Plant, the City has agreed to pay all costs and expenses of all phases of the Water Treatment Plant, including (i) raw water charges for raw water furnished to the Water Treatment Plant by MID, (ii) payments of operation, maintenance, repair, replacement and modification costs attributable to the operation of the Water Treatment Plant, (iii) costs of administrative services of MID attributable to the operation of the Water Treatment Plant and the administration of the Treatment and Delivery Agreement, (iv) costs of insurance required to be maintained by MID pursuant to the Treatment and Delivery Agreement (as described below), (v) cost of electric energy provided to the Water Treatment Plant by MID, and (vi) other payments or costs (and deductions from payments or costs from the reserve and contingency fund and certain reserve funds relating to the 2007 MIDFA Bonds) and other amounts as specified by the Treatment and Delivery Agreement.

Some of the key provisions of the Treatment and Delivery Agreement, as amended and restated, are:

- The City will continue to receive raw water at the same unit cost as MID's agricultural users.
- The City will reimburse MID for all capital and operating costs associated with the treatment of the water.
- Reductions in water deliveries required as a result of a drought will be borne proportionately by the City and MID's agricultural customers.
- MID's commitments to its agricultural customers and to the City must be met before MID may transfer any water for delivery outside of its boundaries.
- The Policy Committee, which advises the Board of Directors of MID and City Council of the City on matters related to the project, consists of two members of the City Council and two members of the MID Board.

Delivery of Treated Water. Under the terms of the Treatment and Delivery Agreement, MID is generally required to make available to the City 67,204.2 acre-feet per year and 60 million gallons per day. However, in a drought situation, MID may reduce its deliveries of water to the City, but only if and to the extent that MID reduces its deliveries to its own agricultural customers proportionally. Moreover, MID's commitments to the City and to its own agricultural customers must be met before any water is transferred for delivery outside of MID's boundaries (other than transfers to and from MID and Turlock Irrigation District that are made in the ordinary course of operations). The City may exchange groundwater for use by MID's irrigation system for treated water in the event of a reduced allocation. The City will bear all costs, including the costs of additional capital facilities, if any are necessary, associated with delivering the groundwater supply to MID's irrigation system. MID may not sell any treated water from the Water Treatment Plant without first offering such water to the City. Treated water delivered by MID to the City must be utilized by the City within MID's irrigation service area. MID will consult with the City regularly with respect to the scheduling of delivery of treated water from the Water Treatment Plant. MID shall be excused from its

obligation to deliver treated water in the event that MID is rendered unable, wholly or in part, by force majeure to carry out its obligations under the Treatment and Delivery Agreement. Upon the occurrence of any event of force majeure which impacts MID's ability to deliver treated water, the provisions of the Treatment and Delivery Agreement shall be determinative as to whether the City is excused from its obligation to pay debt service and fixed costs pursuant to the Treatment and Delivery Agreement.

Pursuant to the Treatment and Delivery Agreement two advisory committees are formed for the purposes of the Water Treatment Plant, the Policy Committee and the Technical Committee. Each of these committees include representatives from MID and the City.

The Board of Directors of MID has the authority to make final decisions with respect to the Water Treatment Plant, subject to the rights of the City to review and advise MID with respect to certain budgetary matters as provided in the Treatment and Delivery Agreement.

Conservation Program. The City has an ongoing water conservation program which includes limitations on watering hours, restrictions on certain water uses and water conservation rebates for homeowners and business. In the event of drought, the City will likely expand its water conservation program to include additional water use restrictions, such as imposing limitations on the landscaping of new developments.

Water Quality

Land use in the vicinity of the City is a mixture of rural, residential, agricultural, commercial and industrial uses. Potential sanitary hazards include the percolation of agricultural chemicals and fertilizers in adjacent fields and underground storage of fuels in single contained tanks. All wells are adequately located away from sewer lines and sewage disposal facilities. Above-ground on-site fuel storage tanks are or will be provided with a containment system.

Historically, the overall well system has not required major treatment facilities to deliver potable water supplies to date. However, over the past 15 years, the number of natural and man- made contaminants which the City is required to monitor has increased from 96 to 170 and there have been significant changes in the maximum contaminant levels permitted under regulations adopted by federal and State regulatory agencies. As a result, concerns over water quality have necessitated the closure of wells with poor water quality and has led to the requirement for treatment of several groundwater wells. The City litigated to protect, and/or to recover damages to, its groundwater supplies. See "— Litigation related to Pollution and Contamination by Third Parties" below.

The operation of the wells is performed automatically in response to system pressure and reservoir water level. All wells are monitored in accordance with State water quality monitoring regulations. Samples are collected for general physical, general mineral, inorganic chemical, radioactivity and organic chemical analysis. Additional monitoring is conducted for bacteriological and general mineral analysis on a routine basis. Bacteriological quality of the groundwater sources is generally good. Follow-up samples on positive total coliform test results are generally negative.

In addition to water wells as a domestic supply source, the City manages approximately 9,500 rock wells for the drainage of stormwater. Stormwater runoff occurs when rainfall intensity exceeds the infiltration rate of the soil. Suspended solids, heavy metals, and oil and grease are the major types of pollutants conveyed by runoff water to drainage facilities. The pollutant loading in runoff typically increases with increased urbanization. About 70 percent of the City service area employs rock wells which vary in depth from 25 to 50 feet. As a precaution to any risk of pollutants from stormwater and other wastewater entering the rock wells and percolating into the usable groundwater aquifer, the City seals its water wells at appropriate depths in relation to rock wells. After decades of operation of rock wells, no pollutants attributable to urban drainage have been detected in the drinking water supply. Recent studies of the federal Environmental Protection Agency conclude that properly operated rock wells provide significant treatment and removal of pollutants from percolating water.

Water Charges and Billing

Water Service Rates. Water rates are fixed by the City Council and are not subject to regulation by the California Public Utility Commission or any other State or federal agency. Before 2005, customer service charges for single family residential accounts were generally based on a flat monthly service charge, which varied only based on the size of the lot and in which of three zones the lot was located. Under a rate structure which went into effect on January 1, 2005, a single service area was established, combining all three prior water zones into a single zone. The rates included a uniform volume-based charge reflecting the volume of water consumed. Residential metered and flat rates were designed so that monthly bills for these types of customers will be comparable were water consumption is estimated to be comparable. Residential flat rates were standardized by lot size (previously, the size ranges varied between water zones) based upon the number of parcels in each range and patterns of water use.

Historically, the City had not metered water use by its single-family residential customers; however, since 1992 all new construction has been equipped with a meter; and those single family residential properties that are equipped with water meters that are read for billing purposes are charged the metered water rate. Pursuant to State legislation, the City will be required to install meters and to read and bill for water service based on metered rates by 2025. The City expects that all water connections will be metered by the end of 2023.

More than 70,000 water meters are currently in operation. An automated meter reading system is in place in the City, allowing meter readers to electronically gather data by driving within 300 feet of the meters on their routes, rather than taking individual reads of every meter.

All regular customers are liable for service charges unless service is permanently discontinued. In addition, all new regular water service connections, increases in meter sizes, and the connection of additional dwelling units to existing services require the payment of a connection fee.

The City's most recent water rate study (the "2016 Rate Study") was completed in September 2016. See "Rate Setting Process" below for a discussion of the process followed by the City in implementing the new rate structure and for the timing of anticipated rate study. Following the 2016 Rate Study, the City Council established a rate structure that went into effect on September 1, 2016 and maintains fixed monthly meter charges, a single volume rate charged to all metered water use, and fixed charges for unmetered customers. All City service areas are charged the same rates. Metered customers are charged rates that consist of a based charge (determined based on meter size) and a water consumption charge (determined based on water usage). Unmetered customers are charged a flat rate for water service based on lot size, with larger lots charged a higher rate. The flat rates are intended to recover the costs of unmetered customers' share of the estimated usage and other related costs. All water service charges are billed monthly. See "Water Charges and Billing - Anticipated Rate Study" below.

The rate structure adopted by the City Council following the 2016 Rate Study provided for uniform rate increases of 25% effective September 1, 2016, 9% effective April 1, 2018, 9% effective January 1, 2019, 6% effective April 1, 2020 and 2% effective October 1, 2021.

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The following table sets forth adopted monthly service charge and volume charge for metered accounts for as of July 1 in the years 2018 through 2022.

WATER UTILITY SYSTEM
Water Rates and Charges
Metered Accounts

	As of July 1, 2018	*As of July 1, 2019*	*As of July 1, 2020*	*As of July 1, 2021*	*As of July 1, 2022*
Volume-based Rate ($/ccf)	$1.82	$1.93	$1.98	$1.98	$ 2.02
Fixed Monthly Meter Charge (in addition to volume-based charges)					
5/8" - 3/4" meter	$21.47	$23.34	$24.94	$24.94	$ 25.44
1" meter	30.39	33.48	36.11	36.11	36.83
1-1/2" meter	52.71	58.83	64.04	64.04	65.32
2" meter	79.49	89.25	97.55	97.55	99.50
3" meter	164.30	185.59	203.66	203.66	207.73
4" meter	289.28	327.55	360.04	360.04	367.24
6" meter	588.33	667.24	734.22	734.22	748.90
8" meter	1,079.32	1,224.95	1,348.56	1,348.56	1,375.53
10" meter	1,704.21	1,934.76	2,130.44	2,130.44	2,173.05
12" meter	2,239.84	2,543.16	2,800.62	2,800.62	2,856.63

Source: City of Modesto

The City also approved a drought rate effective October 1, 2021. The current volume-based rate of $2.02 per hundred cubic feet would increase to the drought rate of $2.14 per hundred cubic feet if the State Water Resources Control Board imposes a mandatory conservation target that exceeds the City's self-imposed conservation target. The City does not currently impose the drought rates.

The table below sets forth the adopted single family residential flat rates as of July 1 in the years 2018 through 2022.

WATER UTILITY SYSTEM
Monthly Single Family Residential Flat Water Rates[(1)]

Lot Size	*As of July 1, 2018*	*As of July 1, 2019*	*As of July 1, 2020*	*As of July 1, 2021*	*As of July 1, 2022*
0-5,000 sq. ft. lot	$48.77	$52.97	$56.11	$56.11	$57.53
5,001-7,000 sq. ft. lot	56.23	60.89	64.23	64.23	65.51
7,001-11,000 sq. ft. lot	70.98	76.52	80.26	80.26	81.87
11,001-17,000 sq. ft. lot	93.00	99.87	104.22	104.22	106.30
Over 17,000 sq. ft. lot	104.10	111.65	116.3	116.30	118.63

(1) Single family residential properties with water meters that are read for billing purposes, are charged the metered water rate.
Source: City of Modesto.

[Remainder of page intentionally left blank.]

The following table sets forth connection fees for all users except multi-family units by meter size for fiscal year 2021-22.

WATER UTILITY SYSTEM
Connection Fees For All Users
Except Multi-Family Units
(Fiscal Year 2021-22)

Meter Size	*Connection Fees*
5/8”	$2,202
1”	3,671
1-1/2”	7,341
2”	11,746
3”	25,695
4”	46,250
6”	95,437
8”	176,191
10”	278,970
12” or larger	367,065

Source: City of Modesto.

Anticipated Rate Study. The City is currently in the process of a water rate study update and a water engineering report update to determine the necessary rates to support the future capital improvement program for water infrastructure. The update will evaluate rates and projects over the next five to ten years. The rate study is expected to be presented to the City Council for consideration. It is anticipated that the new water rates could take effect October 1, 2023. For the purpose of preparing its projected operating results set forth below, the City has assumed no rate increases will be implemented during the projection period. See “- Summary of Projected Operating Results of the Water Utility System” below.

Comparison of Rates and Charges. The following table lists certain water suppliers in the Modesto region and their average monthly residential water service charges.

WATER UTILITY SYSTEM
Comparison of
Average Monthly Water Rates
Metered Rate (1” Service)
As of July 1, 2022

City	*Metered Rate Typical Home*
Fresno [(1)]	$17.90
Lodi [(2)]	34.01
Modesto	**65.81**
Stockton [(1)]	35.30
Tracy [(2)]	30.90
Turlock [(1)]	52.70

(1) Water is metered. Charge varies per meter size.
(2) Water is both metered and flat rate. Charge varies per meter and dwelling size.
Source: City of Modesto.

The City’s water rates reflect the steps the City has taken to assure a long-term water supply by entering into the regional water management partnership with MID. The rates of the other nearby cities reflect the particular

circumstances of each city's water system, such as the degree to which it relies on ground water or surface water. The rates also reflect their specific circumstances with regard to the cost of current and prospective water supplies.

Rate Setting Process. In connection with its consideration of the current water rate structure, the City Council followed a process which the City believes satisfies the requirements of the California Constitution. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WATER RATES AND CHARGES" below.

Delinquencies

The City's municipal water department has historically accounted for water system revenues on a full accrual basis. The City has developed procedures for handling delinquent accounts. There has not generally been a significant delinquency rate, but for the period of the COVID-19 pandemic described below. The threatened suspension of water delivery is normally sufficient incentive to induce customers to make payment on their billings. In addition, City customers may have tax liens placed on their property when water bills are delinquent. Uncollectible accounts (accounts closed and referred to a third-party collection agency) have historically been less than 1% of revenues and remain at that level.

The delinquency rate before the COVID-19 pandemic, in fiscal year 2018-2019, was about 7.5-8% of all customers. During the COVID-19 pandemic, the City experienced an increase in active accounts with past due balances, with delinquency rates of about 13%. For a period, the State suspended water service shutoffs based on delinquent payments. That suspension was lifted, and the City began shutting off service to delinquent accounts in August 2022. Currently, about 9% of accounts are past due, with that percentage expected to decline with the availability of the service disconnection remedy.

The City received approximately $2.4 million in fiscal year 2021-22 under a pandemic-period State program that provided utility bill assistance that could be applied directly to past due balances. Such amount represented about 87% of delinquent amounts at the time. The funding received was for delinquent account balances eligible for the arrearage program at that time, which did not include all delinquent accounts.

Insurance

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to and illnesses of employees; and natural disasters. The City maintains the Insurance Internal Service Fund to account for and finance its risks of loss. Under this program, the City is self-insured for the following risks up to the maximum amount per claim/occurrence as follows: workers' compensation $750,000; liability $1,000,000. The City purchases commercial insurance for property loss, airport liability, miscellaneous coverage, and for claims in excess of the preceding self-insured limits.

For liability claims, the City is one of thirteen members of the Authority for California Cities Excess Liability risk pool. This pool covers City claims between $1,000,000 and $10,000,000. The purpose of the pool is to spread the adverse effect of losses among the member agencies and leverages buying power in the commercial insurance market for excess coverage. The City contributes its pro rata share of anticipated losses to the pool. Should actual losses among participants be greater than anticipated, the City will be assessed its pro rata share of that deficiency. Conversely, if the actual losses are less than anticipated, the City will be refunded its pro rata share of the excess subject to the board approval and current conditions. Commercial insurance, covers claims over $10,000,000 in several excess layers for a total coverage of $55,000,000 per claim. Settled claims have not exceeded this commercial coverage in any of the past five fiscal years.

The City currently maintains insurance against damage to its Water Utility System facilities of approximately $50 million, but damage resulting from earthquakes is not covered. Coverage is under a commercial property insurance policy with a blanket limit of $600,000,000.

Litigation related to Pollution and Contamination by Third Parties

DBCP Settlement Agreement

In January 1997, the City came to a settlement in litigation with certain defendants who are the manufacturers and distributors of dibromochloropropane ("DBCP"), which was impacting the drinking water quality throughout the combined City and former Del Este water systems. The settlement agreement (the "Settlement Agreement") compensated the City for past expenses related to complying with drinking water standards and providing well-head treatment. The Settlement Agreement and the damage recovery covers the City's entire current and projected service area over the 40 years following the execution of the Settlement Agreement. The Settlement Agreement provides a formula by which the majority of future capital and operating expenses for DBCP mitigation will be compensated by the defendants. The Settlement Agreement includes cost escalation indexes and requires that these payments be used in the area where the damage occurs, as a protection for the defendants against possible Del Este ratepayer actions. The Settlement Agreement puts a variety of operating obligations on the City to ensure that the contamination is managed economically and in compliance with applicable regulations.

The annual proceeds from Settlement Agreement are included in the Historical Operating Results and the Projected Operating Results of the Water Utility System described below. For operating costs, the City receives a specified amount for each well which is receiving well head treatment for DBCP, escalated annually by the Producer Price Index ("PPI"). For each additional or new well requiring GAC equipment, 90% of the capital costs, escalated by the PPI, will be compensated. The actual amount will depend upon the number of GAC units needed for the specific well. The process for compensation provides that the City file an annual claim with the trustee for operation and maintenance for the preceding year and for a capital claim upon issuing a notice to proceed for construction of a treatment system at a qualifying well. The defendants are required to maintain a certain balance in the trustee account, the amount of which declines over the 40 year life of the Settlement Agreement. The City is responsible for any difference between actual operating and capital expense and the stipulated compensation formula. Any shortfall would then be covered by the City through appropriate action, including without limitation a rate adjustment to assure compliance with the covenants in the Settlement Agreement. Historically, the cost of construction of a treatment system at a qualifying well has been at or near the stipulated compensation formula. However, a recent well did generate such costs in excess of the formula by approximately $2.6 million.

Water supplied by the City has and continues to meet all federal and State requirements for quality standards. The City has in place a program to monitor and evaluate proposed regulatory water quality standards. The City anticipates that it will be able to meet increasingly stringent water standards.

PCE Litigation

The City of Modesto Redevelopment Agency brought an action in 1998 against numerous defendants, alleging causes of action for strict liability, negligence, negligence per se, continuing trespass, private and public nuisance, private and public nuisance per se, response costs and declaratory relief under the Carpenter-Presley-Tanner Hazardous Substance Account Act (Health & Safety Code Section 25300 *et seq.*), ultrahazardous activity, and cost recovery under the Polanco Redevelopment Act (Health & Safety Code Section 33459 *et seq.*) (San Francisco County Superior Court Case No. 999345). Because the City had to provide certain related cleanup efforts, simultaneously with the filing of that action, the City, along with the City of Modesto Sewer District No. 1, brought another action against a nearly identical group of defendants seeking damages for solvent contamination under many of the same legal theories; but this action did not include a Polanco Redevelopment Act cause of action (San Francisco County Superior Court Case No. 999643). The defendants included chlorinated solvent manufacturers, distributors of solvents and dry-cleaning equipment, chlorinated solvent equipment manufacturers, and dry-cleaning retailers.

The complaints alleged that two cleaning solvents, perchloroethylene ("PERC" or "PCE") and trichloroethylene, cause risks to health and the environment, that dry cleaners customarily dumped solvent wastewater into the public sewer systems, and that dry cleaners experienced a habitual problem of chlorinated solvents leaking into the environment. According to the complaints, the defendants who manufactured and supplied solvents and equipment instructed dry cleaners that chlorinated solvents could be discharged into sewers and/or failed to issue recalls or warnings regarding the equipment and solvents.

The plaintiffs, including the City, tried five "bellwether" suits before a jury from February to June of 2006, and won a verdict for compensatory damages of $3.1 million and a verdict for punitive damages of $175 million, later lowered to $12 million. In October of 2007, the plaintiffs reached an agreement with one of the defendants, Vulcan Materials Company ("Vulcan"), pursuant to which Vulcan agreed to pay the plaintiffs $20 million to settle the actions pending against Vulcan. The City's water system and its sewer system were each credited with half of net amount of the settlement after payment of litigation fees and expenses and certain other costs (approximately $6.5 million each), but the money may be expended only for projects that will remediate PCE. From 2009 to 2011 the City tried the remainder of the case, with mixed results, and all parties appealed.

In 2018 the First District Court of Appeal issued an opinion largely in the City's favor and remanded the case for further proceedings. After several years of discovery, motion practice and unsuccessful attempts at mediation, an additional bellwether site was tried to a jury in October of 2022. The jury awarded the City $4 million in compensatory damages against PPG Industries ("PPG") and The Dow Chemical Company ("Dow") and $56 million in punitive damages against Dow. The Court subsequently reduced the punitive damages to $16 million. The City, PPG and Dow are now simultaneously involved in attempts to settle the case and in preparing to try the next bellwether site.

After adding settlements received over the course of the PCE litigation to date and deducting litigations and remediation expenses, the City had a cash balance from settlement revenue of $15,773,618 as of June 30, 2022.

TCP Litigation

On March 2, 2020, the City filed suit against Shell Oil Company ("Shell"), Dow, and a number of their distributors for contaminating the City's groundwater with 1, 2, 3-Trichloropropane ("TCP"), an impurity in 1,3-dichloropropene nematicide used throughout the Central Valley for decades. The case was subsequently transferred into a "coordinated proceeding" in San Bernardino County where TCP cases filed by similarly situated cities throughout California have been gathered. Shell and Dow have historically settled these cases. The City reasonably expects to settle its TCP case as well, but will be prepared for trial if necessary. Trial, should it occur, could extend for several years.

Management

The Water Utility System is operated under the management and control of the City Council. Currently, day-to-day management is provided by William Wong, Utilities Director, under the general supervision of Scotty Douglass, Deputy City Manager and Joseph Lopez, City Manager.

Brief resumes of the senior staff of the Water Utility System are presented below:

William Wong - Utilities Director. Will Wong has a B.S. in Civil Engineering from University of California at Davis and is a California-licensed Civil Engineer. He has over 29 years of experience working on water and wastewater infrastructure projects, and has been with the City for over 22 years. He is currently the City's Utilities Director, overseeing the Utilities Department's Wastewater Operations and Maintenance, Water Operations and Maintenance, and Engineering Services Divisions.

Jeffery Daniels – Water Division Manager. Jeff Daniels has over 22 years of experience working in water operations, and has been with the City for over 22 years. He is currently the City of Modesto's Water Division Manager in the Utilities Department, overseeing the Department's Water Operations and Maintenance Division.

Cristian Ciotau - Acting Engineering Division Manager. Cristian Ciotau has over 25 years of experience working in engineering, and has been with the City for over 7 years. He is currently the City Acting Engineering Division Manager in the Utilities Department, overseeing the Department's Engineering Services Division.

The City is conducting an internal process to develop a succession plan for senior management, which includes formal training and lines of succession.

Employees

The Director of Utilities has primary responsibility for the management of the Water Utility System, which is operated by the City's Water Services Division, as well as for the wastewater system and storm drains. The Water Services Division currently has allocated 97 full-time employees. Employees are represented by the Modesto City Employees Association whose current Memorandum of Understanding expires on June 30, 2023 and the Modesto Confidential and Management Association whose current Memorandum of Understanding expires on June 30, 2023. The City is currently negotiating with both collective bargaining units in hopes of reaching a negotiated new agreement by the end of the current fiscal year. The City has never experienced a labor strike.

Retirement Programs

Pension Plans. The City's permanent employees, including Water Services Division employees, are covered by the California Public Employees Retirement System ("CalPERS") through agent multiple-employer defined benefit plans administered by CalPERS, which acts as a common investment and administrative agent for participating public employers within the State. CalPERS issues publicly available reports that include a full description of the pension plans regarding benefit provisions, assumptions and membership information that can be found on the CalPERS website at www.calpers ca.gov. The foregoing internet address is included for reference only, and the information on the internet site is not incorporated by reference herein.

The City's defined benefit pension plans, the Miscellaneous Plan and the City's Safety Plan, provide retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members (who must be public employees) and beneficiaries. Benefit provisions and all other requirements of the plans are established by State statute, including the Public Employees' Pension Reform Act of 2013 which primarily affects new pension plan members enrolled after 2012, and City resolutions. No employees assigned to the Water Services Division participate in the City's Safety Plan.

Set forth below is a table summarizing the funding status of the City's Miscellaneous Plan for the four Fiscal Years ended June 30, 2021:

CITY OF MODESTO
Funding Status
Fiscal Years 2017-18 through 2020-21

Fiscal Year	*Accrued Liability*	*Market Value of Assets (MVA)*	*Unfunded Liability*	*Funded Ratio*	*Annual Covered Payroll*
2017-18	$474,834,279	$342,310,119	$132,524,160	72.1%	$49,545,472
2018-19	490,376,850	352,917,082	137,459,768	72.0	50,717,747
2019-20	507,747,374	357,764,151	149,983,223	70.5	52,663,414
2020-21	535,680,756	428,374,564	107,306,192	80.0	52,444,358

Source: CalPERS, Miscellaneous Plan of the City of Modesto, Annual Valuation Report as of June 30, 2021.

The CalPERS Board of Administration has adjusted and may in the future further adjust certain assumptions used in the CalPERS actuarial valuations, which adjustments may increase the City's required contributions to CalPERS in future years. One of the most significant factors used in determining the liability and the funding requirements is the rate of return that investments will yield prior to making payments, known as the discount rate. All else equal, decreases in the discount rate will increase the unfunded liability and the contributions required to meet pension funding obligations. CalPERS has periodically adjusted the discount rate in recent years. CalPERS approved an incremental reduction in the discount rate to be used in its actuarial valuation from 7.5% to 7.0% over the three Fiscal Years 2017-18 to 2019-20. In November 2021, CalPERS further revised its discount rate assumption to 6.8%. The designated period for amortizing unfunded liabilities is another important factor affecting required contributions. In February 2018, CalPERS revised its amortization policy to reduce the amortization period for gains and losses from

a 30-year period to a 20-year period for new gains/losses established on or after June 30, 2019, which began to affect contribution rates in Fiscal Year 2020-21. See "CITY OF MODESTO Required and Projected Future Employer Contribution Miscellaneous Plan Fiscal Years 2022-23 through 2027-28" below.

Under Governmental Accounting Standards Board ("GASB") Statement No. 68, the City is required to report the Net Pension Liability (i.e., the difference between the Total Pension Liability and the Pension Plan's Net Position or market value of assets) in its financial statements.

In accordance with applicable State law, the contribution rate for all public employers is determined annually by the actuary and is effective on the July 1 following notice of a change in rate. Funding contribution amounts are determined annually on an actuarial basis as of June 30 by CalPERS. The actuarially determined rate applied to annual payroll is the estimated amount necessary to finance the costs of benefits earned by employees during the year (called the "normal cost"), with an additional amount to amortize any unfunded accrued liability. The City is required to contribute the actuarially determined amounts, net of contributions by employees, necessary to fund the benefits for its members, using the actuarial basis recommended by CalPERS actuaries and actuarial consultants and adopted by the CalPERS Board of Administration. The cost of the Miscellaneous Plan is funded through bi-weekly contributions from employees and from employer contributions by the City. The employer contribution rates are established, and may be amended, by CalPERS.

Set forth below is a table showing the City's required employer and employee contribution rates for normal cost of the Miscellaneous Plan (as a percentage of annual covered payroll) for the four Fiscal Years ended June 30, 2022. The City does not pick up any payments on behalf of its employees.

CITY OF MODESTO
Historical Employer and Employee Contribution Rates
Fiscal Years 2018-19 through 2021-22

Fiscal Year	*Employee Contribution Rate as Percentage of Annual Covered Payroll*	*Employer Contribution Rate as Percentage of Annual Covered Payroll*
2018-19	6.802%	7.430%
2019-20	6.755	7.922
2020-21	6.717	8.691
2021-22	7.00	8.32

Source: CalPERS, Miscellaneous Plan of the City of Modesto, Annual Valuation Report as of June 30, 2021.

The Water Services Division is allocated its portion of the City's total required contribution (including normal cost and amounts to amortize any unfunded accrued liability) for the Miscellaneous Plan. This allocation is based on eligible employee wages. Set forth below is a table showing the City's total required contributions (and an additional discretionary payment to amortize unfunded accrued liability) to its CalPERS Miscellaneous Plan for the four Fiscal Years ended June 30, 2019 through 2022 and the amount in each year allocated to the Water Services Division:

CITY OF MODESTO
WATER UTILITY SYSTEM
Historical Employer and Employee Contribution Rates
for the City and Water Services Division Allocation
Fiscal Years 2018-19 through 2021-22

Fiscal Year	*City Required Contribution*	*Amount Allocated to the Water Services Division*
2018-19	$10,158,019	$1,623,879
2019-20	11,856,209	1,893,070
2020-21[(1)]	12,406,705	2,099,200
2021-22	14,308,353	2,274,594

(1) Includes additional discretionary payment of $304,930 to amortize unfunded accrued liability.

Sources: CalPERS, Miscellaneous Plan of the City of Modesto, Annual Valuation Report as of June 30, 2021; City of Modesto Finance Department.

The City has made all actuarially required payments to CalPERS for its Pension Plans on a timely basis.

CalPERS provided the City with the following required and projected contributions from Fiscal Year ended June 30, 2023 through June 30, 2026:

CITY OF MODESTO
Required and Projected Future Employer Contributions
Miscellaneous Plan
Fiscal Years 2022-23 through 2028-29

Fiscal Year	*Total Contributions[(1)]*	*Allocated to Water Services Division*
2022-23	$16,438,794	$ 2,613,270
2023-24	16,903,818	2,687,194
2024-25	16,808,529	2,672,046
2025-26	16,416,475	2,609,722
2026-27	15,994,365	2,542,619
2027-28	15,326,179	2,436,398
2028-29	15,794,894	2,510,909

(1) Total contribution consists of the normal cost plus payments to amortize unfunded accrued liability. Figures are for the City as a whole for its Miscellaneous Plan only.

Source: CalPERS, Miscellaneous Plan of the City of Modesto, Annual Valuation Report as of June 30, 2021.

Approximately 15.9% of these contributions are expected to be allocable to the Water Services Division as assumed in the table above and these amounts are included in the line item "Total Operating Expenditures, Net of Depreciation" shown in the projected debt service coverage table. See "Projected Debt Service Coverage" below.

Future increases in required CalPERS contributions will impact the City's reserve levels and may require future action to either reduce expenses through service reductions or increase revenues through tax or service rate increases. The City's ability to increase revenue is subject to Constitutional limitations. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WASTEWATER RATES AND CHARGES—Proposition 218—*Article XIIIC* and —*Article XIIID*." The City cannot provide any assurances that the City's required contributions to CalPERS in future years will not significantly increase (or otherwise vary) from any past or current

projected levels of contributions. As noted above, as of June 30, 2021, the unfunded liability of the City's Miscellaneous Plan was $107,306,192. Declines in investment values could result in a significant increase in the City's unfunded pension liability and future pension costs. In July 2022, a CalPERS news release reported a negative 6.1% preliminary investment net return for fiscal year ended June 30, 2022. In October 2022, CalPERS adjusted the preliminary investment return for fiscal year ended June 30, 2022 to negative 7.1% when it released the actuarial valuation for its pension fund to account for a timing lag in the reporting of market value of certain assets.

In fiscal year 2022-23, the City established a Public Agency Retirement System ("PARS") pension benefits trust as a tax-exempt trust within the meaning of Section 115 of the Internal Revenue Code to accumulate resources to "stabilize" the amount of its resources that it will need to meet future contribution requirements to CalPERS. The balances and activities of such trust are irrevocably dedicated to funding future obligations to CalPERS. The assets will benefit the City through reduced future cash flow demands on the City's resources and continue to be assets of the City. These amounts are reflected as restricted cash and investments in the General Fund. As of April 30, 2023, the balance in such trust was approximately $2,589,000.

Retiree Health Benefits. In addition to the defined benefit pension plan described above, the City also maintains its own program providing "other post-employment benefits" ("OPEB") to employees who retire from the City based on certain criteria related to their hired and retirement dates, their employee bargaining unit, and their grandfathered sick leave at retirement. All full-time employees hired before January 1, 2011, except firefighters who receive a cash payout, are eligible to convert accumulated grandfathered sick leave upon retirement to a Retirement Health Savings account. Such converted amounts are included in the total OPEB liability below. All employees hired on or after January 1, 2011 will not be eligible to participate in the sick leave conversion. Any sick leave accumulated after January 1, 2011 cannot be converted to a Retirement Health Savings account and has no cash value at retirement.

The City has no obligation to pay the health insurance allowance for new retirees. At June 30, 2021, 467 current City employees were covered by the OPEB plan. At June 30, 2021, 351 former City employees were covered by the OPEB plan. Based on eligibility status, these retirees or surviving spouses may participate in a health plan offered by the City depending on their Medicare eligibility, year of hire, year of retirement, age and employee group. The City has several plans with different contribution levels and benefit provisions. City contributions vary up to 100% of annual premium cost, depending on the employee's Medicare eligibility, year of hire, year of retirement, age and employee group.

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Except for the PARS trust described below, the City's contributions toward the cost of its OPEB program are generally funded on a pay-as-you-go basis. The City's OPEB liability for the Fiscal Years ended June 30 of 2021 and 2022 are set forth below:

CITY OF MODESTO
Schedule of Changes in the OPEB Liability and Related Ratios
Fiscal Years 2020-21 through 2021-2022

	FY 2020-2021	FY 2021-2022
Measurement Period	June 30, 2021	June 30, 2022
Total OPEB liability	$30,427,400	$29,551,870
Service cost	836,292	1,196,410
Interest	903,896	667,183
Differences between expected and actual experience	1,737,964	-
Changes of assumptions	3,430,611	129,927
Benefit payments	(2,941,351)	(2,869,050)
Net change in total OPEB liability	$ 3,967,412	$ (875,530)
Total OPEB liability - beginning	$26,459,988	$30,427,400
Total OPEB liability - ending (a)	$30,427,400	$29,551,870
Covered-employee payroll	$54,106,179	$52,545,565
Total OPEB liability as a Percentage of Covered-Employee Payroll	56.24%	56.24%

Source: MacLeaod Watts Actuarial Study of the City of Modesto, for fiscal year ending June 30, 2022.

The following table provides a schedule of contributions for the City's OPEB liability that is based on the most recent actuarial valuation as of January 1, 2022.

CITY OF MODESTO
Schedule of OPEB Contributions
Fiscal Year 2018-2019 through 2021-2022

Fiscal Year	2018-2019	2019-2020	2020-2021	2021-2022
Actuarially Determined Contribution (ADC)	$ 3,012,214	$ 3,569,890	$ 2,869,050	$ 4,114,604
Contributions in Relation to the ADC	(3,012,214)	(3,569,890)	(2,869,050)	(4,114,604)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered-Employee Payroll	$ 50,879,818	$ 54,106,179	$ 52,545,565	$ 52,727,185
Contributions as a Percentage of Covered-Employee Payroll	5.92%	6.60%	5.46%	7.80%

Source: City of Modesto, Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022.

In fiscal year 2022-23, the City established a PARS post-employment benefits trust as a tax-exempt trust within the meaning of Section 115 of the Internal Revenue Code to accumulate resources to "stabilize" the amount of

its resources that it will need to meet future contribution requirements to the OPEB program. The balances and activities of such trust are irrevocably dedicated to funding future obligations to the OPEB program. The assets will benefit the City through reduced future cash flow demands on the City's resources and continue to be assets of the City. These amounts are reflected as restricted cash and investments in the General Fund. As of April 30, 2023, the balance in such trust was approximately $1,449,000.

Beginning in the Fiscal Year ended June 30, 2018, the City adopted Governmental Accounting Standards Board ("GASB") Statement No. 75, affecting the reporting of OPEB liabilities for accounting purposes. GASB No. 75 requires the OPEB liability of the City to be measured as the portion of the present value of projected benefit payments to be provided to current active and inactive employees that is attributed to those employees' past periods of service (total OPEB liability), less the amount of the OPEB plan's fiduciary net position.

Additional information regarding the City's retirement plans and OPEB, including information regarding the assumptions used to determine the pension and OPEB liabilities and the funding requirements therefor, can be found in Notes III(F) and III(G) and the Required Supplementary Information to the City's audited financial statements included in the City's annual comprehensive financial report for the Fiscal Year ended June 30, 2022, attached hereto as Appendix B.

The Water Services Division is allocated its portion of the City's required contribution for OPEB. This allocation is based on eligible employee wages. Set forth below is a table showing the City's required and actual contributions to its OPEB Plan for the three Fiscal Years ended June 30, 2019 through 2022. Approximately 11.3% of the actual contributions in each year were allocated to the Water Services Division.

CITY OF MODESTO
Other Post-Employment Benefits (OPEB)
Historical Employer and Employee
Contribution Rates for the City
Fiscal Years 2018-19 through 2021-22

Fiscal Year	*City Required Contribution*	*Actual Contribution*	*Actual Amount Allocated to the Water Services Division*
2018-19	$ 3,012,214	$ 3,012,214	$339,998
2019-20	3,569,890	3,569,890	402,944
2020-21	2,869,050	2,869,050	323,838
2021-22	4,114,604	4,114,604	464,428

Source: City of Modesto, Annual Comprehensive Financial Report for Fiscal Year ended June 30, 2022; City of Modesto Finance Department.

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The City projects the following OPEB contributions for calendar years 2023 through 2028:

CITY OF MODESTO
Projected Future Employer OPEB Contributions
Calendar Years 2023 through 2028

Calendar Year	*Total Contribution*	*Allocable to the Water Services Division*
2023	$3,801,061	$429,037
2024	3,538,756	399,430
2025	3,350,560	378,188
2026	3,192,575	360,355
2027	3,028,704	341,859
2028	2,887,253	325,893

Source: City of Modesto Department of Finance.

Approximately 11.3% of these contributions are expected to be allocable to the Water Services Division as noted in the table above and such amounts are included in "Total Operating Expenditures, Net of Depreciation" shown in the projected debt service coverage table. See "WASTEWATER SYSTEM FINANCES—Projected Debt Service Coverage" below.

Future increases in OPEB contributions will impact the City's reserve levels and may require future action to either reduce expenses through service reductions or increase revenues through tax or service rate increases. The City's ability to increase revenue is subject to Constitutional limitations. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WASTEWATER RATES AND CHARGES—Proposition 218—*Article XIIIC* and —*Article XIIID*." The City cannot provide any assurances that the City's required contributions OPEB in future years will not significantly increase (or otherwise vary) from any past or current projected levels of contributions.

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Historical Operating Results

The following table summarizes operating revenues, operating expenses and net income of the Water Utility System for the five fiscal years 2017-18 through 2021-22, The information for each of the fiscal years shown was prepared by the City on the basis of its audited financial statements.

WATER UTILITY SYSTEM
Historical Debt Service Coverage

	Fiscal Year 2017-18	*Fiscal Year 2018-19*	*Fiscal Year 2019-20*	*Fiscal Year 2020-21*	*Fiscal Year 2021-22*
GROSS OPERATING REVENUES					
Charges for Services	$68,928,504	$71,952,653	$76,996,091	$80,908,193	$79,318,075
Connection Charges	1,661,151	1,081,913	1,904,330	1,559,621	1,194,261
Refunds, Damages & Recoveries	335,709	95,591	92,786	16,220	20,307
Fair Market Value Changes and Interest Earnings	231,862	1,926,761	2,227,787	47,614	(3,190,213)
Service Credits [1]	3,408,238	3,309,703	3,576,012	3,654,881	3,405,150
Miscellaneous [2]	1,117,571	193,468	102,338	1,738,084	1,995,136
GROSS OPERATING REVENUES	75,683,035	78,560,089	84,899,344	87,924,613	82,742,716
OPERATING EXPENSES:					
Operating Expenses	35,685,576	38,806,127	39,167,326	42,088,154	47,165,967
Operating Transfers [3]	1,239,943	3,129,583	2,241,135	3,283,246	689,875
TOTAL OPERATING EXPENSES [4]	36,925,519	41,935,710	41,408,461	45,371,400	47,855,842
NET OPERATING REVENUES	$38,757,516	$36,624,379	$43,490,883	$42,553,213	$34,886,874
DEBT SERVICE:					
2008 Certificates of Participation	$ 2,268,298	$ 2,121,410	$ 2,309,687	$ 2,130,448	$ 2,138,850
MID Treatment & Delivery Agreement	10,208,384	10,214,947	10,213,274	10,709,280	10,400,158
ARRA Grant	36,080	37,123	39,350	37,540	37,343
TOTAL DEBT SERVICE	$12,512,762	$12,373,480	$12,562,311	$12,877,268	$12,576,351
DEBT SERVICE COVERAGE [5]	3.10	2.96	3.46	3.30	2.77

(1) Service credits are billing of services to other City departments.

(2) Fiscal year 2017-18 miscellaneous revenues include $1,048,863 of one-time transfer as result of the dissolution of the Central Stores Fund. Fiscal year 2019-20 miscellaneous revenues include the first, interest-only payment of the fiscal year 2018-19 loan from the Water fund to the Carpenter Road Landfill fund. Fiscal Year 2021-22 miscellaneous revenues includes repayment of the Carpenter Road Landfill loan.

(3) Includes operating transfers for building rental fee of $65,000 annually and $700,000 annual transfer to the Storm Drain Fund to actively protect the groundwater supply source from contamination. Fiscal year 2018-19 operating transfers include $2,300,000 in one-time loan to fund number 4893 (Carpenter Road Landfill) to be repaid over 6 years. Fiscal year 2019-20 operating transfers include $900,000 in one-time loan to fund number 4893 (Carpenter Road Landfill). This $900,000 is in addition to the $2,300,000 that was borrowed in fiscal year 2018-19. Fiscal year 2020-21, operating transfers include a new $1,540,000 loan to the Carpenter Road Landfill fund.

(4) Total operating expenses excludes depreciation and amortization, as well as the debt service component under the Treatment and Delivery Agreement.

(5) The financial figures reported only reflect net operating revenues in the Water Operating Fund.

Source: City of Modesto

Increased revenue from charges for services in fiscal years 2017-18 through 2020-21 are primarily attributable to the effect of rate increases. Operating expenses increased due to many factors, including staffing levels and cost increases for material and goods due to supply demand and substantial inflation.

Capital Improvement Program

The City's capital improvement program ("CIP") for the Water Utility System for fiscal years 2023-24 through 2027-28 includes budgeted and/or planned programs and projects, which are expected to be funded through City funds obtained from annual revenues and additional parity obligations. Projects are underway throughout various parts of the City and outlying areas to strengthen and replace water mains. With an estimated cost of $20 million, these projects will improve the City's Water Utility System reliability by increasing flows and pressures, while also improving water quality. Other projects within the CIP include the rehabilitation and/or wellhead treatment expansion of the 12 existing inactive wells. The 12 inactive wells in the City's Water Utility System are all offline due to various contaminant issues and they are each being addressed through the CIP in order to meet State Drinking Water requirements prior to becoming active within the City's Water System. Existing tank maintenance and improvements are also a part of the CIP for the twelve tanks within the City's Water System. Tank 5 & 12 we recently re-coated in 2022 and Tank #4 is schedule to be re-coated in fiscal year 2023-24, with others to follow. We also have new tanks that are being designed and constructed as part of the CIP. Del Rio Tank 14 & Pump Station was recently completed in 2022. The outlying area of Grayson, as part of the Grayson Water Improvements Project, will also soon see a new 0.25 million gallon tank being constructed as it's currently in the design phase. The Grayson tank is anticipated to begin construction in fiscal year 2024-25. The Grayson Water Improvements Project also includes a new pump station and treatment system to provide the outlying area of Grayson with increased system reliability, flows, pressures, and overall increased water quality. The latest well (Well 69) being constructed within the City's system also happens to lie within the outlying area of Grayson. The City is currently identifying areas of need throughout the Water Utility System for new wells can potentially be explored and drilled.

Within the CIP, the City is also in the process of awarding a project to upgrade the City's obsolete Supervisory Control and Data Acquisition ("SCADA") system to improve operational efficiencies and reliability. In conjunction with upgrading the City's SCADA system the City is also has project to convert all city service meters (approximately 76,000) from the current Automated Meter Reading ("AMR") to Advanced Metering Infrastructure ("AMI"). Converting to AMI will allow the City to more effectively collect metering data, as well as have the ability of providing customers with up-to-date information for water usage. Overall, the City has many projects within the CIP that will continue to provide maintenance and upgrades to the City's Water Utility System for years to come. Total capital expenditures for fiscal year 2023-2024 are estimated to be approximately $25.6 million.

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Capital Improvement Program Projects[1]

Project Detail	FY 2023-24	FY 2024-25	FY 2025-26	FY 2026-27	FY 2027-28
Water Resources Projects	$780,000	$955,000	$2,955,000	$2,640,000	$2,270,000
Downstream Improvements	505,000	2,510,000	2,310,000	1,535,000	510,000
New Wells	865,000	620,000	650,000	590,000	435,000
Wellhead Treatment	615,000	1,075,000	810,000	355,000	655,000
Existing Tank Improvements	30,000	225,000	475,000	460,000	285,000
New Water Tanks	450,000	400,000	4,400,000	4,100,000	4,100,000
New Water Main Extensions	1,025,000	1,640,000	1,290,000	535,000	320,000
Water Mains - Strengthen & Replace	18,875,000	12,056,000	5,910,000	7,045,000	9,265,000
Operations – Water Mains Replacements	30,000	890,000	1,085,000	835,000	1,100,000
Operations – Wellhead Treatment	1,000,000	500,000	0	0	0
Operations – New Water Corp Yard (Phase 2)	0	50,000	400,000	1,150,000	1,650,000
Operations – Water Meters	0	0	2,500,000	5,000,000	5,000,000
Operations – Flush Lines	225,000	225,000	225,000	115,000	0
Operations – Non-Capital Projects	1,225,000	1,225,000	1,225,000	1,225,000	1,225,000
Total Capital Improvement Program	$25,625,000	$22,371,000	$24,235,000	$25,585,000	$26,815,000
- Grants	$800,000	$853,200	$4,400,000	$4,100,000	$4,100,000
- Bonds/Parity Debt	-	-	-	-	-
- Internally Generated Funds (Water Operating Fund)[1]	$24,825,000	$21,517,800	$19,835,000	$21,485,000	$22,715,000
Total Expected Sources of Funding	$25,625,000	$22,371,000	$24,235,000	$25,585,000	$26,815,000

[1] Assumes rate no increases. Rate increases anticipated to be adopted in fall 2023. Rate increases for Fiscal Years ending June 30, 2024 through June 30, 2028 have not yet had a Proposition 218 hearing or been approved by the City Council but scheduled to be completed by Spring 2023.

Source: City of Modesto Department of Finance.

Planned projects may be cancelled, and new projects not presently anticipated may be undertaken. To the extent that total funds required exceed cash available, the City expects that the projects will either be funded by bond proceeds or deferred or terminated.

The City is currently in the process of a water rate study update and a water engineering report update to determine the necessary rates to support the future capital improvement program for water infrastructure. The update will evaluate rates and projects over the next five to ten years. See "Water Charges and Billing - Anticipated Rate Study" above.

Summary of Projected Operating Results of the Water Utility System

The City has prepared the following table of projections of operating results of the Water Utility System for the fiscal years ending June 30, 2023 through 2027. The projected amounts set forth below are based on certain assumptions made by the City. To the extent that actual future conditions vary from those assumed in preparing the projections, the actual results will vary from those set forth herein. Among other major assumptions used in preparing the projections, the City staff has assumed no rate increases and an inflation rate of 2% per annum.

WATER UTILITY SYSTEM
Projected Operating Results

	Fiscal Year 2023[1]	*Fiscal Year 2024*	*Fiscal Year 2025*	*Fiscal Year 2026*	*Fiscal Year 2027*
GROSS OPERATING REVENUES					
Charges for Services[2]	$82,110,000	$81,232,793	$81,232,793	$81,232,793	$81,232,793
Connection Charges	$1,220,500	$1,244,910	$1,269,808	$1,295,204	$1,321,108
Refunds, Damages & Recoveries	10,000	10,200	10,404	10,612	10,824
Interest and Rental Income	542,000	492,840	448,697	409,071	373,512
Service Credits[3]	3,062,214	3,092,836	3,123,764	3,155,002	3,186,552
Miscellaneous	200,902	-	-	-	-
Loan Repayment from fund number 4893 (Carpenter Road Landfill)[4]	707,421	707,421	707,421	707,421	707,421
TOTAL GROSS OPERATING REVENUES	87,853,037	86,781,000	86,792,887	86,810,103	86,832,210
OPERATING EXPENSES:					
Operating Expenses[5]	49,542,114	49,871,276	50,831,983	51,848,623	52,885,597
Operating Transfers[6]	765,000	765,000	765,000	765,000	765,000
TOTAL OPERATING EXPENSES[7]	$50,307,114	$50,636,276	$51,596,983	$52,613,623	$53,650,597
NET OPERATING REVENUES	$37,545,923	$36,144,724	$35,195,904	$34,196,480	$33,181,613
DEBT SERVICE:					
2008 Certificates of Participation[8]	$ 2,164,623	$ 4,244,303	$ 4,240,014	$ 4,240,014	$ 4,240,014
MID Treatment & Delivery Agreement	9,075,200	8,398,606	8,409,205	8,409,205	8,409,205
California Public Health Department Loan[9]	46,723	36,600	36,600	36,600	36,600
TOTAL DEBT SERVICE	$11,286,546	$12,679,509	$12,685,819	$12,685,819	$12,685,819
DEBT SERVICE COVERAGE[10]	3.33	2.85	2.77	2.70	2.62

(1) Unaudited actuals through March 31, 2023. Projected thereafter through June 30, 2023.
(2) Estimates assume no rate increases.
(3) Service credits are billing of services to other City departments.
(4) See footnote 4 in table entitled "WATER UTILITY SYSTEM - Historical Debt Service Coverage" above.
(5) Assumes an inflationary rate of 2%.
(6) Assumes operating transfers for building rental fee of $65,000 annually and $700,000 annual transfer to the Storm Drain Fund to actively protect the groundwater supply source from contamination.
(7) Excludes depreciation and amortization and the debt service component under the Treatment and Delivery Agreement.
(8) Assumes interest rate of 3-4%.
(9) See "SECURITY FOR THE 2008 CERTIFICATES - Existing and Future Parity Obligations."
(10) Calculated in conformity with the Contract and Trust Agreement.

Source: City of Modesto.

Investment Policy

The cash attributable to the Water Utility System must be invested in accordance with the City's Investment Policy, adopted by the City Council during 1984 and most recently revised in 2022.

In accordance with Sections 53600 et seq. and following of the California Government Code, idle cash management and investment transactions are the responsibility of the City Finance Director/Treasurer and permitted investments include the following:

- City Issued Bonds
- US Treasury Notes/ Bills
- State of California Securities (provided that the securities are rated in a rating category of "A")
- California Municipal Securities (provided that the securities are rated in a rating category of "A")
- Other 49 State Municipal Securities (provided that the securities are rated in a rating category of "A")
- Federal Agencies
- Banker's Acceptance (may not exceed 180 days maturity)
- Commercial Paper (of "prime" quality of the highest ranking or of the highest letter)
- Certificates of Deposit
- Negotiable Certificates of Deposit
- Repurchase Agreements (used solely as short-term investments not to exceed 90 days)
- Reverse Repurchase Agreements (may not be used to leverage the portfolio)
- Medium Term Notes (provided that the notes are rated in a rating category of "A")
- Money Market Fund
- LAIF
- Mortgage and Asset-Backed Securities (provided that the securities are rated in a rating category of "AA")
- CAMP
- Supranationals (provided that the securities are rated in a rating category of "AA")

Criteria for selecting investments and the order of priority are:

- Safety of Principal - Preservation of principal and interest,
- Liquidity - Ability to readily convert investment to cash at any moment in time, and
- Yield - Potential dollar earnings on an investment.

Under the City's investment policy, the City's aims to obtain a rate of return throughout budgetary and economic cycles, commensurate with the investment risk constraints and cash flow needs. Investment criteria include protecting principal, ensuring adequate liquidity to meet cash needs, and attaining a market rate of return on investments.

Financial Statements

The City's annual financial report is audited in accordance with generally accepted auditing standards, and contains opinions that the financial statements present fairly, in all material respects, the financial position of the City. The reports include certain notes to the financial statements. Such notes constitute an integral part of the audited financial statements. The Annual Comprehensive Financial Reports of the City have received the Government Finance Officers Association ("GFOA") Certificate of Achievement for Excellence in Financial Reporting for each of the past 39 consecutive years. The City received the GFOA's Triple Crown Award for the first time in 2020, recognizing governments who have received the GFOA's Certificate of Achievement for Excellence in Financial Reporting, Popular Annual Financial Reporting Award, and the Distinguished Budget Presentation Award.

The basic financial statements of the City as of June 30, 2022, which are incorporated by reference in and portions of which are included in Appendix A to this Remarketing Memorandum, have been audited by Hudson Henderson & Company Inc. (the "Auditor"), independent certified public accountants, as set forth in their report. In connection with the incorporation of the financial statements and the report of the Auditor thereon in Appendix A to this Remarketing Memorandum, the City did not request the Auditor to, and the Auditor has not undertaken to, update its report or to take any action intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in this Remarketing Memorandum; and no opinion is expressed by the Auditor with respect to any event subsequent to the date of its report. The Auditor has not been engaged to perform, and has not performed, since the date of its report included herein any procedures on the financial statements addressed in that report.

CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WATER RATES AND CHARGES

Cities are subject to constitutional and statutory limitations that affect their ability to generate revenue and make expenditures, including Proposition 218 and Proposition 26, which specifically impact the City's ability to impose water rates and charges. These limitations are described below.

Tax Limitations – Proposition 13

Article XIIIA of the State Constitution, known as Proposition 13, was approved by the voters in June 1978. Section 1(a) of Article XIIIA limits the maximum *ad valorem* tax on real property to 1% of "full cash value," and provides that such tax shall be collected by the counties and apportioned according to State statutes. Section 1(b) of Article XIIIA provides that the 1% limitation does not apply to *ad valorem* taxes levied to pay interest or redemption charges on (1) indebtedness approved by the voters prior to July 1, 1978, and (2) any bonded indebtedness for the acquisition or improvement of real property approved on or after July 1, 1978, by two-thirds of the votes cast by the voters voting on the proposition.

Section 2 of Article XIIIA defines "full cash value" to mean the county assessor's valuation of real property as shown on the Fiscal Year 1975-76 tax bill, or, thereafter, the appraised value of real property when purchased, newly constructed, or a change in ownership has occurred. The full cash value may be adjusted annually to reflect inflation at a rate not to exceed 2% per year, or to reflect a reduction in the consumer price index or comparable data for the taxing jurisdiction, or may be reduced in the event of declining property value caused by substantial damage, destruction or other factors. Legislation enacted by the State Legislature to implement Article XIIIA provides that, notwithstanding any other law, local agencies may not levy any *ad valorem* property tax except to pay debt service on indebtedness approved by the voters as described above. Such legislation further provides that each county will levy the maximum tax permitted by Article XIIIA, which is $1.00 per $100 of assessed market value. The legislation further establishes the method for allocating the taxes collected by each county among the taxing agencies in the county.

Since its adoption, Article XIIIA has been amended a number of times. These amendments have created a number of exceptions to the requirement that property be reassessed when purchased, newly constructed or a change in ownership has occurred. These exceptions include certain transfers of real property between family members, certain purchases of replacement dwellings for persons over age 55 and by property owners whose original property has been destroyed in a declared disaster, and certain improvements to accommodate disabled persons and for seismic upgrades to property. These amendments have resulted in marginal reductions in the property tax revenues of the City.

Increases of assessed valuation resulting from reappraisals of property due to new construction, change in ownership or from the 2% annual adjustment are allocated among the various jurisdictions in the "taxing area" based upon their respective "situs." Any such allocation made to a local agency continues as part of its allocation in future years.

The effect of Article XIIIA on the City's finances has been to restrict *ad valorem* tax revenues for general purposes to the statutory allocation of the 1% levy while leaving intact the power to levy *ad valorem* taxes in whatever rate or amount may be required to pay debt service on its outstanding general obligation bonds and unissued bonds authorized prior to July 1, 1978. Both the California State Supreme Court and the United States Supreme Court have upheld the validity of Article XIIIA.

Spending Limitations

At the statewide special election of November 6, 1979, the voters approved an initiative entitled "Limitation of Government Appropriations" which added Article XIIIB to the California Constitution. Under Article XIIIB, State and local governmental entities have an annual "appropriations limit" which limits the ability to spend certain moneys which are called "appropriations subject to limitation" (consisting of tax revenues, state subventions and certain other funds) in an amount higher than the "appropriations."

Proposition 62

A statutory initiative ("Proposition 62") was adopted by the voters voting in the State at the November 4, 1986 General Election which (1) requires that any tax for general governmental purposes imposed by local governmental entities be approved by resolution or ordinance adopted by two-thirds vote of the governmental agency's legislative body and by a majority of the electorate of the governmental entity, (2) requires that any special tax (defined as taxes levied for other than general governmental purposes) imposed by a local governmental entity be approved by a two-thirds vote of the voters within that jurisdiction, (3) restricts the use of revenues from a special tax to the purposes or for the service for which the special tax was imposed, (4) prohibits the imposition of *ad valorem* taxes on real property by local governmental entities except as permitted by Article XIIIA, (5) prohibits the imposition of transaction taxes and sales taxes on the sale of real property by local governmental entities and (6) requires that any tax imposed by a local governmental entity on or after March 1, 1985 be ratified by a majority vote of the electorate within two years of the adoption of the initiative or be terminated by November 15, 1988.

Proposition 218

On November 5, 1996, the voters of the State approved Proposition 218, the so-called "Right to Vote on Taxes Act." Proposition 218 added Articles XIIIC and XIIID to the State Constitution, which contain a number of provisions affecting the ability of local governments to levy and collect both existing and future taxes, assessments, fees and charges.

Article XIIID. Article XIIID established procedural requirements for imposition of assessments, which are defined as any charge on real property for a special benefit conferred upon the real property. Standby charges are classified as assessments. Procedural requirements include the conducting of a public hearing and an election by mailed ballot, with notice to the record owner of each parcel subject to the assessment. The assessment may not be imposed if a majority of the ballots returned oppose the assessment, with each ballot weighted according to the proportional financial obligation of the affected parcel. The City does not currently impose standby charges or assessments for its Wastewater System.

Article XIIID conditions the imposition or increase of any "fee" or "charge" upon there being no written majority protest after a required public hearing and, for fees and charges other than for sewer, water or refuse collection services, voter approval. Article XIIID defines "fee" or "charge" to mean levies (other than *ad valorem* or special taxes or assessments) imposed by a local government upon a parcel or upon a person as an incident of the ownership or tenancy of real property, including a user fee or charge for a "property-related service." One of the requirements of Article XIIID is that before a property-related fee or charge may be imposed or increased, a public hearing upon the proposed fee or charge must be held and notice must be mailed to the record owner of each identified parcel of land

upon which the fee or charge is proposed for imposition. In the public hearing if written protests of the proposed fee or charge are presented by a majority of the owners of affected identified parcel(s), an agency may not impose the fee or charge.

Article XIIID provides that nothing in Proposition 218 shall be construed to affect existing laws relating to the imposition of fees or charges as a condition of property development.

The California Supreme Court decisions in *Richmond v. Shasta Community Services District*, 32 Cal. 4th 409 (2004) ("Richmond"), and *Bighorn Desert View Water Agency v. Verjil*, 39 Cal. 4th 206 (2006) ("Bighorn") have clarified uncertainty surrounding the applicability of Section 6 of Article XIIID to service fees and charges. In Richmond, the California Supreme Court upheld a Court of Appeal decision that water connection fees (which included a capacity charge for capital improvements to the water system and a fire suppression charge) imposed by the Shasta Community Services District were not property related fees or charges subject to Article XIIID because a water connection fee results from the property owner's voluntary decision to apply for the connection. In both Richmond and Bighorn, however, the Court stated that a fee for ongoing water service through an existing connection is imposed "as an incident of property ownership" within the meaning of Article XIIID, rejecting, in Bighorn, the water agency's argument that consumption based water charges are not imposed "as an incident of property ownership" but as a result of the voluntary decisions of customers as to how much water to use.

The City has followed the notice, hearing and protest procedures in Article XIIID in connection with its current water rates, and plans to follow such notice, hearing and protest procedures in connection with future rate increases.

In addition to the procedural requirements of Article XIIID, under Article XIIID all property-related fees and charges, including those which were in existence prior to the passage of Proposition 218 in November 1996, must meet the following substantive standards:

(1) Revenues derived from the fee or charge cannot exceed the funds required to provide the property-related service.

(2) Revenues derived from the fee or charge must not be used for any purpose other than that for which the fee or charge was imposed.

(3) The amount of a fee or charge imposed upon any parcel or person as an incident of property ownership must not exceed the proportional cost of the service attributable to the parcel.

(4) No fee or charge may be imposed for a service unless that service is actually used by, or immediately available to, the owner of the property in question. Fees or charges based on potential or future use of a service are not permitted. Standby charges, whether characterized as charges or assessments, must be classified as assessments and cannot be imposed without compliance with Section 4 of Article XIIID (relating to assessments).

(5) No fee or charge may be imposed for general governmental services including, but not limited to, police, fire, ambulance or library services where the service is available to the public at large in substantially the same manner as it is to property owners.

On April 20, 2015, the California Fourth District Court of Appeal issued a decision in *Capistrano Taxpayers Association, Inc. v. City of San Juan Capistrano*, 235 Cal.App.4th 1493 (2015), holding that the City of San Juan Capistrano's tiered water rates (or inclining block rates) that were in effect from February 1, 2010 through June 30, 2014 violated the requirement of Proposition 218 that a fee or charge for property-related services, such as water delivery, must be proportional to the cost of providing service. In interpreting Proposition 218, the Court of Appeal emphasized that tiered water rates, or inclining block rates, that go up progressively in relation to usage are compatible with Proposition 218. However, the court concluded that Article XIIID requires that each tier must reflect the actual costs of service for property owners falling in each of the tiers. The court further concluded that the city had the burden

of proof to demonstrate compliance with Proposition 218 and that the city failed to meet its burden of proof in demonstrating that its tiered water rates corresponded to the actual costs of providing service to each tier.

The City believes that its established and proposed rates for water service comply with the substantive standards of Article XIIID. However, due to the uncertainties of evolving case law and potential future judicial interpretations of Proposition 218, the City is unable to predict at this time whether Proposition 218 could be interpreted, for example, to further limit fees and charges for water services and/or to require stricter standards for the allocation of costs among customers and customer classes.

Article XIIIC. Article XIIIC provides that the initiative power shall not be prohibited or otherwise limited in matters of reducing or repealing any local tax, assessment, fee or charge and that the power of initiative to affect local taxes, assessments, fees and charges shall be applicable to all local governments. Article XIIIC does not define the terms "local tax," "assessment," "fee" or "charge." The California Supreme Court held in *Bighorn* that the provisions of Article XIIIC applied to rates and fees charged for domestic water use. In the decision, the Court noted that the decision did not address whether an initiative to reduce fees and charges could override statutory rate setting obligations. The City and its City Attorney do not believe that Article XIIIC grants to the voters within the City the power to repeal or reduce rates and charges in a manner that would be inconsistent with the contractual obligations of the City.

The interpretation and application of Proposition 218 will likely be subject to further judicial determinations, and the City is unable to predict the outcome of such determinations, or what, if any, further implementing legislation will be enacted. No assurance can be given that that the courts will not further interpret Article XIIIC and Article XIIID to limit the ability of the City to impose, levy, charge and collect increased fees and charges for water services, or the voters of the City will not, in the future, approve initiatives which seek to repeal, reduce or prohibit the future imposition or increase of assessments, fees or charges, including the City's water service fees and charges.

Proposition 26

Proposition 26, which amended Articles XIIIA and XIIIC of the California Constitution, was approved by the electorate at the November 2, 2010 election. Proposition 26 imposes a majority voter approval requirement on local governments such as the City with respect to certain fees and charges for general purposes, and a two-thirds voter approval requirement with respect to certain fees and charges for special purposes, unless the fees and charges are expressly excluded. Proposition 26, according to its supporters, was intended to prevent the circumvention of tax limitations imposed by the voters in California Constitution Articles XIIIA, XIIIC and XIIID pursuant to Proposition 13, approved in 1978, Proposition 218, approved in 1996, and other measures. Proposition 26 expressly excludes from its scope "a charge imposed for a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable cost to the local government of providing the service or product" and "assessments and property-related fees imposed in accordance with the provisions of Article XIIID." The City believes that its water fees and charges meet the criteria for exclusion under Proposition 26 and that the initiative is not intended to, and would not, apply to fees for water services charged by the City. The City is unable to predict, however, how Proposition 26 will be interpreted by the courts or what its ultimate impact will be.

Other Initiatives

Articles XIIIA, XIIIB, XIIIC and XIIID and Propositions 62 and 26 were adopted as measures that qualified for the ballot pursuant to California's initiative process. From time to time other initiatives have been and could be proposed and adopted affecting the City's revenues or ability to increase revenues. Neither the nature and impact of these measures nor the likelihood of qualification for ballot or passage can be anticipated by the City.

RISK FACTORS

Some of the factors which could impair the ability of the City to pay the 2008 Payments as they become due under the 2008 Contract are summarized below. This discussion is not meant to be an exhaustive list of the risks associated with the purchase of the 2008 Certificates and does not necessarily reflect the relative importance of the

various factors discussed. Potential investors are advised to consider the following factors, along with all other information in this Remarketing Memorandum, in evaluating the 2008 Certificates. There can be no assurance that other risk factors will not become material in the future.

General

The payment of principal and interest on the 2008 Certificates is secured solely by a pledge of the Gross Revenues of the Water Utility System and money on deposit in certain funds under the Trust Agreement. Under the terms of the Master Contract, Gross Revenues are to be deposited in the Revenue Fund and used by the City, ratably, without preference or priority, to (i) pay charges for Maintenance and Operation Costs of the Water Utility System (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not immediately required) as such charges are due and payable and (ii) deposit in the Parity Obligation Payment Fund the amount described in the Master Contract (in general terms, debt service which has accrued or will accrue during the next succeeding month on all Parity Obligations and net payments due or which will be due on all Parity Payment Agreements). See "SECURITY FOR THE 2008 CERTIFICATES — Flow of Funds." The realization of revenues sufficient in amount to meet both of said obligations is subject to, among other things, the capabilities of management of the City, the ability of the City to provide water service to its users, and the ability of the City to establish and maintain water fees and charges sufficient to provide the required debt service coverage as well as pay for Maintenance and Operation Costs.

The 2008 Certificates are limited obligations of the City are not secured by a legal or equitable pledge or charge or lien upon any property of the City or any of its income or receipts, except the Gross Revenues of the Water Utility System. The obligation of the City to make the 2008 Payments does not constitute an obligation of the City to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation.

The City is obligated under the Trust Agreement to make debt service payments on the 2008 Certificates solely from Gross Revenues and certain other funds provided under the Trust Agreement. There is no assurance that the City can succeed in operating the Water Utility System such that the Gross Revenues in the amounts projected in this Remarketing Memorandum will be realized.

If Gross Revenues are insufficient to meet both of the requirements described above, the amounts available to pay Maintenance and Operation Costs will be reduced ratably along with the money to be deposited in the Parity Obligation Payment Fund. This could result in an inability on the part of the City to pay Maintenance and Operation Costs as the same become due which, in turn, could adversely affect the ability of the City to operate the Water Utility System thereby further reducing Gross Revenues.

Among other matters, drought, general and local economic conditions and changes in law and government regulations (including initiatives and moratoriums on growth) could adversely affect the amount of Gross Revenues realized by the City.

Natural Disasters and Seismic Considerations

General. The occurrence of any natural disaster within the City or affecting the City, including, without limitation, earthquake, wildfire, drought, high winds, landslide or flood, could have an adverse material impact on the economy within the City and the revenues available for the payment of the 2008 Certificates and result in substantial damage to and interference with the operations of the Water Utility System.

Seismic Activity. The area encompassed by the City as well as areas from which water supplies are derived, like much of California, may be subject to unpredictable seismic activity. The City and the Water Utility System facilities are located within a regional network of several active and potentially active faults. If there were to be an occurrence of severe seismic activity in or affecting the or the Water Utility System facilities, there could be an impact on the ability of water users to pay the Water Utility System rates and charges, diminishing Gross Revenues, which could have a material adverse effect on payment of the 2008 Certificates.

Flooding. Portions of the City are located are mapped within flood plains and have the potential to flood if rain events exceed the floodplain capacity. Some Water Utility System assets are located in a floodplain and could be vulnerable to a significant flooding event. An emergency response plan is in place to ensure services are restored or redirected as quickly as possible. A major natural disaster (i.e., 100-year flood) could cause a significant disruption to water services. See the subcaption "Climate Change" below. Damage to or contamination of portions of the City or Water Utility System facilities due to flooding and the related impacts on the activities taking place in the Water Utility System service area may affect the demand for water from the Water Utility System or the ability or willingness of customers to pay charges.

Fire. Wildfires have occurred historically in different regions of the State. The City's facilities are not under direct threat from wildfire, however there is the possibility that wildfire could affect the water shelf and have downstream impacts to water quality. There is also the possibility a major wildfire disaster could affect the Water Treatment Plant and impact the water supply therefrom. There can be no assurance that fires will not occur near Water Utility System facilities or within the boundaries of the City in the future, leading to decreased water supplies received by the City or usage of the Water Utility System and a decline in Gross Revenues.

Drought. In the past several years, the State has experienced significant drought periods. The City has the authority to implement water conservation measures due to water shortage, based on the City's urban water management plan and its water conservation plan. The City also has a water shortage contingency plan, which addresses water supply reductions.

Since 2015, the City has adopted a water shortage contingency restriction, which allows up to 3-day per week outdoor watering in the summer months and 2-day per week watering in the winter months.

Despite recent rain events, drought conditions could continue to recur and could cause the State, the City or local authorities to curtail access to sources of water or impose conservation measures or both. The City cannot predict the effect of such actions would impact water supplies in future water years. There can be no assurance that drought conditions will not persist or worsen in the future. The persistence of drought conditions could materially adversely affect the ability of the City to generate Gross Revenues in amounts that are sufficient to pay the 2008 Certificates, even if the City imposed relatively higher drought water service rates. See "THE WATER UTILITY SYSTEM - Water Charges and Billing - Water Service Rates" above and "Water Supply" below.

Climate Change. Climate change, including change caused by human activities, may have material adverse effects on the Water Utility System. As greenhouse gas emissions continue to accumulate in the atmosphere as a result of economic activity, climate change is expected to intensify, potentially increasing the frequency, severity and timing of extreme weather events such as coastal storm surges, drought, wildfires, floods and heat waves, and raising sea levels. The future fiscal impact of climate change on the on the Water Utility System and its facilities is difficult to predict, but it could be significant and it could have a material adverse effect on the Water Utility System's finances by requiring greater expenditures to counteract the effects of climate change or by changing the business and activities of Water Utility System customers. The City considers the potential effects of climate change in its planning, consistent with state law.

The Master Contract requires the City to "procure and maintain such insurance relating to the Water Utility System which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water Utility System." Such insurance is permitted to be maintained under a program of self-insurance so long as such program is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. While City currently maintains insurance against property damage to its Water Utility System facilities in amounts up to approximately $50 million, damages resulting from earthquakes are not covered. MID currently maintains up to approximately $195 million of insurance coverage for property damage to the Water Treatment Plant (with the City as a named insured), but that coverage does not include damage resulting from either floods or earthquakes.

Public Health Emergencies

In recent years, public health authorities have warned of threats posed by outbreaks of disease and other public health threats. The spread of COVID-19 has had significant adverse health and financial impacts throughout the City, increasing costs and challenges to the City's public health system and disruption of the regional and local economy and widespread business closures. However, the City did not experience a material impact to the operations or financial position of the Water Utility System as a result of the COVID-19 pandemic.

From time to time since the onset of the COVID-19 pandemic, authorities have implemented and revised restrictions on mass gatherings and widespread closings or other limitations of the operations of government, commercial, educational, and other institutions. While significant portions of the population of the State of California (including the City) have been vaccinated, COVID-19 variants have resulted, and may continue to result, in increased infection rates and the imposition of certain restrictions on commercial and other activities.

Neither the City nor the Authority can predict the ultimate effects of the COVID-19 pandemic or other public health emergencies or whether any such effects will have material adverse effect on the availability of Gross Revenues in an amount sufficient to pay debt service on the 2008 Certificates.

Demand for Water

There can be no assurance that the demand for water service will occur as projected in this Remarketing Memorandum. Not only is it possible that future increases in demand for water service will not occur at the rate described herein, it is also possible that current levels of demand could be reduced. A reduction in the level of demand could require an increase in rates or charges in order to comply with the Rate Covenant. See "SECURITY FOR THE 2008 CERTIFICATES — Rate Covenant." The City's ability to increase revenue is subject to Constitutional limitations. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WASTEWATER RATES AND CHARGES—Proposition 218—*Article XIIIC* and —*Article XIIID*." Such rate increases could increase the likelihood of nonpayment, and could further decrease demand.

Water Supply

There can be no assurance that the supply of water available to the City to meet potential system-wide demand will be consistent with the projections in this Remarketing Memorandum. Adequacy of supply could be adversely affected by factors such as water quality standards or groundwater basin regulation which restrict the ability of the City to use existing groundwater supplies to meet demand. See "THE WATER UTILITY SYSTEM — Water Quality." Implementation of the SGMA and the groundwater sustainability plan for the Modesto basin may limit groundwater pumping, increase landfall following, and increase costs. Implementation of the GSP recommendations could also result in claims against the City for failure to comply with applicable laws and regulations. Adequacy of supply also could be adversely affected by drought and drought regulations. See "THE WATER UTILITY SYSTEM - Sources of Water" and " - Treatment and Delivery Agreement."

In addition to the potential problems of insufficient water to meet system-wide demand discussed above, it is possible that the supply of water to meet the demands of particular portions of the City's water service area will be inadequate for such purposes. Some portions of the service area lack the wells necessary to supply them with groundwater, and other portions lack the infrastructure which would be required in order to deliver water from other portions of the service area.

Water Utility System Expenses

There can be no assurance that the Maintenance and Operation Costs will be consistent with the projections in this Remarketing Memorandum. Increases in such costs could require a significant increase in rates or charges in order to pay for existing and future improvements to the Water Utility System and comply with the Rate Covenant. Such rate increases could increase the likelihood of nonpayment by customers and could also decrease demand.

Cybersecurity

The Water Utility System relies on a complex technology environment to conduct its operations. As a recipient and provider of personal, private, and sensitive information, the City and its departments and offices including the Water Utility System face multiple cyber threats including, but not limited to, hacking, viruses, malware and other attacks on computers and other sensitive digital networks and systems. The City has implemented several preventive measures to protect against cybersecurity threats. These include, but are not limited to, firewalls, email filtering, web content filtering, anti-malware, endpoint protection, and maintaining current patch levels on operating systems, network equipment, and endpoint devices. To date, neither the City nor the Water Utility System has experienced any cyberattacks that have resulted in major operational disruptions or financial consequences.

On February 3, 2023, the City experienced a cybersecurity attack on its information technology systems. The attack was quickly isolated by City staff and was limited to a single department. City services remained available to the residents of the City despite the attack. As part of the City's pre-planned response to any cybersecurity attack, the City immediately engaged its cybersecurity insurance company who promptly assigned a group of cyberattack response experts to block additional intrusions, analyze and investigate the nature and scope of the attack, and to recover and restore the City's systems. The recovery process lasted approximately 5 weeks. Some files accessed by the threat actor responsible for the attack may have included some personally identifiable information. On April 11, 2023, the City Council approved the purchase of cybersecurity tools to further efforts to protect the City's network infrastructure.

The City currently maintains insurance coverage with respect to certain information security and privacy liability claims which include the Water Utility System.

Parity Obligations

In addition to the existing Parity Obligations, the City may at any time execute additional Parity Obligations, subject to the specific conditions set forth in the Master Contract. See "SECURITY FOR THE 2008 CERTIFICATES - Existing and Future Parity Obligations" and "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WATER RATES AND CHARGES."

Limitations of the Liquidity Facility

The ability to obtain funds under a Liquidity Facility in accordance with its terms may be limited by federal or State law. Bankruptcy, conservatorship, receivership and similar laws governing financial institutions or any issuer of a Liquidity Facility may prevent or restrict payment under such Liquidity Facility. To the extent the short-term rating on the 2008 Certificates depends in any manner on the rating of the Liquidity Facility Provider, the short-term ratings on the 2008 Certificates could be downgraded or withdrawn if the Liquidity Facility Provider were to be downgraded, placed on credit watch or have its ratings suspended or withdrawn or were to refuse to perform under the Liquidity Facility.

The obligation of the Liquidity Facility Provider under the Liquidity Facility to purchase unremarketed 2008 Certificates is subject to the conditions and limitations set forth therein, and is also subject to all rights and defenses available to contracting parties generally. The Liquidity Facility is not a guaranty to pay the purchase price of any 2008 Certificates tendered for purchase. The Liquidity Facility is a general contract, subject to certain conditions and limitations, and is not a letter of credit. Purchasers of any 2008 Certificates should consult their legal counsel for an explanation of the differences between a general contract and a letter of credit or guaranty. The following is included as a summary of selected differences and does not purport to be complete or definitive.

In general, a letter of credit is an independent, special contract by a bank to pay a third party such as a bond trustee holding the letter of credit for the benefit of owners of such bonds. Banks are required by law to honor their letters of credit except in specified circumstances. If a dispute were to develop between a bank and its borrower, except in limited circumstances, the dispute should not jeopardize payment under the letter of credit because (a) the letter of credit would be independent of the disputed contract between the borrower and the bank and (b) the beneficiary of the letter of credit (typically, the bond trustee) would have direct rights under the letter of credit.

Further, and although there are defenses to payment of letters of credit, such defenses are limited by law to specified circumstances.

In contrast, a standby bond purchase agreement, such as the Liquidity Facility, is merely a general contract. No law expressly requires performance of the contract, although the non-breaching party would be entitled to allowable damages if there were a breach of contract. Although the Trustee is authorized to draw funds in accordance with the Liquidity Facility, the Liquidity Facility Provider has no independent obligation to the Trustee. If a dispute were to develop, the Liquidity Facility Provider will have all defenses allowed at law or in equity to their payment under or other performance of the Liquidity Facility, including but not limited to disputes (whether valid or not) regarding the authority of any party to enter into or perform under the Liquidity Facility. In general, the provider of a standby bond purchase agreement has more defenses against performance than the provider of a letter of credit.

The Liquidity Facility Provider, the Authority or the City may seek to have any future dispute resolved in court and appealed to final judgment before it performs under the Liquidity Facility. Further, even if the Authority were to prevail against the Liquidity Facility Provider, a court would not necessarily order the Liquidity Facility Provider to perform under the Liquidity Facility; it could instead award damages for breach of contract to the Authority. Any such award would not necessarily be in an amount sufficient to pay the purchase price of the applicable 2008 Certificates.

Rate Process

The passage of Proposition 218 by the California electorate affects the City's ability to impose future rate increases, and no assurance can be given that future rate increases will not encounter majority protest opposition under Proposition 218. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WATER RATES AND CHARGES."

Statutory and Regulatory Impact

Laws and regulations governing the treatment and delivery of water are enacted and promulgated by governmental agencies on the federal, state and local levels. Compliance with these laws and regulations may prove costly; and, as more stringent statutory and regulatory standards are developed to protect both the health of consumers and environment, these costs will likely continue to increase. Claims against the City with respect to the Water Utility System could be significant, and such claims will be payable from Gross Revenues. Future compliance with such orders can also impose substantial additional cost on the City's Water Utility System. No assurance can be given that the cost of compliance with applicable laws and regulations will not materially adversely affect the ability of the City to generate sufficient Gross Revenues to pay the 2008 Certificates and comply with the Rate Covenant. See "THE WATER UTILITY SYSTEM — Litigation related to Pollution and Contamination by Third Parties" above.

Limitations on Remedies and Bankruptcy

The ability of the City to increase fees and charges for water service and to comply with the Rate Covenant may be adversely affected by actions and events outside of the control of the City and may be adversely affected by actions taken (or not taken) by voters, property owners, taxpayers or payers of fees and charges. See "CONSTITUTIONAL AND STATUTORY LIMITATIONS ON TAXES AND WATER RATES AND CHARGES." Furthermore, any remedies available to the Owners of the 2008 Certificates upon the occurrence of an event of default under the Contract are in many respects dependent upon judicial actions which are often subject to discretion and delay and could prove both expensive and time consuming to obtain.

In addition to the limitations on remedies contained in the Contract, the rights and obligations under the 2008 Certificates and the Contract may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to limitations on legal remedies against cities in the State of California. Various legal opinions to be delivered concurrently with the issuance of the 2008 Certificates will be so qualified. In addition, the opinion to be delivered by Sidley Austin LLP, Original Special Counsel, concurrently with the execution and delivery of the 2008 Certificates, also stated that the enforceability of the Contract

is subject to the limitations on the imposition of fees and charges by the City relating to the Water Utility System under Articles XIIIC and XIIID of the California Constitution. A copy of the proposed form of opinion of Special Counsel is set forth in Appendix C hereto. The opinion of Original Special Counsel has not been updated subsequent to the date of delivery of the 2008 Certificates or as of the date of this Remarketing Memorandum. In the event the City fails to comply with its covenants under the Contract or to pay principal or interest evidenced by the 2008 Certificates, there can be no assurance that available remedies will be adequate to fully protect the interests of the Owners of the 2008 Certificates.

The enforcement of the remedies provided in the Contract could prove both expensive and time consuming. In addition, the rights and remedies provided in the Contract may be limited by and are subject to provisions of the federal bankruptcy laws, as now or hereafter enacted, and to other laws or equitable principles that may affect creditors' rights.

Chapter 9 of the United State Bankruptcy Code provides certain protections for bonds secured by "special revenues." "Special revenues" includes "receipts derived from the ownership, operation, or disposition of projects or systems of the debtor that are primarily used or intended to be used primarily to provide transportation, utility, or other services, including the proceeds of borrowings to finance the projects or systems.'" The City believes that the Gross Revenues and other funds pledged under the Trust Agreement constitute "special revenues" under Chapter 9. Section 928(a) of Chapter 9 provides that special revenues received by a municipal debtor after the commencement of a Chapter 9 case remain subject to any lien resulting from the pre-petition pledge provided under the Trust Agreement. Further, Section 922 provides that the automatic stay imposed by Chapter 9 does not stay the application of special revenues to the payment of bonded indebtedness. However, a bankruptcy court may determine that the Gross Revenues and other funds pledged under the Trust Agreement are not special revenues, or that the bankruptcy court has no power to control the municipality's use of such special revenues during the pendency of the bankruptcy case.

In a recent bankruptcy court decision, entitled Opinion and Order Granting Motion to Dismiss Plaintiffs' Complaint Pursuant to Fed. R. Civ. P. 12(B)(1) and (B)(6), and filed in U.S.D.C. (Puerto Rico) Case Nos. 17-00155 and 17-00156, respectively, involving instrumentalities of the Commonwealth of Puerto Rico, the bankruptcy court reiterated that the Bankruptcy Code could not be used to invalidate consensual prepetition liens on special revenues acquired by a debtor post-petition. However, the bankruptcy court held that the "special revenue" provisions of the Bankruptcy Code (made applicable to the Commonwealth by provisions of special legislation known as PROMESA) do not require the turnover of those special revenues to bondholders during the course of a bankruptcy proceeding. Rather, the court found that Section 922(d) of the Bankruptcy Code merely authorized the debtor to permit special revenues to be turned over to bondholders to keep itself in compliance with state law, but did not give bondholders the right to compel such payments. The court further found that bondholders were prohibited by the automatic stay from enforcing their liens against the special revenues. The decision was appealed to the U.S. Court of Appeals for the First Circuit and affirmed by that court.

In addition, Chapter 9 provides that any application of "special revenues" to the payment of the municipality's debt obligations is subject to prior use of such moneys for the payment of "necessary operating expenses" of the municipal enterprise. There can be no assurance that a bankruptcy court would not interpret the term "necessary operating expenses" to be more expansive than the meaning afforded "Maintenance and Operation Costs" under the Contract, thus potentially reducing Gross Revenues available to pay the 2008 Certificates.

In order to confirm a plan of adjustment in any bankruptcy proceeding of the City, it must still comply with the requirements of Section 943 of the Bankruptcy Code. This requires the City to demonstrate, among other things, that it is not prohibited by state law from taking any action necessary to carry out the proposed plan, including with respect its use of special revenues. However, because Section 943 was not likewise amended by Congress when the "special revenues" provisions were enacted, it is possible that, without the consent and over the objection of the Trustee and the Owners if the 2008 Certificates, the bankruptcy court may permit the alteration of the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources and uses, covenants (including tax-related covenants and call protection), and other terms or provisions of the Trust Agreement and the 2008 Certificates, as long as the bankruptcy court determines that the alterations are fair and equitable.

Litigation

From time to time there are litigation matters against the City, which could, if determined adversely to the City, affect the expenditures and, in some cases, the Gross Revenues of the Water Utility System and cash flow. While there can be no assurances as to the ultimate resolution and fiscal impact of such litigation, the City believes that the resolutions of such litigation that is pending are unlikely to adversely affect payment of principal and interest evidenced by the 2008 Certificates when due. See "THE WATER UTILITY SYSTEM — Litigation related to Pollution and Contamination by Third Parties" above.

Interest Rate Swaps Terminated During a Period of Negative Value Could Negatively Impact Financial Condition; Collateral Posting

The City has entered into the 2008 Swap Agreement and may enter into interest rate swap agreements payable from Gross Revenues to hedge interest rate risk in the future. In addition, MIDFA has entered into the MIDFA 2007 Swap Agreement, for which the City has assumed the payment obligations. Any interest rate swap or other hedge agreement may, at any time, have a negative value to the City. Such agreements may also be subject to early termination upon the occurrence of certain specified events. If either the City or the counterparty terminates such an agreement when the agreement has a negative value to the City, the City could be obligated to make a termination payment from Gross Revenues to the counterparty in the amount of such negative value and such payment could be substantial and potentially materially adverse to the Water Utility System's financial condition. The occurrence of a termination event or changes in the market value of such agreements could negatively or positively impact the Water Utility System's operating results and financial condition, and such impact could be material. In the event of an early termination of a swap agreement, there can be no assurance that (1) where the swap agreement has a positive value to the City, the City will receive any termination payment payable to it by the respective swap counterparty, (2) where the swap agreement has a negative value to the City, the City will have sufficient amounts to pay a termination payment payable by them to the respective swap counterparty, and (3) in any event, the City will be able to obtain a replacement swap agreement with comparable terms. Under certain circumstances, the City may be required to post collateral in connection with the 2008 Swap Agreement and/or the MIDFA 2007 Swap Agreement. The City may periodically enter into other interest rate swap agreements that require it to post collateral to secure its obligations in certain circumstances. If the City is unable to secure its obligations under such interest rate swap agreement with sufficient collateral, the swap counterparty to such swap agreement may have the right to terminate the swap agreement.

Ratings May Be Lowered or Withdrawn; Unsolicited Ratings

There can be no assurance that the ratings assigned to the 2008 Certificates will not be lowered or withdrawn at any time, the effect of which could adversely affect the market price for and marketability of the 2008 Certificates. Such rating changes could occur due to changes in the rating of Assured Guaranty, the Liquidity Provider or the underlying credit of the Water Utility System. See also the information under the heading "RATINGS."

The 2008 Certificates have received credit ratings from two nationally recognized statistical rating organizations ("NRSROs"). See "RATINGS" below.

An NRSRO other than the NRSROs hired by the Authority or the City may issue ratings on the 2008 Certificates, an NRSRO other than an NRSRO hired by Assured Guaranty may issue ratings on Assured Guaranty or an NRSRO other than an NRSRO hired by the Liquidity Provider may issue ratings on the Liquidity Provider ("Unsolicited Ratings"), which may be lower, and could be significantly lower, than the ratings assigned by the respective hired NRSROs. Issuance of an Unsolicited Rating lower than the ratings assigned by a hired NRSRO on the 2008 Certificates, Assured Guaranty or the Liquidity Provider might adversely affect the value of the 2008 Certificates. Investors in the 2008 Certificates should consult with their legal counsel regarding the effect of the issuance of a rating by a non-hired NRSRO that is lower than the rating of a hired NRSRO. Currently, Moody's Investor's Service, Inc. maintains an Unsolicited Rating of "A2" (financial strength rating) on Assured Guaranty. None of the Authority, the City, the Remarketing Agent, Assured Guaranty, Liquidity Provider or any of their affiliates will have any obligation to inform the Owners of the 2008 Certificates of any Unsolicited Ratings assigned after the date of this Remarketing Memorandum. In addition, if the Authority, the City, Assured Guaranty or the Liquidity Provider fail to make available to a non-hired NRSRO any information provided to any hired rating agency for the purpose of assigning or monitoring the ratings on the 2008 Certificates, Assured Guaranty or the Liquidity Provider,

a hired NRSRO could withdraw its ratings on the 2008 Certificates, Assured Guaranty or the Liquidity Provider, which could adversely affect the market value of the 2008 Certificates and/or limit the Owner's ability to resell its 2008 Certificates.

THE AUTHORITY

The Authority was established pursuant to the provisions of Sections 6500 *et seq*. of the California Government Code and a Joint Exercise of Powers Agreement, dated as of December 1, 1989, by and between the City and the Industrial Development Authority of the City of Modesto. The Authority was established for the purpose of financing the acquisition, construction, improvement and equipping of public capital improvements. The governing board of the Authority consists of the City Council of the City.

ABSENCE OF LITIGATION

There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, regulatory agency, public board or body, pending or, to the knowledge of the City or the Authority, threatened against the City or the Authority affecting the existence of the City or the Authority or the titles of their respective directors or officers to their respective offices or seeking to restrain or to enjoin the sale or delivery of the 2008 Certificates, the application of the proceeds thereof in accordance with the Trust Agreement, or in any way contesting or affecting the validity or enforceability of the 2008 Certificates, the Trust Agreement, the Contract, or any action of the City or the Authority contemplated by any of said documents, or in any way contesting the completeness or accuracy of this Remarketing Memorandum or any amendment or supplement thereto, or contesting the powers of the City or the Authority or their respective authority with respect to the 2008 Certificates or any action of the City or the Authority contemplated by any of said documents, nor to the knowledge of the City, is there any basis therefor.

TAX MATTERS

On the date of original execution and delivery of the 2008 Certificates, Sidley Austin LLP, as Special Counsel ("Original Special Counsel") to the Authority and City in connection with the issuance of the 2008 Certificates, rendered its opinion that based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the Trust Agreement and the 2008 Contract and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the 2008 Certificates and the timely payment of certain investment earnings to the United States, interest with respect to the 2008 Certificates is not includable in the gross income of the owners of the 2008 Certificates for federal income tax purposes, and further, interest with respect to the 2008 Certificates is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest with respect to the 2008 Certificates, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability.

The opinion of Original Special Counsel was based on current legal authority as of the date of original execution and delivery of the 2008 Certificates, covered certain matters not directly addressed by such authorities, and represented Original Special Counsel's judgment as to the proper treatment of the 2008 Certificates for federal income tax purposes. It was and is not binding on the Internal Revenue Service ("IRS") or the courts. Furthermore, Original Special Counsel could not give and has not given any opinion or assurance about the activities of the Authority or the City subsequent to the date of original issuance and delivery of the 2008 Certificates, or about the effect of changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS subsequent to such date.

Original Special Counsel is not obligated to defend the Authority, the City or the Beneficial Owners regarding the tax-exempt status of the 2008 Certificates in the event of an audit examination by the IRS. Under current procedures, parties other than the Authority and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority and the City legitimately disagrees may not be practicable. Any action of the IRS,

including but not limited to selection of the 2008 Certificates for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues, may affect the market price for, or the marketability of, the 2008 Certificates, and may cause the Authority, the City or the Beneficial Owners to incur significant expense.

RATINGS

Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") are expected to assign their long-term ratings of "A2" and "AA" respectively, to the 2008 Certificates based upon the 2008 Certificate Insurance Policy by Assured Guaranty. Moody's and S&P are also expected to assign their underlying long-term ratings of "Aa3" and "AA" respectively, to the 2008 Certificates. Moody's and S&P are also expected to assign their short-term ratings of "P-1" and "A-1" respectively, to the 2008 Certificates based on the delivery of the Liquidity Facility. Generally, rating agencies base their ratings on information and material furnished directly to them and on investigations, studies and assumptions made by them. The ratings reflect only the views of such organizations and an explanation of the significance of such rating may be obtained from the rating agency furnishing such rating at the following address: S&P, 55 Water Street, New York, New York 10041. There is no assurance that the rating will continue for any given period of time or that it will not be revised downward or withdrawn entirely by such rating agency, if, in the judgment of such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such rating may have an adverse effect on the market price of the 2008 Certificates.

See "RISK FACTORS - Ratings May Be Lowered or Withdrawn; Unsolicited Ratings."

MUNICIPAL ADVISOR

The City has retained PFM Financial Advisors LLC, of San Francisco, California, as Municipal Advisor (the "Municipal Advisor") in connection with the execution and delivery of the 2008 Certificates. The Municipal Advisor is not obligated to undertake, and has not undertaken to make, an independent verification or assume responsibility for the accuracy, completeness, or fairness of the information contained in this Remarketing Memorandum. PFM Financial Advisors LLC is an independent municipal advisory firm and is not engaged in the business of underwriting, trading or distributing municipal securities or other public securities.

CERTAIN LEGAL MATTERS

On the date of issuance of the 2008 Certificates, Original Special Counsel, rendered its opinion as to the validity and enforceability of the 2008 Certificates. The opinion of Original Special Counsel has not been updated as of the date of this Remarketing Memorandum. A copy of opinion of Original Special Counsel rendered with respect to the 2008 Certificates is attached as Appendix C hereto. Norton Rose Fulbright US LLP is currently serving as Special Counsel and Disclosure Counsel to the Authority and the City. As Special Counsel to the Authority and the City, Norton Rose Fulbright US LLP is not providing any opinion to the Owners with respect to the validity and enforceability of the 2008 Certificates. Certain other legal matters with respect to the Authority and the City in connection with the delivery of the Liquidity Facility will be passed upon by Special Counsel. Certain legal matters with respect to the Authority and the City in connection with the delivery of the Liquidity Facility will be passed upon by its City Attorney. Certain legal matters will be passed upon for the Liquidity Facility Provider by its counsel, Hawkins Delafield & Wood LLP, Los Angeles, California.

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MISCELLANEOUS

Reference is made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and complete statement of the contents thereof.

Any statements in this Remarketing Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Memorandum is not to be construed as a contract or agreement between the City and the purchasers or holder of any 2008 Certificates.

The execution and delivery of this Remarketing Memorandum have been duly authorized by the City and the Authority.

CITY OF MODESTO, CALIFORNIA

By: /s/ DeAnna Christensen
Finance Director

MODESTO PUBLIC FINANCING AUTHORITY

By: /s/ DeAnna Christensen
Auditor and Treasurer

APPENDIX A

EXCERPTS FROM THE CITY'S FINANCIAL STATEMENTS

The City has filed its Annual Comprehensive Financial Report ("ACFR") for the Fiscal Year ended June 30, 2022 with the Municipal Securities Rulemaking Board, through its Electronic Municipal Market Access website. Such ACFR is incorporated herein by reference. The following are excerpts from the ACFR relating to the Water Utility System.

CITY OF MODESTO
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2022

	Enterprise					
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	Internal Service
ASSETS						
Current assets:						
Cash and cash equivalents	$ 138,470,018	$ 119,837,512	$ -	$ 15,514,425	$ 273,821,955	$ 24,664,403
Receivables:						
Accounts, net	55,189	831,556	-	2,804,407	3,691,152	509,846
Interest	313,789	299,771	-	41,951	655,511	93,567
Utilities, net	11,128,798	7,606,590	-	1,118,776	19,854,164	-
Leases	21,244	22,754	-	279,397	323,395	51,738
Prepaid expenses	2,299,942	66,284	-	4,088	2,370,314	85,554
Due from governments	1,559,422	650,541	-	1,538,084	3,748,047	1,463,032
Inventories	35,435	-	-	54,168	89,603	1,808,468
Total current assets	153,883,837	129,315,008	-	21,355,296	304,554,141	28,676,608
Noncurrent assets:						
Advances to other funds	3,720,000	1,698,976	-	158,642	5,577,618	-
Restricted cash and cash equivalents	5,528,112	9,740,808	-	649,879	15,918,799	5,387,856
Restricted cash and cash equivalents with fiscal agent	2,917,320	58,833	-	665,373	3,641,526	195,611
Leases receivable	182,587	299,383	-	9,259,179	9,741,149	967,381
Land and construction in progress	34,839,418	43,096,467	-	11,007,831	88,943,716	11,236,614
Other capital assets, net of accumulated depreciation	394,491,474	348,832,784	-	29,260,308	772,584,566	30,473,445
Intangible assets right-to-use, net of accumulated amortization	451,313	-	-	-	451,313	8,644
Total noncurrent assets	442,130,224	403,727,251	-	51,001,212	896,858,687	48,269,551
Total assets	596,014,061	533,042,259	-	72,356,508	1,201,412,828	76,946,159
DEFERRED OUTFLOWS OF RESOURCES						
Deferred OPEB	821,867	552,810	-	371,104	1,745,781	489,543
Deferred pensions	2,625,309	2,830,513	-	1,446,334	6,902,156	1,887,354
Loss on refunding	333,089	155,512	-	-	488,601	-
Accumulated decrease in fair value of hedging derivatives	18,340,709	-	-	-	18,340,709	-
Total deferred outflows of resources	22,120,974	3,538,835	-	1,817,438	27,477,247	2,376,897
Total assets and deferred outflows of resources	$ 618,135,035	$ 536,581,094	$ -	$ 74,173,946	$ 1,228,890,075	$ 79,323,056
LIABILITIES						
Current liabilities:						
Accounts payable	$ 3,083,061	$ 2,604,208	$ -	$ 906,517	$ 6,593,786	$ 4,147,057
Accrued salaries and benefits	318,546	321,361	-	211,797	851,704	255,778
Interest payable	2,662	509,644	-	12,232	524,538	362
Current portion - compensated absences	-	-	-	-	-	1,533,757
Current portion - claims liability	-	-	-	-	-	6,297,828
Current portion - long-term debt	6,273,476	9,012,668	-	462,352	15,748,496	-
Current portion - developer advances	83,725	-	-	-	83,725	-
Current portion - leases	181,795	-	-	-	181,795	8,651
Unearned revenue	39,171	2,294,197	-	1,250,945	3,584,313	73,666
Total current liabilities	9,982,436	14,742,078	-	2,843,843	27,568,357	12,317,099
Noncurrent liabilities:						
Payable from restricted assets - refundable deposits	1,365,777	1,049,101	-	-	2,414,878	-
Advances from other funds	-	-	-	5,762,904	5,762,904	-
Compensated absences	-	-	-	-	-	10,428,316
Claims liability	-	-	-	-	-	20,560,470
Derivative instrument - interest swap	18,340,709	-	-	-	18,340,709	-
Pollution remediation liability	5,248,885	6,587,713	-	956,051	12,792,649	-
Long-term debt:						
Reimbursement agreement related to MID debt	93,760,726	-	-	-	93,760,726	-
Revenue bonds payable	-	105,274,842	-	-	105,274,842	-
Finance purchase obligations	-	-	-	1,001	1,001	-
Loans payable	290,830	25,424,053	-	-	25,714,883	-
Certificates of participation	42,313,037	-	-	480,000	42,793,037	-
Developer advances	615,617	-	-	-	615,617	-
Leases payable long-term	275,290	-	-	-	275,290	-
Net OPEB liability	2,936,341	2,152,583	-	1,713,724	6,802,648	1,826,994
Net pension liability	13,826,630	14,907,373	-	7,617,357	36,351,360	9,940,068
Total noncurrent liabilities	178,973,842	155,395,665	-	16,531,037	350,900,544	42,755,848
Total liabilities	188,956,278	170,137,743	-	19,374,880	378,468,901	55,072,947
DEFERRED INFLOWS OF RESOURCES						
Deferred OPEB	83,411	69,774	-	67,232	220,417	59,395
Deferred pensions	6,446,012	6,949,857	-	3,551,232	16,947,101	4,634,087
Deferred leases	199,525	315,508	-	9,415,667	9,930,700	1,065,388
Total deferred inflows of resources	6,728,948	7,335,139	-	13,034,131	27,098,218	5,758,870
NET POSITION						
Net investment in capital assets	289,943,232	357,706,875	-	39,990,159	687,640,266	41,718,703
Restricted for pollution remediation	4,162,335	8,691,707	-	649,879	13,503,921	-
Restricted refundable deposits	1,365,777	1,049,101	-	-	2,414,878	5,583,467
Unrestricted	126,978,465	(8,339,471)	-	1,124,897	119,763,891	(28,810,931)
Total net position	422,449,809	359,108,212	-	41,764,935	823,322,956	18,491,239
Total liabilities, deferred inflows of resources, and net position	$ 618,135,035	$ 536,581,094	$ -	$ 74,173,946		$ 79,323,056
Adjustment to reflect the consolidation of internal service fund activities					(4,017,664)	
Net position of business-type activities					$ 819,305,292	

The notes to basic financial statements are an integral part of this statement.

CITY OF MODESTO
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	Enterprise					
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	Internal Service
OPERATING REVENUES:						
Charges for services	$ 84,975,835	$ 63,788,443	$ -	$ 22,528,456	$ 171,292,734	$ 92,171,064
Miscellaneous	1,255,281	108,124	-	454,481	1,817,886	426,888
Total operating revenues	86,231,116	63,896,567	-	22,982,937	173,110,620	92,597,952
OPERATING EXPENSES:						
Salaries and wages	9,322,014	9,286,687	-	5,493,802	24,102,503	8,174,460
Cost of goods sold	-	-	-	-	-	4,022,553
Contractual services	10,059,945	2,957,393	-	6,446,733	19,464,071	5,468,196
Utilities	2,817,179	3,477,745	-	666,037	6,960,961	528,085
Maintenance and supplies	7,655,748	5,131,651	-	5,231,563	18,018,962	10,797,675
Water purchases	10,784,117	-	-	-	10,784,117	-
Insurance	486,996	1,114,123	-	587,457	2,188,576	20,656,448
Claims	-	-	-	-	-	8,649,263
Employee benefits	2,851,672	3,000,086	-	1,908,468	7,760,226	32,558,398
Administration services	1,204,837	1,832,417	-	3,191,385	6,228,639	1,290,230
Allocated indirect administrative costs	1,404,346	821,002	-	553,218	2,778,566	412,063
Depreciation	20,440,834	13,943,021	-	1,740,583	36,124,438	3,993,945
Total operating expenses	67,027,688	41,564,125	-	25,819,246	134,411,059	96,551,316
OPERATING INCOME (LOSS)	19,203,428	22,332,442	-	(2,836,309)	38,699,561	(3,953,364)
NONOPERATING REVENUES (EXPENSES)						
Operating grants	246,174	389,802	-	1,008,362	1,644,338	-
Gain (loss) on disposition of capital assets	3,680	4,950	-	27,550	36,180	(87,687)
Tax revenue	-	-	-	212,978	212,978	-
Tax expense	(124,478)	(70,686)	-	(20,637)	(215,801)	-
Interest income	1,221,482	1,174,516	-	291,145	2,687,143	513,094
Net (decrease) in fair value of investments	(5,172,019)	(4,945,856)	-	(693,827)	(10,811,702)	(1,644,126)
Connection fees	-	1,470,850	-	-	1,470,850	-
Rental income	44,023	513,625	-	744,009	1,301,657	5,381
Interest expense and amortization	(5,914,655)	(2,419,591)	-	(52,202)	(8,386,448)	(8,659)
Trustee and letter of credit fees	(153)	(3,000)	-	(3,535)	(6,688)	-
Total nonoperating revenues (expenses)	(9,695,946)	(3,885,390)	-	1,513,843	(12,067,493)	(1,221,997)
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	9,507,482	18,447,052	-	(1,322,466)	26,632,068	(5,175,361)
Capital contributions	151,294	2,301,689	-	-	2,452,983	-
Transfers in	413,899	14,592	-	4,188,221	4,616,712	26,802,546
Transfers out	(1,170,836)	(1,231,732)	(19,328,695)	(3,963,033)	(25,694,296)	(4,041,437)
Total contributions and transfers	(605,643)	1,084,549	(19,328,695)	225,188	(18,624,601)	22,761,109
SPECIAL ITEM						
Loss in transfer of operations	-	-	(19,461,712)	-	(19,461,712)	-
CHANGES IN NET POSITION	8,901,839	19,531,601	(38,790,407)	(1,097,278)	(11,454,245)	17,585,748
NET POSITION, JULY 1	423,902,035	341,532,098	38,763,577	42,993,964		1,925,460
PRIOR YEAR ADJUSTMENTS	(10,354,065)	(1,955,487)	26,830	(131,751)		(1,019,969)
NET POSITION, JUNE 30	$ 422,449,809	$ 359,108,212	$ -	$ 41,764,935		$ 18,491,239
Adjustment to reflect the consolidation of internal service funds					(702,391)	
Change in net position of business-type activities					$ (12,156,636)	

The notes to basic financial statements are an integral part of this statement.

CITY OF MODESTO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FISCAL YEAR ENDED JUNE 30, 2022

	Enterprise					
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	Internal Service
CASH FLOWS FROM OPERATING ACTIVITIES:						
Receipts from customers and users	$ 86,480,080	$ 63,665,252	$ 304,695	$ 22,472,662	$ 172,922,689	$ 1,456,601
Receipts from interfund services provided	277,603	7,176	-	-	284,779	92,171,064
Payments to suppliers	(28,015,556)	(10,946,830)	(3,394,620)	(8,473,163)	(50,830,169)	(42,334,360)
Payment of insurance claims	-	-	-	-	-	(10,544,495)
Payments to employees	(13,903,757)	(14,063,099)	(88,159)	(8,238,650)	(36,293,665)	(40,182,681)
Payments for interfund services used	(8,803,023)	(6,090,830)	-	(8,589,412)	(23,483,265)	(2,752,596)
Net cash provided (used) by operating activities	36,035,347	32,571,669	(3,178,084)	(2,828,563)	62,600,369	(2,186,467)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES:						
Operating grants received	246,174	389,802	49,127	1,008,362	1,693,465	-
Operating grant payments	-	-	(4,659,274)	-	(4,659,274)	-
Taxes received	-	-	-	212,978	212,978	-
Transfers in	413,899	14,592	-	4,188,221	4,616,712	7,499,928
Transfers out	(1,170,836)	(1,231,732)	(26,077)	(3,963,033)	(6,391,678)	(4,041,437)
Advances from/to other funds	620,000	501,973	(471,416)	(601,319)	49,238	-
Net cash provided (used) by noncapital financing activities	109,237	(325,365)	(5,107,640)	845,209	(4,478,559)	3,458,491
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:						
Acquisition and construction of capital assets	(6,496,191)	(10,458,160)	-	(253,307)	(17,207,658)	(9,240,858)
Proceeds from sale of capital assets	14,818	4,950	-	27,550	47,318	14,075
Principal repayments	(6,640,344)	(9,866,016)	-	(435,000)	(16,941,360)	-
Interest paid	(6,095,181)	(2,419,591)	-	(55,534)	(8,570,306)	(8,297)
Trustee and letter of credit fees	(153)	(3,000)	-	(3,535)	(6,688)	-
Capital contributions	151,294	2,301,689	-	-	2,452,983	-
Connection fees for capital purposes	-	1,470,850	-	-	1,470,850	-
Net cash provided (used) by capital and related financing activities	(19,065,757)	(18,969,278)	-	(719,826)	(38,754,861)	(9,235,080)
CASH FLOWS FROM INVESTING ACTIVITIES:						
Interest received	1,197,258	1,180,230	19,897	253,220	2,650,605	523,671
Net (decrease) in the fair value of investments	(5,172,019)	(4,945,856)	-	(693,828)	(10,811,703)	(1,644,126)
Rental income received	44,023	513,625	-	744,009	1,301,657	5,381
Net cash provided (used) by investing activities	(3,930,738)	(3,252,001)	19,897	303,401	(6,859,441)	(1,115,074)
Net increase (decrease) in cash and cash equivalents	13,148,089	10,025,025	(8,265,827)	(2,399,779)	12,507,508	(9,078,130)
CASH AND CASH EQUIVALENTS, JULY 1	133,767,361	119,612,128	8,265,827	19,229,456	280,874,772	39,326,000
CASH AND CASH EQUIVALENTS, JUNE 30	$ 146,915,450	$ 129,637,153	$ -	$ 16,829,677	$ 293,382,280	$ 30,247,870
RECONCILIATION TO STATEMENT OF NET POSITION:						
Cash and cash equivalents	$ 138,470,018	$ 119,837,512	$ -	$ 15,514,425	$ 273,821,955	$ 24,664,403
Restricted cash and cash equivalents	5,528,112	9,740,808	-	649,879	15,918,799	5,387,856
Restricted cash and cash equivalents with fiscal agent	2,917,320	58,833	-	665,373	3,641,526	195,611
TOTAL CASH AND CASH EQUIVALENTS	$ 146,915,450	$ 129,637,153	$ -	$ 16,829,677	$ 293,382,280	$ 30,247,870

(continued)

The notes to basic financial statements are an integral part of this statement.

CITY OF MODESTO
STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS (Continued)
FISCAL YEAR ENDED JUNE 30, 2022

	Enterprise					
	Water	Sewer	Bus	Other Enterprise	Total Enterprise	Internal Service
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	$ 19,203,428	$ 22,332,442	$ -	$ (2,836,309)	$ 38,699,561	$ (3,953,364)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	20,440,834	13,943,021	-	1,740,583	36,124,438	3,993,945
Taxes paid	(124,478)	(70,686)	-	(20,637)	(215,801)	-
Change in assets, liabilities, and deferred resources:						
(Increase) decrease in accounts receivable	(9,526)	825,951	304,695	(1,150,877)	(29,757)	962,786
(Increase) in utilities receivable	(568,798)	(605,728)	-	(111,360)	(1,285,886)	-
(Increase) decrease in due from governments	1,070,340	51,418	-	219,249	1,341,007	(1,434,130)
(Increase) decrease in prepaid expenses	640,510	16,735	5,582	1,046	663,873	(63,825)
(Increase) in inventories	-	-	-	(114,619)	(114,619)	(462,136)
Increase (decrease) in accounts payable	(2,106,507)	(1,278,161)	(3,400,202)	(326,519)	(7,111,389)	1,157,915
Increase (decrease) in accrued salaries and benefits	43,473	27,358	(88,159)	32,872	15,544	65,115
(Decrease) in compensated absences	-	-	-	-	-	(313,587)
(Increase) decrease in net OPEB liability and deferred resources	(194,435)	(109,993)	-	(66,114)	(370,542)	1,950,073
(Decrease) in net pension liability and deferred resources	(1,579,112)	(1,693,691)	-	(801,206)	(4,074,009)	(2,277,697)
(Decrease) in claims liability	-	-	-	-	-	(1,894,559)
Increase (decrease) in pollution remediation liability	(814,936)	(371,219)	-	51,099	(1,135,056)	-
Increase (decrease) in unearned revenue	7,720	(499,564)	-	577,497	85,653	36,728
(Increase) decrease in lease receivable	-	(6,629)	-	(23,268)	(29,897)	46,269
Increase in refundable deposits	26,834	10,415	-	-	37,249	-
Total adjustments	16,831,919	10,239,227	(3,178,084)	7,746	23,900,808	1,766,897
Net cash provided (used) by operating activities	$ 36,035,347	$ 32,571,669	$ (3,178,084)	$ (2,828,563)	$ 62,600,369	$ (2,186,467)
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES:						
Transfer of fixed assets upon transfer of operations	$ -	$ -	$ 38,737,483	-	$ 38,737,483	$ -
Relief of payroll related debt and associated deferred outflows/inflows upon trasnfer of operations	-	-	3,782,751	-	3,782,751	-
TOTAL NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	$ -	$ -	$ 42,520,234	$ -	$ 42,520,234	$

The notes to basic financial statements are an integral part of this statement.

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APPENDIX B

DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of the provisions of the Contract and the Trust Agreement. This summary is not intended to be definitive and is qualified in its entirety by reference to the aforementioned documents. Copies of the Contract and the Trust Agreement are available upon request from the Trustee.

All capitalized terms not defined herein or elsewhere in this Remarketing Memorandum shall have the meanings set forth in the Contract and the Trust Agreement.

THE CONTRACT

Certain provisions of the Contract are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE CONTRACT.

Definitions

The following are summaries of definitions of certain terms from the Contract used in this Summary of Principal Legal Documents or elsewhere in this Remarketing Memorandum.

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

"Adjusted Annual Gross Revenues" means, for any Fiscal Year or any designated twelve (12) month period in question, the Gross Revenues during such Fiscal Year or twelve (12) month period, plus deposits to the Revenue Fund from amounts on deposit in the Rate Stabilization Fund, but only as and to the extent specified in the Master Contract; minus, (y) amounts transferred from the Revenue Fund to the Rate Stabilization Fund in accordance with the Master Contract and, (z) for the purposes of determining compliance with the rate covenant only set forth in the Master Contract, earnings from the investments in the Parity Reserve Fund that are deposited in the Revenue Fund in such Fiscal Year or twelve (12) month period.

"Adjusted Annual Net Revenues" means, for any Fiscal Year or any designated twelve (12) month period in question, the Adjusted Annual Gross Revenues during such Fiscal Year or twelve (12) month period less the Maintenance and Operation Costs during such Fiscal Year or twelve (12) month period.

"Annual Debt Service" means, for any Fiscal Year or any designated twelve (12) month period in question, the required payments to be made with respect to all Outstanding Parity Obligations in such Fiscal Year or twelve (12) month period; provided, that for purposes of determining compliance with the rate covenant set forth in the Master Contract, the Reserve Fund Requirement and conditions for the execution of Parity Obligations:

(A) Generally. Except as otherwise provided by subparagraph (B) with respect to Variable Interest Rate Parity Obligations and by subparagraph (C) with respect to Parity Obligations with respect to which a Payment Agreement is in force, interest on any Parity Obligation will be calculated based on the actual amount of interest that is payable under that Parity Obligation;

(B) Interest on Variable Interest Rate Parity Obligations. The amount of interest deemed to be payable on any Variable Interest Rate Parity Obligation will be calculated on the assumption that the interest rate on that Parity Obligation would be equal to the rate (the "assumed RBI-based rate") that is ninety percent (90%) of the average RBI during the twelve (12) calendar month period immediately preceding the date in which the calculation is made;

(C) Interest on Parity Obligations with respect to which a Payment Agreement is in force. The amount of interest deemed to be payable on any Parity Obligations with respect to which a Payment Agreement is in force will, so long as the Qualified Counterparty thereto is not in default thereunder, be based on the net economic effect on the City expected to be produced by the terms of such Parity Obligation and such Payment Agreement, including but not limited to the effects that (i) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a Variable Interest Rate instead will be treated as an obligation bearing interest at a fixed interest rate, and (ii) such Parity Obligation would, but for such Payment Agreement, be treated as an obligation bearing interest at a fixed interest rate instead will be treated as an obligation bearing interest at a Variable Interest Rate; and accordingly, the amount of interest deemed to be payable on any Parity Obligation with respect to which a Payment Agreement is in force will, so long as the Qualified Counterparty thereto is not in default thereunder, be an amount equal to the amount of interest that would be payable at the rate or rates stated in such Parity Obligation plus the Payment Agreement Payments minus the Payment Agreement Receipts, and for the purpose of calculating Payment Agreement Receipts and Payment Agreement Payments under such Payment Agreement, the following assumptions will be made:

(1) Counterparty Obligated to Pay Actual Variable Interest Rate on Variable Interest Rate Parity Obligations. If the Payment Agreement obligates a Qualified Counterparty to make payments to the City based on the actual Variable Interest Rate on a Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation and obligates the City to make payments to the Qualified Counterparty based on a fixed rate, payments by the City to the Qualified Counterparty will be assumed to be made at the fixed rate specified by the Payment Agreement and payments by the Qualified Counterparty to the City will be assumed to be made at the actual Variable Interest Rate on such Parity Obligation, without regard to the occurrence of any event that, under the provisions of the Payment Agreement, would permit the Qualified Counterparty to make payments on any basis other than the actual Variable Interest Rate on such Parity Obligation, and such Parity Obligation will set forth a debt service schedule based on that assumption;

(2) Variable Interest Rate Parity Obligations and Payment Agreements Having the Same Variable Interest Rate Component. If both a Payment Agreement and the related Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation, include a variable interest rate payment component that is required to be calculated on the same basis (including, without limitation, on the basis of the same variable interest rate index), it will be assumed that the variable interest rate payment component payable pursuant to the Payment Agreement is equal in amount to the variable interest rate component payable on such Parity Obligation;

(3) Variable Interest Rate Parity Obligations and Payment Agreements Having Different Variable Interest Rate Components. If a Payment Agreement obligates either the City or the Qualified Counterparty to make payments of a variable interest rate component on a basis that is different (including, without limitation, on a different variable interest rate index) from the basis that

is required to be used to calculate interest on the Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation it will be assumed:

(a) City Obligated to Make Payments Based on Variable Interest Rate Index. If payments by the City under the Payment Agreement are based on a variable interest rate index and payments by the Qualified Counterparty are based on a fixed interest rate, payments by the City to the Qualified Counterparty will be based upon an interest rate equal to the assumed RBI-based rate, and payments by the Qualified Counterparty to the City will be based on the fixed rate specified by the Payment Agreement; and

(b) City Obligated to Make Payments Based on Fixed Interest Rate. If payments by the City under the Payment Agreement are based on a fixed interest rate and payments by the Qualified Counterparty are based on a variable interest rate index, payments by the City to the Qualified Counterparty will be based on an interest rate equal to the rate (the "assumed fixed payor rate") that is one hundred and five percent (105%) of the fixed interest rate specified by the Payment Agreement to be paid by the City, and payments by the Qualified Counterparty to the City will be based on a rate equal to the actual variable interest rate on the Variable Interest Rate Parity Obligation.

(4) Certain Payment Agreements May be Disregarded. Notwithstanding the provisions of subparagraphs (C)(1), (2) and (3) of this definition, the City will not be required to (but may at its option) take into account as set forth in subparagraph (C) of this definition (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

(D) Debt Service on Parity Payment Agreements. No interest will be taken into account with respect to a Parity Payment Agreement for any period during which Payment Agreement Payments on that Parity Payment Agreement are taken into account in determining Annual Debt Service on a related Parity Obligation under subparagraph (C) of this definition; provided, that for any period during which Payment Agreement Payments are not taken into account in calculating Annual Debt Service on any Parity Obligation because the Parity Payment Agreement is not then related to any Parity Obligation, interest on that Parity Payment Agreement will be taken into account by assuming:

(1) City Obligated to Make Payments Based on Fixed Interest Rate. If the City is obligated to make Payment Agreement Payments based on a fixed interest rate and the Qualified Counterparty is obligated to make payments based on a variable interest rate index, payments by the City will be based on the assumed fixed payor rate, and payments by the Qualified Counterparty will be based on a rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made; and

(2) City Obligated to Make Payments Based on Variable Interest Rate Index. If the City is obligated to make Payment Agreement Payments based on a variable interest rate index and the Qualified Counterparty is obligated to make payments based on a fixed interest rate, payments by the City will be based on an interest rate equal to the average rate determined by the variable interest rate index specified by the Payment Agreement during the quarter preceding the quarter in which the calculation is made, and the Qualified Counterparty will make payments based on the fixed rate specified by the Parity Payment Agreement; and

(3) Certain Payment Agreements May be Disregarded. Notwithstanding the provisions of subparagraphs (D)(1) and (2) of this definition, the City will not be required to (but may at its option) take into account (for the purpose of determining Annual Debt Service) the effects of any Payment Agreement that has a remaining term of ten (10) years or less;

(E) Balloon Parity Obligations. For purposes of calculating Annual Debt Service on any Balloon Parity Obligations, it will be assumed that the principal of those Balloon Parity Obligations, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments over a term of thirty (30) years from the date of issuance.

"Authority" means the Modesto Public Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California.

"Average Annual Debt Service" means the sum of the Annual Debt Service for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made (or if appropriate, the first full Fiscal Year following the issuance of Parity Obligations) and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations, divided by the number of such Fiscal Years.

"Balloon Parity Obligation" means any Parity Obligation described as such in such Parity Obligation.

"Business Day" means any day (other than a Saturday or a Sunday) on which banks in New York, New York, are open for business and on which the Trustee is open for business at its corporate trust office in San Francisco, California.

"CDWR Loan" means the loan to the City from the State of California Department of Water Resources in the principal amount of $3,895,000, which obligation is payable from Gross Revenues on a parity with the Payments under the Contracts.

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

"City" means the City of Modesto, a charter city and municipal corporation, duly organized and existing under and by virtue of the Constitution and laws of the State of California.

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

"Connection Fees" means all fees and charges payable to the City for the privilege of connecting to the Water Utility System.

"Consultant's Report" means a report signed by an Independent Consultant.

"Continuing Disclosure Agreement" means any continuing disclosure agreement, by and between the City and the Trustee, delivered pursuant to the Contracts.

"Contracts" means the Master Contract and all Supplemental Contracts.

"Event of Default" means an event described as an event of default under the Master Contract.

"Federal Securities" means United States of America Treasury bills, notes, bonds or certificates of indebtedness, or obligations for which the full faith and credit of the United States of America are pledged for the payment of interest and principal, or securities evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations.

"Finance Director" means the Finance Director of the City.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the City Council of the City as the Fiscal Year of the City.

"Generally Accepted Accounting Principles" means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures selected by the City, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

"Gross Revenues" means all gross income and revenue received or receivable by the City from the ownership or operation of the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including all rates, fees and charges (including all Connection Fees, contributions in aid of construction, and charges and standby water availability charges legally available for debt service) received by the City for the Water Service and the other services and facilities of the Water Utility System and all net proceeds of insurance covering business interruption loss relating to the Water Utility System and all other income and revenue howsoever derived by the City from the ownership or operation of the Water Utility System or arising from the Water Utility System, and including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Revenue Fund or, to the extent deposited in the Revenue Fund, in the Parity Reserve Fund, but excluding in all cases any proceeds of taxes and any refundable deposits made to establish credit and advances.

"Improvement Fund" means the City of Modesto Water Utility System Improvement Fund established pursuant to the Master Contract.

"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 of California, appointed and paid by the City, and who, or each of whom:

(1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as a director, officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

"Independent Consultant" means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to water

systems, or any other financial consultant or firm of financial consultants generally recognized to be well qualified in matters relating to water systems, appointed and paid by the City, and who or each of whom:

(1) is in fact independent and not under the domination of the City;

(2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and

(3) is not connected with the City as a director, officer or employee of the City, but may be regularly retained to make reports to the City.

"Maintenance and Operation Costs" means the costs paid or incurred by the City for maintaining and operating the Water Utility System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, (a) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Water Utility System in good repair and working order, (b) all costs of water purchased by the City, including all costs under the Treatment and Delivery Agreement which do not constitute debt service thereunder, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Water Utility System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, payments into pension funds, and (d) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms of the Master Contract or of any resolution authorizing the execution of any Parity Obligation or of such Parity Obligation, such as compensation, reimbursement and indemnification of the trustee or remarketing agent for any such Parity Obligation, letter of credit fees for any such Parity Obligations and fees and expenses of Independent Certified Public Accountants and Independent Consultants; but excluding in all cases (1) depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles, premiums and discounts, (2) interest expense, (3) amounts paid from funds of the City other than Gross Revenues, and (4) in-lieu transfers or recoupment of contributed capital to the City's general fund.

"Master Contract" means the Master Installment Purchase Contract executed and entered into as of November 1, 1997, by and between the City and the Authority, as the same may be amended or supplemented from time to time.

"Maximum Annual Debt Service" means the greatest Annual Debt Service payable on Parity Obligations in any Fiscal Year during the period commencing with the Fiscal Year in which the determination is being made and terminating with the last Fiscal Year in which payments are due under Outstanding Parity Obligations.

"Moody's" means Moody's Investors Service, 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 will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "Moody's" will be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

"Net Proceeds" means, when used with respect to any condemnation award or with respect to any insurance proceeds, the amount of such condemnation award or such insurance proceeds remaining after payment of all expenses (including attorneys' fees) incurred in the collection of such award or such proceeds.

"1997 Certificates" means the $25,585,000 Refunding Revenue Certificates of Participation (1997 Water Utility System Refinancing Project), evidencing and representing proportionate interests of the owners thereof in the 1997 Payments to be made by the City.

"1997 Payments" means the installment payments required to be made by the City to the Authority under and pursuant to the 1997 Supplemental Contract.

"1997 Supplemental Contract" means the 1997 Supplemental Installment Purchase Contract, executed and entered into as of November 1, 1997, by and between the City and the Authority, supplementing the Master Contract.

"1997 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 1997, by and between the Authority and State Street Bank and Trust Company, N.A., which has been succeeded by The Bank of New York Trust Company, N.A., as trustee, pursuant to which there was executed and delivered the 1997 Certificates.

"Opinion of Counsel" means a written opinion of counsel of recognized national standing in the field of law relating to municipal bonds, retained by the City.

"Outstanding," when used as of any particular time with reference to Parity Obligations, means all Parity Obligations which have not been paid or otherwise satisfied as provided in the Master Contract.

"Parity Bank Agreements" means an agreement with a bank or other financial institution relating to an irrevocable letter of credit, guarantee or other credit enhancement device providing liquidity or irrevocable credit or security for the payment of Parity Obligations.

"Parity Obligation Payment Fund" means the City of Modesto Water Utility System Parity Obligation Payment Fund established pursuant to the Master Contract.

"Parity Obligations" means the payment obligations under the Treatment and Delivery Agreement which constitute debt service, the payment obligations under the CDWR Loan Agreement, and all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Gross Revenues equal to and on a parity with the charge and lien upon the Gross Revenues for the payment of the Payments, other than (i) such portion of the payment obligations (including certain payments due upon an early termination thereof) under any Parity Payment Agreement to the extent such obligations are expressly subordinate to Parity Obligations pursuant to the terms of such Parity Payment Agreement and (ii) Parity Bank Agreements; provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City.

"Parity Payment Agreement" means a Payment Agreement which is a Parity Obligation.

"Parity Reserve Fund" means the City of Modesto Water Utility System Parity Reserve Fund established pursuant to the 1997 Trust Agreement.

"Payment Agreement" means a written agreement for the purpose of managing or reducing the City's exposure to fluctuations in interest rates or for any other interest rate, investment, cash flow, asset or liability managing purposes, entered into either on a current or forward basis by the City and a Qualified Counterparty in connection with, or incidental to, the entering into of any Parity Obligation,

that provides for an exchange of payments based on interest rates, ceilings or floors on such payments, cash flows, options on such payments, or any combination thereof or any similar device.

"Payment Agreement Payments" means the amounts required to be paid periodically by the City to the Qualified Counterparty pursuant to a Payment Agreement.

"Payment Agreement Receipts" means the amounts required to be paid periodically by the Qualified Counterparty to the City pursuant to a Payment Agreement.

"Payment Date" means any date on which Payments are scheduled to be paid by the City under and pursuant to any Supplemental Contract.

"Payments" means the installment payments scheduled to be paid by the City under and pursuant to the Master Contract and all Supplemental Contracts.

"Permitted Investments" means any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy (copies of which the City will provide on a current basis to the Trustee) and to the extent then permitted by law:

(1) Federal Securities;

(2) Obligations issued by the Resolution Funding Corporation and the Student Loan Marketing Association, or obligations, participations, or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);

(3) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee or any of its affiliates), otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System and which are drawn on any bank the short-term obligations of which are rated in the highest letter and numerical rating category as provided by Moody's and by S&P; provided, that purchases of eligible bankers acceptances may not exceed two hundred seventy (270) days' maturity;

(4) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating category as provided by Moody's and by S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of five hundred million dollars ($500,000,000) and that have an "A" or higher rating for the issuer's unsecured debentures, other than commercial paper, as provided by Moody's and by S&P; provided, that purchases of eligible commercial paper may not exceed one hundred eighty (180) days' maturity nor represent more than ten percent (10%) of the outstanding commercial paper of an issuing corporation;

(5) Non-negotiable certificates of deposit issued by a state or national bank (including the Trustee or any of its affiliates) that have maturities of not more than three hundred sixty-five (365) days and that are fully insured by the Federal Deposit Insurance Corporation or the short-term obligations of which state or national bank are rated no lower that "A1" by Moody's and "A+" by S&P;

(6) Any repurchase agreement of any securities enumerated in subdivisions (1) and (2) with any state or national bank (including the Trustee or any of its affiliates) or government bond dealer

reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is either (A) with any institution which has debt rated no lower than "Al" by Moody's and "A+" by S&P or whose commercial paper is rated no lower than "P-1" by Moody's and no lower than "A-1" by S&P; (B) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (a) the term of such repurchase agreement is less than one (1) year or due on demand; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the market value of the collateral (as determined at least once in every fourteen (14) days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately; and (e) the repurchase agreement securities are free and clear of any third-party lien or claim; or (C) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with retail customers which falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that: (a) the market value of the collateral (as determined at least once in every fourteen (14) days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the Trustee has a perfected first priority security interest in the collateral; (d) the collateral is free and clear of third-party liens and in the case of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (e) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral immediately;

(7) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State of California or any local agencies therein which are rated in the highest short-term rating category or within one of the three highest long-term rating categories by Moody's and by S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(8) For amounts less than one hundred thousand dollars ($100,000), interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof, and of which an aggregate total of one hundred thousand dollars ($100,000) is not exceeded in any one financial institution;

(9) Investments in units of a money-market fund portfolio that is rated in the highest letter and numerical rating category by Moody's and by S&P (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) and that is composed of direct obligations of, or on obligations guaranteed by, the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations;

(10) a guaranteed investment contract with a financial institution or insurance company (or guaranteed by a financial institution or insurance company) which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated within the two highest rating categories of any Rating Agency;

(11) Obligations approved in writing by Moody's and by S&P;

(12) The Local Agency Investment Fund or similar pooled fund operated by or on behalf of the State of California and which is authorized to accept investments by or on behalf of the City of the moneys held by the Trustee in any of the accounts or funds established pursuant to the Master Contract; and

(13) The California Asset Management Program (CAMP).

"Project" means any additions, betterments, extensions or improvements to the Water Utility System designated by the City Council of the City as a Project, the acquisition and construction of which (together with the incidental costs and expenses related thereto) is to be financed or refinanced by the proceeds of any Parity Obligation as provided therein.

"Qualified Counterparty" means a party (other than the City) who is the other party to a Payment Agreement and (1) (a) whose senior debt obligations are rated in one of the three (3) highest rating categories of each of the Rating Agencies then rating any Parity Obligations (without regard to any gradations within a rating category), or (b) whose obligations under the Payment Agreement are guaranteed for the entire term of the Payment Agreement by a bond insurer or other institution which has been, or whose debt service obligations have been, assigned a credit rating in one of the three highest rating categories of each of the Rating Agencies then rating any Parity Obligations, and (2) who is otherwise qualified to act as the other party to a Payment Agreement with the City under any applicable laws.

"Rate Stabilization Fund" means the fund by that name established pursuant to the Master Contract.

"Rating Agencies" means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating any Parity Obligations at the Request of the City.

"RBI" means the Bond Buyer Revenue Bond Index or comparable index of long-term municipal obligations chosen by the City, or, if no comparable index can be obtained, eighty percent (80%) of the interest rate on actively traded thirty (30) year United States Treasury obligations.

"Request of the City" means an instrument in writing signed by the City Manager of the City, the Finance Director, or any other officer of the City duly authorized by the City Council for that purpose.

"Reserve Fund Requirement" means, as of any date of determination and excluding any Parity Obligations which are not Supplemental Contracts and the debt service thereon, the least of (a) ten percent (10%) of the initial offering price to the public of the Parity Obligations as determined under the Code, or (b) the Maximum Annual Debt Service, or (c) one hundred twenty-five percent (125%) of the Average Annual Debt Service, all as computed and determined by the City and specified in writing to the Trustee; provided, that such requirement (or any portion thereof) may be provided by one or more policies of municipal bond insurance or surety bonds issued by a municipal bond insurer or by a letter of credit issued by a bank or other institution if the obligations insured by such insurer or issued by such bank or other institution, as the case may be, have ratings at the time of issuance of such policy or surety bond or letter of credit equal to "Aa" or higher assigned by Moody's (if Moody's is then rating any of the Parity Obligations) and "AA" or higher assigned by S&P (if S&P is then rating any of the Parity Obligations) and that maintain at all times ratings at least equal to the lowest ratings

(without giving effect to municipal bond insurance or other credit enhancement) on any of the Parity Obligations provided by Moody's (if Moody's is then rating any of the Parity Obligations) and by S&P (if S&P is then rating any of the Parity Obligations). If at any time, obligations insured by any such municipal bond insurer issuing a policy of municipal bond insurance or surety bond or a bank or other institution issuing a letter of credit as permitted by this definition will no longer maintain such ratings as required in accordance with the immediately preceding sentence, the City will provide or cause to be provided cash or a substitute municipal bond insurance policy or surety bond or a letter of credit meeting such requirements.

"Revenue Fund" means the City of Modesto Water Utility System Revenue Fund established pursuant to the Master Contract.

"S&P" 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 will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "S&P" will be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

"State" means the State of California.

"Subordinate Obligations" means obligations of the City authorized and executed by the City under applicable law, the payments under and pursuant to which are payable from Gross Revenues, subject and subordinate to payments under and pursuant to Parity Obligations and are payable from any fund established for the purpose of paying debt service on such Subordinate Obligations.

"Supplemental Contracts" means all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and pursuant to the Master Contract and applicable law, the installment payments under and pursuant to which are payable from Gross Revenues.

"Treatment and Delivery Agreement" means the Treatment and Delivery Agreement, by and among the City of Modesto, the Del Este Water Company, and the Modesto Irrigation District, which obligation is payable from the Gross Revenues on a parity with the Payments under the Master Contract and all Supplemental Contracts.

"Trust Agreements" means all trust agreements or indentures which are executed and delivered in connection with Parity Obligations, including the Trust Agreement.

"Trustee" means The Bank of New York Trust Company, N.A., a national banking association duly organized and existing under the laws of the United States of America, or any association or corporation which may at any time be substituted in its place, as provided in the Trust Agreements.

"Special Counsel" will have the meaning given such term in the 2008 Trust Agreement.

"2008 Certificate Insurance Policy" means the municipal bond insurance policy issued by the 2008 Certificate Insurer guaranteeing the scheduled payments of principal of and interest evidenced and represented by the 2008 Certificates.

"2008 Certificate Insurer" means Assured Guaranty Corp., its successors and assigns.

"2008 Certificates" means the City of Modesto Water Refunding Revenue Certificates of Participation, 2008 Series A, evidencing and representing proportionate interests of the owners thereof in the 2008 Payments to be made by the City, executed and delivered pursuant to the 2008 Trust Agreement.

"2008 Interest Rate Swap Agreement" means, collectively, the ISDA Master Agreement (Local Currency-Single Jurisdiction 1992), the U.S. Municipal Counterparty Schedule thereto and a Credit Support Annex, each dated as of May 29, 2008, and an amended Confirmation, originally entered into on September 27, 2006, as amended as of May 29, 2008, between Bank of America, N.A., as a Qualified Counterparty, and the City.

"2008 Payment Date" means each Interest Payment Date and each day on which payments of principal evidenced and represented by the 2008 Certificates become due (whether at maturity or because of prepayment or acceleration).

"2008 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms of the 2008 Supplemental Contract.

"2008 Project" means the improvements to the Water Utility System to be refinanced with the proceeds of the 2008 Certificates, as shown on Exhibit A to the 2008 Supplemental Contract.

"2008 Supplemental Contract" means the 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

"2008 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to the 2008 Supplemental Contract.

"2008 Swap Insurance Policy" means the interest rate swap insurance policy issued by the 2008 Certificate Insurer guaranteeing certain payments due by the City under the 2008 Interest Rate Swap Agreement.

"2008 Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2008 Certificates executed and delivered by the City on the date of initial delivery of the 2008 Certificates, including any and all exhibits attached thereto.

"2008 Trust Agreement" means that certain Trust Agreement, dated as of May 1, 2008, by and between the Authority and the Trustee, delivered in connection with the 2008 Certificates.

"Variable Interest Rate" means any variable interest rate or rates to be paid under any Parity Obligations, the method of computing which variable interest rate will be as specified in the applicable Parity Obligation, which Parity Obligation will also specify either (i) the payment period or periods or time or manner of determining such period or periods or time for which each value of such variable interest rate will remain in effect, and (ii) the time or times based upon which any change in such variable interest rate will become effective, and which variable interest rate may, without limitation, be based on the interest rate on certain bonds or may be based on interest rate, currency, commodity or other indices.

"Variable Interest Rate Parity Obligations" means, for any period of time, any Parity Obligations that bear a Variable Interest Rate during such period, except that Parity Obligations will

not be treated as Variable Interest Rate Parity Obligations if the net economic effect of interest rates on particular Payments or Parity Obligations and interest rates on other Payments of the same Supplemental Contract or Parity Obligations, as set forth in such Supplemental Contract or Parity Obligations, or the net economic effect of a Payment Agreement with respect to particular Parity Obligations, in either case is to produce obligations that bear interest at a fixed interest rate, and Supplemental Contracts with respect to which a Payment Agreement is in force will be treated as Variable Interest Rate Parity Obligations if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate, all in accordance with the definition of "Annual Debt Service" set forth in the Master Contract.

"Water Service" means the service furnished, made available or provided by the Water Utility System.

"Water Utility System" means (i) all property rights, contractual rights and facilities of the City relating to water, including all facilities, properties, structures or works for the treatment, conservation, storage, transmission or distribution of water now owned by the City; and (ii) all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired and constructed.

Acquisition, Construction and Sale of Projects; Funds

Acquisition, Construction and Sale of Projects. Pursuant to the Master Contract, the Authority agrees to finance and refinance the costs of the acquisition and construction of the Projects for and to sell the Projects to the City, and in order to implement this provision, the Authority appoints the City as its agent for the purpose of such acquisition and construction, and the City agrees to enter into such construction contracts and purchase orders as may be necessary, as agent for the Authority, to provide for the complete acquisition and construction of the Projects.

The City agrees that as such agent it will cause the acquisition and construction of the Projects to be diligently completed after the deposit of funds in the Improvement Fund for such purpose pursuant to the Master Contract, and that it will use its best efforts to cause the acquisition and construction of the Projects to be completed in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and, pursuant to the Master Contract, the Authority agrees to and sells the Projects to the City. Notwithstanding the foregoing, it is expressly understood and agreed that the Authority will be under no liability of any kind or character whatsoever for the payment of any costs or expenses incurred by the City for the acquisition and construction of the Projects and that all such costs and expenses will be paid by the City, regardless of whether the funds deposited in the Improvement Fund are sufficient to cover all such costs.

Improvement Fund. There is established under the Master Contract the City of Modesto Water Utility System Improvement Fund, which fund the City agrees to maintain until the completion of the acquisition and construction of the Projects to be funded from the separate accounts to be established in such fund as provided in the Supplemental Contracts.

Rate Stabilization Fund. There is established under the Master Contract a City of Modesto Water Utility System Rate Stabilization Fund, which fund the City agrees to maintain so long as any Parity Obligations remain unpaid. The City may deposit in the Rate Stabilization Fund any Gross Revenues, after providing for the payment of Parity Obligations and Maintenance and Operation Costs, and any other money received and available to be used therefor, provided that deposits from such Gross

Revenues for each Fiscal Year may be made until (but not after) 180 days after the end of such Fiscal Year. The City may withdraw amounts from the Rate Stabilization Fund only for inclusion in Adjusted Annual Net Revenues, such withdrawal to be made until (but not after) 180 days after the end of such Fiscal Year. All interest or other earnings upon deposits in the Rate Stabilization Fund will be accounted for as Gross Revenues. Notwithstanding the foregoing, no Gross Revenues will be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with certain provisions of the Master Contract relating to conditions for the execution of Parity Obligations or the rate covenant and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such provisions.

Pledge of Gross Revenues; Revenue Fund. Pursuant to the Master Contract, all Gross Revenues of the Water Utility System are irrevocably pledged to the payment of the Payments, all payments required to be made by the City under all other Parity Obligations and the Maintenance and Operation Costs as provided in the Master Contract, and the Gross Revenues of the Water Utility System will not be used for any other purpose while any of the Payments remain unpaid; provided, however, that out of Gross Revenues there may be apportioned such sums for such purposes as are expressly permitted by the Master Contract. Such pledge constitutes a first pledge of and charge and lien upon the Gross Revenues of the Water Utility System for the payment of amounts due with respect to the Contracts, all other Parity Obligations and Maintenance and Operation Costs in accordance with the terms of the Master Contract.

In order to carry out and effectuate the obligation of the City contained in the Master Contract and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Gross Revenues received by it will be deposited when and as received in the City of Modesto Water Utility System Revenue Fund, which fund is established under the Master Contract and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to certain provisions of the Master Contract relating to investments) so long as any Parity Obligations remain unpaid, and all money on deposit in the Revenue Fund will be applied and used as follows. The City will pay at the following times in the following order of priority:

(a) Maintenance and Operation Costs and Parity Obligation Payment Fund Payments. The City will, from the money in the Revenue Fund, without preference or priority, and the event of any insufficiency of such moneys, ratably, without preference or priority, (i) pay charges for Maintenance and Operation Costs of the Water Utility System (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not immediately required) as such charges are due and payable, and (ii) deposit in the City of Modesto Water Utility System Parity Obligation Payment Fund, which fund is established under the Master Contract and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to certain provisions of the Master Contract relating to investments) so long as any Parity Obligations remain unpaid, on the last Business Day of each month (1) an amount equal to the interest which has accrued or will accrue under all Parity Obligations during the next succeeding month calculated as if such interest has accrued or will accrue on a daily basis during such period, and (2) an amount equal to the principal which has accrued or will accrue (as a result of maturity, mandatory sinking fund payments or mandatory prepayment or otherwise) under all Parity Obligations during the next succeeding month calculated as if such principal has accrued or will accrue on a daily basis during such period, plus (3) the net payments due or which will be due on all Parity Payment Agreements calculated as if such net payments accrued or will accrue on a daily basis during such period, except that no such deposit need be made if the City then holds money in the Parity

Obligation Payment Fund at least equal to the amount of interest and principal due or becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity Payment Agreements on such next succeeding due date therefor. Moneys on deposit in the Parity Obligation Payment Fund will be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable by the City under any Parity Payment Agreement at least one Business Day prior to such next applicable due date.

Pursuant to the 2008 Supplemental Contract, there is established within the Parity Obligation Payment Fund a 2008 Supplemental Contract Payment Account to provide for the payment of the 2008 Payments. On or before the third Business Day immediately preceding each 2008 Payment Date or the date on which any net scheduled payment or insured termination payment is due under the 2008 Interest Rate Swap Agreement, the City will, from the money in the Parity Obligation Payment Fund, deposit in the 2008 Supplemental Contract Payment Account (i) a sum equal to the amount of the interest and principal components of the 2008 Payments becoming due and payable under the 2008 Supplemental Contract on the next succeeding 2008 Payment Date and (ii) the net scheduled payments and any insured termination payment, if applicable, due under the 2008 Interest Rate Swap Agreement, except that no such deposit need be made if the amount then on deposit in the 2008 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2008 Payments becoming due and payable under the 2008 Supplemental Contract on the next succeeding 2008 Payment Date plus the net scheduled payments and any insured termination payment, if applicable, due under the 2008 Interest Rate Swap Agreement on such next succeeding due date therefor. Moneys on deposit in the 2008 Supplemental Contract Payment Account will (i) be transferred by the City to the Trustee on the Business Day immediately preceding each 2008 Payment Date to make and satisfy the 2008 Payment due on such 2008 Payment Date and (ii) be transferred by the City to the Trustee on the due date therefor to satisfy the net scheduled payment and any insured termination payment, if applicable, due under the 2008 Interest Rate Swap Agreement, all in accordance with the Master Contract and the 2008 Trust Agreement.

(b) Parity Reserve Fund Deposits. On or before the last Business Day of each month, the City will, from the remaining money on deposit in the Revenue Fund after deposits and transfers pursuant to paragraph (a) above, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City will also, from such remaining moneys in the Revenue Fund, transfer or cause to be transferred to the applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded pursuant to the Master Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

After making the foregoing deposits and transfers required to be made, the City may apply any remaining money in the Revenue Fund for any lawful purpose of the City, including for the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations.

2008 Interest Rate Swap Agreement. Pursuant to the 2008 Supplemental Contract, the City and the Authority agree and acknowledge that the 2008 Interest Rate Swap Agreement (excluding the obligations thereunder to post collateral under certain circumstances and to make termination payments

upon any early termination event or event of default except to the extent such termination payment is insured under the terms of the 2008 Swap Insurance Policy) constitutes a Parity Payment Agreement and a Parity Obligation payable solely from and secured by a pledge of Gross Revenues on a parity with all other existing and future Parity Obligations. The City and the Authority agree and acknowledge that obligations under the 2008 Interest Rate Swap Agreement to post collateral under certain circumstances or to make termination payments upon an early termination event or event of default under the 2008 Interest Rate Swap Agreement (other than to the extent such termination payment is insured under the terms of the 2008 Swap Insurance Policy) are Subordinate Obligations payable solely from and secured by a pledge of Gross Revenues on a subordinate basis to the Parity Obligations. Amounts payable by the City as a termination payment under the 2008 Interest Rate Swap Agreement upon an event of default with respect to the City thereunder and the designation of an early termination by the 2008 Certificate Insurer pursuant to the terms of the 2008 Interest Rate Swap Agreement (which payments are insured under the terms of the 2008 Swap Insurance Policy) constitute a Parity Obligation payable solely from and secured by a pledge of Gross Revenues on a parity with all other existing and future Parity Obligations. In the event any obligation of the City to post collateral or to make payments upon an early termination or event of default under the 2008 Interest Rate Swap Agreement constituting a Subordinate Obligation will arise, the City will establish a fund as necessary for the purpose of satisfying such obligation. As provided and on the dates under the Master Contract, the City will from the money in the Revenue Fund deposit in the 2008 Supplemental Contract Payment Account of the Parity Obligation Payment Fund a sum equal to the scheduled payments next due on the 2008 Interest Rate Swap Agreement. The City will not be required to advance any moneys derived from any source of income other than the Gross Revenues for the payments due under the 2008 Interest Rate Swap Agreement or for the performance of any agreements or covenants required to be performed by it contained in the 2008 Interest Rate Swap Agreement. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payments under the 2008 Interest Rate Swap Agreement.

Investments. Any moneys held in the Revenue Fund or the Parity Obligation Payment Fund will be invested in Permitted Investments which will, as nearly as practicable, mature on or before the dates when such moneys are anticipated to be needed for disbursement under the Contracts. Any moneys held in the Rate Stabilization Fund will be invested in Permitted Investments which will mature at such dates as the City will determine but prior to the final date on which payments are due under any Outstanding Parity Obligation. All investment earnings from moneys or deposits in the Revenue Fund, the Parity Obligation Payment Fund and the Rate Stabilization Fund will be retained in such fund.

The City may commingle any of the funds or accounts (except for funds held in any rebate fund, which will be held separately) established pursuant to the Master Contract into a separate fund or funds for investment purposes only; provided however, that all funds or accounts held by the City under the Master Contract will be accounted for separately notwithstanding such commingling. For the purpose of determining the amount in any such fund or account, all Permitted Investments credited to such fund or account will, except as otherwise provided in the Master Contract, be valued at the lower of cost or market value (inclusive of all interest accrued but not paid).

Execution of Parity Obligations and Other Obligations

Conditions for the Execution of Parity Obligations. The City may at any time execute any Parity Obligations the payments under and pursuant to which are payable from the Gross Revenues on

a parity with the Payments due under all Supplemental Contracts; provided there will be on file with the Trustee either:

(1) A Certificate of the City demonstrating that during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to one hundred twenty-five percent (125%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed; provided, that for the purpose of providing this Certificate, the City may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(i) An allowance for Gross Revenues that would have been derived from each new connection to the Water Utility System that was made prior to the execution of such Parity Obligations but which, during all or any part of said twelve (12) month period, was not in existence, in an amount equal to the estimated additional Gross Revenues that would have been derived from each such connection if it had been made prior to the beginning of said twelve (12) month period, and

(ii) An allowance for Gross Revenues that would have been derived from any increase in the rates, fees and charges fixed and prescribed for Water Service which became effective prior to the execution of such Parity Obligations but which, during all or any part of said twelve (12) month period, was not in effect, in an amount equal to the estimated additional Gross Revenues that would have been derived from such increase in rates, fees and charges if it had been in effect prior to the beginning of said twelve (12) month period; or

(2) A Consultant's Report showing that the Adjusted Annual Net Revenues for the Fiscal Year next following the end of the period during which interest on the Parity Obligations proposed to be executed is to be capitalized or, if no interest is capitalized, the Fiscal Year in which the Parity Obligations proposed to be executed are executed, will be at least equal one hundred twenty-five percent (125%) of the Maximum Annual Debt Service; provided, that for the purpose of providing such Consultant's Report, the Independent Consultant may adjust the foregoing Adjusted Annual Net Revenues to reflect:

(i) An allowance for Gross Revenues that would have been derived from any increase in the rates, fees and charges prescribed for Water Service in effect and being charged, or rates, fees and charges for Water Service that are expected to be charged in accordance with a program of specific rates, fees, charges, rate levels or increases in overall Gross Revenues approved by a resolution of the City Council; and

(ii) An allowance for Gross Revenues from customers of the Water Utility System anticipated to be served by the facilities or improvements financed in substantial part by the Parity Obligations proposed to be executed together with any additional Parity Obligations expected to be executed prior to the Fiscal Year of determination.

Notwithstanding the foregoing provisions, there will be no limitations on the ability of the City to execute any Parity Obligation at any time to refund any Outstanding Parity Obligation.

Other Obligations. The City may incur Subordinate Obligations without meeting any of the tests set forth above.

Covenants of the City

Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms of the Master Contract, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained in the Master Contract required to be observed and performed by it, and will not terminate the Contracts or fail to make any Payment required by the Contracts for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects or the Water Utility System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Contracts required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with the Contracts or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

Use of Proceeds. The Authority and the City agree that the proceeds of the Contracts will be used by the City, as agent for the Authority, to pay the costs of financing or refinancing the acquisition and construction of the Projects and to pay the incidental costs and expenses related thereto as provided in the Contracts.

Against Encumbrances. The City will pay or cause to be paid when due all sums of money that may become due or purporting to be due for any labor, services, materials, supplies or equipment furnished, or alleged to have been furnished, to or for the City in, upon, about or relating to the Water Utility System and will keep the Water Utility System free of any and all liens against any portion of the Water Utility System. In the event any such lien attaches to or is filed against any portion of the Water Utility System, the City will cause each such lien to be fully discharged and released at the time the performance of any obligation secured by any such lien matures or becomes due, except that if the City desires to contest any such lien it may do so if contesting such lien will not materially impair operation of the Water Utility System. If any such lien will be reduced to final judgment and such judgment or any process as may be issued for the enforcement thereof is not promptly stayed, or if so stayed and such stay thereafter expires, the City will forthwith pay or cause to be paid and discharged such judgment. The City will, to the maximum extent permitted by law, indemnify and hold the Authority harmless from, and defend it against, any claim, demand, loss, damage, liability or expense (including attorneys' fees) as a result of any such lien or claim of lien against any portion of the Water Utility System.

Sale or Other Disposition of Property. The City will not sell, transfer or otherwise dispose of any of the works, plant, properties, facilities or other part of the Water Utility System or any real or personal property comprising a part of the Water Utility System if such sale, transfer or disposition would cause the City to be unable to meet the requirements of the rate covenant set forth in the Master Contract.

Prompt Acquisition and Construction of the Projects. The City will take all necessary and appropriate steps to acquire and construct the Projects, with all practicable dispatch and in an expeditious manner and in conformity with law so as to complete the same in a timely fashion.

Maintenance and Operation of the Water Utility System; Budgets. The City will maintain and preserve the Water Utility System in good repair and working order at all times and will operate the Water Utility System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. The City will adopt and file with the Authority, not later than October 1 of each year, a budget approved by the City Council setting forth the estimated Maintenance and Operation Costs for the then current Fiscal Year and will take such action as may be necessary to include all Payments required to be made under the Contracts in its annual budget; provided, that any such budget may be amended at any time during any Fiscal Year and such amended budget will be filed by the City with the Authority.

Compliance with Contracts for Use of the Water Utility System. The City will comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of the Water Utility System and all other contracts affecting or involving the Water Utility System to the extent that the City is a party thereto.

Insurance. The City will procure and maintain such insurance relating to the Water Utility System which it will deem advisable or necessary to protect its interests and the interests of the Authority, which insurance will afford protection in such amounts and against such risks as are usually covered in connection with water systems similar to the Water Utility System; provided, that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner as is, in the opinion of an accredited actuary, actuarially sound. All policies of insurance required to be maintained under the Master Contract will provide that the Authority will be given thirty (30) days, written notice of any intended cancellation thereof or reduction of coverage provided thereby.

Accounting Records; Financial Statements and Other Reports.

(a) The City will keep appropriate accounting records in which complete and correct entries will be made of all transactions relating to the Water Utility System, which records will be available for inspection by the Authority at reasonable hours and under reasonable conditions.

(b) The City will prepare and file with the Authority annually within one hundred eighty (180) days after the close of each Fiscal Year:

(1) financial statements of the City for such Fiscal Year prepared in accordance with Generally Accepted Accounting Principles, together with an Accountant's Report thereon and a special report prepared by the Independent Certified Public Accountant who examined such financial statements stating that nothing came to its attention in connection with such examination that caused it to believe that the City was not in compliance with any of the agreements or covenants contained in the Master Contract; and

(2) a detailed report as to all insurance policies maintained and self-insurance programs maintained by the City with respect to the Water Utility System as of the close of such Fiscal Year, including the names of the insurers which have issued the policies and the amounts thereof and the property or risks covered thereby.

Protection of Security and Rights of the Authority. The City will preserve and protect the security of the Payments under the Contracts and the rights of the Authority to the Payments under the Contracts and will warrant and defend such rights against all claims and demands of all persons.

Payment of Taxes and Compliance with Governmental Regulations. The City will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon the Water Utility System or any part thereof when the same will become due. The City will duly observe and conform with all valid regulations and requirements of any governmental authority relative to the operation of the Water Utility System or any part thereof, but the City will not be required to comply with any regulations or requirements so long as the validity or application thereof will be contested in good faith and contesting such validity or application will not materially impair operation of the Water Utility System.

Amount of Rates, Fees and Charges. The City will at all times fix, prescribe and collect rates, fees and charges for the Water Service during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least 125% of Annual Debt Service to be paid during the Fiscal Year.

Collection of Rates, Fees and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Water Utility System to pay the rates, fees and charges applicable to the Water Service to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Water Utility System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof); provided, that the City may without charge use the Water Service.

Eminent Domain and Insurance Proceeds. If all or any part of the Water Utility System will be taken by eminent domain proceedings, or if the City receives any insurance proceeds resulting from a casualty loss to the Water Utility System, the Net Proceeds thereof, at the option of the City, will be applied either to the proportional prepayment of Outstanding Parity Obligations or will be used to substitute other components for the condemned or destroyed components of the Water Utility System.

Tax Covenant. Pursuant to the 2008 Supplemental Contract, the City covenants it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 2008 Payments constituting interest under Section 103 of the Code. The City will not, directly or indirectly, use or permit the use of proceeds of the 2008 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2008 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 2008 Payments constituting interest.

The City will not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 2008 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the 2008 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2008 Supplemental Contract, or any portion thereof, or

any other funds of the City, that would cause any of the 2008 Certificates on other obligations delivered in connection with the 2008 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2008 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 2008 Supplemental Contract as "governmental bonds."

The City will not, directly or indirectly, use or permit the use of any proceeds of the 2008 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 2008 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2008 Supplemental Contract.

The City will not make any use of the proceeds of the 2008 Supplemental Contract or any other funds of the City, or take or omit to take any other action, that would cause the 2008 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the 2008 Tax Certificate. Such covenants will survive payment in full or discharge of the 2008 Certificates and the 2008 Payments.

The Authority and the City covenant that, in the event of any change in the 2008 Trust Agreement, the 2008 Supplemental Contract or other relevant documents relating to the 2008 Certificates, or any other actions taken or omitted by the City or the Authority, upon the advice or with the approving opinion of Special Counsel other than Sidley Austin LLP, Special Counsel in connection with the original execution and delivery of the 2008 Certificates, the Authority and the City will, upon the making of any such change, or the taking or omission of any such other action, cause to be delivered an opinion of Special Counsel (together with a reliance letter thereon addressed to the 2008 Certificate Insurer and the Trustee) nationally recognized in the area of municipal bonds to the effect that the portion of each 2008 Payment due under the 2008 Supplemental Contract designated as and comprising interest with respect to the 2008 Certificates is excluded from gross income for federal income tax purposes.

Continuing Disclosure. Pursuant to the 2008 Supplemental Contract, the City covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement delivered in connection with the execution and delivery of the 2008 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with the Continuing Disclosure Agreement will not be considered an Event of Default under the Master Contract or the 2008 Supplemental Contract.

Further Assurances. The City will adopt, deliver, execute and make 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 of the Contracts and for the better assuring and confirming unto the Authority of the rights and benefits provided to it in the Contracts.

Events of Default and Remedies

Events of Default and Acceleration of Principal. If one or more of the following Events of Default will happen, that is to say:

(1) if default will be made in the due and punctual payment of any payment on any Parity Obligation when and as the same will become due and payable;

(2) if default will be made by the City in the performance of any of the agreements or covenants contained in the Master Contract or in any Parity Obligation required to be performed by it, and such default will have continued for a period of sixty (60) days after the City will have been given notice in writing of such default by the Authority; or if the City will 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 will approve a petition filed with or without the consent of the City 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 will assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Authority will, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same will become immediately due and payable, anything contained in the Master Contract to the contrary notwithstanding. The foregoing provision is subject to the condition, however, that if at any time after the entire principal amount of the unpaid Payments and the accrued interest thereon will have been so declared due and payable and before any judgment or decree for the payment of the money due will have been obtained or entered the City will deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments or the unpaid principal amount of any payments under any Parity Obligation referred to in clause (i) above due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority (other than in the payment of the entire principal amount of the unpaid Payments and the accrued interest thereon due and payable solely by reason of such declaration) will have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate will have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment will extend to or will affect any subsequent default or will impair or exhaust any right or power consequent thereon.

Application of Gross Revenues upon Acceleration. All Gross Revenues upon the date of the declaration of acceleration by the Authority as provided in the Master Contract and all Gross Revenues thereafter received will be applied in the following order:

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of the Master Contract relating to Events of Default and acceleration of principal, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses; and

Second, to the payment of the Maintenance and Operation Costs of the Water Utility System and the payment of the entire principal amount of the unpaid Parity Obligations, and the accrued interest thereon, with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations if paid in accordance with their terms, provided that if the amount available will not be sufficient to pay in full all such amounts then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference.

Gross Revenues may also be applied to make payments required under any Parity Payment Agreement on a parity with the payments under paragraph Second above, to the extent and in the manner provided by the terms of such Parity Obligation relating to such Parity Payment Agreement.

Other Remedies. The Authority will have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform and carry out its or his duties under the law and the agreements and covenants required to be performed by it or him contained in the Contracts;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority; or

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. Nothing in the Master Contract will affect or impair the obligation of the City, which is absolute and unconditional, to pay the Payments from the Gross Revenues to the Authority at the respective due dates or upon acceleration or prepayment, or will affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Contracts.

A waiver of any default or breach of duty or contract by the Authority will 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 Authority to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will 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 Authority by law or by the Master Contract may be enforced and exercised from time to time and as often as will be deemed expedient by the Authority.

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

Remedies Not Exclusive. No remedy in the Master Contract conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given under the Master Contract or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

Discharge of Obligations

(a) If the City will pay or cause to be paid all the Payments at the times and in the manner provided in the Master Contract, the right, title and interest of the Authority in the Master Contract and the obligations of the City under the Master Contract and under all Supplemental Contracts will cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of any of the Payments will on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided in the Master Contract.

(c) All or any portion of unpaid principal installments of the Payments will, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) above if (i) there will have been deposited with the Trustee either money in an amount which will be sufficient, or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, will be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on their payment dates or their dates of prepayment, as the case may be, the interest installments of such Payments due on and prior to such payment dates or dates of prepayment, and the prepayment premiums, if any, applicable thereto, and (ii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest installments of such Payments so paid to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and payment in full of all fees and expenses of the Authority, the Authority, upon request of the City, will cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority, and will execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Contracts, and the Authority will pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant to the Master Contract other than such money and such investments as are required for the payment or prepayment of the Payments and interest installments of such Payments and the prepayment premiums, if any, applicable thereto, which money and investments will continue to be held in trust for the payment of the Payments.

Liability of City Limited to Gross Revenues

Notwithstanding anything contained in Contracts, the City will not be required to advance any moneys derived from any source of income other than the Gross Revenues for the payment of the Payments or for the performance of any agreements or covenants required to be performed by it contained in the Master Contract. The City may, however, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Payments is a special obligation of the City payable solely from the Gross Revenues as provided in the Master Contract. The general fund of the City is not liable, and neither the credit nor taxing power of the City is pledged, for the payment of the Payments under the Contracts or any other payments required to be made by the City under other Parity Obligations.

THE TRUST AGREEMENT

Certain provisions of the Trust Agreement are summarized below. THIS SUMMARY DOES NOT PURPORT TO BE COMPLETE OR DEFINITIVE AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO THE FULL TERMS OF THE TRUST AGREEMENT.

Definitions

The following are summaries of definitions of certain terms from the Trust Agreement used in this Definitions and Summary of the Trust Agreement or elsewhere in this Remarketing Memorandum.

"Alternate Liquidity Facility" means a letter of credit, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, approved by the 2008 Certificate Insurer and issued in accordance with the terms of the Trust Agreement with respect to the 2008 Certificates as a replacement or substitute for any Liquidity Facility then in effect.

"Authority" means the Modesto Public Financing Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State.

"Authorized Denominations" means (i) with respect to 2008 Certificates in a Daily Mode or Weekly Mode, $100,000 and any integral multiple of $5,000 in excess thereof; (ii) with respect to 2008 Certificates in a Flexible Mode, $100,000 and any integral multiple of $1,000 in excess thereof; and (iii) with respect to 2008 Certificates in a Term Rate Mode or Fixed Rate Mode, $5,000 and any integral multiple thereof.

"Automatic Termination Event" means an event of default set forth in a Reimbursement Agreement between the Authority and a Liquidity Facility Provider which would result in the immediate termination of the Liquidity Facility provided pursuant to such Reimbursement Agreement prior to its stated expiration date without prior notice from the Liquidity Facility Provider to the Trustee.

"Book-Entry System" means a system under which physical certificates in fully registered form are registered only in the name of a Securities Depository or its nominee.

"Business Day" means any day other than (i) a Saturday or Sunday or (ii) a day on which the Trustee is required or authorized to be closed or (iii) a day on which the office of the applicable Credit Enhancement Provider at which draws or advances will be paid is required or authorized to be closed or (iv) a day on which The New York Stock Exchange is closed.

"Certificate of the Authority" means an instrument in writing signed by the Auditor and Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

"Certificate Payment Date" means, with respect to any 2008 Certificate, the Certificate Payment Date designated therein, which is the October 1 on which or, in the case of 2008 Certificates subject to mandatory sinking fund prepayment, by which, the principal component of the final 2008 Payment evidenced and represented thereby will become due and payable.

"City" means the City of Modesto, a charter city and municipal corporation, duly organized and existing under and by virtue of the Constitution and laws of the State.

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of law. Reference to a particular section of the Code will be deemed to be a reference to any successor to any such section.

"Contract" means that certain Master Contract, as supplemented by the 1997 Supplemental Contract and the 2008 Supplemental Contract, and as otherwise amended or supplemented from time to time.

"Corporate Trust Office" means the corporate trust office of the Trustee in San Francisco, California, or such other office as may be specified by written notice from the Trustee to the Authority.

"Costs of Issuance" means all items of expense directly or indirectly payable by or reimbursable to the City or the Authority and related to the authorization, execution and delivery of the 2008 Supplemental Contract and the Trust Agreement and the execution, sale and delivery of the 2008 Certificates, including, but not limited to, costs of preparation and reproduction of documents, costs of rating agencies and costs to provide information required by rating agencies, filing and recording fees, initial fees and charges of the Trustee and its counsel, legal fees and charges, fees and disbursements of consultants and professionals, fees and expenses of the underwriter, fees and charges for preparation, execution and safekeeping of the 2008 Certificates, fees of the Liquidity Facility Provider, fees of the Authority and any other cost, charge or fee in connection with the original execution and delivery of the 2008 Certificates.

"Costs of Issuance Fund" means the fund by that name established pursuant to the Trust Agreement.

"Credit Enhancement" means the 2008 Certificate Insurance Policy issued by the 2008 Certificate Insurer.

"Credit Enhancement Provider" means the 2008 Certificate Insurer.

"Daily Mode" means the Mode during which the 2008 Certificates evidence interest at the Daily Rate.

"Daily Rate" means the per annum interest rate with respect to the 2008 Certificates in the Daily Mode determined pursuant to the Trust Agreement.

"Daily Rate Period" means the period during which the 2008 Certificates in the Daily Mode will evidence interest at a Daily Rate, which will be from the Business Day upon which a Daily Rate is set to but not including the next succeeding Business Day.

"Delivery Date" means May 29, 2008.

"Event of Default" means an event described in the Trust Agreement.

"Expiration Date" means the stated expiration date of a Liquidity Facility, as it may be extended from time to time as provided in such Liquidity Facility, or any earlier date on which such Liquidity Facility will terminate at the direction of the Authority, expire or be cancelled (other than the date on which a Liquidity Facility will terminate as a result of an Automatic Termination Event or an event of default under the Reimbursement Agreement entered into in connection with such Liquidity Facility).

"Favorable Opinion of Special Counsel" means, with respect to any action the occurrence of which requires such an opinion, an Opinion of Special Counsel, addressed to the Trustee, to the effect that the action proposed to be taken will not, in and of itself, adversely affect any exclusion from gross income of interest with respect to the 2008 Certificates.

"Federal Securities" will have the meaning ascribed thereto in the Contract.

"Fiscal Year" means the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other annual accounting period hereafter selected and designated by the Authority as its Fiscal Year.

"Fixed Rate" means the per annum interest rate or interest rates evidenced by the 2008 Certificates in a Fixed Rate Mode determined pursuant to the Trust Agreement.

"Fixed Rate Mode" means the Mode during which the 2008 Certificates evidence interest at a Fixed Rate.

"Fixed Rate Period" means, with respect to 2008 Certificates converted to the Fixed Rate Mode, the period from the Mode Change Date upon which the 2008 Certificates were converted to a Fixed Rate Mode to but not including the Maturity Date.

"Flexible Mode" means the Mode during which the 2008 Certificates evidence interest at Flexible Rates.

"Flexible Rate" means, with respect to the 2008 Certificates in a Flexible Mode, the per annum interest rate determined for the 2008 Certificate pursuant to the Trust Agreement.

"Flexible Rate Certificates" means the 2008 Certificates in a Flexible Mode.

"Flexible Rate Period" means, with respect to the 2008 Certificates in a Flexible Mode, the period of from 1 to 397 calendar days (which Flexible Rate Period must end on a day preceding a Business Day) during which a Flexible Rate Certificate will evidence interest at a Flexible Rate, as established by the Remarketing Agent pursuant to the Trust Agreement.

"Improvement Fund" means the fund by that name established pursuant to the Contract.

"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 according to the Statement of Auditing Standards No. 1 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 a member, officer or employee of the Authority, but who may be regularly retained to audit the accounting records of and make reports thereon to the Authority.

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

"Insurer Indenture Event of Default" means and includes the occurrence of one or more of the following events:

(a) any principal or interest evidenced by the 2008 Certificates (including Liquidity Provider Certificates) is not paid by the 2008 Certificate Insurer when, as, and in the amounts required to be paid pursuant to the terms of the 2008 Certificate Insurance Policy; or

(b) (i) any material provision of the 2008 Certificate Insurance Policy relating to the obligation of the 2008 Certificate Insurer to make payments of principal and interest thereunder at any time for any reason ceases to be valid and binding on the 2008 Certificate Insurer in accordance with the terms of the 2008 Certificate Insurance Policy or the New York Department of Insurance, or a court or other governmental authority of appropriate jurisdiction shall find or rule or shall enter an order, judgment or decree that the 2008 Certificate Insurance Policy is not valid and binding on the 2008 Certificate Insurer or (ii) the 2008 Certificate Insurer will (A) claim in writing that the 2008 Certificate Insurance Policy is not valid and binding on the 2008 Certificate Insurer, (B) repudiate the 2008 Certificate Insurer's obligations under the 2008 Certificate Insurance Policy or (C) initiate legal proceedings seeking an adjudication that the 2008 Certificate Insurance Policy, or any material provision thereof regarding the payment of principal or interest on 2008 Certificates (including Liquidity Provider Certificates) is not valid and binding on the 2008 Certificate Insurer; or

(c) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect to the 2008 Certificate Insurer or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding shall not have been dismissed within sixty (60) days or such court enters an order granting the relief sought in such proceeding; or the New York Department of Insurance shall declare a moratorium on the payment of the 2008 Certificate Insurer's debts, or the 2008 Certificate Insurer shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the 2008 Certificate Insurer or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts (provided for purposes of this definition, "debts" shall not include any obligation of the 2008 Certificate Insurer under any insurance policy or surety bond) as they become due, or an order for rehabilitation, liquidation or dissolution of the 2008 Certificate Insurer shall be issued.

"Interest Payment Date" means each date on which interest is to be paid and is: (i) with respect to the 2008 Certificates in a Daily Mode or a Weekly Mode, the first Business Day of each month; (ii) with respect to the 2008 Certificates in a Flexible Mode, each Mandatory Purchase Date applicable thereto; (iii) with respect to the 2008 Certificates in a Fixed Rate Mode or a Term Rate Mode, the first day of April or October, which is at least 3 months after the month in which such Long-Term Mode takes effect, and the

first day of each April and October thereafter or, upon the receipt by the Trustee of a Favorable Opinion of Special Counsel, any other six-month interval chosen by the Authority (beginning with the first such day which is at least three months after the Mode Change Date) and, with respect to a Term Rate Mode, the final day of the current Interest Period if other than a regular six-month interval; (iv) (without duplication as to any Interest Payment Date listed above) any Mode Change Date, other than a change between a Daily Mode and a Weekly Mode, and each Maturity Date; and (v) with respect to any Liquidity Provider Certificates, the day set forth in the applicable Reimbursement Agreement.

"Interest Period" means, for the 2008 Certificates in a particular Mode, the period of time that the 2008 Certificates evidence interest at the rate (per annum) which becomes effective at the beginning of such period, and will include a Daily Rate Period, a Weekly Rate Period, a Flexible Rate Period, a Term Rate Period, and a Fixed Rate Period. Notwithstanding the preceding sentence, regardless of Mode, so long as any 2008 Certificate is a Liquidity Provider Certificate, the Interest Period will be determined in accordance with the applicable Liquidity Facility or the applicable Reimbursement Agreement.

"Liquidity Facility" means, as of any time, the Initial Liquidity Facility or an Alternate Liquidity Facility, as applicable, which provides for the payment of the purchase price of the 2008 Certificates upon the tender thereof in the event remarketing proceeds are insufficient therefor.

"Liquidity Facility Provider" means, with respect to the Initial Liquidity Facility, the Initial Liquidity Facility Provider, and with respect to any Alternate Liquidity Facility for the 2008 Certificates, a bank, insurance company, pension fund or other financial institution acceptable to the 2008 Certificate Insurer.

"Liquidity Provider Certificates" means any 2008 Certificates purchased by a Liquidity Facility Provider with funds drawn on or advanced under the Liquidity Facility provided by such Liquidity Facility Provider.

"Mandatory Purchase Date" means: (i) with respect to a Flexible Rate Certificate, the first Business Day following the last day of each Flexible Rate Period with respect to such Flexible Rate Certificate; (ii) for the 2008 Certificates in a Term Rate Mode, the first Business Day following the last day of each Term Rate Period for such 2008 Certificates; (iii) any Mode Change Date; (iv) any Substitution Date; (v) the fifth Business Day prior to an Expiration Date; (vi) the date specified by the Trustee following the occurrence of an event of default with respect to the Liquidity Facility or under the related Reimbursement Agreement which requires or gives the Liquidity Facility Provider the option to terminate the Liquidity Facility upon notice and requires that all Outstanding 2008 Certificates secured by such Liquidity Facility be tendered for purchase, which date will be a Business Day not less than 7 days after the Trustee's receipt of notice of such event of default from the applicable Liquidity Facility Provider and in no event later than the Business Day preceding the termination date specified in the notice of event of default delivered to the Trustee by such Liquidity Facility Provider; and (vii) for the 2008 Certificates in a Daily Mode or a Weekly Mode, any Business Day specified by the Authority in a notice delivered to the Trustee and consented to by the Liquidity Facility Provider, which Mandatory Purchase Date will be not less than twenty (20) days after the Trustee's receipt of such notice from the Authority.

"Master Contract" means that certain Master Installment Purchase Contract, executed and entered into as a November 1, 1997, by and between the City and the Authority, as the same may be amended or supplemented from time to time.

"Maturity Date" means, with respect to the 2008 Certificates, the maturity date specified for the 2008 Certificates in the Trust Agreement or, if Serial Certificates or more than one Term Certificates are

established for the 2008 Certificates pursuant to the Trust Agreement upon a change of the 2008 Certificates to a Fixed Rate Mode, the maturity dates established for such Serial Certificates or Term Certificates.

"Maximum Rate" or "Maximum Interest Rate" means, with respect to all 2008 Certificates other than Liquidity Provider Certificates, a rate of interest of 12% per annum, and with respect to Liquidity Provider Certificates, such rate not greater than 25% as is provided for in the applicable Liquidity Facility; provided, however, that such rate will not in any event exceed the highest rate then permitted by law.

"Mode" means, as the context may require, the Daily Mode, the Weekly Mode, the Flexible Mode, the Term Rate Mode, or the Fixed Rate Mode.

"Mode Change Date" means with respect to the 2008 Certificates in a particular Mode, the day on which another Mode for the 2008 Certificates begins.

"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 will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "Moody's" will be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

"1997 Certificates" means the $25,585,000 Refunding Revenue Certificates of Participation (1997 Water Utility System Refinancing Project), evidencing and representing and proportionate interests of the owners thereof in the 1997 Payments to be made by the City.

"1997 Payments" means the installment payments required to be made by the City to the Authority under and pursuant to the 1997 Supplemental Contract.

"1997 Supplemental Contract" means the 1997 Supplemental Installment Purchase Contract, executed and entered into as of November 1, 1997, by and between the City and the Authority, supplementing the Master Contract.

"1997 Trust Agreement" means that certain Trust Agreement, dated as of November 1, 1997, by and between the Authority and State Street Bank and Trust Company, N.A., which has been succeeded by The Bank of New York Trust Company, N.A., as trustee, pursuant to which there was executed and delivered the 1997 Certificates.

"Notice Parties" means the Authority, the City, the Trustee, the Credit Enhancement Provider, if any, the Liquidity Facility Provider, if any, the Remarketing Agent, if any, and the Fixed Rate Remarketing Agent, if any.

"Opinion of Counsel" means a written opinion of counsel of recognized standing in the field of law being addressed in such opinion retained the Authority.

"Outstanding" when used as of any particular time with reference to 2008 Certificates, means (subject to the provisions of the Trust Agreement) all 2008 Certificates except (1) 2008 Certificates theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) 2008 Certificates paid or deemed to have been paid within the meaning of the Trust Agreement; and (3) 2008 Certificates in lieu of or in substitution for which other 2008 Certificates will have been executed and delivered by the Trustee pursuant to the Trust Agreement.

"Owner" means any person who will be the registered owner of any Outstanding 2008 Certificate.

"Parity Reserve Fund" means the fund by that name continued pursuant to the Trust Agreement.

"Payment Agreement Payments" has the meaning given such term in the Master Contract.

"Payment Agreement Receipts" has the meaning given such term in the Master Contract.

"Permitted Investments" means any of the following obligations if and to the extent then permitted by law:

(1) Federal Securities;

(2) Obligations issued by the Resolution Funding Corporation and the Student Loan Marketing Association, or obligations, participations, or other instruments of or issued by, or fully guaranteed as to interest and principal by, the Government National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal);

(3) Bills of exchange or time drafts drawn on and accepted by a commercial bank (including the Trustee or any of its affiliates), otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System and which are drawn on any bank the short-term obligations of which are rated in the highest letter and numerical rating category as provided by Moody's and by S&P; provided, that purchases of eligible bankers acceptances may not exceed 270 days' maturity;

(4) Commercial paper of "prime" quality of the highest ranking or of the highest letter and numerical rating category as provided by Moody's and by S&P, which commercial paper is limited to issuing corporations that are organized and operating within the United States of America and that have total assets in excess of $500,000,000 and that have an "A1" or higher rating for the issuer's unsecured debentures, other than commercial paper, as provided by Moody's and by S&P; provided, that purchases of eligible commercial paper may not exceed 180 days' maturity nor represent more than 10% of the outstanding commercial paper of an issuing corporation;

(5) Non-negotiable certificates of deposit issued by a state or national bank (including the Trustee or any of its affiliates) that have maturities of not more than 365 days or deposit accounts with a state or national bank and that are fully insured by the Federal Deposit Insurance Corporation or the short-term obligations of which state or national bank are rated no lower than "A1" by Moody's and "A+" by S&P;

(6) Any repurchase agreement of any securities enumerated in subdivisions (1) and (2) with any state or national bank (including the Trustee or any of its affiliates) or government bond dealer reporting to, trading with, and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is either (A) with any institution which has debt rated no lower than "Al" by Moody's and "A+" by S&P or whose commercial paper is rated no lower than "P-1" by Moody's and no lower than "A- 1" by S&P; (B) with any corporation or other entity that falls under the jurisdiction of the Federal Bankruptcy Code; provided, that (a) the term of such repurchase agreement is less than one (1) year or due on demand; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the market value of the collateral (as determined at least once in every 14 days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (d) failure to maintain the requisite collateral levels will require the Trustee to liquidate the collateral immediately; and (e) the repurchase agreement

securities are free and clear of any third-party lien or claim; or (C) with financial institutions insured by the Federal Deposit Insurance Corporation or any broker-dealer with "retail customers" which falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that: (a) the market value of the collateral (as determined at least once in every 14 days) exceeds the principal amount of the repurchase agreement plus accrued interest and the market value of the collateral is maintained at levels acceptable to Moody's and to S&P; (b) the Trustee or a third party acting solely as agent for the Trustee has possession of the collateral; (c) the Trustee has a perfected first priority security interest in the collateral; (d) the collateral is free and clear of third-party liens and in the case of a Securities Investors Protection Corporation broker was not acquired pursuant to a repurchase agreement or reverse repurchase agreement; and (e) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral immediately;

(7) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State or any local agencies therein which are rated in the highest short-term rating category or within one of the three highest long-term rating categories by Moody's and by S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(8) For amounts less than $100,000, interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank fully insured by the Federal Deposit Insurance Corporation, including the Trustee or any affiliate thereof, and of which an aggregate total of $100,000 is not exceeded in any one financial institution;

(9) Investments in units of a money-market fund portfolio that is rated in the highest letter and numerical rating category by Moody's and by S&P (including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services) and that is composed of obligations guaranteed by the full faith and credit of the United States of America or repurchase agreements collateralized by such obligations;

(10) A guaranteed investment contract with a financial institution or insurance company (or guaranteed by a financial institution or insurance company) which has at the date of execution thereof an outstanding issue of unsecured, uninsured and unguaranteed debt obligations or a claims paying ability rated within the two highest rating categories of any Rating Agency;

(11) Other investments approved in writing by the 2008 Certificate Insurer; and

(12) The Local Agency Investment Fund, the California Asset Management Program, or similar pooled fund operated by or on behalf of the State and which is authorized to accept investments by or on behalf of the Authority of the moneys held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement to the extent deposits and withdrawals may be made by the Trustee directly.

"Person" will mean an individual, a corporation, an association, a joint venture, a partnership, a trust, an unincorporated organization or any other entity or organization, including a government or political subdivision or an agency or instrumentality thereof.

"Prepayment Date" means the date fixed for prepayment of any 2008 Certificate in any notice of prepayment given in accordance with the terms of the Trust Agreement.

"Purchase Date" means any Mandatory Purchase Date.

"Purchase Price" means an amount equal to the principal amount of the 2008 Certificates purchased on any Purchase Date, plus accrued interest to such Purchase Date (unless such Purchase Date is also an Interest Payment Date, in which case the Purchase Price will not include accrued interest, which will be paid in the normal course).

"Rating Agencies" means Moody's and S&P, and their respective successors or assigns, or any other nationally recognized securities rating agency or agencies rating the 2008 Certificates at the request of the City.

"Rating Confirmation Notice" means a written notice from the Rating Agencies then rating the 2008 Certificates, confirming that the rating on the 2008 Certificates (without giving effect to any Liquidity Facility) will not be lowered or withdrawn (other than a withdrawal of a short-term rating upon a change to a Fixed Rate Mode) as a result of the action proposed to be taken.

"Record Date" means (i) with respect to the 2008 Certificates in a Short-Term Mode, the last Business Day before each Interest Payment Date; and (ii) with respect to the 2008 Certificates in a Long-Term Mode, the 15th day (whether or not a Business Day) of the month next preceding each Interest Payment Date.

"Reimbursement Agreement" means any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, between a Credit Enhancement Provider or a Liquidity Facility Provider, as applicable, and the Authority and/or the City, as the same may be amended from time to time pursuant to its terms.

"Remarketing Agent" means each Person selected by the Authority to act as remarketing agent for the 2008 Certificates pursuant to the Trust Agreement and approved by the 2008 Certificate Insurer.

"Reserve Funding Instruments" will have the meaning given such term in the Trust Agreement, including the 2008 Parity Reserve Fund Insurance Policy.

"Reserve Fund Requirement" will have the meaning ascribed thereto in the Contract.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Company, and its successors or assigns, except that if such entity will be dissolved or liquidated or will no longer perform the services of a municipal securities rating agency, then "S&P" will be deemed to refer to any other nationally recognized municipal securities rating agency selected by the Authority.

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

"Serial Certificate" means any 2008 Certificate not subject to mandatory prepayment from Sinking Fund Payments.

"Sinking Fund Payments" means the payments required under the Trust Agreement to be deposited in the 2008 Sinking Fund Subaccount.

"Special Counsel" means any firm of nationally recognized municipal bond attorneys selected by the Authority and experienced in the issuance of municipal bonds and matters relating to the exclusion of the interest thereon from gross income for federal income tax purposes.

"State" means the State of California.

"Substitution Date" means the date on which an Alternate Liquidity Facility is substituted for the Liquidity Facility then in effect.

"Supplemental Contract" will have the meaning given such term in the Contract.

"Supplemental Trust Agreement" means any trust agreement then in full force and effect which has been duly executed and delivered by the Authority and the Trustee amendatory of or supplemental to the Trust Agreement; but only if and to the extent that such Supplemental Trust Agreement is specifically authorized under the Trust Agreement.

"Tax Certificate" means, collectively, the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2008 Certificates, executed and delivered by the City on the date of delivery of the 2008 Certificates, including any and all exhibits attached thereto.

"Term Certificates" means the 2008 Certificates subject to mandatory prepayment from Sinking Fund Payments.

"Term Rate" means the per annum interest rate for the 2008 Certificates in the Term Rate Mode determined pursuant to the Trust Agreement.

"Term Rate Mode" means the Mode during which the 2008 Certificates evidence interest at a Term Rate.

"Term Rate Period" means the period from (and including) the Mode Change Date or the date of initial conversion of the 2008 Certificates to a Term Rate Mode, as applicable, to (but excluding) the last day of the first period that 2008 Certificates will be in the Term Rate Mode as established by the Authority pursuant to the Trust Agreement and, thereafter, the period from (and including) the beginning date of each successive Interest Rate Period selected for the 2008 Certificates by the Authority pursuant to the Trust Agreement while the 2008 Certificates are in the Term Rate Mode to (but excluding) the commencement date of the next succeeding Interest Period, including another Term Rate Period. Except as otherwise provided in the Trust Agreement, an Interest Period for the 2008 Certificates in the Term Rate Mode must be at least 180 days in length.

"Trust Agreement" means that certain Trust Agreement, dated as of May 1, 2008, between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented by all Supplemental Trust Agreements executed pursuant to the provisions of the Trust Agreement.

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

"2008 Certificate Insurance Policy" means the financial guaranty insurance policy issued by the 2008 Certificate Insurer guaranteeing the scheduled payment of principal of and interest evidenced and represented by the 2008 Certificates.

"2008 Certificate Insurer" means Assured Guaranty Corp., its successors and assigns.

"2008 Debt Service Fund" means the fund by that name established pursuant to the Trust Agreement.

"2008 Interest Account" means the account by that name established within the 2008 Debt Service Fund pursuant to the Trust Agreement.

"2008 Interest Rate Swap Agreement" has the meaning given such term in the 2008 Supplemental Contract.

"2008 Parity Reserve Fund Insurance Policy" means the reserve fund financial guaranty insurance policy issued by the 2008 Certificate Insurer and deposited in the Parity Reserve Fund pursuant to the Trust Agreement.

"2008 Payments" means the installment payments of interest, principal, and prepayment premium, if any, payable by the City under and pursuant to the 2008 Supplemental Contract.

"2008 Prepayment Subaccount" means the subaccount by that name established within the 2008 Principal Account of the 2008 Debt Service Fund pursuant to the Trust Agreement.

"2008 Principal Account" means the account by that name established within the 2008 Debt Service Fund pursuant to the Trust Agreement.

"2008 Project" means the refinancing of improvements to the Water Utility System described in Exhibit A to the 2008 Supplemental Contract.

"2008 Sinking Fund Subaccount" means the subaccount by that name within the 2008 Principal Account of the 2008 Debt Service Fund established pursuant to the Trust Agreement.

"2008 Supplemental Contract" means that certain 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, by and between the City and the Authority, supplementing the Master Contract.

"Weekly Mode" means the Mode during which the 2008 Certificates evidence interest at the Weekly Rate.

"Weekly Rate" means the per annum interest rate with respect to the 2008 Certificates in the Weekly Mode determined pursuant to the Trust Agreement.

"Weekly Rate Period" means the period during which the 2008 Certificates evidence interest at a Weekly Rate, which will be the period commencing on Thursday of each week to and including Wednesday of the following week, except the first Weekly Rate Period which will be from the Mode Change Date for the 2008 Certificates to and including the Wednesday of the following week and the last Weekly Rate Period which will be from and including the Thursday of the week prior to the Mode Change Date to and including the day next preceding the Mode Change Date.

"Written Request of the Authority" means an instrument in writing signed by the Auditor and Treasurer of the Authority or by any other officer of the Authority duly authorized by the Authority for that purpose.

Equal Security

In consideration of the acceptance of the 2008 Certificates by the Owners thereof, the Trust Agreement will be deemed to be and will constitute a contract between the Authority and the Owners from time to time of all 2008 Certificates authorized, executed, and delivered under the Trust Agreement and

then Outstanding to secure the full and final payment of the interest, principal, and prepayment premiums, if any, evidenced and represented by the 2008 Certificates which may from time to time be authorized, executed, issued and delivered under the Trust Agreement, subject to the agreements, conditions, covenants and provisions contained in the Trust Agreement; and all agreements and covenants set forth in the Trust Agreement to be performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners without distinction, preference or priority as to security or otherwise of any 2008 Certificates over any other 2008 Certificates by reason of the number or date thereof or the time of authorization, sale, execution, or delivery thereof or for any cause whatsoever, except as expressly provided in the Trust Agreement or therein.

2008 Payments; 2008 Project

2008 Payments Held in Trust. The 2008 Payments will be held in trust by the Trustee for the benefit of the Owners from time to time of the 2008 Certificates and each Credit Enhancement Provider, but will nonetheless be disbursed, allocated and applied solely for the uses and purposes provided in the Trust Agreement.

Deposit of 2008 Payments. The Trustee agrees to establish, maintain and hold in trust a separate fund designated as the 2008 Debt Service Fund, for so long as any 2008 Certificates will be Outstanding under the Trust Agreement. All 2008 Payments (except as otherwise provided) received by the Trustee will be immediately deposited in the 2008 Debt Service Fund and will be disbursed and applied only as provided in the Trust Agreement.

Establishment and Maintenance of Accounts for Use of Money in the 2008 Debt Service Fund. All money in the 2008 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2008 Debt Service Fund (each of which is created by the Trust Agreement and each of which the Trustee agrees and covenants to maintain pursuant to the Trust Agreement) in the following order of priority:

(a) 2008 Interest Account (with a 2008 Fees Subaccount therein), and

(b) 2008 Principal Account (with a 2008 Prepayment Subaccount and a 2008 Sinking Fund Subaccount therein).

All money in each of such accounts and subaccounts will be held in trust by the Trustee for the benefit of the Owners and each Credit Enhancement Provider and will be applied, used and withdrawn only for the purposes authorized in the Trust Agreement.

(a) 2008 Interest Account. On the Delivery Date, the Trustee will deposit in the 2008 Interest Account any Payment Agreement Receipts relating to the 2008 Interest Rate Swap Agreement which the City has directed under the 2008 Interest Rate Swap Agreement to be transferred to the Trustee for deposit in the 2008 Interest Account and any amounts transferred to the Trustee pursuant to the 2008 Supplemental Contract for the payment of payments due under the 2008 Interest Rate Swap Agreement. On the Business Day immediately preceding each Interest Payment Date, the Trustee will set aside from the 2008 Debt Service Fund and deposit in the 2008 Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) becoming due and payable on each such Interest Payment Date. The Trustee will also apply amounts on deposit in the 2008 Fees Subaccount to pay on behalf of the City, the Payment Agreement Payments required to be paid under the 2008 Interest Rate Swap Agreement and to pay the Remarketing Agent fees as the same will become due on each due date therefor until such 2008 Fees Subaccount will be

depleted (expected to be on or about November 29, 2008). Investment earnings on amounts on deposit in the 2008 Fees Subaccount will be transferred to the City for deposit in the Revenue Fund.

No deposit need be made in the 2008 Interest Account if the amount contained therein (exclusive of amounts transferred for the payment of amounts due under the 2008 Interest Rate Swap Agreement) is at least equal to the aggregate amount of interest evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) becoming due and payable on such Interest Payment Date.

Except as otherwise provided in the Trust Agreement, all money in the 2008 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest (including accrued interest evidenced and represented by any 2008 Certificates (including Liquidity Provider Certificates) purchased or prepaid prior to their respective Certificate Payment Date) with respect to the 2008 Certificates (including Liquidity Provider Certificates) as it will become due and payable and paying the Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement as they will become due and payable.

(b) 2008 Principal Account. On the Business Day immediately preceding each October 1, commencing on October 1, 2008, the Trustee will set aside from the 2008 Debt Service Fund and deposit in the 2008 Principal Subaccount an amount of money equal to the principal amount evidenced and represented by the Outstanding Serial Certificates and Liquidity Provider Certificates with a Certificate Payment Date of such October 1, and in the 2008 Sinking Fund Subaccount in the 2008 Principal Account the amount of all Sinking Fund Payments required to be made on such October 1.

Amounts to be applied to (i) the optional prepayment of the principal component of the 2008 Certificates pursuant to the Trust Agreement and (ii) to the mandatory prepayment of the principal component of Liquidity Provider Certificates pursuant to the Trust Agreement will be deposited in the 2008 Prepayment Subaccount of the 2008 Principal Account. All money in the 2008 Prepayment Subaccount will be used and withdrawn by the Trustee for the purpose of paying such prepayments on the respective prepayment dates.

No deposit need be made in the 2008 Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding Serial Certificates with a Certificate Payment Date of such October 1 and the amount contained in the 2008 Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Payments required to be made on such October 1.

All money in the 2008 Principal Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Serial Certificates as they will become due and payable, whether at their respective Certificate Payment Dates or on prior prepayment and Liquidity Provider Certificates as they will become due and payable whether at their respective Certificate Payment Dates or on prior prepayment, and all money in the 2008 Sinking Fund Subaccount of the 2008 Principal Account will be used and withdrawn by the Trustee only to purchase or to prepay or to pay Term Certificates, and with respect to the 2008 Sinking Fund Subaccount, on each Sinking Fund Payment date, the Trustee will apply the Sinking Fund Payment required on that date to the prepayment (or payment at Certificate Payment Date, as the case may be) of the Term Certificates upon the notice and in the manner provided in the Trust Agreement; provided, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Written Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation Term Certificates in accordance with the Trust Agreement.

Parity Reserve Fund. The Parity Reserve Fund created pursuant to the 1997 Trust Agreement is continued by the Trust Agreement. Pursuant to the Trust Agreement, the Trustee agrees and covenants to maintain the Parity Reserve Fund so long as the Contract has not been discharged in accordance with its terms or any 2008 Certificates remain Outstanding under the Trust Agreement. Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the 1997 Certificates, the 2008 Certificates (including Liquidity Provider Certificates) and any other obligations hereafter issued in connection with a Supplemental Contract and will be applied only for such purposes as provided in the Trust Agreement. The Trustee will deposit in the Parity Reserve Fund from the proceeds of the 2008 Certificates, the amount specified in the Trust Agreement, such amount being sufficient to cause the balance on deposit in or credited to the Parity Reserve Fund, to be equal to the Reserve Fund Requirement upon delivery of the 2008 Certificates. The Trustee will deposit in the Parity Reserve Fund such other amounts transferred to the Trustee by the City pursuant to the Contract, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the Parity Reserve Fund will be transferred by the Trustee to the 2008 Debt Service Fund to pay principal and interest evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the Parity Reserve Fund, transfer or cause to be transferred to any applicable debt service fund established under the 1997 Trust Agreement and under any other trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a Supplemental Contract. All investments in the Parity Reserve Fund will (notwithstanding anything in the 1997 Trust Agreement to the contrary) be valued on or before October 1 of each year at the lesser of the cost or market value thereof. Following such valuation, any moneys on deposit in the Parity Reserve Fund representing an excess of the Reserve Fund Requirement will be transferred by the Trustee to the City for deposit in the Revenue Fund. The Trustee may create such subaccounts in the Parity Reserve Fund as may be necessary or convenient for the purposes of the Trust Agreement.

The Reserve Fund Requirement may be provided by one or more surety bonds, insurance policies, or letters of credit as described in the definition of Reserve Fund Requirement ("Reserve Funding Instruments") set forth in the Contract.

Notwithstanding anything to the contrary contained in the Trust Agreement, at any time one or more Reserve Funding Instruments are on deposit in the Parity Reserve Fund, the Trustee will: (i) withdraw and use all cash, if any, on deposit in the Parity Reserve Fund prior to using and withdrawing any amounts derived from payments under any Reserve Funding Instruments; and (ii) draw on all Reserve Funding Instruments on a pro rata basis based on the draw limit of each Reserve Funding Instrument. Amounts received by the Trustee from the City pursuant to the Master Contract as a replenishment of amounts withdrawn from the Parity Reserve Fund will be applied (i) first on a pro rata basis to reimburse draws on any Reserve Funding Instruments and (ii) to replenish cash withdrawn from the Parity Reserve Fund.

Establishment and Application of Costs of Issuance Fund. Pursuant to the Trust Agreement, the Trustee agrees to establish, maintain and hold in trust a separate fund designated as the Costs of Issuance Fund, which fund is created by the Trust Agreement and which fund the Authority agrees to maintain with the Trustee until November 29, 2008. The Trustee will deposit to the Costs of Issuance Fund the amounts specified in the Trust Agreement. All money in the Costs of Issuance Fund will be used and withdrawn by the Trustee to pay the Costs of Issuance relating to the 2008 Certificates upon receipt of a Written Request of the Authority filed with the Trustee, each of which will be sequentially numbered and will state the person to whom payment is to be made, the amount to be paid, the purpose for which the obligation was incurred and that such payment is a proper charge against said fund. On November 29, 2008, or upon the

earlier Written Request of the Authority, any remaining balance in the Costs of Issuance Fund will be transferred to the City for deposit in the 2008 Debt Service Fund.

Deposit and Investments of Money in Accounts and Funds. All money held by the Trustee in any of the accounts or funds established pursuant to the Trust Agreement will be invested in Permitted Investments at the Written Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement under the Trust Agreement, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance with the Trust Agreement; provided, that if no such Written Request is received by the Trustee, the Trustee will invest such money in those Permitted Investments described in clause (9) of the definition thereof provided, however, that any such investment will be made by the Trustee only if, prior to the date on which such investment is to be made, the Trustee will have received a Written Request of the Authority specifying a specific money market fund and, if no such Written Request of the Authority is so received, the Trustee will hold such moneys uninvested. Except as otherwise provided in the Trust Agreement with respect to the Parity Reserve Fund, all interest or profits received on any money so invested will be deposited in the 2008 Debt Service Fund.

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. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee under the Trust Agreement.

The Trustee or any of its affiliates may act as principal or agent, sponsor, advisor or manager in connection with any investments made by the Trustee under the Trust Agreement. For investment purposes, the Trustee may commingle the funds and accounts established under the Trust Agreement, but will account for each separately.

The Trustee will not be liable for any loss from any Permitted Investment acquired, held, or disposed of at the written request of the Authority. Any Permitted Investments that are registered securities will be registered in the name of the Trustee.

Assignment to Trustee; Enforcement of Obligations.

(a) Pursuant to the Trust Agreement, the Authority transfers, assigns and sets over to the Trustee all of the 2008 Payments and any and all rights and privileges it has under the Contract, including, without limitation, the right to collect and receive directly all of the 2008 Payments, and any 2008 Payments collected or received by the Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will forthwith be paid by the Authority to the Trustee. The Trustee also will, subject to the provisions of the Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the 2008 Certificates and each Credit Enhancement Provider the Trustee's rights in and priority to the following security granted to it for the payment of the 2008 Certificates: the Trustee's rights as assignee of the 2008 Payments under the Contract and as beneficiary of any other rights to security for the 2008 Certificates which the Trustee may receive in the future.

(b) The Trustee may, in performing the obligations set out above, rely and will be protected in acting or refraining from acting upon an Opinion of Counsel furnished by the City.

Covenants of the Authority and the Trustee

Compliance with Trust Agreement. The Trustee will not execute or deliver any 2008 Certificates in any manner other than in accordance with the provisions of the Trust Agreement; and the Authority will not suffer or permit any default by it to occur under the Trust Agreement, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained in the Trust Agreement and in the 2008 Certificates.

Observance of Laws and Regulations. The Authority and the Trustee will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on them by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by them, including their right to exist and carry on their respective businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

Accounting Records and Reports. The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipts, disbursements, allocation and application of the 2008 Payments and the proceeds of the 2008 Certificates, and such books will be available for inspection by the Authority, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Trustee will furnish or cause to be furnished to the Authority and the 2008 Certificate Insurer a complete financial statement covering receipts, disbursements, allocation and application of 2008 Payments received by the Trustee for such Fiscal Year. The Authority will keep or cause to be kept such information as required under the Tax Certificate.

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 2008 Payments and the proceeds of the 2008 Certificates or to the extent involving the failure of the Authority to fulfill its obligations under the Trust Agreement; provided that the Trustee or any affected Owner 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 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 under the Trust Agreement, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision of the Trust Agreement, this covenant will remain in full force and effect even though all 2008 Certificates secured by the Trust Agreement may have been fully paid and satisfied.

Amendments to Contract. Except for any Supplemental Contract delivered in accordance with the terms of the Contract, the Authority will not supplement, amend, modify or terminate any of the terms of the Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent will be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security given for the payment of the 2008 Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount evidenced and represented by the 2008 Certificates then Outstanding to such supplement, amendment, modification or termination; provided, that no such supplement, amendment, modification or termination will reduce the amount of 2008 Payments to be made to the Authority or the Trustee by the City pursuant to the Contract, or extend the time for making such 2008 Payments in any manner that would require the amendment of the

Trust Agreement in any manner not in compliance with the Trust Agreement, or permit the creation of any lien prior to or on a parity with the lien created by the Trust Agreement on the 2008 Payments without the written consent of all of the Owners of the 2008 Certificates then Outstanding.

Recording and Filing. The Trustee upon receipt of a Written Request of the Authority, at the expense of the Authority, will file, record, register, renew, refile and rerecord all such documents, including financing statements (or continuation statements in connection therewith), all in such manner, at such times and in such places as may be required and to the extent permitted by law in order to fully perfect, preserve and protect the security of the Owners and the rights and interests of the Trustee; provided, however, that the Trustee will not be required to execute a special or general consent to service of process, or to qualify as a foreign corporation in connection with any such filing, recording, registration, refiling or rerecording in any jurisdiction in which it is not now so subject.

Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them by the Trust Agreement.

The Trustee

The Trustee. The Bank of New York Trust Company, N.A., will serve as the Trustee for the purpose of receiving all money which the Authority is required to deposit with the Trustee under the Trust Agreement and for the purpose of allocating, applying and using such money as provided in the Trust Agreement and for the purpose of paying the interest and principal and prepayment premiums, if any, evidenced and represented by the 2008 Certificates presented for payment, and for the purpose of canceling all paid or prepaid 2008 Certificates as provided in the Trust Agreement. The Authority agrees that it will at all times maintain a Trustee having a corporate trust office in either San Francisco, California or Los Angeles, California.

The Authority may at any time, unless there exists any Event of Default as defined in the Trust Agreement, remove the Trustee initially appointed and any successor thereto and may appoint a successor or successors thereto by an instrument in writing; provided that any successor appointed under the Trust Agreement will be approved by the 2008 Certificate Insurer and will be a bank, national banking association with trust powers or trust company doing business and having a principal office in either San Francisco, California or Los Angeles, California, having (or if such bank, national banking association or trust company is a member of a bank holding company system, its bank holding company has) a combined capital (exclusive of borrowed capital) and surplus of at least $50,000,000 and subject to supervision or examination by federal or state authority. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this provision the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. The Trustee may at any time resign by giving written notice of such resignation to the Authority and by mailing to the Owners notice of such resignation. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee by an instrument in writing. Any removal or resignation of a Trustee and appointment of a successor Trustee will become effective only upon the acceptance of appointment by the successor Trustee. If, within 30 days after notice of the removal or resignation of the Trustee no successor Trustee will have been appointed and will have accepted such appointment, the removed or resigning Trustee may petition any court of competent jurisdiction for the appointment of a successor Trustee, which court may

thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, appoint a successor Trustee having the qualifications required by the Trust Agreement. Any successor trustee will signify its acceptance of the duties under the Trust Agreement by an instrument in writing provided to the Authority and the Notice Parties.

Liability of the Trustee. The recitals of facts, agreements and covenants in the Trust Agreement and in the 2008 Certificates will be taken as recitals of facts, agreements and covenants of the Authority, and the Trustee assumes no responsibility for the correctness of the same or makes any representation as to the sufficiency or validity of the Trust Agreement or of the 2008 Certificates, or will incur any responsibility in respect thereof other than in connection with the rights or obligations assigned to or imposed upon it in the Trust Agreement, in the 2008 Certificates or in law or equity. The Trustee will not be liable in connection with the performance of its duties under the Trust Agreement except for its own active or passive negligence or willful misconduct.

The Trustee will not be liable for any error of judgment made in good faith by a responsible officer, unless it will be proved that the Trustee was negligent in ascertaining the pertinent facts.

The Trustee will 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, as applicable, the Credit Enhancement Provider, the Liquidity Facility Provider or the Owners of not less than a majority in aggregate principal amount of the 2008 Certificates 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 under the Trust Agreement.

The Trustee will be under no obligation to exercise any of the rights or powers vested in it by the Trust Agreement at the request, order or direction of, as applicable, the Credit Enhancement Provider, the Liquidity Facility Provider, or any of the Owners pursuant to the provisions of the Trust Agreement unless, as applicable, the Credit Enhancement Provider, the Liquidity Facility Provider, or such Owners will have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or prepayment premium, if any, evidenced and represented by the 2008 Certificates from its own funds; but rather the Trustee's obligations will be limited to the performance of its duties under the Trust Agreement.

The Trustee will not be deemed to have knowledge of any default under the Trust Agreement or default under the Contract unless and until it will have actual knowledge thereof or will have received written notice thereof at its Corporate Trust Office. Except as otherwise expressly provided in the Trust Agreement, the Trustee will not be bound to ascertain or inquire as to the performance or observance of any of the terms, conditions, covenants or agreements in the Trust Agreement or of any of the documents executed in connection with the 2008 Certificates or as to the existence of a default under the Trust Agreement.

The Trustee will not be considered in breach of or in default in its obligations under the Trust Agreement or progress in respect thereto in the event of enforced delay ("unavoidable delay") in the performance of such obligations due to unforeseeable causes beyond its control and without its fault or negligence, including, but not limited to, acts of God or of the public enemy or terrorists, acts of a government, acts of the other party, fires, floods, epidemics, quarantine restrictions, strikes, freight embargoes, earthquakes, explosion, mob violence, riot, inability to procure or general sabotage or rationing of labor, equipment, facilities, sources 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 project, malicious mischief, condemnation, and unusually severe weather or delays of suppliers or subcontractors due to such causes or any similar event and/or occurrences beyond the control of the Trustee.

Amendment of the Trust Agreement

Amendment of the Trust Agreement. The Trust Agreement and the rights and obligations of the Authority and of the Owners may be amended at any time by a Supplemental Trust Agreement which will become binding when the written consents of the Owners of a majority in aggregate principal amount of the 2008 Certificates then Outstanding, exclusive of 2008 Certificates disqualified as provided in Trust Agreement, are filed with the Trustee; provided, that before executing any such Supplemental Trust Agreement the Trustee may first obtain at the Authority's expense an Opinion of Counsel that such Supplemental Trust Agreement complies with the provisions of the Trust Agreement, on which opinion the Trustee may conclusively rely. No such amendment will (1) extend the Certificate Payment Date of, or change the payment dates of, or reduce the rate of interest or principal or prepayment premium, if any, evidenced and represented by any 2008 Certificate without the express written consent of the Owner of such Certificate, or (2) reduce the percentage of 2008 Certificates required for the written consent to any such amendment, or (3) modify any rights or obligations of the Trustee without its prior written assent thereto.

The Trust Agreement and the rights and obligations of the Authority and of the Owners may also be amended at any time by a Supplemental Trust Agreement which will become binding upon adoption without the consent of any Owners, but only to the extent permitted by law, for any purpose that will not materially adversely affect the interests of the Owners, including (without limitation) for any one or more of the following purposes:

(a) to add to the agreements and covenants required in the Trust Agreement to be performed by the Authority other agreements and covenants thereafter to be performed by the Authority, or to surrender any right or power reserved in the Trust Agreement to or conferred in the Trust Agreement on the Authority;

(b) to make such provisions for the purpose of curing any ambiguity or of correcting, curing or supplementing any defective provision contained in the Trust Agreement or in regard to questions arising under the Trust Agreement which the Authority may deem desirable or necessary and not inconsistent with the Trust Agreement;

(c) to add to the agreements and covenants required in the Trust Agreement, such agreements and covenants as may be necessary to qualify the Trust Agreement under the Trust Indenture Act of 1939;

(d) to make any amendments or supplements necessary or appropriate to preserve or protect the exclusion of interest evidenced and represented by the 2008 Certificates from gross income for federal income tax purposes under the Code or the exemption of such interest from State of California personal income taxes;

(e) to make such amendments or supplements as may be necessary or appropriate to maintain any then current rating on the 2008 Certificates by any of the Rating Agencies;

(f) to add to the rights of the Trustee;

(g) to modify, alter, amend or supplement the Trust Agreement in any other respect, including amendments which would otherwise be described in the Trust Agreement, if the effective

date of such amendments is a date on which all 2008 Certificates affected thereby are subject to mandatory tender for purchase pursuant to the provisions of the Trust Agreement or if notice of the proposed amendments is given to Owners of the affected 2008 Certificates at least thirty (30) days before the proposed effective date of such amendments and, on or before such effective date, such Owners have the right to demand purchase of their 2008 Certificates pursuant to the provisions of the Trust Agreement; or

(h) for any other purpose that does not materially and adversely affect the interests of the Owners of the 2008 Certificates.

Amendment by Mutual Consent. Subject to certain provisions in the Trust Agreement related to the 2008 Certificate Insurance Policy, the Trust Agreement does not prevent any Owner from accepting any amendment as to the particular 2008 Certificates held by him, provided that due notation thereof is made on such 2008 Certificates.

Consent of the Liquidity Facility Provider. Notwithstanding anything to the contrary contained in the Trust Agreement, the Trust Agreement may not be amended without the prior written consent of the Liquidity Facility Provider.

Notice. The Trustee will give notice to the Rating Agencies of any amendments pursuant to the Trust Agreement.

Events of Default and Remedies of Owners

Events of Default: Acceleration; Waiver of Default. If an Event of Default (as that term is defined in the Contract) will happen, then such Event of Default will constitute a default under the Trust Agreement, and in each and every such case during the continuance of such Event of Default the Trustee after receiving indemnification to its satisfaction or the Owners of not less than a majority in aggregate principal amount of the 2008 Certificates then Outstanding will exercise the remedies provided to the Authority in the Contract; provided, that nothing contained in the Trust Agreement will affect or impact the right of action of any Owner to institute suit directly against the City to enforce payment of the obligation evidenced and represented by such Owner's 2008 Certificates. Upon the occurrence of any Event of Default, the Trustee will give notice to the Credit Facility Provider and the Liquidity Facility Provider.

In determining whether a payment default has occurred under the Trust Agreement or whether a payment on the 2008 Certificates has been made under the Trust Agreement, no effect will be given to payments made under the 2008 Certificate Insurance Policy.

Other Remedies of the Trustee. The Trustee will have the right:

(a) by mandamus or other action or proceeding or suit at law or in equity to enforce the Authority's rights under the Contract against the City or any director, officer or employee thereof, and to compel the City or any such director, officer or employee to perform or carry out its or his duties under law and the agreements and covenants required to be performed by it or him contained in the Contract;

(b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Trustee; or

(c) by suit in equity upon the happening of any Event of Default under the Trust Agreement to enforce the Authority's rights under the Contract to require the City and its directors, officers and employees to account as the trustee of an express trust.

Non-Waiver. A waiver of any default or breach of any duty or contract by the Trustee will 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 to exercise any right or remedy accruing upon any default or breach of duty or contract will impair any such right or remedy or will be construed to be a waiver of any such default or breach of duty or contract or any acquiescence therein, and every right or remedy conferred upon the Trustee by law or by the Trust Agreement may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee.

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

Remedies Not Exclusive. No remedy in the Trust Agreement conferred upon or reserved to the Trustee or the Owners is intended to be exclusive of any other remedy, and each such remedy will be cumulative and will be in addition to every other remedy given thereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

No Liability by the City to the Owners. Except for the payment when due of the 2008 Payments and the performance of the other agreements and covenants required to be performed by it contained in the Contract, the City will not have any obligation or liability to the Owners with respect to the Trust Agreement or the preparation, execution, delivery or transfer of the 2008 Certificates or the disbursement of the 2008 Payments by the Trustee to the Owners, or with respect to the performance by the Trustee of any right or obligation required to be performed by it contained in the Trust Agreement.

No Liability by the Trustee to the Owners. Except as expressly provided in the Trust Agreement, the Trustee will not have any obligation or liability to the Owners with respect to the payment when due of the 2008 Payments by the City, or with respect to the performance by the City of the other agreements and covenants required to be performed by it contained in the Contract.

Control of Remedies by Credit Enhancement Provider or Liquidity Facility Provider. Provided that the Credit Enhancement remains in effect, notwithstanding anything in the Trust Agreement to the contrary, the Credit Enhancement Provider will have the right to direct all remedies upon the occurrence of an Event of Default. If the Credit Enhancement is no longer in effect or a default has occurred with respect to the Credit Enhancement, and the Liquidity Facility is in effect, the Liquidity Facility Provider will have the right to direct all remedies upon the occurrence of an Event of Default.

Notwithstanding the foregoing, if the Credit Enhancement is no longer in effect or a default has occurred with respect to the Credit Enhancement, if a Liquidity Facility is in effect and the Liquidity Facility Provider thereof has failed to honor its payment obligations under the Liquidity Facility in respect of the purchase price of Certificates upon tender thereof, fifty-one percent (51%) of the Certificate holders of the Certificates enhanced by such Liquidity Facility (excluding Certificates owned by the City and Liquidity Provider Certificates), will have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of such payment obligations; provided that such direction will be in accordance with applicable law.

Application of Funds in case of an Event of Default. All moneys received by the Trustee pursuant to any right given or action taken under the provisions of the Trust Agreement will be deposited into the 2008 Debt Service Fund and will be applied by the Trustee in the following order upon presentation and surrender of the several 2008 Certificates:

First, Costs and Expenses: to the payment of reasonable fees and expenses of the Trustee (including reasonable fees and disbursements of its counsel) incurred in and about the performance of its powers and duties under the Trust Agreement;

Second, Interest: to the payment to the persons entitled thereto of all installments of interest then due or which have accreted in the order of the maturity of such installment, and, if the amount available shall not be sufficient to pay in full any installment or installments maturing on the same date, then to the payment thereof ratably, according to the amounts due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, Principal: to the payment to the persons entitled thereto of the unpaid principal of any 2008 Certificates that will have become due, whether at maturity or by call for prepayment, in the order of their due dates, with interest on the overdue principal and interest at a rate equal to the rate paid with respect to the 2008 Certificates and, if the amount available will not be sufficient to pay in full all the amounts due with respect to the 2008 Certificates on any date, together with such interest, then to the payment thereof ratably, according to the amounts of principal due on such date to the persons entitled thereto, without any discrimination or preference.

Defeasance

Discharge of Trust Agreement. When the obligations of the City under the Contract will cease pursuant to the Contract (except for the right of the Trustee and the obligation of the City to have the money and Federal Securities mentioned therein applied to the payment of 2008 Payments as therein set forth), and (a)(i) the 2008 Certificates are in Fixed Rate Mode at the time moneys or Federal Securities are deposited pursuant to the Trust Agreement or (ii) the 2008 Certificates are not in Fixed Rate Mode at the time moneys or Federal Securities are deposited pursuant to the Trust Agreement and the Trustee has received written confirmation from each of Moody's and S&P stating that its rating on the 2008 Certificates will not be reduced or withdrawn as a result of such defeasance, and (b) all other sums payable under the Trust Agreement, including to the 2008 Certificate Insurer and the Liquidity Facility Provider, have been paid, then and in such case the obligations created by the Trust Agreement will thereupon cease, terminate and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and Federal Securities to the payment of the 2008 Certificates as set forth in the Trust Agreement and the right of the Trustee to collect any fees or expenses due thereunder and the Trustee will turn over to the City, as an overpayment of 2008 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the 2008 Certificates at maturity or on prepayment, which moneys and Federal Securities will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the 2008 Certificates, and after such payment, the Trust Agreement will become void.

If moneys or Federal Securities are deposited with and held by the Trustee as provided in the Trust Agreement, the Trustee will mail a notice, first-class postage prepaid, to the Owners at the addresses listed on the registration books kept by the Trustee pursuant to the Trust Agreement, stating that (a) moneys or Federal Securities are so held by it, and (b) that the Trust Agreement has been released in accordance with the provisions of the Trust Agreement.

Notice of discharge of the Trust Agreement will be provided to the Rating Agencies by the Trustee.

Deposit of Money or Securities with Trustee. Whenever in the Trust Agreement or the Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities (certified to be sufficient by a report of an Independent Certified Public Accountant) in the necessary amount to pay or prepay any 2008 Certificates, the money or securities to be so deposited or held may include money or securities held by the Trustee in the funds and accounts established pursuant to the Trust Agreement and will be:

(a) lawful money of the United States of America in an amount equal to the principal amount represented by such 2008 Certificates and all unpaid interest represented thereby to maturity, except that, in the case of 2008 Certificates which are to be prepaid prior to maturity and in respect of which notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice, the amount to be deposited or held will be the principal amount plus accrued interest to such date of prepayment plus a prepayment premium, if any, represented by such 2008 Certificates; or

(b) Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the principal of and interest on which when due will provide, in its opinion of an Independent Certified Public Accountant, delivered to the Trustee, money sufficient to pay the principal plus prepayment premium, if any, plus all accrued interest to maturity or to the prepayment date, as the case may be, represented by the 2008 Certificates to be paid or prepaid, as such amounts become due, provided that, in the case of 2008 Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment will have been given as provided in the Trust Agreement or provision satisfactory to the Trustee will have been made for the giving of such notice;

provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of the Trust Agreement and the Contract or by Written Request of the City) to apply such money to the payment of such principal plus prepayment premium, if any, plus interest represented by such 2008 Certificates.

Unclaimed Money. Notwithstanding anything contained in the Trust Agreement to the contrary, any money held by the Trustee in trust for the payment and discharge of any of the 2008 Certificates which remains unclaimed for two years after the date when such 2008 Certificates have become due and payable, either at their stated Certificate Payment Dates or by call for prepayment prior to Certificate Payment Date, if such money was held by the Trustee at such date, or for two years after the date of deposit of such money if deposited with the Trustee after the date when such Certificates have become due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of the 2008 Payments evidenced and represented by such 2008 Certificates; provided, however, that before being required to make any such payment to the City, the Trustee will, at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date will not be less than 30 days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the City.

Additional Provisions Relating to the 2008 Certificate Insurance Policy

(a) Subject to the Trust Agreement, the 2008 Certificate Insurer will be deemed to be sole Owner of the 2008 Certificates it insures for the purpose of exercising any voting right or privilege or giving any consent or direction or taking any other action that the 2008 Certificate Owners are entitled to take pursuant to the Trust Agreement, including any consent to any modification, amendment or supplement to the Trust Agreement pursuant to the Trust Agreement.

(b) Notwithstanding anything in the Trust Agreement to the contrary the 2008 Certificate Insurer will be deemed to be the Owners of all of the 2008 Certificates for purposes of (a) exercising all remedies and directing the Trustee to take actions or for any other purposes following an Event of Default (as defined in the Trust Agreement), and (b) granting any consent, direction or approval or taking any action permitted or required by the Owners of the 2008 Certificates.

(c) Notwithstanding anything in the Trust Agreement to the contrary so long as the 2008 Certificate Insurance Policy will be in full force and effect and the 2008 Certificate Insurer will not be in default of any of its obligations thereunder, upon the occurrence and continuance of an Event of Default, the Trustee may, with the consent of the 2008 Certificate Insurer, and will at the direction of the 2008 Certificate Insurer or the Bondholders with the prior written consent of the 2008 Certificate Insurer, by written notice to the Authority and the 2008 Certificate Insurer, as applicable (i) declare the principal of the 2008 Certificates immediately due and payable, whereupon that portion of the principal of the 2008 Certificates thereby coming due and the interest thereon accrued to the date of payment will, without further action, become and be immediately due and payable, anything in the Trust Agreement or the 2008 Certificates to the contrary notwithstanding or (ii) annul any declaration of acceleration.

APPENDIX C

COPY OF FINAL APPROVING OPINION OF ORIGINAL SPECIAL COUNSEL DATED MAY 30, 2008

SIDLEY AUSTIN LLP
SIDLEY

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SYDNEY
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FOUNDED 1866

May 30, 2008

City Council
City of Modesto
Modesto, California

$47,625,000
CITY OF MODESTO
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

Ladies and Gentlemen:

We have acted as special counsel to the City of Modesto (the "City") in connection with the execution and delivery of $47,625,000 principal amount of Water Revenue Certificates of Participation, 2008 Series A (the "Certificates"), evidencing and representing proportionate interests of the owners thereof in 2008 Payments (as that term is defined in the Trust Agreement referred to below) to be made by the City under and pursuant to that certain Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Installment Purchase Contract"), by and between the City and the Modesto Public Financing Authority (the "Authority"), as previously supplemented and as amended and supplemented by that certain 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008 (the "2008 Supplemental Installment Purchase Contract"), by and between the City and the Authority. The Master Installment Purchase Contract, as previously supplemented and as amended and supplemented by the 2008 Supplemental Installment Purchase Contract, is referred to herein as the "Installment Purchase Contract." All of the Authority's rights to receive such 2008 Payments have been assigned by the Authority to The Bank of New York Trust Company, N.A., as trustee (the "Trustee"), pursuant to that certain Trust Agreement, dated as of May 1, 2008 (the "Trust Agreement"), by and between the Authority and the Trustee. The Certificates have been executed by the Trustee pursuant to the terms of the Trust Agreement.

In our capacity as special counsel, we have reviewed relevant laws of the State of California, including the City Charter; executed copies of the Installment Purchase Contract and the Trust Agreement; certifications and resolutions of the City, the Authority, the Trustee, and others; opinions of counsel to the City, the Authority and the Trustee; and such other documents, opinions and instruments as we deemed necessary to render the opinions set forth herein. Our services as special counsel were limited to such examination and to rendering the opinions set

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forth below. We have assumed the genuineness of all documents and signatures presented to us. We have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Installment Purchase Contract and the Trust Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest represented by the Certificates to be included in gross income for federal income tax purposes.

Certain requirements and procedures contained or referred to in the Installment Purchase Contract and the Trust Agreement or other relevant documents relating to the Certificates may be changed, and certain actions may be taken (including, without limitation, defeasance of the Certificates) or omitted, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of municipal bonds. We express no opinion as to the effect of any change to any document pertaining to the Certificates or of any action taken or not taken where such change is made or action is taken or not taken without our approval or in reliance upon the advice of counsel other than ourselves with respect to the exclusion from gross income of the interest represented by the Certificates for federal income tax purposes.

With respect to the opinions expressed herein, the enforceability of the Installment Purchase Contract is subject to the limitations on the imposition of certain fees and charges by the City relating to the Water Utility System under Articles XIIIC and XIIID of the California Constitution. In addition, the rights and obligations under the Certificates, the Installment Purchase Contract and the Trust Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting the enforcement of creditors' rights generally, to the application of equitable principles (regardless of whether such enforceability is considered in equity or at law), to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against cities in the State of California. Furthermore, we express no opinion with respect to any indemnification, contribution, penalty, choice of forum or waiver provisions contained in the foregoing documents.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Master Installment Purchase Contract, the 2008 Supplemental Installment Purchase Contract and the Trust Agreement have been duly authorized, executed and delivered by the Authority; the Master Installment Purchase Contract and the 2008 Supplemental Installment Purchase Contract have been duly authorized, executed and delivered by the City; and, assuming (in the case of the Trust Agreement) due authorization, execution and delivery by the Trustee, such agreements are valid and binding obligations of the Authority and the City (as

the case may be), enforceable against the Authority and the City (as the case may be) in accordance with their respective terms.

2. The Certificates, assuming due execution and delivery by the Trustee, are entitled to the benefits of the Trust Agreement.

3. The obligation of the City to make the 2008 Payments under the Installment Purchase Contract is a special obligation of the City payable solely from Gross Revenues (as such term is defined in the Installment Purchase Agreement). The general fund of the City is not liable, and neither the credit nor taxing power of the City is pledged, for the payment of the 2008 Payments under the Installment Purchase Contract.

4. Based on existing statutes, regulations, rulings and judicial decisions and assuming compliance by the City with certain covenants in the Installment Purchase Contract and with requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of Certificate proceeds and the timely payment of certain investment earnings to the United States Treasury, interest represented by the Certificates is not includable in the gross income of the owners of the Certificates for purposes of federal income taxation. Failure by the City to comply with the above covenants and requirements may cause interest represented by the Certificates to be included in gross income retroactive to the date of execution and delivery of the Certificates.

Interest represented by the Certificates will not be treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals or corporations; however, interest represented by the Certificates will be included as an adjustment in the calculation of the alternative minimum taxable income of corporations and may therefore affect the federal alternative minimum tax liability of corporations.

5. Interest represented by the Certificates is exempt from present State of California personal income taxes.

Other than as described herein, we neither addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest represented by, the Certificates.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

This opinion is limited to the laws of the State of California and the federal laws of the United States. The opinions in this letter are expressed solely as of the date hereof for your benefit and may not be relied upon in any manner for any purposes by any other person.

Respectfully submitted,

Sidley Austin LLP

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APPENDIX D

INFORMATION CONCERNING DTC

The Depository Trust Company ("DTC"), New York, New York, will act as securities depository for the 2008 Certificates. The 2008 Certificates will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered certificate for the 2008 Certificates will be issued in the aggregate principal amount of each maturity of the 2008 Certificates, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934, as amended. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company of DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com.

Purchases of 2008 Certificates under the DTC system must be made by or through Direct Participants, which will receive a credit for the 2008 Certificates on DTC's records. The ownership interest of each actual purchaser of each 2008 Certificate ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the 2008 Certificates are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their beneficial ownership interests in the 2008 Certificates, except in the event that use of the book-entry system for the 2008 Certificates is discontinued.

To facilitate subsequent transfers, all 2008 Certificates deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of 2008 Certificates with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the 2008 Certificates; DTC's records reflect only the identity of the Direct Participants to whose accounts such 2008 Certificates are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of 2008 Certificates may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the 2008 Certificates, such as redemptions, defaults, and proposed amendments to the 2008 Certificate documents. For example, Beneficial Owners of 2008 Certificates may wish to ascertain that the nominee holding the 2008 Certificates for their benefit has agreed to obtain and transmit notices to Beneficial

Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the 2008 Certificates are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such 2008 Certificates to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to 2008 Certificates unless authorized by a Direct Participant in accordance with DTC's Money Market Instrument Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the City as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts 2008 Certificates are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal, premium, redemption proceeds, and interest payments on the 2008 Certificates will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Trustee, on a payment date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participants and not of DTC nor of its nominee, the Trustee or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal, premium, redemption proceeds, and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the 2008 Certificates at any time by giving reasonable notice to the City or the Trustee. Under such circumstances, in the event that a successor securities depository is not obtained, 2008 Certificate certificates are required to be printed and delivered.

The City may decide to discontinue use of the system of book-entry only transfers through DTC (or a successor securities depository). In that event, 2008 Certificate certificates will be printed and delivered to DTC.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the City believes to be reliable, but the City takes no responsibility for the accuracy thereof.

The Authority, the City and the Remarketing Agent cannot and do not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of, premium, if any, and interest on the 2008 Certificates paid or any redemption or other notices or that they will do so on a timely basis or will serve and act in the manner described in this Remarketing Memorandum. The City is not responsible or liable for the failure of DTC or any Direct Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the 2008 Certificates or any error or delay relating thereto.

None of the Authority, the City, the Remarketing Agent or the Trustee will have any responsibility or obligation to Direct Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Direct Participant, or any Indirect Participant; (ii) the payment by DTC or any Direct Participant or Indirect Participant of any amount with respect to the principal of or premium, if any, or interest on the 2008 Certificates; (iii) any notice that is permitted or required to be given to Holders under the Trust Agreement; (iv) the selection by DTC, any Direct Participant or any Indirect Participant of any person to receive payment in the event of a partial redemption of the 2008 Certificates; (v) any consent given or other action taken by DTC as Bondholder; or (vi) any other procedures or obligations of DTC, Direct Participants or Indirect Participants under the book-entry system.

APPENDIX E

FINANCIAL GUARANTY INSURANCE POLICY

ASSURED GUARANTY

ENDURING FINANCIAL STRENGTH℠
AAA S&P • Aaa Moody's • AAA Fitch

Financial Guaranty Insurance Policy

Issuer:	City of Modesto, California	**Policy No.:**	D-2008-461
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation 2008 Series A	**Premium:**	$826,615.80
		Effective Date:	May 30, 2008

Assured Guaranty Corp., a Maryland corporation (**"Assured Guaranty"**), in consideration of the payment of the Premium and on the terms and subject to the conditions of this Policy (which includes each endorsement hereto), hereby unconditionally and irrevocably agrees to pay to the trustee (the **"Trustee"**) or the paying agent (the **"Paying Agent"**) for the Obligations (as set forth in the documentation providing for the issuance of and securing the Obligations) for the benefit of the Holders, that portion of the Insured Payments which shall become Due for Payment but shall be unpaid by reason of Nonpayment.

Assured Guaranty will make such Insured Payments to the Trustee or the Paying Agent on the later to occur of (i) the date applicable principal or interest becomes Due for Payment, or (ii) the Business Day next following the day on which Assured Guaranty shall have Received a completed Notice of Nonpayment. If a Notice of Nonpayment by Assured Guaranty is incomplete or does not in any instance conform to the terms and conditions of this Policy, it shall be deemed not Received, and Assured Guaranty shall promptly give notice to the Trustee or the Paying Agent. Upon receipt of such notice, the Trustee or the Paying Agent may submit an amended Notice of Nonpayment. The Trustee or the Paying Agent will disburse the Insured Payments to the Holders only upon receipt by the Trustee or the Paying Agent, in form reasonably satisfactory to it of (i) evidence of the Holder's right to receive such payments, and (ii) evidence, including without limitation any appropriate instruments of assignment, that all of the Holder's rights to payment of such principal or interest Due for Payment shall thereupon vest in Assured Guaranty. Upon and to the extent of such disbursement, Assured Guaranty shall become the Holder of the Obligations, any appurtenant coupon thereto and right to receipt of payment of principal thereof or interest thereon, and shall be fully subrogated to all of the Holder's right, title and interest thereunder, including without limitation the right to receive payments in respect of the Obligations. Payment by Assured Guaranty to the Trustee or the Paying Agent for the benefit of the Holders shall discharge the obligation of Assured Guaranty under this Policy to the extent of such payment.

This Policy is non-cancelable by Assured Guaranty for any reason. The Premium on this Policy is not refundable for any reason. This Policy does not insure against loss of any prepayment premium or other acceleration payment which at any time may become due in respect of any Obligation, other than at the sole option of Assured Guaranty, nor against any risk other than Nonpayment.

Except to the extent expressly modified by any endorsement hereto, the following terms shall have the meanings specified for all purposes of this Policy. **"Avoided Payment"** means any amount previously distributed to a Holder in respect of any Insured Payment by or on behalf of the Issuer, which amount has been recovered from such Holder pursuant to the United States Bankruptcy Code in accordance with a final, nonappealable order of a court having competent jurisdiction that such payment constitutes an avoidable preference with respect to such Holder. **"Business Day"** means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York or in the State of Maryland. **"Due for Payment"** means (i) when referring to the principal of an Obligation, the stated maturity date thereof, or the date on which such Obligation shall have been duly called for mandatory sinking fund redemption, and does not refer to any earlier date on which payment is due by reason of a call for redemption (other than by mandatory sinking fund redemption), acceleration or other advancement of maturity (unless Assured Guaranty in its sole discretion elects to make any principal payment, in whole or in part, on such earlier date) and (ii) when referring to interest on an Obligation, the stated date for payment of such interest. **"Holder"** means, in respect of any Obligation, the person or entity who, at the time of Nonpayment, is entitled under the terms of such Obligation to payment of principal or interest thereunder, except that Holder shall not include the Issuer or any person or entity whose direct or indirect obligation constitutes the underlying security for the Obligations. **"Insured Payments"** means that portion of the principal of and interest on the Obligations that shall become Due for Payment but shall be unpaid by reason of Nonpayment. Insured Payments shall not include any additional amounts owing by the Issuer solely as a result of the failure by the Trustee or the Paying Agent to pay such amount when due and payable, including without limitation any such additional amounts as may be attributable to penalties or to interest accruing at a default rate, to amounts payable in respect of indemnification, or to any other additional amounts payable by the Trustee or the Paying Agent by reason of such failure. **"Nonpayment"** means, in respect of an Obligation, the failure of the Issuer to have provided sufficient funds to the Trustee or the Paying Agent for payment in full of all principal and interest Due for Payment on such Obligation. It is further understood that the term "Nonpayment" in respect of an Obligation includes any Avoided Payment. **"Receipt"** or **"Received"** means actual receipt or notice of or, if notice is given by

Assured Guaranty Corp.

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New York, NY 10019

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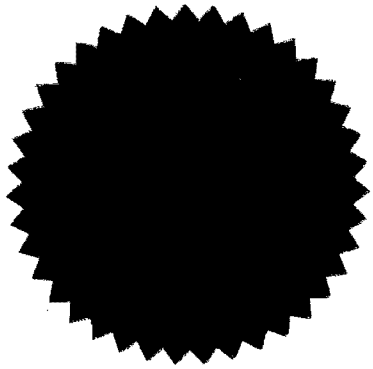
overnight or other delivery service, or by certified or registered United States mail, by a delivery receipt signed by a person authorized to accept delivery on behalf of the person to whom the notice was given. Notices to Assured Guaranty may be mailed by registered mail or personally delivered or telecopied to it at 1325 Avenue of the Americas, New York, New York 10019, Telephone Number: (212) 974-0100, Facsimile Number: (212) 581-3268, Attention: Risk Management Department - Public Finance Surveillance, with a copy to the General Counsel, or to such other address as shall be specified by Assured Guaranty to the Trustee or the Paying Agent in writing. A Notice of Nonpayment will be deemed to be Received by Assured Guaranty on a given Business Day if it is Received prior to 12:00 noon (New York City time) on such Business Day; otherwise it will be deemed Received on the next Business Day. **"Term"** means the period from and including the Effective Date until the earlier of (i) the maturity date for the Obligations, or (ii) the date on which the Issuer has made all payments required to be made on the Obligations.

At any time during the Term of this Policy, Assured Guaranty may appoint a fiscal agent (the **"Fiscal Agent"**) for purposes of this Policy by written notice to the Trustee or the Paying Agent, specifying the name and notice address of such Fiscal Agent. From and after the date of Receipt of such notice by the Trustee or the Paying Agent, copies of all notices and documents required to be delivered to Assured Guaranty pursuant to this Policy shall be delivered simultaneously to the Fiscal Agent and to Assured Guaranty. All payments required to be made by Assured Guaranty under this Policy may be made directly by Assured Guaranty or by the Fiscal Agent on behalf of Assured Guaranty. The Fiscal Agent is the agent of Assured Guaranty only, and the Fiscal Agent shall in no event be liable to the Trustee or the Paying Agent for any acts of the Fiscal Agent or any failure of Assured Guaranty to deposit, or cause to be deposited, sufficient funds to make payments due under this Policy.

To the fullest extent permitted by applicable law, Assured Guaranty hereby waives, in each case for the benefit of the Holders only, all rights and defenses of any kind (including, without limitation, the defense of fraud in the inducement or in fact or any other circumstance that would have the effect of discharging a surety, guarantor or any other person in law or in equity) that may be available to Assured Guaranty to deny or avoid payment of its obligations under this Policy in accordance with the express provisions hereof. Nothing in this paragraph will be construed (i) to waive, limit or otherwise impair, and Assured Guaranty expressly reserves, Assured Guaranty's rights and remedies, including, without limitation: its right to assert any claim or to pursue recoveries (based on contractual rights, securities law violations, fraud or other causes of action) against any person or entity, in each case, whether directly or acquired as a subrogee, assignee or otherwise, subsequent to making any payment to the Trustee or the Paying Agent, in accordance with the express provisions hereof, and/or (ii) to require payment by Assured Guaranty of any amounts that have been previously paid or that are not otherwise due in accordance with the express provisions of this Policy.

This Policy (which includes each endorsement hereto) sets forth in full the undertaking of Assured Guaranty with respect to the subject matter hereof, and may not be modified, altered or affected by any other agreement or instrument, including, without limitation, any modification thereto or amendment thereof. THIS POLICY IS NOT COVERED BY THE PROPERTY/CASUALTY INSURANCE SECURITY FUND SPECIFIED IN ARTICLE 76 OF THE NEW YORK INSURANCE LAW. This Policy will be governed by, and shall be construed in accordance with, the laws of the State of New York.

IN WITNESS WHEREOF, Assured Guaranty has caused this Policy to be affixed with its corporate seal, to be signed by its duly authorized officer, and to become effective and binding upon Assured Guaranty by virtue of such signature.



ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:

_____
Counsel

NOTICE OF NONPAYMENT

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Attention: Risk Management Department - Public Finance Surveillance and General Counsel

The undersigned, [a duly authorized officer of [TRUSTEE][PAYING AGENT]] (the **"Trustee"** or the **"Paying Agent"**), hereby certifies to Assured Guaranty Corp. (**"Assured Guaranty"**) with reference to Financial Guaranty Insurance Policy No. _____ (the **"Policy"**), that:

(i) The deficiency with respect to the Insured Payment that is Due for Payment and unpaid by reason of Nonpayment on [insert applicable payment date] is $[insert applicable amount] (the **"Deficiency Amount"**).

(ii) The [Trustee][Paying Agent] is making a claim under the Policy for the Deficiency Amount.

(iii) The [Trustee][Paying Agent] agrees that, following payment by Assured Guaranty made with respect to the Deficiency Amount which is the subject of this Notice of Nonpayment, it will (a) cause such amounts to be applied directly to the payment of the applicable Insured Payment; (b) insure that such funds are not applied for any other purpose; and (c) cause an accurate record of such payment to be maintained with respect to the appropriate Insured Payment(s), the corresponding claim on the Policy, and the proceeds of such claim.

(iv) The [Trustee][Paying Agent], on behalf of the Holders, hereby assigns to Assured Guaranty all rights of the [Trustee][Paying Agent] and the Holders with respect to the Obligations to the extent of any payments under the Policy, including without limitation any amounts due to the Holders in respect of securities law violations arising from the offer and/or sale of the Obligations; provided, that payments to Assured Guaranty in respect of the foregoing assignment shall in all cases be subject to and subordinate to the rights of the Holders to receive all payments in respect of the Obligations. The foregoing assignment is in addition to, and not in limitation of, rights of subrogation otherwise available to Assured Guaranty in respect of such payments. The [Trustee][Paying Agent][Holder] shall take such action and deliver such instruments as may be reasonably requested or required by Assured Guaranty to effectuate the purpose or provisions of this paragraph (iv).

(v) The [Trustee][Paying Agent], on its behalf and on behalf of the Holders, hereby appoints Assured Guaranty as agent and attorney-in-fact for the [Trustee][Paying Agent] and each such Holder in any legal proceeding with respect to the Obligations. The [Trustee][Paying Agent] hereby agrees that, so long as Assured Guaranty shall not be in default in its payment obligations under the Policy, Assured Guaranty may at any time during the continuation of any proceeding by or against the Issuer under the United States Bankruptcy Code or any other applicable bankruptcy, insolvency, receivership, rehabilitation or similar law (an **"Insolvency Proceeding"**) direct all matters relating to such Insolvency Proceeding, including, without limitation, (A) all matters relating to any claim in connection with an Insolvency Proceeding seeking the avoidance as a preferential transfer of any payment made with respect to the Obligations (a **"Preference Amount"**), (B) the direction of any appeal of any order relating to any Preference Amount at the expense of Assured Guaranty but subject to reimbursement as provided in the documentation providing for the issuance of and securing the Obligations, if any, and (C) the posting of any surety, supersedeas or performance bond pending any appeal. In addition, the [Trustee][Paying Agent] hereby agrees that Assured Guaranty shall be fully subrogated to, and the [Trustee][Paying Agent] on its behalf and on behalf of each Holder, hereby delegates and assigns, to the fullest extent permitted by law, the rights of the [Trustee][Paying Agent] and each Holder in the conduct of any Insolvency Proceeding, including without limitation all rights of any party to an adversary proceeding or action with respect to any court order issued in connection with any such Insolvency Proceeding.

(vi) Payment should be made by credit to the following account:

_____

_____

Capitalized terms used in this Notice of Nonpayment and not otherwise defined herein shall have the respective meanings ascribed thereto in the Policy.

This Notice of Nonpayment may be revoked at any time by written notice of such revocation by the [Trustee][Paying Agent][Holder] to the Assured Guaranty.

ANY PERSON WHO KNOWINGLY AND WITH INTENT TO DEFRAUD ANY INSURANCE COMPANY OR OTHER PERSON FILES AN APPLICATION FOR INSURANCE OR STATEMENT OF CLAIM CONTAINING ANY MATERIALLY FALSE INFORMATION, OR CONCEALS FOR THE PURPOSE OF MISLEADING, INFORMATION CONCERNING ANY FACT MATERIAL THERETO, COMMITS A FRAUDULENT INSURANCE ACT, WHICH IS A CRIME AND SHALL ALSO BE SUBJECT TO A CIVIL PENALTY NOT TO EXCEED FIVE THOUSAND DOLLARS AND THE STATED VALUE OF THE CLAIM FOR EACH SUCH VIOLATION.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Notice of Nonpayment as of the __ day of _____ of ____.

[TRUSTEE/PAYING AGENT]

By:_____
Name:
Title:

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AAA S&P • Aaa Moody's • AAA Fitch

Endorsement to Financial Guaranty Insurance Policy
(California Insurance Guaranty Association)

Issuer:	City of Modesto, California	Policy No.	D-2008-461
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	May 30, 2008

Notwithstanding the terms and provisions contained in the Policy, it is further understood that the insurance provided by the Policy to which this endorsement is attached and of which it forms a part is not covered by the California Insurance Guaranty Association, established pursuant to the laws of the State of California (California Insurance Code, Article 15.2).

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this endorsement shall supersede the Policy language.

IN WITNESS WHEREOF, Assured Guaranty has caused this endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.

ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:

_____
Counsel

Form E-CA001 (05/07)

Assured Guaranty Corp.

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ASSURED GUARANTY®

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Endorsement to Financial Guaranty Insurance Policy
(California Business Day)

Issuer:	City of Modesto, California	Policy No.	D-2008-461
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	May 30, 2008

Notwithstanding the terms and provisions contained in the Policy, the Policy to which this endorsement is attached and of which it forms a part is hereby amended to provide that the term "Business Day" means any day other than (i) a Saturday or Sunday, (ii) any day on which the offices of the Trustee, the Paying Agent or Assured Guaranty are closed, or (iii) any day on which banking institutions are authorized or required by law, executive order or governmental decree to be closed in the City of New York, the State of Maryland or the State of California.

It is further understood the Policy to which this endorsement is attached and of which it forms a part is hereby amended to provide that a Notice will be deemed to be Received on a given Business Day if it is Received prior to 12:00 noon (Pacific Standard time) on such Business Day; otherwise it will be deemed Received on the next Business Day.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this endorsement shall supersede the Policy language.

IN WITNESS WHEREOF, Assured Guaranty has caused this endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.

ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:

_____
Counsel

Form E-CA002 (05/07)

Assured Guaranty Corp.

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ASSURED GUARANTY®

ENDURING FINANCIAL STRENGTH℠
AAA S&P • Aaa Moody's • AAA Fitch

Endorsement to Financial Guaranty Insurance Policy
(California Governing Law)

Issuer:	City of Modesto, California	Policy No.	D-2008-461
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	May 30, 2008

Notwithstanding the terms and provisions contained in the Policy, it is further understood that the insurance provided by the Policy to which this endorsement is attached and of which it forms a part shall be governed by, and shall be construed in accordance with, the laws of the State of California.

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language the terms of this endorsement shall supersede the Policy language.

IN WITNESS WHEREOF, Assured Guaranty has caused this endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.

ASSURED GUARANTY CORP.

By: _____
Gordon Murray
Director

Signature attested to by:
_____
Counsel

Form E-CA003 (05/07)

Assured Guaranty Corp.

1325 Avenue of the Americas
New York, NY 10019

main 212 974 0100
fax 212 581 3268

info@assuredguaranty.com

www.assuredguaranty.com

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APPENDIX F

CERTAIN INFORMATION ABOUT THE CITY

The following information with respect to the City is presented for information purposes only. The 2008 Certificates do not constitute an indebtedness of the City within the meaning of any constitutional, statutory or charter limitations and the City is not obligated to levy any *ad valorem* taxes therefor or to use any other funds of the City to pay debt service on the 2008 Certificates.

General Description

The City, which is the county seat of Stanislaus County, was incorporated in 1884. It covers approximately 37.4 square miles. The City operates under a council-manager form of government pursuant to a charter adopted in 1963. The City is located in central California approximately 93 miles east of the City and County of San Francisco.

The City Council (the "Council") appoints the City Clerk and Auditor, the City Attorney, and the City Manager. The City Manager heads the executive branch of government, implements Council directives and policies, and manages the administrative and operational functions through the various department heads who are appointed by the City Manager.

The City provides the full range of services normally associated with a municipality, including public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services. The City also provides parking and airport facilities and water, sewer and bus service. The school districts in the City are separate governmental entities which receive no funding from the City.

Population

The following table represents historical population statistics for the City, the County and the State.

TABLE A-1
CITY OF MODESTO
Population Estimate[(1)]

Calendar Year	*City of Modesto*	*Stanislaus County*	*State of California*
2018	215,800	550,289	39,519,535
2019	217,091	553,131	39,605,361
2020	219,025	552,878	39,538,223
2021	218,699	551,353	39,286,510
2022	217,699	548,719	39,078,674
2023	216,995	545,939	38,940,231

(1) As of January 1 for 2018-19 and 2021-23. As of April 1 for 2020.

Source: California State Department of Finance, Population Estimates for City, County and State Population, 2011-2020 with 2010 Census Benchmark, and 2021-2023 with 2020 Census Benchmark.

Employment

The following table summarizes the civilian labor force, employment and unemployment in the County for the calendar years 2018 through 2022. These figures are county-wide statistics and may not necessarily accurately reflect employment trends in the City.

TABLE A-2
MODESTO METROPOLITAN STATISTICAL AREA
Industry Employment and Labor Force
(Annual Averages)

	2018	*2019*	*2020*	*2021*	*2022*
Civilian Labor Force	243,100	242,900	242,500	240,200	242,300
Employment	227,300	228,100	215,900	220,200	229,100
Unemployment	15,800	14,900	26,800	20,000	13,100
Unemployment Rate	6.5%	6.1%	11.0%	8.3%	5.4%
Wage and Salary Employment:					
Total Farm	14,400	14,900	14,500	14,000	14,200
Total Nonfarm	179,100	181,400	173,100	178,400	186,100
Natural Resources, Mining and Construction	10,200	10,500	9,800	10,700	11,400
Manufacturing	21,600	21,400	21,200	21,800	22,800
Wholesale Trade	6,300	6,200	5,900	5,600	5,700
Retail Trade	23,200	22,800	21,900	23,000	23,200
Transport., Warehousing, Utilities	7,900	8,700	9,000	9,100	9,900
Information	1,000	1,000	800	800	800
Financial Activities	5,300	5,300	5,100	4,900	5,000
Professional and Business Services	15,400	15,300	15,100	15,400	15,300
Educational and Health Services	33,600	34,700	34,600	35,000	35,700
Leisure and Hospitality	19,300	19,200	15,800	18,200	20,600
Other Services	5,800	5,900	5,100	5,500	6,100
Federal Government	800	800	900	700	700
State Government	2,200	2,100	2,100	2,000	2,200
Local Government	26,600	27,400	25,900	25,700	26,800
Total All Industries	193,600	196,200	187,600	192,400	200,300

Note: Totals may not add up because of rounding.

Source: Labor Division of the California State Employment Development Department.

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Major Employees

The following table summarizes the largest employers in the County of Stanislaus as of June 30, 2022.

TABLE A-3
COUNTY OF STANISLAUS
Principal Employers
as of June 30, 2022

No.	*Company Name*	*No. Employees*[1]
1.	E & J Gallo Winery	6,700
2.	Stanislaus County	3,886
3.	Modesto City Schools	3,200
4.	Doctors Medical Center	2,600
5.	Memorial Medical Center	2,087
6.	Foster Farms Poultry	2,000
7.	Del Monte Foods Inc.	1,500
8.	City of Modesto	1,273
9.	Sylvan Union School District	900
10.	Modesto Junior College	783

(1) The number of employees include both part-time and full time.
Source: City of Modesto Annual Comprehensive Financial Report, Fiscal Year Ended June 20, 2022.

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Commercial Activity

The following table shows the dollar volume of taxable transactions in the City of Modesto from 2018 through 2022.

TABLE A-4
CITY OF MODESTO
Taxable Transactions
Calendar Years 2018 through 2022
(in Thousands of Dollars)

Retail Outlets	***2018***	***2019***	***2020***	***2021***	***2022***
Motor Vehicle and Parts Dealers	$228,695	$225,114	$248,063	$287,959	$283,029
Home Furnishings and Appliance Stores	159,528	155,334	136,481	179,746	151,330
Building Material And Garden Equip. and Supplies	177,802	177,144	214,352	229,818	208,103
Food and Beverage Stores	161,334	160,002	179,921	189,237	189,772
Gasoline Stations	242,906	258,243	202,652	280,349	357,922
Clothing and Clothing Accessories Stores	262,644	262,974	195,279	312,711	293,140
General Merchandise Stores	439,547	432,202	419,354	498,672	497,485
Food Services and Drinking Places	411,865	434,472	358,932	485,841	525,903
Other Retail Group	232,663	244,262	274,862	304,882	292,109
Total Retail and Food Services	**$2,316,985**	**$2,349,747**	**$2,229,895**	**$2,769,215**	**$2,798,795**
All Other Outlets	657,422	611,779	544,205	700,790	855,758
Totals All Outlets	**$2,974,407**	**$2,961,526**	**$2,774,100**	**$3,470,005**	**$3,654,553**

Source: State of California, Board of Equalization.

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The following table shows the dollar volume of taxable transactions in the County of Construction Trends Stanislaus from 2018 through 2022.

TABLE A-5
COUNTY OF STANISLAUS
Taxable Transactions
Calendar Years 2018 through 2022

Retail Outlets	***2018***	***2019***	***2020***	***2021***	***2022***
Motor Vehicle and Parts Dealers	$1,439,880,600	$1,467,719,388	$1,591,266,449	$1,918,424,926	$1,740,444,352
Furniture and Home Furnishings Stores	278,676,783	278,192,441	295,717,551	368,219,189	340,888,833
Building Material and Garden Equip. and Supplies	588,272,390	626,431,683	772,950,450	880,551,050	845,253,187
Food and Beverage Stores	353,824,777	357,393,747	402,906,218	424,791,658	438,210,318
Gasoline Stations	760,704,455	765,581,357	601,273,266	869,297,778	1,116,286,684
Clothing and Clothing Accessories Stores	420,229,130	428,859,216	367,348,098	541,404,074	514,674,035
General Merchandise Stores	928,792,229	934,082,413	949,055,948	1,098,048,392	1,103,502,641
Food Services and Drinking Places	808,105,522	862,034,437	743,124,681	994,900,907	1,067,772,011
Other Retail Group	666,808,643	745,668,054	1,207,595,830	1,600,291,690	1,492,130,617
Total Retail and Food Services	**6,245,294,529**	**6,465,962,736**	**6,931,238,491**	**8,695,929,664**	**8,659,162,678**
All Other Outlets	3,053,646,245	3,213,863,724	3,156,056,716	3,640,635,387	4,313,192,700
Totals All Outlets	**9,298,940,774**	**9,679,826,460**	**10,087,295,207**	**12,336,565,051**	**12,972,355,378**

Source: State of California, Board of Equalization.

Construction Trends

"Single Family Housing," includes detached, semi-detached, rowhouse and townhouse units. Rowhouses and townhouses are included when each unit is separated from the adjacent unit by an unbroken ground-to-roof party or fire wall. Condominiums are included in single-family when they are of zero-lot-line or zero-property-line construction; when units are separated by an air space; or, when units are separated by an unbroken ground-to-roof party or fire wall. "Multi-Family Housing," includes duplexes, 3-4-unit structures and apartment-type structures with five units or more. Multifamily housing also includes condominium units in structures of more than one living unit that do not meet the above single-family housing definition. "Residential Alterations and Additions," means alterations, additions, and conversions to residential structures, excluding special installation permits for electrical, plumbing, heating, air-conditioning, or similar mechanical work, or installation of fire escapes, elevators, signs, etc.

"New Commercial," includes new hotels and motels, office and bank buildings, stores and other mercantile buildings, parking garages, service stations, and amusement and recreational buildings. "New Industrial," includes manufacturing plants and affiliated buildings. "Other New Nonresidential," includes churches and religious buildings, hospitals and institutional buildings, schools and educational buildings, residential garages, public works and utilities buildings, and miscellaneous nonresidential structures. "Nonresidential Alterations and Additions," means alterations, additions, and conversions to nonresidential structures, excluding special installation permits for electrical, plumbing, healing, air-conditioning, or similar mechanical work, or installation of fire escapes, elevators and signs, etc.

Provided below are the building permits and valuations for the City of Modesto for calendar years 2018 through 2022.

TABLE A-6
CITY OF MODESTO
Residential and Nonresidential Building Permit Valuations
and Total Residential Building Permits

	2018	*2019*	*2020*	*2021*	*2022*
Permit Valuation					
New Single-family	$21,428,412	$21,173,429	$33,535,670	$17,012,856	$32,229,335
New Multi-family	$280,000	$10,800,000	$8,474,999	$13,509,452	$7,300,000
Res. Alterations & Additions	$10,315,164	$9,000,959	$8,382,751	$6,124,779	$11,788,005
Total Residential	$32,023,576	$40,974,388	$50,393,420	$36,647,087	$51,317,340
New Commercial	$8,940,300	$14,899,100	$16,934,862	$14,874,583	$30,580,988
New Industrial	$3,100,000	$7,662,000	$2,500,000	$14,000,000	$580,000
New Other	$70,356,893	$16,898,036	$19,071,819	$9,755,024	$6,952,783
Non-Res. Alterations & Additions	$19,158,973	$43,326,295	$40,601,786	$15,477,294	$39,517,978
Total Nonresidential	$101,556,166	$82,785,431	$79,108,467	$54,106,901	$77,631,749
Total All Building	$133,579,742	$123,759,819	$129,501,887	$90,753,988	$128,949,089
New Dwelling Units					
Single Family	191	173	226	135	238
Multiple Family	4	101	50	56	76
Total	195	274	276	191	314

Note: Totals may not add up because of rounding.

Source: Building Permit Summary, Construction Industry Research Board and City of Modesto.

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Agriculture

The following table summarizes historical agricultural production within the County for calendar years 2017 through 2021.

TABLE A-7
STANISLAUS COUNTY
Agricultural Production
2017-2021

Commodity	*2017*	*2018*	*2019*	*2020*	*2021*
Apiary	$80,706,000	$89,041,000	$109,523,000	$105,638,000	$111,811,000
Field Crops	207,574,000	212,742,000	214,113,000	172,816,000	219,525,000
Fruit and Nut Crops	1,392,747,000	1,390,010,000	1,484,057,000	1,365,573,000	1,376,029,000
Livestock & Poultry	582,477,000	588,352,000	636,561,000	608,798,000	503,209,000
Livestock & Poultry Products	715,117,000	680,197,000	659,186,000	782,421,000	849,181,000
Nursery Products	271,049,000	220,953,000	227,537,000	210,746,000	207,781,000
Organic Products	199,409,000	193,609,000	61,415,000	37,528,000	69,831,000
Other Agriculture	19,793,000	23,540,000	25,018,000	29,047,000	31,628,000
Vegetable Crops	179,320,000	171,546,000	180,994,000	163,526,000	176,679,000
TOTALS	**$3,648,192,000**	**$3,569,990,000**	**3,598,404,000**	**$3,476,093,000**	**$3,545,672,000**

Source: Stanislaus County Department of Agriculture.

MISCELLANEOUS

Reference is made herein to certain documents and reports which are brief summaries thereof which do not purport to be complete or definitive, and reference is made to such documents and complete statement of the contents thereof.

Any statements in this Remarketing Memorandum involving matters of opinion, whether or not expressly so stated, are intended as such and not as representations of fact. This Remarketing Memorandum is not to be construed as a contract or agreement between the City and the purchasers or holder of any 2008 Certificates.

The execution and delivery of this Remarketing Memorandum have been duly authorized by the City and the Authority.

CITY OF MODESTO, CALIFORNIA

By: _____
Finance Director

MODESTO PUBLIC FINANCING AUTHORITY

By: _____
Auditor and Treasurer

Announcement: **Moody's reviews City of Modesto, CA Water Refunding Revenue Certificates of Participation 2008 Series A**

25 May 2023

New York, May 25, 2023 -- Moody's Investors Service ("Moody's"), at the request of the City of Modesto, CA (the Issuer), has reviewed the documents submitted to us in connection with the upcoming substitution of the letter of credit (LOC) with a standby certificate purchase agreement (SCPA or Liquidity Facility) to be provided by BMO Harris Bank, N.A. (the Bank) and subsequent remarketing of the City of Modesto Water Refunding Revenue Certificates of Participation 2008 Series A (Certificates).

Upon the effective date of the substitution, currently scheduled for June 8, 2023, the long-term portion of the rating will reflect the higher of the underlying rating of the Certificates (currently Aa3) and the financial strength rating of Assured Guaranty Corporation (currently A2), as the provider of the insurance policy.

The short-term portion of the rating will be based on the SCPA provided by the Bank and the likelihood of termination of the Liquidity Facility without a mandatory purchase of the Certificates. Events which would cause the SCPA to terminate without a mandatory purchase of the Certificates are directly related to the credit quality of Assured Guaranty Corporation (Assured) and Modesto, CA Water Enterprise (Enterprise). Accordingly, the likelihood of any such event occurring is reflected in the financial strength rating of Assured and the senior underlying revenue rating of the Enterprise. In addition, the rating reflects the adequate structure of the transaction as well as legal protections which ensure timely payments of principal, interest and purchase price due to the certificate holders.

Moody's current short-term CR Assessment of BMO Harris Bank, N.A. is P-1(cr). Moody's currently maintains an underlying rating of Aa3 on the Certificates.

On the effective date of the substitution, Moody's expects to downgrade to Aa3 from Aa1 the long-term rating and to affirm the VMIG 1 enhanced short-term rating of the Certificates. Moody's will publish a more detailed press release at that time.

This publication does not announce a credit rating action.

For any credit ratings referenced in this publication, please see the issuer/deal page on https://ratings.moodys.com

for the most updated credit rating action information and rating history.

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MJKK and MSFJ also maintain policies and procedures to address Japanese regulatory requirements.

S&P Global
Ratings

One California Street, 31st Floor
San Francisco, CA
94111-5432
tel 415 371-5000
reference no.: 40228589

June 6, 2023

City of Modesto
1010 10th Street
Suite 5200
Modesto, CA 95354
Attention: DeAnna Christensen, Finance Director

Re: ***Modesto VRDB COP's 2008A (Assured Guaranty), California***

Dear DeAnna Christensen
S&P Global Ratings has reviewed the rating on the above-listed obligations. Based on our review, we have lowered our credit rating from "AA+/A-1" to "AA/A-1" and changed the outlook to stable from not meaningful. A copy of the rationale supporting the rating and outlook is enclosed.
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tel 415 371-5000
reference no.: 40477814

June 6, 2023

City of Modesto
1010 10th Street
Suite 5200
Modesto, CA 95354
Attention: DeAnna Christensen, Finance Director

Re: ***Modesto VRDB COP's 2008A, California***

Dear DeAnna Christensen
S&P Global Ratings has reviewed the rating on the above-listed obligations. Based on our review, we have lowered our credit rating from "AA+/A-1" to "AA/A-1" and changed the outlook to stable from not meaningful. A copy of the rationale supporting the rating and outlook is enclosed.
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Summary:

Modesto, California; Joint Criteria

Primary Credit Analyst:
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Long Term Rating	AA/A-1/Stable	Rating Assigned
Modesto VRDB COP's 2008A (ASSURED GTY)		
Long Term Rating	AA/A-1/Stable	Rating Assigned

Credit Highlights

- S&P Global Ratings assigned its 'AA/A-1' dual long-term and short-term rating to the City of Modesto, Calif.'s series 2008A water refunding revenue certificates of participation (COPs).
- This rating action reflects our assessment of the replacement of the letter of credit (LOC) provided by JPMorgan Chase Bank N.A., with a standby certificate purchase agreement (SCPA) provided by BMO Harris Bank N.A., effective June 7, 2023, for the series 2008A COPs.
- Our long-term rating reflects the credit quality of Modesto's existing rated water revenue bonds upon the replacement of the liquidity provider, while the short-term rating is tied to the new liquidity provider, BMO Harris Bank N.A.

Security

The SCPA covers principal and 35 days' interest at a maximum 12% annual rate for the purchase price of certificates not successfully remarketed. The SCPA covers certificates in the weekly interest-rate mode. During the weekly rate mode, we believe the SCPA coverage amount is sufficient to pay certificate principal and maximum accrued interest, including the immediate interest reinstatement period and any additional time that may elapse before certificate holders are paid in full. The SCPA is scheduled to expire on June 8, 2026, when we will remove the short-term component of the ratings unless the SCPA is extended, replaced, or terminated beforehand, according to its term. The SCPA provider's obligations to purchase tendered certificates will automatically terminate should certain events of default set forth in the SCPA occur. These events (which we have deemed consistent with our published criteria) include, but are not limited to, a lowering of the rating on the certificates or any of Modesto's other debt that is senior to or on parity with the bonds rated below 'BBB-'.

This analysis of the series 2008 COPs reflects information as of June 6, 2023. Subsequent information from now until the closing date could result in our changing or withdrawing the rating.

For more information on the 2008 COPs, please see our analysis, published May 11, 2023, on RatingsDirect.

Credit overview

We view the existing bond provisions as credit neutral. Modesto's water system is currently under a treatment and delivery agreement (TDA) with the Modesto Irrigation District (MID), Calif. The city's obligation to make the payments

under the TDA is secured by the gross revenues of the city's water utility system; however, we understand that this is a limited take-or-pay obligation under which the city is not required to make any payments under certain extenuating circumstances. Under the TDA, the city covenants to set rates and charges to provide gross revenues equal to at least the sum of system operating expenses, payments due under the TDA, and 125% of annual debt service. We understand that the city is not obligated to meet an additional bonds test under the TDA; however, the city is currently obligated under a master contract associated with the 2008 COPs to meet a 1.25x maximum annual debt service (MADS) additional bonds test. We understand that the city does not provide a debt service reserve fund for existing bonds, and we do not view this as a material credit risk, given the system's track record of maintaining an extremely strong liquidity position.

Environmental, social, and governance

Our short-term rating on the bonds is linked to the liquidity provider. Environmental, social, and governance (ESG) factors that influence the rating on this supporting entity could also affect the ratings on these securities. Our assessment of the creditworthiness of support providers incorporates any material ESG credit factors. In our view, exposure to ESG factors in these transactions is limited to the factors related to the support provider. (For further information on the ESG considerations relevant for bank ratings and underlying securities, see the U.S. and Canadian, EMEA, Asia-Pacific, and Latin American bank ESG industry report cards and "Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors," published March 2, 2022, on RatingsDirect.)

Outlook

The outlook on the bonds is not meaningful because of the application of joint criteria to establish the long-term rating.

Related Research

- Through The ESG Lens 3.0: The Intersection Of ESG Credit Factors And U.S. Public Finance Credit Factors, March 2, 2022

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11-May-2023 | 17:15 EDT

Modesto, CA Water Revenue Bonds Rating Raised To 'AA' From 'AA-' On Financial Performance, Debt Service Coverage

NEW YORK (S&P Global Ratings) May 11, 2023--S&P Global Ratings raised its long-term and underlying rating (SPUR) on Modesto, Calif.'s existing rated water revenue bonds to 'AA' from 'AA-'. At the same time, S&P Global Ratings affirmed its 'AA+/A-1' long-term rating on the series 2008A certificates of participation (COPs). The outlook is stable.

"The rating action reflects our opinion that Modesto water system's financial performance has been achieving above 2.0x debt service coverage and liquidity above 700 days' operating expenses through different hydrological and economic cycles, demonstrating strong management," said S&P Global Ratings credit analyst Alan Shabatay.

The stable outlook reflects our expectation that the water system will maintain at least a very strong financial position, which is characterized by very strong all-in coverage and liquidity margins, as it progresses through its large capital improvement plan. In addition, the outlook reflects our expectation that management will continue to address future rate plans in order to preserve the system's financial profile and meet pay-as-you-go capital requirements.

We could lower the rating if all-in coverage declines below management's forecast, due in part to unforeseen leverage and higher operating costs, or if there is a significant drawdown in liquidity beyond what management has planned. Moreover, we could lower the rating if economic and financial metrics are no longer consistent with the rating level and if the city's general government credit quality is constrained as a result of a potential downturn on local economic activity.

We believe upside potential is further limited by the economic profile, which we believe will not materially change in the intermediate term due in part to above-average unemployment and below-average income levels.

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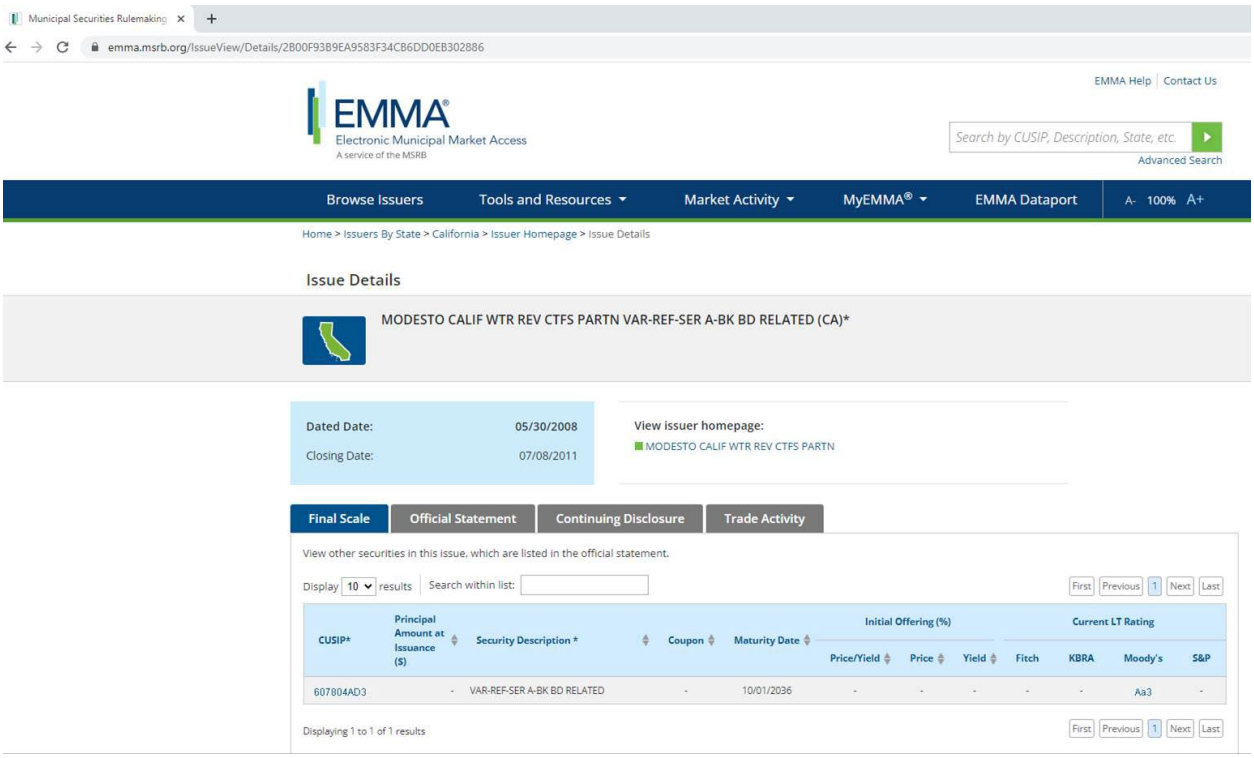
E. alan.shabatay@spglobal.com

Jenny Poree

Secondary Contact, San Francisco

P. + 1 (415) 371 5044

E. jenny.poree@spglobal.com


Municipal Securities Rulemaking
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Home > Issuers By State > California > Issuer Homepage > Issue Details
Issue Details
MODESTO CALIF WTR REV CTFS PARTN VAR-REF-SER A-BK BD RELATED (CA)*
Dated Date: 05/30/2008
Closing Date: 07/08/2011
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MODESTO CALIF WTR REV CTFS PARTN
Final Scale
Official Statement
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CUSIP* | Principal Amount at Issuance ($) | Security Description * | Coupon | Maturity Date | Initial Offering (%) | | | Current LT Rating | | | |
Price/Yield | Price | Yield | Fitch | KBRA | Moody's | S&P
607804AD3 - VAR-REF-SER A-BK BD RELATED - 10/01/2036 - - - - - Aa3 -
Displaying 1 to 1 of 1 results
First Previous 1 Next Last

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

INCUMBENCY, SIGNATURE AND CLOSING CERTIFICATE OF THE AUTHORITY

June 8, 2023

The undersigned, the Auditor and Treasurer and Secretary, respectively, of the Modesto Public Financing Authority (the "Authority"), a joint exercise of powers authority organized under the laws of the State of California, hereby certify on behalf of the Authority, in connection with the $47,625,000 aggregate original principal amount of City of Modesto Water Refunding Revenue Certificates of Participation, 2008 Series A (the "Certificates"), as follows:

On the date hereof (and after giving effect to the issuance of the Certificates and the effectiveness of the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"), among the Authority, the City of Modesto, (the "City"), The Bank of New York Mellon Trust Company, N.A., as trustee, and BMO Harris Bank N.A. (the "Bank")), (i) there exists no Event of Default or Potential Event of Default or Involuntary Insolvency Event, (ii) there exists no Event of Default (as defined in the Trust Agreement) and no event which, with the passage of time or the giving of notice or both, would constitute an Event of Default under the Trust Agreement, (iii) all representations and warranties made by the Authority in the Standby Certificate Purchase Agreement or in any of the Related Documents to which the Authority is a party are true and correct with the same effect as though such representations and warranties are made at and as of the date hereof, (iv) each of the Standby Certificate Purchase Agreement and the Related Documents to which the Authority is a party, as amended (if applicable), is in full force and effect and has not been amended, modified or changed, and (v) except for state "blue sky" laws and Resolution No. 01-2008 and Resolution No. 02-2023 (true and correct copies of which have been delivered to the Bank on the date hereof), no governmental approvals are necessary for the City to enter into the Standby Certificate Purchase Agreement, the Fee Letter Agreement and the Custodian Agreement or for the transactions contemplated thereby.

The officers identified below are duly authorized by the Commission of the Authority to execute on behalf of the Authority, the First Supplemental Trust Agreement, dated as of June 1, 2023, between the Authority and the Trustee, the Standby Certificate Purchase Agreement, the Fee Letter Agreement, dated June 8, 2023, among the Authority, the City and the Bank, and the Termination Agreement (Certificate Insurance Policy Cancellation Agreement), dated June 8, 2023, among the City, the Authority, the Trustee, JPMorgan Chase Bank, National Association and Assured Guaranty Corp., and certain other documents, certificates and agreements to be delivered by the City under the Standby Certificate Purchase Agreement, and that pursuant to such authority such documents, certificates and agreements have been executed and delivered by such persons, and (where applicable) attested to by the signature of the Secretary of the Commission, and, each of the undersigned by their signature confirms that the other signatures set forth below are genuine. The officers identified below are duly authorized to represent the Authority in connection with the Standby Certificate Purchase Agreement and the Fee Letter Agreement, and the Bank may rely upon such certification until it receives a new certificate with respect thereto.

The officers identified below were, at the time of execution and delivery thereof, duly authorized by the Commission of the Authority to execute on behalf of the Authority, the Remarketing Agreement, made and entered into as of June 1, 2023 (with an effective date of June 7, 2023) (the "Remarketing Agreement"), between the Authority and PNC Capital Markets LLC, and that pursuant to such authority the Remarketing Agreement was executed and delivered by such persons, and (where applicable) attested to by the signature of the Secretary of the Commission.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto (including by incorporation) in the Standby Certificate Purchase Agreement.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, each of the persons below has set their hand as of the date first written above.

MODESTO PUBLIC FINANCING AUTHORITY

By: _____
DeAnna Christensen
Auditor and Treasurer

By: _____
Diane Nayares-Perez
Secretary

(Signature Page to Incumbency, Signature and Closing Certificate of the Authority)

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

CERTIFICATE REGARDING JOINT EXERCISE OF POWERS AGREEMENT

June 8, 2023

The undersigned hereby states and certifies that:

1. She is the duly appointed, qualified and acting Auditor and Treasurer of the Modesto Public Financing Authority (the "Authority"), a joint exercise of powers authority, duly organized under the laws of the State of California (the "State"), and operating pursuant to Article 1 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State of California and pursuant to a Joint Exercise of Powers Agreement of the Authority which became effective on December 1,1989 (the "Agreement"), by and among the members of the Authority, and as such, is familiar with the facts herein certified and is authorized to certify the same.

2. Attached hereto as Exhibit A is a true copy of the Agreement, and such Agreement has not been amended, modified or repealed as of the date hereof.

3. Attached hereto as Exhibit B is an initial Notice as to a Joint Powers Agreement duly filed with the California Secretary of State on December 19, 1989.

4. Attached hereto as Exhibit C is the Statement of Facts Roster of Public Agencies Filing executed on May 8, 2023, and duly filed with the California Secretary of State on May 8, 2023.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

MODESTO PUBLIC FINANCING AUTHORITY

By: _____

DeAnna Christensen
Auditor and Treasurer

(Signature Page to Certificate Regarding Joint Exercise of Powers Agreement)

EXHIBIT A

Joint Powers Agreement

JOINT EXERCISE OF POWERS AGREEMENT

MODESTO PUBLIC FINANCING AUTHORITY

Dated as of December 1, 1989

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THIS AGREEMENT is by and among the CITY OF MODESTO (the "City") and the INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF MODESTO (the "IDA"), each duly organized and existing under the laws of the State of California (the "State"), collectively called the "Members".

WITNESSETH:

WHEREAS, the Marks-Roos Local Bond Pooling Act of 1985 (hereinafter defined as the "Bond Law") authorizes agencies formed under the Joint Exercise of Powers Law (hereinafter defined as the "Act") to issue bonds for the purpose of acquiring and constructing Public Capital Improvements (as that term is defined in the Act) and to lease those Public Capital Improvements to public agencies in California;

WHEREAS, the City intends to finance the renovation of the main terminal building at the Modesto City-County Airport/Harry Sham Field by entering into a lease/leaseback financing of the Airport, and the IDA is willing to assist the City and to facilitate such financing;

NOW, THEREFORE, in consideration of the above premises and of the mutual promises herein contained, the Members do hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the words and terms defined in this Article shall, for the purpose hereof, have the meanings herein specified.

"Act" means Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State.

"Agreement" means this Joint Exercise of Powers Agreement.

"Auditor and Treasurer" means the Director of Finance of the City, designated as Auditor and Treasurer of the Authority in Section 3.02.

"Authority" means the Modesto Public Financing Authority created pursuant to this Agreement.

"Bond Law" means the Marks-Roos Local Bond Pooling Act of 1985, being Article 4 of the Act (commencing with Section 6584), as now or hereafter amended, or any other law hereafter legally available for use by the Authority in the authorization and issuance of Bonds to finance the acquisition of Obligations and/or Public Capital Improvements.

"Bonds" means bonds of the Authority issued pursuant to Section 6590 or 6591 of the Bond Law.

"Chairperson" means the Chairperson of the Authority.

"Commission" means the Commission referred to in Section 2.03, which shall be the governing body of the Authority.

"Commissioners" means the representatives of the Members appointed to the Commission pursuant to Section 2.03.

"Fiscal Year" means the period from July 1 to and including the following June 30.

"Members and Member" means each of the parties to this Agreement and "Member" means any such party.

"Public Agency" means any public agency authorized by the Act to enter into a joint exercise of powers agreement with the Members.

"Public Capital Improvement" has the meaning given to such term in Section 6585(g) of the Act, as in effect on the date hereof, and as hereafter amended.

"Secretary" means the secretary of the Authority.

"State" means the State of California.

"Vice Chairperson" means the vice Chairperson of the Authority.

ARTICLE II

GENERAL PROVISIONS

Section 2.01. Purpose. This Agreement is made pursuant to the Act providing for the joint exercise of powers common to the Members. The purpose of this Agreement is to provide for the financing of Public Capital Improvements for the Members through the issuance of Bonds by the Authority and the leasing of the Public Capital Improvements to the Members.

Section 2.02. Creation of Authority. Pursuant to the Act, there is hereby created a public entity to be known as the "Modesto Public Financing Authority". The Authority shall be a public entity separate and apart from the Members, and shall administer this Agreement.

Section 2.03. Commission. The Authority shall be administered by a Commission of seven (7) Commissioners. The members of the City Council of the City shall be, *ex officio,* the Commissioners of the Authority. The number of Commissioners may be changed by amendment of this Agreement. The Commission shall be called the "Commission of the Modesto Public Financing Authority". All voting power of the Authority shall reside in the Commission.

Section 2.04. Meetings of the Commission.

(a) Regular Meetings. The Commission shall provide for its regular meetings; provided, however, that at least one regular meeting shall be held each year. The date, hour and place of the holding of regular meetings shall be fixed by resolution of the Commission and a copy of such resolution shall be filed with each of the Members.

(b) Special Meetings. Special meetings of the Commission may be called in accordance with the provisions of Section 54956 of the Government Code of the State.

(c) Call, Notice and Conduct of Meetings. All meetings of the Commission, including without limitation, regular, adjourned regular and special meetings, shall be called, noticed, held and conducted in accordance with the provisions of Sections 54950 et seq. of the Government Code of the State.

Section 2.05. Minutes. The Secretary shall cause to be kept minutes of the meetings of the Commission and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each Commissioner and to each of the Members.

Section 2.06. Voting. Each Commissioner shall have one vote.

Section 2.07. Quorum; Required Votes; Approvals. Commissioners holding a majority of the votes shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn from time to time. The affirmative votes of at least a majority of the Commissioners shall be required to take any action by the Commission.

Section 2.08. Bylaws. The Commission may adopt, from time to time, such bylaws, rules and regulations for the conduct of its meetings as are necessary for the purposes hereof.

ARTICLE III

OFFICERS AND EMPLOYEES

Section 3.01. Chairperson, Vice-Chairperson, Executive Director and Secretary. The Mayor of the City shall, *ex officio*, serve as the Chairperson of the Authority, the Mayor pro tem of the City shall, *ex officio*, serve as the Vice Chairperson of the Authority, and the City Clerk of the City shall, *ex officio*, serve as the Secretary. The City Manager of the City shall, *ex officio*, serve as the Executive Director of the Authority. The officers shall perform the duties normal to said offices; and

(a) the Chairperson shall preside over all meetings of the Commission of the Authority, and shall perform such other duties as may be imposed by the Commission;

(b) the Vice Chairperson shall perform all of the Chairperson's duties in the absence of the Chairperson;

(c) the Executive Director shall sign all contracts on behalf of the Authority, and shall perform such other duties as may be imposed by the Commission;

(d) the Secretary shall countersign all contracts signed by the Executive Director on behalf of the Authority, perform such other duties as may be imposed by the Commission and cause a copy of this Agreement to be filed with the Secretary of State of the State pursuant to the Act.

Section 3.02. Auditor and Treasurer. Pursuant to Section 6505.6 of the Act, the Director of Finance of the City is hereby designated as the Auditor and Treasurer of the Authority. The Auditor and Treasurer shall be the depositary, shall have custody of all of the accounts, funds and money of the Authority from whatever source, shall have the duties and obligations set forth in Sections 6505 and 6505.5 of the Act and shall assure that there shall be strict accountability of all funds and reporting of all receipts and disbursements of the Authority.

Section 3.03. Officers in Charge of Records, Funds and Accounts. Pursuant to Section 6505.1 of the Act, the Auditor and Treasurer shall have charge of, handle and have access to all accounts, funds and money of the Authority and all records of the Authority relating thereto; and the Secretary shall have charge of, handle and have access to all other records of the Authority.

Section 3.04. Bonding Persons Having Access to Public Capital Improvements. From time to time, the Commission may designate persons, in addition to the Secretary and the Auditor and Treasurer, having charge of, handling or having access to any records, funds or accounts or other Public Capital Improvements of the Authority, and the respective amounts of the official bonds of the Secretary and the Auditor and Treasurer and such other persons pursuant to Section 6505.1 of the Act.

Section 3.05. Legal Advisor. The City Attorney of the City of Modesto shall serve as legal advisor to the Authority.

Section 3.06. Other Employees. The Commission shall have the power to appoint and employ such other consultants and independent contractors as may be necessary for the purposes of this Agreement.

All of the privileges and immunities from liability, exemption from laws, ordinances and rules, all pension, relief, disability, workers' compensation and other benefits which apply to the activities of officers, agents, or employees of an Agency when performing their respective functions shall apply to them to the same degree and extent while engaged in the performance of any of the functions and other duties under this Agreement.

None of the officers, agents, or employees directly employed by the Commission shall be deemed, by reason of their employment by the Commission to be employed by any Member or, by reason of their employment by the Commission, to be subject to any of the requirements of the Members.

Section 3.07. Assistant Officers. The Commission may appoint such assistants to act in the place of the Secretary or other officers of the Authority (other than any Commissioner) as the Commission shall from time to time deem appropriate.

ARTICLE IV

POWERS

Section 4.01. General Powers. The Authority shall exercise in the manner herein provided the powers common to each of the Members and necessary to the accomplishment of the purposes of this Agreement, subject to the restrictions set forth in Section 4.04, including but not limited to the common power of eminent domain with respect to Public Capital Improvements.

As provided in the Act, the Authority shall be a public entity separate from the Members. The Authority shall have the power to finance the acquisition of Public Capital Improvements necessary or convenient for the operation of the Members, and to acquire Obligations of the Members.

Section 4.02. Power to Issue Bonds. The Authority shall have all of the powers provided in Article 4 of the Act (commencing with Section 6584), including the power to issue Bonds under the Bond Law.

Section 4.03. Specific Powers. The Authority is hereby authorized, in its own name, to do all acts necessary for the exercise of the foregoing powers, including but not limited to, any or all of the following:

(a) to make and enter into contracts;

(b) to employ agents or employees;

(c) to acquire, construct, manage, maintain or operate any buildings, works or improvements;

(d) to acquire, construct, hold and dispose of Public Capital Improvements, including the leasing of such Public Capital Improvements from and to the Members;

(e) to sue and be sued in its own name;

(f) to incur debts, liabilities or obligations, provided that no debt, liability or obligation shall constitute a debt, liability or obligation of any of the Members;

(g) to apply for, accept, receive and disburse grants, loans and other aids from any agency of the United States of America or of the State;

(h) to invest any money in the treasury pursuant to Section 6505.5 of the Act that is not required for the immediate necessities of the Authority, as the Authority determines is advisable, in the same manner and upon the same conditions as local agencies, pursuant to Section 53601 of the Government Code of the State;

(i) to apply for letters of credit or other form of credit enhancement in order to secure the repayment of its Bonds and enter into agreements in connection therewith;

(j) to carry out and enforce all the provisions of this Agreement;

(k) to make and enter into Bond Purchase Agreements;

(l) to purchase Obligations issued by any Member; and

(m) to exercise any and all other powers as may be provided in the Bond Law.

Section 4.04. Restrictions on Exercise of Certain Powers. The powers of the Authority shall be exercised in the manner provided in the Act and in the Bond Law, and, except for those powers set forth in the Bond Law, shall be subject (in accordance with Section 6509 of the Act) to the restrictions upon the manner of exercising such powers that are imposed upon the City in the exercise of similar powers.

Section 4.05. Obligations of Authority. The debts, liabilities and obligations of the Authority shall not be the debts, liabilities and obligations of any of the Members.

ARTICLE V

METHODS OF PROCEDURE; CREDIT TO MEMBERS

Section 5.01. Assumption of Responsibilities By the Authority. As soon as practicable after the date of execution of this Agreement, the Commissioners shall give notice (in the manner required by Section 2.04) of the organizational meeting of the Commission. At said meeting the Commission shall provide for its regular meetings as required by Section 2.04 and elect a Chairperson, Vice Chairperson and the Secretary.

Section 5.02. Delegation of Powers. Each of the Members hereby delegates to the Authority the power and duty to acquire, by lease, lease-purchase, installment sale agreements, or otherwise, such Public Capital Improvement necessary or convenient for the operation of the Members.

Section 5.03. Credit to Members. All accounts or funds created and established pursuant to any trust agreement or indenture to which the Authority is a party, and any interest earned or accrued thereon, shall inure to the benefit of the respective Members for which such funds or accounts were created.

ARTICLE VI

CONTRIBUTION: ACCOUNTS AND REPORTS: FUNDS

Section 6.01. Contributions. The Members may in the appropriate circumstance when required hereunder: (a) make contributions from their treasuries for the purposes set forth herein, (b) make payments of public funds to defray the cost of such purposes, (c) make advances of public funds for such purposes, such advances to be repaid as provided herein, or (d) use its personnel, equipment or property in lieu of other contributions or advances.

Section 6.02. Accounts and Reports. To the extent not covered by the duties assigned to a trustee chosen by the Authority, the Auditor and Treasurer shall establish and maintain such funds and accounts as may be required by good accounting practice or by any provision of any trust agreement or indenture entered into with respect to the proceeds of any Bonds issued by the Authority. The books and records of the Authority in the hands of a trustee or the Auditor and Treasurer shall be open to inspection at all reasonable times by representatives of the Members. The Auditor and Treasurer of the Authority, within 180 days after the close of each Fiscal Year, shall give a complete written report of all financial activities for such Fiscal Year to the Members to the extent such activities are not covered by the report of such trustee. The trustee appointed under any trust agreement or indenture shall establish suitable funds, furnish financial reports and provide suitable accounting procedures to carry out the provisions of said trust agreement or indenture. Said trustee may be given such duties in said trust agreement or indenture as may be desirable to carry out this Agreement.

Section 6.03. Funds. Subject to the applicable provisions of any trust agreement or indenture which the Authority may enter into, which may provide for a trustee to receive, have custody of and disburse Authority funds, the Auditor and Treasurer of the Authority shall receive, have the custody of and disburse Authority funds as nearly as possible in accordance with generally accepted accounting practices, shall make the disbursements required by this Agreement or to carry out any of the provisions or purposes of this Agreement.

Section 6.04. Administrative Expenses. The Members shall pay their proportionate share (determined on the basis of a Member's percentage share of any financings completed by the Authority) of administrative expenses.

ARTICLE VII

TERM; DISPOSITION OF ASSETS

Section 7.01. Term. This Agreement shall become effective as of the date of execution hereof by the parties hereto, and shall continue in full force and effect so long as bonds of the Authority are outstanding or any lease agreements are outstanding between the Authority and a Member or Members (or between Members).

Section 7.02. Disposition of Assets. Upon termination of this Agreement, all property of the Authority, both real and personal, shall be divided among the parties hereto in such manner as shall be agreed upon by the parties.

ARTICLE VIII

MISCELLANEOUS PROVISIONS

Section 8.01. Notices. Notices hereunder shall be in writing and shall be sufficient if delivered to:

City of Modesto
801 11th Street
Modesto, California 95354
Attn: Finance Director

Industrial Development Agency
of the City of Modesto
801 11th Street
Modesto, California 95354
Attn: Chairperson

Section 8.02. Section Headings. All section headings in this Agreement are for convenience of reference only and are not to be construed as modifying or governing the language in the section referred to or to define or limit the scope of any provision of this Agreement.

Section 8.03. Consent. Whenever in this Agreement any consent or approval is required, the same shall not be unreasonably withheld.

Section 8.04. Law Governing. This Agreement is made in the State under the constitution and laws of the State and is to be so construed.

Section 8.05. Amendments. This Agreement may be amended at any time, or from time to time, except as limited by contract with the holders of Bonds issued by the Authority or certificates of participation in payments to be made by the Authority or the Members or by applicable regulations or laws of any jurisdiction having authority, by one or more supplemental agreements executed by all of the parties to this Agreement either as required in order to carry out any of the provisions of this Agreement or for any other purpose, including without limitation addition of new parties (including any legal entities or taxing areas heretofore or hereafter created) in pursuance of the purposes of this Agreement.

Section 8.06. Enforcement by Authority. The Authority is hereby authorized to take any or all legal or equitable actions, including but not limited to injunction and specific performance, necessary or permitted by law to enforce this Agreement.

Section 8.07. Severability. Should any part, term or provision of this Agreement be decided by any court of competent jurisdiction to be illegal or in conflict with any law of the State, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining portions or provisions shall not be affected thereby.

Section 8.08. Successors. This Agreement shall be binding upon and shall inure to the benefit of the successors of the respective Members. None of the Members may assign any right or obligation hereunder without the written consent of the other Members.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized and their official seals to be hereto affixed, on the day and year set opposite the name of each of the parties.

CITY OF MODESTO

Dated: November 21, 1989

City Manager

ATTEST:

City Clerk

(SEAL)

Approved as to Form:

City Attorney

INDUSTRIAL DEVELOPMENT AUTHORITY OF THE CITY OF MODESTO

Dated: November 21, 1989

Executive Director

ATTEST:

Secretary

(SEAL)

Approved as to Form:

General Counsel

The foregoing is a correct copy of the original on file in this office, which has not been revoked and is now in full force and effect.
ATTEST:
JUDY C. HALL, Acting City Clerk of the City of Modesto, County of Stanislaus, State of California.

EXHIBIT B

Initial Notice as to a Joint Powers Agreement

State of California
March Fong Eu
Secretary of State

FILE NO. 1027

FILED
in the office of the Secretary of State
of the State of California
DEC 19 1989
MARCH FONG EU, Secretary of State

(Office Use Only)

NOTICE OF A JOINT POWERS AGREEMENT
(Government Code Section 6503.5 or 6503.7)

Instructions:

1. Complete and mail to: Secretary of State
P.O. Box 704, Sacramento, CA 95812-0704 (916) 324-6778

2. Include filing fee of $5.00

3. Do not include attachments, unless otherwise specified.

The name of the agency or entity created under the agreement and responsible for the administration of the agreement is:

MODESTO PUBLIC FINANCING AUTHORITY

Mailing address: 801 11th Street, Modesto, California 95354

Provide a short title of the agreement, if applicable: Joint Exercise of Powers Agreement

The public agencies party to the agreement are:

(1) City of Modesto

(2) Industrial Development Authority of the City of Modesto

(3)

If more space is needed, continue on a separate sheet and attach it to this form.

The effective date of the agreement is December 5, 1989.

Provide a condensed statement of the agreement's purpose or the powers to be exercised:

Financing Public Capital Improvements for the City of Modesto

Signature

William H. Madison, Jones Hall Hill & White
Special Counsel
Typed Name and Title

Sec/State Form LP/SE-403 Rev. 7/88

BT 40827

EXHIBIT C

Statement of Facts Roster of Public Agencies Filing

Secretary of State
Registry of Public Agencies
(Government Code section 53051)

SF-405

IMPORTANT — Read Instructions before completing this form.

There is **No Fee** for a Registry of Public Agencies filing

Copy Fees – First page $1.00; each attachment page $0.50; Certification Fee - $5.00

This Space For Office Use Only

1. Type of Filing (Check one.)

- ☐ Initial Filing (first Registry of Public Agencies filing for an agency)
- ☑ Updated Filing (change to an existing Registry of Public Agencies record)

2. Agency Information

a. Full Legal Name of Public Agency
Modesto Public Finance Authority

b. Nature of Update (complete if Updated Filing)
Chairperson, Members and Secretary updates

c. County
Stanislaus

d. Official Mailing Address
PO Box 642, Modesto, CA 95353

3. Chairperson, President, or Other Presiding Officer

a. Name
Sue Zwahlen

b. Title
Mayor

c. Business or Residence Address
1010 10th Street, Suite 6200, Modesto, CA 95354

4. Clerk or Secretary

a. Name
Diane Nayares-Perez

b. Title
City Clerk

c. Business or Residence Address
1010 10th Street, Suite 6600, Modesto, CA 95354

5. Other Members of the Governing Board (Enter as many as applicable. Attach additional pages for additional members.)

Name	Business or Residence Address
Eric Alvarez, Councilmember	1010 10th Street, Suite 6200, Modesto, CA 95354
Nick Bavaro, Councilmember	1010 10th Street, Suite 6200, Modesto, CA 95354
Rosa Escutia-Braaton, Councilmember	1010 10th Street, Suite 6200, Modesto, CA 95354
Chris Ricci, Vice Mayor	1010 10th Street, Suite 6200, Modesto, CA 95354
Dave Wright, Councilmember	1010 10th Street, Suite 6200, Modesto, CA 95354

6. Date and Sign Below (Additional members set forth on attached pages, if any, are incorporated herein by reference and made part of this Form SF-405, Registry of Public Agencies.)

5/ 8/2023
Date

Signature

Diane Nayares-Perez, City Clerk
Type or Print Name

ATTACHMENT

Secretary of State

Registry of Public Agencies

(Government Code section 53051)

Agency Information: Modesto Public Finance Authority

5. Other Members of the Governing Board (Enter as many as applicable. Attach additional pages for additional members.)

Jeremiah Williams, Councilmember **1010 10th Street, Suite 6200, Modesto, CA 95354**

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

INCUMBENCY, SIGNATURE AND CLOSING CERTIFICATE OF THE CITY

June 8, 2023

The undersigned, the Finance Director/Treasurer and City Clerk, respectively, of the City of Modesto (the "City"), a charter city duly organized and existing under the laws of the State of California, hereby certify on behalf of the City, in connection with the $47,625,000 original aggregate principal amount of City of Modesto Water Refunding Revenue Certificates of Participation, 2008 Series A (the "Certificates"), as follows:

On the date hereof (and after giving effect to the issuance of the Certificates and the effectiveness of the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"), among the Modesto Public Financing Authority (the "Authority"), the City, The Bank of New York Mellon Trust Company, N.A., as trustee, and BMO Harris Bank N.A. (the "Bank")), (i) there exists no Event of Default or Potential Event of Default or Involuntary Insolvency Event, (ii) all representations and warranties made by the City in the Standby Certificate Purchase Agreement or in any of the Related Documents to which the City is a party are true and correct with the same effect as though such representations and warranties are made at and as of the date hereof, (iii) each of the Standby Certificate Purchase Agreement and the Related Documents to which the City is a party, as amended (if applicable), is in full force and effect and has not been amended, modified or changed, (iv) except for state "blue sky" laws and Resolution No. 2008-294, Resolution No. 2011-201 and Resolution No. 2023-191 (true and correct copies of which have been delivered to the Bank on the date hereof), no governmental approvals are necessary for the City to enter into the Standby Certificate Purchase Agreement, the Fee Letter Agreement and the Custodian Agreement or for the transactions contemplated thereby, and (v) the City has received all consents and other approvals from creditors necessary for the City to execute, deliver and perform the Standby Certificate Purchase Agreement, the Fee Letter Agreement, the Custodian Agreement and the Related Documents to which the City is a party, to authorize the distribution of the Remarketing Memorandum and to authorize the City to obtain the issuance of the Standby Certificate Purchase Agreement.

The officers identified below are duly authorized by the City Council of the City to execute on behalf of the City, the Standby Certificate Purchase Agreement, the Fee Letter Agreement, dated June 8, 2023, among the Authority, the City and the Bank, the Custodian Agreement, dated as of June 1, 2023, among the Bank, the City and Trustee, the Termination Agreement (Certificate Insurance Policy Cancellation Agreement), dated June 8, 2023, among the City, the Authority, the Trustee, JPMorgan Chase Bank, National Association and Assured Guaranty Corp. (the "Insurer") and the Termination Agreement (Agreement Regarding Insurance Swap Transaction), dated June 8, 2023, between the City and the Insurer, and certain other documents, certificates and agreements to be delivered by the City under the Standby Certificate Purchase Agreement, and

that pursuant to such authority such documents, certificates and agreements have been executed and delivered by such persons, and (where applicable) attested to by the signature of the City Clerk of the City, and, each of the undersigned by their signature confirms that the other signatures set forth below are genuine. The officers identified below are duly authorized to represent the City in connection with the Standby Certificate Purchase Agreement and the Fee Letter Agreement, and the Bank may rely upon such certification until it receives a new certificate with respect thereto.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto (including by incorporation) in the Standby Certificate Purchase Agreement.

IN WITNESS WHEREOF, each of the persons below has set their hand as of the date first written above.

CITY OF MODESTO

By: _____

DeAnna Christensen
Finance Director/Treasurer

By: _____

Diane Nayares-Perez
City Clerk

(Signature Page to Incumbency, Signature and Closing Certificate of the City)

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

CERTIFICATE OF THE CITY REGARDING LIQUIDITY FACILITY REPLACEMENT

June 8, 2023

This Certificate is furnished by the City of Modesto (the "City") with respect to its Water Refunding Revenue Certificates of Participation, 2008 Series A (the "Certificates"), and, specifically, the replacement on the date hereof (the "Replacement") of an existing letter of credit issued by JPMorgan Chase Bank, National Association with a Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"), among the Modesto Public Financing Authority (the "Authority"), the City, The Bank of New York Mellon Trust Company, N.A., as trustee, and BMO Harris Bank N.A. (the "Bank"). The Certificates were executed and delivered pursuant to an Amended and Restated Trust Agreement, dated as of May 1, 2008 as amended and restated on July 14, 2011 (the "Amended and Restated Trust Agreement"), between the Modesto Public Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A. (the "Trustee"). In connection with the Replacement, the Amended and Restated Trust Agreement is being amended and supplemented pursuant to a First Supplemental Trust Agreement, dated as of June 1, 2023 (the Amended and Restated Trust Agreement, as so amended and supplemented, the "Trust Agreement"), between the Authority and the Trustee. Capitalized terms not otherwise defined herein shall have the meanings set forth in the Trust Agreement. Other than the Replacement and the First Supplemental Trust Agreement, which is being executed and delivered to incorporate changes necessary to effect the Replacement, no changes are being made with respect to the Certificates.

In connection with the Replacement, the undersigned, as authorized representative of the City, DOES HEREBY CERTIFY that there will be no substantial enhancement or impairment of the City's capacity to meet its obligation to pay debt service with respect to the Certificates, and the City's capacity to meet such obligation to pay debt service with respect to the Certificates was not speculative prior to the Replacement, nor is it speculative as of the date hereof following the Replacement. Accordingly, there is no change in payment expectations with respect to the Certificates as a result of the Replacement. For purposes of this paragraph, all sources of revenues or funds available to the City to pay debt service, including collateral, guarantees and other credit enhancement and liquidity support, may be taken into account.

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IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

CITY OF MODESTO

By: _____

DeAnna Christensen
Finance Director/Treasurer

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

CERTIFICATE OF THE TRUSTEE

June 8, 2023

The undersigned, The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), does hereby certify as follows:

1. The Trustee is a national banking association duly organized and validly existing under the laws of the United States of America.

2. The Trustee has full corporate trust powers and authority to serve as Trustee under the Amended and Restated Trust Agreement, dated as of May 1, 2008 as amended and restated on July 14, 2011 (the "Amended and Restated Trust Agreement"), as amended and supplemented by the First Supplemental Trust Agreement, dated as of June 1, 2023 (the "First Supplemental Trust Agreement"), each between the Modesto Public Financing Authority (the "Authority") and the Trustee (as amended and supplemented, the "Trust Agreement") and to perform its obligations and duties under the Trust Agreement. The Trustee has full corporate power to execute and deliver the Standby Certificate Purchase Agreement, dated as of June 1 2023 (the "Standby Certificate Purchase Agreement"), among the Authority, the City of Modesto (the "City"), the Trustee and BMO Harris Bank N.A. (the "Bank") and to perform its obligations thereunder. The Trustee has full corporate trust powers and authority to serve as custodian under the Custodian Agreement, dated as of June 1, 2023 (the "Custodian Agreement"), among the Bank, the City and the Trustee, as custodian.

3. Each of the First Supplemental Trust Agreement, the Standby Certificate Purchase Agreement and the Custodian Agreement has been executed and delivered by a duly authorized officer of the Trustee as evidenced by the certified copy of the authorizing resolution, attached hereto as Exhibit A.

4. To the best of its knowledge, the execution and delivery of the First Supplemental Trust Agreement, the Standby Certificate Purchase Agreement and the Custodian Agreement and compliance with the provisions of the Trust Agreement, the Standby Certificate Purchase Agreement and the Custodian Agreement, will not in any material respect conflict with, or constitute a breach of or default under, the Trustee's duties under said documents or any law, administrative regulation, court decree, resolution, articles of association, bylaws or other material agreement to which the Trustee is subject or by which it is bound, which breach or default has or may have a material adverse effect on the ability of the Trustee to perform its obligations under the Trust Agreement, the Standby Certificate Purchase Agreement and the Custodian Agreement; and

5. To the knowledge of the Trustee, no litigation is pending and notice of which has been served upon the Trustee, or threatened (either in state or federal courts), against the Trustee

in any way contesting or affecting the validity or enforceability of the Trust Agreement, the Standby Certificate Purchase Agreement and the Custodian Agreement against the Trustee.

Capitalized terms used herein not otherwise defined shall have the meanings ascribed thereto in the Trust Agreement or the Standby Certificate Purchase Agreement.

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IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

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

By: _____
Authorized Officer

(Signature Page to Certificate of the Trustee)

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

OFFICER'S CERTIFICATE

I do hereby certify that:

(i) I am the duly elected Officer of The Bank of New York Mellon Trust Company, N.A.; (the Company");

(ii) attached hereto is a true, correct copy of Signing Authorities extracts from by-laws of the Company adopted by action of the Board of Directors of the Company and presently in effect;

(iii) attached hereto is a list of the persons who, as of the date hereof, are certain duly elected officers of the Company, which lists sets forth the title of each such officer next to his or her typed name, with which officers I am personally familiar; and

IN WITNESS WHEREOF, I have hereunto executed this Certificate as Vice President of the Company this 8th day of June, 2023.

Officer's Name: Fanny Chen
Title: Vice President

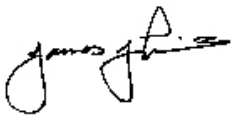
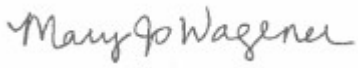
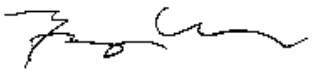
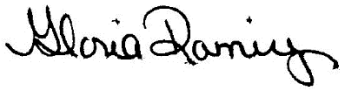
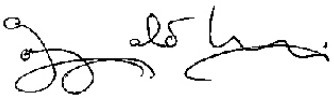
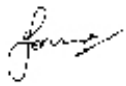
I hereby certify that as of the date hereof that Fanny Chen is the duly elected Officer of The Bank of New York Mellon Trust Company, N.A. and that the signature which appears on the foregoing pages is the signature of Fanny Chen and that it is a signature with which I am personally familiar and do certify as to its authenticity:

Dated: June 8, 2023

By: Deborah Young
Title: Vice President

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

I, the undersigned, Jennifer L. Jablon, Secretary of The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States (the "Association") and located in the State of California, DO HEREBY CERTIFY that the following individuals are duly appointed and qualified Officers of the Association, and that the signature appearing next to each officer listed below is a true copy of the signature of such officer:

Officer Name and Title	Signing Authority	Signature
James J. Prichard **Vice President**	**A, J, N**	
Letha Glover **Vice President**	**A, J, N**	
Mary Jo Wagener **Vice President**	**A, J, N**	
Fanny Chen **Vice President**	**A, J, N**	
Mark A. Golder **Vice President**	**A, J, N**	
Gloria Ramirez **Vice President**	**A, J, N**	
Gonzalo Urey **Vice President**	**A, J, N**	
Deborah D. Young **Vice President**	**A, J, N**	
Mietka Collins **Vice President**	**A, J, N**	

I further certify that as of this date they have been authorized to sign on behalf of the Association in discharging or performing their duties in accordance with the limited signing powers provided under Article V, Section 5.3 of the By-laws of the Association and the paragraphs indicated above of the signing authority resolution of the Board of Directors of the Association.

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

Attached hereto are true and correct copies of excerpts of the By-laws of the Association, as amended through January 18, 2018, and the signing authority resolution, which has not been amended or revised since October 15, 2009, both of which are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the digital seal of The Bank of New York Mellon Trust Company, N.A. this 24th day of January 2023.



Jennifer L. Jablon, Secretary

Extracts from By-Laws

of

The Bank of New York Mellon Trust Company, N.A.

As Amended through January 18, 2018

ARTICLE V
SIGNING AUTHORITIES

Section 5.1 Real Property. Real property owned by the Association in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Association in its own right with such maximum values as the Board may fix in its authorizing resolution.

Section 5.2. Senior Signing Powers. Subject to the exception provided in Section 5.1, the President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Association in all transactions arising out of, or in connection with, the normal course of the Association's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Association thereto. In such instances as in the judgment of the President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Association authorized in or pursuant to Section 5.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 5.2, is authorized to attest to the seal of the Association on any documents requiring such seal.

Section 5.3. Limited Signing Powers. Subject to the exception provided in Section 5.1, in such instances as in the judgment of the President or any Executive Vice President, may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Association to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

Section 5.4. Powers of Attorney. All powers of attorney on behalf of the Association shall be executed by any officer of the Association jointly with the President, any Executive Vice President, or any Managing Director, provided that the execution by such Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of said officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

Section 5.5. Auditor. The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Association, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

Pursuant to Article V, Section 5.3 of the By-Laws
Adopted October 15, 2009

RESOLVED that, pursuant to Section 5.3 of the By-Laws of the Association, authority be, and hereby is, granted to the President or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Association; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Association's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $500,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of $500,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $500,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount in excess of $100,000,000 but not to exceed $500,000,000*.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt;

certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $100,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $10,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $1,000,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $250,000.

(C10) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $50,000.

(C11) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to $5,000.

*Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to $5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Association as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Association in trust or in connection with any transaction with respect to which the Association is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Association or to affix the seal of the Association to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Association in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Association products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

(P1) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in excess of $10,000,000.

(P2) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $10,000,000.

(P3) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $5,000,000.

(P4) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $1,000,000.

(P5) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $250,000.

(P6) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $100,000.

(P7) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $50,000.

(P8) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $25,000.

(P9) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $10,000.

(P10) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $5,000.

(P11) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to $3,000.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the President or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Association.

CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE
CERTIFICATES OF PARTICIPATION, 2008 SERIES A

REMARKETING AGREEMENT

THIS REMARKETING AGREEMENT (the "Remarketing Agreement") for the CITY OF MODESTO, CALIFORNIA WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION, 2008 SERIES A (the "*Certificates*") is made and entered into as of June 1, 2023 (with an effective date of June 7, 2023), by and between the Modesto Public Financing Authority (the "*Authority*") and PNC Capital Markets LLC, as remarketing agent (the "*Remarketing Agent*").

WITNESSETH:

WHEREAS, the Authority has authorized the execution and delivery of the Certificates in the aggregate principal amount of $47,625,000, pursuant to the provisions of a Trust Agreement, dated as of May 1, 2008, as amended and restated by the Amended and Restated Trust Agreement, dated July 14, 2011, (the "*Amended and Restated Trust Agreement*"), as supplemented and amended to date, including by a First Supplemental Trust Agreement, dated as of June 1, 2023 (the "*First Supplemental Trust Agreement*" and together with the Amended and Restated Trust Agreement, the "*Trust Agreement*"), each by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*");

WHEREAS, the Certificates were issued in fully registered book-entry form and are registered in the name of Cede & Co., as nominee of The Depository Trust Company ("*DTC*"), which acts as securities depository for the Certificates;

WHEREAS, payment of the purchase price of the Certificates will be payable from the proceeds of remarketing of the Certificates, and, to the extent remarketing proceeds are unavailable, and subject to certain terms and conditions, from amounts available under a Standby Certificate Purchase Agreement among BMO Harris Bank N.A., the City of Modesto (the "*City*"), the Authority and the Trustee, which is an Alternate Liquidity Facility and a Liquidity Facility under the Trust Agreement;

WHEREAS, the Trust Agreement provides that, unless the Authority elects to convert the Certificates to bear interest at a Fixed Rate Mode, the Certificates shall bear interest at a rate determined daily (while in the Daily Mode), weekly (while in the Weekly Mode), at a Flexible Rate or a Term Rate;

WHEREAS, the Certificates currently bear interest in a Weekly Mode;

WHEREAS, the Certificates are subject to both optional and mandatory tender by the holders or Beneficial Owners thereof for purchase by the Trustee on the purchase dates (the "*Tender Dates*") established in accordance with Article III of the Trust Agreement;

WHEREAS, the Remarketing Agent has been appointed by the Authority as remarketing agent pursuant to the Trust Agreement to use its best efforts to remarket the Certificates tendered for purchase and to determine the interest rate necessary to remarket the Certificates at par;

WHEREAS, the Remarketing Agent is willing to use its best efforts to remarket the Certificates so tendered upon the terms and subject to the conditions contained herein and in the Trust Agreement and to determine the interest rate necessary to remarket the Certificates at par as provided in the Trust Agreement;

NOW, THEREFORE, for and in consideration of the covenants herein made, and subject to the conditions herein set forth, the parties hereto agree as follows:

Section 1. Definitions. Except as otherwise defined herein, capitalized terms as defined in the Trust Agreement are used with the same meanings herein.

Section 2. Obligations of Remarketing Agent – General.

(a) The Authority, pursuant to the Trust Agreement, has appointed the Remarketing Agent for the purpose of having the Remarketing Agent carry out the duties and responsibilities set forth in the Trust Agreement for the "*Remarketing Agent*" as that term is defined in the Trust Agreement.

(b) Subject to the limitations contained herein, the Remarketing Agent hereby accepts appointment as the Remarketing Agent pursuant to the terms of the Trust Agreement and agrees to perform such duties as specified for the Remarketing Agent in the Trust Agreement, including using its best efforts to remarket Tendered Certificates and Liquidity Provider Certificates at rates up to and including the Maximum Rate permitted under the Trust Agreement without regard to the interest rate borne by any Liquidity Provider Certificates in accordance with the provisions of the Trust Agreement and including, without limitation, Article III of the Trust Agreement.

(c) In carrying out its duties hereunder, the Remarketing Agent shall act solely as agent of the owners from time to time of the Certificates, and the Remarketing Agent's responsibility is limited to the use of its best efforts to remarket Tendered Certificates and Liquidity Provider Certificates in compliance with the provisions hereof and the provisions of the Trust Agreement containing the duties of the Remarketing Agent.

(d) The Remarketing Agent shall not have any obligation, responsibility or liability of any kind to any holder of a Certificate, the Authority, the Liquidity Facility Provider, or to any other person with respect to any determination that the Certificates will or will not bear interest at any specific interest rate, including but not limited to, any omission by the Remarketing Agent to consider any facts or circumstances or any resources or inputs, it being the intent of the Trust Agreement and this Remarketing Agreement that the Remarketing Agent may, in its unrestricted judgment, choose to consider no inputs or resources other than its own expertise.

(e) The Remarketing Agent shall only remarket in accordance with all applicable laws, including state and federal securities laws, in connection with each remarketing of Tendered Certificates and Liquidity Provider Certificates. The Authority agrees to promptly supply to the Remarketing Agent all necessary information within its control and to seek

information from any other necessary party to enable the Remarketing Agent to carry out its obligations hereunder and to comply with all applicable securities laws. In the event that the Remarketing Agent shall reasonably determine that it is necessary or desirable to amend, supplement or prepare new disclosure materials (the "*Remarketing Materials*") in connection with its remarketing of Certificates, the Remarketing Agent will notify the Authority and the Authority will provide the Remarketing Agent, at the Authority's expense, with such Remarketing Materials in form and substance satisfactory to the Remarketing Agent and its counsel. In connection with such Remarketing Materials (i) the Authority shall furnish to the Remarketing Agent such certificates, accountants' letters and opinions of counsel as the Remarketing Agent shall reasonably request in connection with the use thereof, and (ii) the Authority shall promptly notify the Remarketing Agent when it becomes aware of any material misstatement or omission in any of the Remarketing Materials.

(f) The Remarketing Agent may cease remarketing and selling the Certificates with immediate effect if any of the following events shall have occurred: (i) legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or be introduced by committee, by amendment or otherwise, in, or be enacted by, the House of Representatives or the Senate, or be recommended by the President of the United States or by committee of the House of Representatives or the Senate to the Congress of the United States for passage by the Congress of the United States, or a decision by a court established under Article III of the Constitution of the United States or the United States Tax Court shall be rendered or a ruling, regulation or official statement by or on behalf of the Treasury Department of the United States, the Internal Revenue Service or other governmental agency shall be made or proposed having the purpose or effect of imposing federal income taxation, or any other event shall have occurred which results in the imposition of federal income taxation, upon revenues or other income of the general character to be derived by the City (or by any similar bodies) or upon interest received on the Certificates which, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Certificates; (ii) legislation shall be favorably reported by a committee of the House of Representatives or the Senate of the Congress of the United States or be introduced by committee, by amendment or otherwise in, or be enacted by, the House of Representatives or the Senate, or be recommended by the President of the United States or by committee of the House of Representatives or the Senate to the Congress of the United States for passage by the Congress of the United States, or a decision by a court of the United States shall be rendered, or stop order, ruling, regulation or official statement by, or on behalf of, the United States Securities and Exchange Commission or other governmental agency having jurisdiction of the subject matter shall be made or proposed, to the effect that the offering or sale of obligations of the general character of the Certificates or the issuance of the Liquidity Facility, if any, or any other Liquidity Facility is or would be in violation of any provision of the Securities Act of 1933, as amended and as then in effect (the "Securities Act"), or the Securities Exchange Act of 1934, as amended and as then in effect, or that the Trust Agreement shall be required to be qualified under the Trust Indenture Act of 1939, as amended and as then in effect, or with the purpose or effect of otherwise prohibiting the offering or sale of obligations of the general character of the Certificates, or the Certificates, as contemplated hereby, without registration under the Securities Act or qualification of the Trust Agreement under the Trust Indenture Act of 1939, as amended which, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Certificates; (iii) except as provided in clauses (i) or (ii) above, any legislation, resolution, ordinance, rule or regulation shall be enacted by any governmental body, department or agency of the United States

or the State of California or a decision by any court of competent jurisdiction within the United States shall be rendered which, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Certificates; (iv) a general banking moratorium by Federal, New York or State of California authorities or a material disruption in commercial banking and securities settlement or clearance services shall have occurred, (v) the occurrence or escalation of hostilities or other national or international calamity or crisis, which, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Certificates, (vi) a downgrade or withdrawal of the rating of the Certificates or the Credit Facility such that the Certificates will not be qualified as "Eligible Securities" under Rule 2a-7 promulgated under the Investment Company Act of 1940, as amended, (vii) an imposition of material restrictions on the Certificates or similar obligations by any governmental authority or by any national securities exchange, which, in the Remarketing Agent's reasonable opinion, materially adversely affects the marketability of the Certificates, (viii) trading on the New York Stock Exchange or any other major national stock exchange shall have been wholly suspended or (ix) a material misstatement or omission in the Remarketing Memorandum (defined below) as then modified or supplemented.

Section 3. Conditions to Remarketing Agent's Obligations. The obligations of the Remarketing Agent hereunder with respect to each date on which Certificates are to be remarketed pursuant to this Remarketing Agreement are also subject, in the discretion of the Remarketing Agent, to the following further conditions: (a) that (i) the Trust Agreement and the Liquidity Facility, if any, shall be in full force and effect and shall not have been amended, modified or supplemented in any way which would materially and adversely affect the marketability of the Certificates, except as may have been agreed to in writing by the Remarketing Agent, and that there shall be in full force and effect such additional resolutions, agreements, certificates (including such certificates as may be required by regulations of the Internal Revenue Service in order to establish the exclusion from gross income of interest on the Certificates for federal income tax purposes) and opinions which are reasonably required by special counsel and counsel for the Remarketing Agent and which shall be reasonably satisfactory in form and substance to special counsel and counsel for the Remarketing Agent, (ii) at or prior to the date hereof, the Remarketing Agent shall have received all closing documents reasonably required by the Remarketing Agent, if any and (iii) except as disclosed in a supplement to the Remarketing Memorandum as provided in Section 2(e) hereof, there shall have been no material adverse change in the condition (financial or otherwise) of the Authority since the date of the Remarketing Memorandum; (b) that no Event of Default and no event which, with the passage of time or the giving of notice or both, would constitute an Event of Default under the Trust Agreement, shall have occurred and be continuing, that no event permitting the immediate termination or suspension (without prior notice) of an applicable Liquidity Facility Provider's obligation to purchase Eligible Certificates (as defined in the Liquidity Facility, if any) under the terms of the Liquidity Facility, if any, shall have occurred and be continuing, and that there shall be in full force and effect such additional resolutions, agreements, certificates (including such certificates as may be required by regulations of the Internal Revenue Service in order to establish the exclusion from gross income of interest on the Certificates for federal income tax purposes) and opinions which are reasonably required by special counsel and counsel for the Remarketing Agent and which shall be reasonably satisfactory in form and substance to special counsel and counsel for the Remarketing Agent.

Section 4. Remarketing Fees.

(a) The Authority shall pay the Remarketing Agent as compensation for its services hereunder (i) a fee equal to five (5) basis points of the average principal amount of the outstanding Certificates bearing interest as a Daily Rate during any calendar year, (ii) a fee equal to five (5) basis points of the average principal amount of the outstanding Certificates bearing interest as a Weekly Rate during any calendar year and (iii) for any Certificates bearing interest in a Flexible Mode or Term Rate Mode, such fee as may be agreed to by the Authority and the Remarketing Agent. Payments of all amounts due to the Remarketing Agent shall be made quarterly in arrears on each January 1, April 1, July 1 and October 1, commencing October 1, 2023.

(b) When Certificates are remarketed in connection with a Fixed Rate Mode conversion, the Authority and the Remarketing Agent will agree on a fee. The Authority shall pay all expenses of delivering remarketed Certificates and reimburse the Remarketing Agent for all direct, out-of-pocket expenses incurred by it as Remarketing Agent, including reasonable counsel fees and disbursements.

(c) The Remarketing Agent shall not be entitled to compensation for any period after this Remarketing Agreement shall be terminated, except for a *pro-rata* portion of the fee with respect to the quarter during which such termination occurs and amounts, if any, due from prior quarters.

The Authority shall make all such payments directly to the Remarketing Agent upon presentation by the Remarketing Agent of quarterly statements of charges incurred. Any overpayments made by virtue of the recalculation of principal amount of Certificates outstanding shall be refunded to the Authority within two weeks after such recalculation.

Section 5. Removal or Resignation of the Remarketing Agent. The Remarketing Agent may be removed at any time by the Authority by giving at least 30 days' notice to the Remarketing Agent, the Trustee and the Liquidity Facility Provider. The Remarketing Agent may be removed by the Authority at the direction of the Liquidity Facility Provider upon the failure by the Remarketing Agent to perform its obligations and the continuation of such failure for 30 days after the Liquidity Facility Provider shall have filed with the Authority notice of such failure. The Remarketing Agent may not be removed until a successor shall have been appointed. The Remarketing Agent may resign on 90 days' notice to the Authority, the Trustee and the Liquidity Facility Provider, such resignation to become effective on the earlier of the date set forth in the notice or the date the Authority appoints a successor. In the event of the resignation or removal of the Remarketing Agent, the Remarketing Agent shall pay over, assign and deliver any moneys and Certificates held by it in such capacity to its successor. The Authority shall us its best efforts to appoint a successor remarketing agent in the event the Remarketing Agent has provided notice of its intent to resign.

Section 6. Remarketing Generally. The Remarketing Agent shall perform the duties of the Remarketing Agent as set forth in Section 3.13 of the Trust Agreement, subject to the terms of this Remarketing Agreement.

Section 7. Delivery of Certificates. The Remarketing Agent's determination that conditions necessary for the transfer of any Certificate delivered to the Trustee upon tender by a holder of a Certificate have been satisfied shall be a condition precedent to any transfer of such Certificates pursuant to this Remarketing Agreement.

Section 8. Dealing in Certificates by Remarketing Agent. The Remarketing Agent or any affiliate, in its individual capacity, either as principal or agent, may in good faith buy, sell, own, hold and deal in any of the Certificates, and may join in any action which any holder of a Certificate may be entitled to take with like effect as if it did not act in any capacity, either as principal or agent, may also engage in or be interested in any financial or other transaction with the Authority and may act as depositary, trustee, or agent for any committee or body of any holder of a Certificate or other obligations of the Authority as freely as if it did not act in any capacity hereunder; provided that, nothing in this Section 7 shall interfere with the duties and obligations of the Remarketing Agent under this Agreement.

Section 9. Compliance with MSRB Rule 34(c) and Agreement to Provide Liquidity Documents.

(a) In connection with its services under this Agreement, the Remarketing Agent will be required to comply with Rule G-34(c) of the MSRB ("*Rule G-34(c)*"). Rule G-34(c) and related MSRB guidance requires the Remarketing Agent to submit to the MSRB's Short-term Obligation Rate Transparency ("*SHORT*") System:

(i) certain information with respect to each interest rate determination for variable rate demand obligations; and

(ii) current copies of the following, if applicable, (A) the letter of credit agreement, (B) the standby certificate purchase agreement, (C) any other document that establishes an obligation to provide liquidity for variable rate demand obligations, and (D) those documents that include provisions detailing critical aspects of the liquidity provisions for variable rate demand obligations, including, but not limited to, (1) the circumstances under which a liquidity facility may terminate, (2) the notice period for Certificate holder tenders and (3) the term out (amortization) period for variable rate demand obligations held by the liquidity provider; ((A) through (D) collectively, the "*Liquidity Documents*").

(b) In order to assist the Remarketing Agent to comply with its obligations under Rule G-34(c), the Authority shall provide to the Remarketing Agent, in the form of a word-searchable PDF file or in such other form as the Remarketing Agent shall notify the Authority in writing is required by the MSRB, the following documents at the following times:

(i) On June 8, 2023 (the "*Closing Date*"), a copy of the executed Liquidity Documents;

(ii) No later than ten Business Days prior to the proposed date of any amendment, including an extension or renewal of the expiration date, or replacement or termination of the then current Liquidity Documents, written notice that the current Liquidity Documents are proposed to be amended, extended, renewed, replaced or

terminated and the expected date of execution and delivery of the amendment, extension, renewal, replacement or termination of the Liquidity Documents;

(iii) Within one Business Day after the execution and delivery of any amendment, including any renewal, extension, replacement or termination of the then current Liquidity Documents, a copy of the executed amendment, renewal, extension, replacement or termination together with the affected Liquidity Document; and

(iv) No later than ten Business Days after receiving a request from the Remarketing Agent for any document relating to the liquidity supporting the Certificates, such document requested by the Remarketing Agent relating to the liquidity supporting the Certificates.

(c) The Authority agrees with the Remarketing Agent as follows:

(i) the Remarketing Agent will not redact any information in the Liquidity Documents that the Authority provides to the Remarketing Agent, and will have no liability to the Authority for any disclosure of confidential or sensitive information resulting from its compliance with Rule G-34(c); and

(ii) all Liquidity Documents and information filed by the Remarketing Agent pursuant to the requirements of Rule G-34(c) will be publicly available on the MSRB's SHORT System, in the form such Liquidity Documents and information is provided to the Remarketing Agent.

(d) The Authority represents and warrants that any Liquidity Document that is redacted by the Authority and provided to the Remarketing Agent pursuant to this Section of the Agreement shall be redacted in a manner consistent with MSRB Notice 2011-17.

(e) The Authority shall pay or reimburse the Remarketing Agent for all charges and expenses incurred in obtaining the documents required to be filed pursuant to Rule G-34(c).

(f) In the event additional legal or regulatory requirements are imposed on the Remarketing Agent's performance of its obligations under this Agreement, the Authority agrees to cooperate with the Remarketing Agent and shall provide such documents and take such other steps as may be reasonably requested by the Remarketing Agent in order to comply with such additional requirements.

Section 10. No Advisory or Fiduciary Role. The Authority acknowledges and agrees that, whether or not PNC Capital Markets LLC or any affiliate thereof has advised or is currently advising the Authority on other matters, that in connection with the remarketing of the Certificates and any other duties or obligations of the PNC Capital Markets LLC pursuant to and/or as set forth in this Agreement: (a) the Remarketing Agent is not an advisor (including, without limitation, a Municipal Advisor (as such term is defined in Section 975(e) of the Dodd-Frank Wall Street Reform and Consumer Protection Act) or an "advisor") of, and owes no fiduciary duty to, the Authority or any other person, (b) the Remarketing Agent's duties and obligations to the Authority shall be limited to those contractual duties and obligations expressly set forth in this Agreement, (c) the Remarketing Agent has financial and other interests that differ from those of the Authority, and (d) the Authority has consulted with those independent

legal, financial and any other advisors to the extent it deemed appropriate in connection with any questions or other issues it might have relating to the remarketing of the Certificates.

Section 11. Global Book-Entry. The Authority and the Remarketing Agent acknowledge that so long as the Certificates are registered in the name of Cede & Co., as nominee of DTC, optional and mandatory tenders shall be effective in accordance with the provisions of Article III of the Trust Agreement and the procedures of DTC. Delivery of the Certificates to the Trustee in connection with an optional and/or mandatory tender shall be deemed made when the right to exercise ownership rights in such Certificates made through DTC or DTC's participants is transferred by DTC on its books. Notice of demand for purchase of Certificates pursuant to Article III of the Trust Agreement shall be given by beneficial owners of such Certificates exercising ownership rights to both the Trustee and the Remarketing Agent by telephonic notice (confirmed in writing) or by facsimile (original to be mailed).

Section 12. Intention of Parties. It is the express intention of the parties herein that no purchase, sale or transfer of any Certificates, as herein provided, shall constitute or be construed to be the extinguishment of any Certificates or the indebtedness represented thereby or the reissuance of any Certificates or the refunding of any indebtedness represented thereby.

Section 13. Representations and Covenants of the Authority. The Authority hereby represents to the Remarketing Agent as follows:

(a) Each of the Authority's representations and warranties contained in the Liquidity Facility are true and correct on and as of the date hereof and are hereby made to the Remarketing Agent on and as of the date hereof as if set forth herein at length.

(b) The Authority authorizes and approves the Remarketing Memorandum used in connection with the remarketing of the Certificates, as the same may be amended or supplemented (the "Remarketing Memorandum") and consents to the use by the Remarketing Agent of the Remarketing Memorandum in connection with the remarketing of the Certificates and the information therein does not contain any untrue, incorrect or misleading statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements made therein, in light of the circumstances under which they were made, not misleading.

(c) There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending to which the Authority is a party or as to which any property of the Authority is subject or, to the knowledge of the Authority, threatened against the Authority, the outcome of which could have a material adverse effect on the consummation of the transactions contemplated by this Remarketing Agreement or could have a material adverse effect on the validity or enforceability of the Certificates, the Trust Agreement, the Contract, or this Remarketing Agreement or which could materially adversely affect the Authority or the 2008 Project which is not described in the Remarketing Memorandum.

(d) This Remarketing Agreement is the legal, valid and binding obligation of the Authority, enforceable in accordance with its terms except to the extent enforcement hereof may be limited by bankruptcy, insolvency, reorganization or any other laws or equitable principles affecting creditors' rights generally.

(e) The Authority has terminated the remarketing agreement with J.P. Morgan Securities LLC relating to the Certificates in accordance with its terms and the terms of the Trust Agreement. The appointment of the Remarketing Agent hereunder is in accordance with the provisions of the Trust Agreement.

(f) The Authority has duly authorized the execution and delivery of this Remarketing Agreement and has duly and lawfully assumed all of its obligations under the Contract, and no consent or approval by any governmental body (other than the Authority) and no filing with any agency of the federal government is required for the execution and delivery of this Remarketing Agreement by the Authority or the full effectiveness hereof with respect to the Authority. The execution and delivery of this Remarketing Agreement and the performance of the Authority's obligations hereunder, will not conflict with or result in a breach of any of the terms or provisions of, or constitute a default under the terms of, or result in the creation or imposition of any lien, charge or encumbrance upon any of the property or assets of the Authority pursuant to the terms of, any indenture, mortgage, deed of trust, loan agreement or other agreement or instrument to which the Authority is bound or to which any of the property or assets of the Authority is subject, which would affect the validity of this Remarketing Agreement or the legal authority of the Authority to comply with the terms hereof; nor will such action result in a violation of any provisions of the organizational documents of the Authority, or in a violation of any statute or any rule or regulation of any court or governmental agency or other body in the United States having jurisdiction (except for the application of the various state securities or Blue Sky laws, as to which no representation is made) over the Authority which would affect the validity of any of this Remarketing Agreement or the legal authority of the Authority to comply with the terms hereof.

(g) The Authority shall cooperate with the Remarketing Agent in any endeavor to qualify the Certificates for offering and sale under the securities or "Blue Sky" laws of such jurisdictions of the United States as the Remarketing Agent may request; and the Authority will furnish such information, execute such instruments and take such other action in cooperation with the Remarketing Agent as the Remarketing Agent may reasonably request in connection therewith and the Authority will promptly pay, or reimburse if paid by the Remarketing Agent, all reasonable fees and disbursements of counsel for the Remarketing Agent and all other expenses and filing fees in connection therewith; provided, however, that the Authority shall not be required to register as a dealer or a broker in any such state or jurisdiction or make any additional representations or warranties in connection with the sale of securities, or to subject itself to service of process in any state or jurisdiction in which it is not already so subject.

(h) The Authority shall give the Remarketing Agent written notice of (i) each rating, change in the status of any rating of the Certificates or proposed change in the status of any rating of the Certificates by any national rating agency, (ii) each mandatory tender or optional or mandatory call for prepayment of one or more of the Certificates, (iii) any amendment, modification or supplement to the Trust Agreement, the Contract or the Liquidity Facility, and (iv) any substitution or expiration of the Liquidity Facility or delivery of an Alternate Liquidity Facility.

(i) The Authority shall promptly notify the Remarketing Agent by electronic means of any material adverse changes in the condition of the Authority, financial or otherwise, or any fact or circumstance which may constitute, or with the passage of time will constitute, an event of default under the Trust Agreement, the Contract or the Liquidity Facility.

(j) The Authority shall provide the Remarketing Agent with any additional information that it may reasonably request.

Section 14. Representations of the Remarketing Agent.

As the basis for the undertakings contained herein, the Remarketing Agent represents that it is a limited liability company duly organized and validly existing under the laws of the State of Pennsylvania; it is fully empowered to enter into this Remarketing Agreement pursuant to all necessary corporate action; and the execution and delivery by it of this Remarketing Agreement and the agreements herein contained do not and will not contravene or constitute a material breach or default under any applicable laws or regulations or agreements or any other instrument to which it is a party or by which it is or may be bound.

Section 15. Governing Law. This Remarketing Agreement shall be governed and construed in accordance with the laws of the State of California, without regard to its conflict of law provisions.

Section 16. Notices. Unless otherwise provided herein, all notices, certificates, requests or other communications hereunder shall be sufficiently given and shall be deemed delivered or given when delivered by hand or sent by facsimile (promptly confirmed in writing) or mailed by registered mail, postage prepaid, addressed as follows:

If to the Authority:	Modesto Public Financing Authority 1010 Tenth Street, Suite 5200 Modesto, California 95353 Attention: Director of Finance Telephone: (209) 577-5371 Fax: (209) 571-5880
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A. 100 Pine Street, Suite 3100 San Francisco, California 94111 Attention: Corporate Trust Telephone: (415) 263-2432 Fax: (415) 399-1647
If to the Bank:	BMO Harris Bank N.A. 180 Montgomery Street San Francisco, California 94104 Attention: Ted Neu Telephone: (415) 765-4938 E-Mail: ted.neu@bankofthewest.com

If to the Remarketing Agent: PNC Capital Markets LLC
1600 Market Street, 21st Floor
Philadelphia, Pennsylvania 19103
Telephone: (215) 585-1441
Fax: (215) 585-1463
Attention: Remarketing Desk
E-Mail: remarketing.desk@pnc.com

Each of the recipients of notices under this Remarketing Agreement listed above may, by written notice given hereunder to the others, designate any further or different addresses to which subsequent notices, certificates, requests or other communications shall be sent. In addition, the parties hereto may agree to any other means by which subsequent notices, certificates, requests or other communications may be sent.

Section 17. Term of Remarketing Agreement. Unless otherwise terminated in accordance with the provisions hereof, or the Trust Agreement, this Remarketing Agreement shall remain in full force and effect from the date hereof until the earlier of the date when all Certificates shall have become payable at a Fixed Rate or the payment in full of the Certificates.

Section 18. Amendments and Waivers. No amendment or waiver of any provision of this Remarketing Agreement nor consent to any departure therefrom shall in any event be effective unless the same shall be in writing and signed by the Authority and the Remarketing Agent. Any such amendment, waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 19. Successors. Any person or entity into which the Remarketing Agent may be merged, or with which it may be consolidated, or to which it may sell, release or transfer its investment banking business and assets as a whole or substantially as a whole, provided that, it shall (i) have the required capitalization requirements pursuant to the Trust Agreement and (ii) authorized by law to perform all the duties imposed upon it by the Trust Agreement and this Remarketing Agreement, shall be and become successor of the Remarketing Agent hereunder and shall be vested with all the powers, rights, obligations and duties hereunder as was its predecessor, without the execution or filing of any instrument by any person or entity.

Section 20. Assignments. Other than as set forth in Section 15, the Remarketing Agent may not assign this Remarketing Agreement to a different remarketing agent without the prior written consent of the Authority. Upon the resignation or removal of the Remarketing Agent, the Authority may appoint a successor Remarketing Agent and cause the assignment of this Remarketing Agreement to the successor Remarketing Agent without the consent of the Remarketing Agent.

Section 21. Counterparts. This Remarketing Agreement may be executed in one or more counterparts, each of which shall constitute an original but all of which when taken together shall constitute but one agreement.

Section 22. Entire Agreement. This Remarketing Agreement constitutes the entire agreement between the parties hereto, and supersedes any prior written agreements between the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Remarketing Agreement to be duly executed as of the day and year first above written.

MODESTO PUBLIC FINANCING AUTHORITY

By: _____
Name: DeAnna Christensen
Title: Auditor and Treasurer

PNC CAPITAL MARKETS LLC

By: _____
Name: Samantha Funk
Title: Managing Director

Section 22. Entire Agreement. This Remarketing Agreement constitutes the entire agreement between the parties hereto, and supersedes any prior written agreements between the parties.

IN WITNESS WHEREOF, the parties hereto have caused this Remarketing Agreement to be duly executed as of the day and year first above written.

MODESTO PUBLIC FINANCING AUTHORITY

By: _____
Name: DeAnna Christensen
Title: Auditor and Treasurer

PNC CAPITAL MARKETS LLC

By: _____
Name: Samantha Funk
Title: Managing Director

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

CERTIFICATE OF THE REMARKETING AGENT

June 8, 2023

The undersigned, an authorized officer of PNC Capital Markets LLC (the "Remarketing Agent") hereby certifies that:

To the best of the undersigned officer's knowledge, the information concerning the Remarketing Agent set forth in the Remarketing Memorandum dated June 2, 2023, relating to the above-referenced Certificates, under the heading "REMARKETING" is true and correct in all material respects.

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IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

PNC CAPITAL MARKETS LLC

By: _____
Name: Samantha Funk
Title: Managing Director

(Signature Page to Certificate of the Remarketing Agent)

NIXON PEABODY

Attorneys at Law
nixonpeabody.com
@NixonPeabodyLLP

300 S. Grand Avenue, Suite 4100
Los Angeles, CA 90071-3151
213-629-6000

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE
CERTIFICATES OF PARTICIPATION, 2008 SERIES A

PRELIMINARY BLUE SKY SURVEY

June 2, 2023

PNC Capital Markets LLC
as Remarketing Agent
Philadelphia, Pennsylvania

Ladies and Gentlemen:

This Preliminary Blue Sky Survey sets forth in summary form our comments as to the requirements of the securities or "blue sky" laws of the jurisdictions enumerated herein with respect to the proposed offering and sale to the public, brokers or dealers, and certain institutional investors of the above-captioned certificates (the "Certificates").

This Preliminary Blue Sky Survey is based upon an examination of the various statutes and the related rules, regulations and policy statements, if any, issued thereunder, as reported in standard compilations customarily relied upon in this connection, and upon statements contained in the Remarketing Memorandum relating to the Certificates.

We have prepared this Preliminary Blue Sky Survey as attorneys admitted to practice in the State of California, and we have obtained neither opinions from members of the Bar of any other jurisdiction nor formal rulings from regulatory commissions or other administrative bodies or officials. The statements made and conclusions expressed herein are subject to change upon the exercise of broad discretionary powers vested in administrative authorities, which powers authorize them, among other things, to withdraw exemptions, to impose additional requirements, to refuse registrations or to issue stop orders.

This Preliminary Blue Sky Survey does not purport to cover the requirements under any of the laws of the jurisdictions enumerated herein with respect to the registration or licensing of dealers, brokers or salespersons, the form or substance of advertising or the legality of investments in the Certificates by any institutional investor which is subject to statutory or other restrictions as

to its investments. This Preliminary Blue Sky Survey is furnished for general information purposes only and is not to be relied upon as an opinion of counsel.

Very truly yours,

NIXON PEABODY LLP

PART I

SALES BY PERSONS REGISTERED OR LICENSED AS BROKERS OR DEALERS TO THE PUBLIC

A. Jurisdictions Where Qualification Not Required.

Offers and sales of the Certificates may be made in any amount to anyone in the following jurisdictions without qualification or registration of the Certificates or the making of any filing or the payment of applicable fees in lieu of such registration or qualification, but only by brokers or dealers registered or licensed in the respective jurisdictions:

Alabama	Missouri
Alaska	Montana
Arizona	Nebraska
Arkansas	New Hampshire
California	New Jersey
Colorado	New Mexico
Connecticut	New York
Delaware	North Carolina
District of Columbia	North Dakota
Florida[(1)]	Ohio[(2)]
Georgia	Oklahoma
Guam	Oregon
Hawaii	Pennsylvania
Idaho	Puerto Rico
Illinois	Rhode Island
Indiana	South Carolina
Iowa	South Dakota
Kansas	Tennessee
Kentucky	Texas
Louisiana	Utah
Maine	Vermont
Maryland	Virginia
Massachusetts	Washington
Michigan	West Virginia
Minnesota	Wisconsin
Mississippi	Wyoming

(1) Provided that if there has been a default as to payment of principal or interest, since December 31, 1975, on any obligation of the issuer or a successor to the issuer or any guarantee by the guarantor or any successor to the guarantor of the Certificates, there has been and will be in any offering literature "full and fair disclosure," as prescribed by the Florida Department of Banking and Finance, of such default or a statement that the disclosure is required and the reason it is not deemed appropriate and material.

(2) Provided at the time of first sale of the Certificates in this jurisdiction, there is no default in the payment of any of the interest or principal on the Certificates, nor are there any adjudications or pending suits adversely affecting the validity of the Certificates.

B. Jurisdictions Where Qualification Not Requested.

In the following jurisdictions, appropriate action is required to either perfect or obtain an exception for the Certificates or qualify the Certificates before the Certificates may be sold or offered to anyone therein other than in exempt transactions. Pursuant to your request, no such action is being taken to establish an exempt status for or to register or qualify the Certificates for offer or sale to the public in the following jurisdictions, or in lieu thereof, to pay the applicable registration or qualification fees unless otherwise indicated in the notes below:

Nevada

C. Jurisdictions Where Qualification Requested.

After applicable requirements, if any, as to filings or with respect to registration or qualification of the Certificates or the payment of applicable fees in lieu of such registration or qualification in the respective jurisdictions have been met, the Certificates may be offered and sold to anyone in the jurisdictions listed below, but only by dealers or brokers registered or licensed in the respective jurisdictions. We are taking such action as we deem appropriate in each of the jurisdictions, and unless we notify you otherwise, the Certificates will be so qualified for offer and sale.

None

PART II

SALES TO BROKERS OR DEALERS

Offers and sales of the Certificates may be made in any amount to brokers or dealers registered or licensed in the following jurisdictions, subject to the qualifications indicated in the notes, without registration of the Certificates or any filings being made. Subject to the qualifications indicated in the notes, such offers and sales may be made either by brokers or dealers registered or licensed in the respective jurisdictions or where such persons are not so registered or licensed as indicated in the notes below.

Alabama	Kentucky[6]	Ohio[18]
Alaska[1]	Louisiana[9]	Oklahoma[1]
Arizona[2]	Maine[10]	Oregon[2]
Arkansas[3]	Maryland[11]	Pennsylvania[6]
California[4]	Massachusetts[6]	Puerto Rico[6]
Colorado[5]	Michigan[1]	Rhode Island[19]
Connecticut[6]	Minnesota[12]	South Carolina[1]
Delaware[6]	Mississippi[1]	South Dakota[1]
District of Columbia[7]	Missouri[1]	Tennessee[20]
Florida	Montana[6]	Texas[21]
Georgia[1]	Nebraska[13]	Utah[22]
Guam[6]	Nevada[14]	Vermont[7]
Hawaii[1]	New Hampshire[15]	Virginia
Idaho[1]	New Jersey[16]	Washington[6]
Illinois[8]	New Mexico[17]	West Virginia[22]
Indiana[1]	New York	Wisconsin[23]
Iowa[1]	North Carolina[6]	Wyoming[24]
Kansas[1]	North Dakota[17]	

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(1) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the only transactions effected by the broker-dealer in this jurisdiction are with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers registered or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in Part III; (4) non-affiliated federal covered investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (5) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence; (6) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met; (7) not more than three customers in this jurisdiction during the previous twelve months, in addition to those specified in clauses (1) through (6) and in clause (8), if the offeror or seller is registered under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which such entity has its principal place of business; and (8) any other person exempted by rule adopted or order issued under the laws of this jurisdiction.

(2) Provided the offeror or seller (i) is a registered broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions exclusively with other broker-dealers registered or exempt from registration in this jurisdiction.

(3) Provided the offeror or seller (i) is registered as a broker-dealer in Arkansas, or (ii) has no place of business in Arkansas and effects transactions in Arkansas exclusively with or through other broker-dealers, savings and loan associations or with institutions enumerated with respect to Arkansas in Part III herein.

(4) Provided the offeror or seller (i) is registered as a broker-dealer in California, or (ii) is a broker-dealer registered under the Securities Exchange Act of 1934, who has not previously had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute, has no place of business in California and does not direct offers to sell or buy into California in any manner to persons other than registered broker-dealers or institutions enumerated with respect to California in Part III herein.

(5) Provided the offeror or seller (i) is registered as a broker or dealer in Colorado, or (ii) is a broker or dealer registered pursuant to the Securities Exchange Act of 1934, has no place of business in Colorado and effects transactions in Colorado exclusively (A) with other broker-dealers registered or exempt from registration in Colorado, except when the broker-dealer is acting as a clearing broker-dealer for such other broker-dealers, (B) with the institutions enumerated with respect to Colorado in Part III herein, (C) with issuers in transaction involving their own securities, (D) with individuals who are existing customers and whose principal places of residence are not in Colorado, or during any twelve consecutive months, with not more than five persons in Colorado, excluding persons described in clauses (A) through (D).

(6) Provided the offeror or seller (i) is registered as a broker or dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through brokers, dealers or broker-dealers or with institutions enumerated with respect to this jurisdiction in Part III herein.

(7) Provided the offeror or seller (i) is registered as a broker-dealer in the District of Columbia or (ii) has no place of business in the District of Columbia and effects transactions in the District of Columbia exclusively with depository institutions, another broker-dealer, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts or other financial institutions or institutional investors.

(8) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) is not regularly engaged in the business of offering or selling securities in reliance on the exemptions for limited offerings to thirty-five persons or less or preorganization subscriptions and such transactions in the jurisdiction are exclusively with the institutions enumerated with respect to this jurisdiction in Part III.

(9) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) effects transactions in this jurisdiction exclusively with institutions enumerated with respect to this jurisdiction in Part III herein.

(10) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the transactions effected by the broker-dealer in this jurisdiction are exclusively with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers licensed or exempt under this jurisdiction, except when the broker-dealer is acting as a clearing broker-dealer for such other broker-dealers; (3) institutions enumerated with respect to this jurisdiction in Part III; (4) non-affiliated federal covered investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (5) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence; or (6) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met.

(11) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit sharing trusts, or other financial or institutional buyers.

(12) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the only transactions effected by the broker-dealer in this jurisdiction are with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers registered or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in Part III; (4) accredited investors; (5) non-affiliated federal covered investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (6) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence; (7) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met; (8) not more than three customers in this jurisdiction during the previous twelve months, in addition to those specified in clauses (1) through (7) and in clause (9), if the offeror or seller is registered under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which such entity has its principal place of business; and (9) any other person exempted by rule adopted or order issued under the laws of this jurisdiction.

(13) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through banks, savings institutions, credit unions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit sharing trusts, or other financial or institutional buyers, whether acting for themselves or as trustees, or (iii) has no place of business in this jurisdiction if during any period of twelve consecutive months, such person does not direct more than five offers to sell or to buy into this jurisdiction in any manner to persons other than those specified in clause (ii).

(14) Provided the offeror or seller (i) is registered as a broker-dealer in Nevada, or (ii) is registered, or not required to be registered under the Securities Exchange Act of 1934 and has no place of business in Nevada and effects transactions exclusively with other broker-dealers licensed or exempt under the Nevada Revised Statutes, as amended or with institutions enumerated with respect to Nevada in Part III herein.

(15) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the only transactions effected by the broker-dealer in this jurisdiction are with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers licensed or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in Part III; or (4) bona fide pre-existing customers whose principal place of residence is not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence.

(16) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) effects transactions in this jurisdiction exclusively for the account of registered broker-dealers or with institutions enumerated with respect to this jurisdiction in Part III herein.

(17) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the transactions effected by the broker-dealer in this jurisdiction are exclusively with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers licensed or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in Part III; (4) non-affiliated federal covered investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (5) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence; or (6) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met.

(18) Provided the offeror or seller (i) is registered or licensed as a broker dealer in Ohio or (ii) has no place of business in Ohio and is registered with the Securities and Exchange Commission and effects transactions in Ohio exclusively with the institutions enumerated with respect to Ohio in Part III herein.

(19) Provided the offeror or seller (i) is registered as a broker-dealer in Rhode Island or (ii) is registered or not required to be registered under the Securities Exchange Act of 1934 and has no place of business in Rhode Island and effects transactions in Rhode Island exclusively with any broker dealer and such financial or institutional investors enumerated with respect to Rhode Island in Part III herein.

(20) Provided the offeror or seller (i) is registered or licensed as a broker-dealer in Tennessee or (ii) has no place of business in Tennessee and is registered as a broker-dealer with the Securities and Exchange Commission or the Financial Industry Regulatory Authority and effects transactions in Tennessee exclusively with or through registered or licensed broker-dealers or with the institutions enumerated with respect to Tennessee in Part III herein.

(21) Provided the offeree or purchaser is a registered dealer actually engaged in buying and selling securities or provided the offeror or seller effects transactions in this jurisdiction exclusively with institutions enumerated with respect to Texas in Part III herein.

(22) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through institutions enumerated with respect to this jurisdiction in Part III herein or during any period of twelve consecutive months the person does not direct more than 15 offers to sell or buy into this jurisdiction in any manner to persons other than those specified in Part III herein, whether or not the offeror or an offeree is then present in this jurisdiction.

(23) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction or not required to be registered as a broker-dealer in Wisconsin, or (ii) effects transactions in this jurisdiction exclusively with broker-dealers registered or exempt under this jurisdiction, accredited investors as described in SEC Rule 501(a) (1), (2), (3), (7) or (8) or with institutions enumerated with respect to Wisconsin in Part III herein.

(24) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the only transactions effected by the broker-dealer in this jurisdiction are with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers registered or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in Part III; (4) non-affiliated federal covered investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (5) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence; (6) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met; (7) not more than one customer in this jurisdiction during the previous twelve months, in addition to those specified in clauses (1) through (6) and in clause (8), if the offeror or seller is registered under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which such entity has its principal place of business; and (8) any other person exempted by rule adopted or order issued under the laws of this jurisdiction.

PART III

SALES TO CERTAIN INSTITUTIONS

Offers and sales of the Certificates may be made to the specified institutions in the following jurisdictions, subject to the qualifications indicated in the notes, without registration or qualification of the Certificates or any filings being made. Subject to the qualifications indicated in the notes, such offers and sales may be made either by dealers or brokers registered or licensed in the respective jurisdictions or by persons not so registered or licensed. The status of the Certificates with respect to eligibility for investment by the institutions mentioned herein is not covered in this Survey.

Alabama .....Any bank, savings institution, credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

Alaska[9][20] .....Any institutional investor.

Arizona[2] .....Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

Arkansas[3] .....Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

California[4][5] .....Any bank, savings and loan association, trust company, insurance company, investment company registered under the Investment Company Act of 1940, pension or profit-sharing trust (other than a pension or profit-sharing trust of the issuer, a self-employed individual retirement plan, or individual retirement account), or such other institutional investor or governmental agency or instrumentality designated by rule of the Commissioner of Corporations.

Colorado[6] .....Any depository institution; insurance company; a separate account of an insurance company; an investment company registered under the federal "Investment Company Act of 1940"; a business development company as defined in the federal "Investment Company Act of 1940"; any private business development company as defined in the federal "Investment Advisers Act of 1940"; an employee pension, profit-sharing, or benefit plan if the plan has total assets in

excess of five million dollars or its investment decisions are made by a named fiduciary, as defined in the federal "Employee Retirement Income Security Act of 1974", that is a broker-dealer registered under the federal "Securities Exchange Act of 1934", an investment adviser registered or exempt from registration under the federal "Investment Advisers Act of 1940", a depository institution, or an insurance company; an entity, but not an individual, a substantial part of whose business activities consist of investing, purchasing, selling or trading in securities of more than one issuer and not of its own issue and that has total assets in excess of five million dollars as of the end of its latest fiscal year; a small business investment company licensed by the federal small business administration under the federal "Small Business Investment Act of 1958"; and any other institutional buyer.

Connecticut[(1)].....Any bank and trust company, national banking association, savings bank, savings and loan association, federal savings and loan association, federal savings bank, credit union, federal credit union, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

Delaware[(1)(7)].....Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

District of Columbia[(8)].....Any depository institution, insurance company, separate account of an insurance company, investment company registered under the Investment Company Act of 1940, business development company as defined in the Investment Company Act of 1940, employee pension or profit-sharing or benefit plan if the plan has total assets in excess of $5 million or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, a depository institution or an insurance company, a "qualified institutional buyer" as defined in SEC Rule 144A, an accredited investor as defined in SEC Rule 501(a), a limited liability company with net assets of at least $500,000.

Florida.....Any bank or trust company, savings institution, insurance company, investment company as defined by the Investment Company Act of 1940, or pension or profit-sharing trust, or qualified institutional buyer as defined in Securities and Exchange Commission Rule 144A (17 C.F.R. 230.144(A)(a)).

Georgia[13][20] .....Any institutional investor.

Guam[1].....Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

Hawaii[13][20].....Any institutional investor.

Idaho[9][20].....Any institutional investor.

Illinois[10][11] .....Any corporation, bank, savings bank, savings institution, savings and loan association, trust company, insurance company, building and loan association, pension fund, pension trust, employees' profit-sharing trust, or other financial institution or institutional investor, or any government or political subdivision or instrumentality thereof; any partnership or other association engaged as a substantial part of its business or operations in purchasing or holding securities, or any trust in respect of which a bank or trust company is trustee or co-trustee; any entity in which at least ninety percent (90%) of the equity is owned by person described in subsections C, H or S of Section 4[5/4] of the Illinois Securities Law of 1953, as amended, any employee benefit plan within the meaning of Title I of the Federal ERISA Act if the investment decision is made by a plan fiduciary as defined in §3(21) of the federal ERISA Act and such plan fiduciary is either a bank, savings and loan association, insurance company, registered investment adviser or the plan has total assets in excess of $5,000,000, or, in the case of a self-directed plan, investment decisions are made solely by persons described under subsections C, D, H or S of Section 4[5/4] of the Illinois Securities Law of 1953, as amended, or to a plan established and maintained by, and for the benefit of the employees of, any state or political subdivision or agency or instrumentality thereof if such plan has total assets in excess of $5,000,000, or to any organization described in Section 501(c)(3) of the Internal Revenue Code of 1986, any Massachusetts or similar

business trust, or any partnership, if such organization, trust or partnership has total assets in excess of $5,000,000.

Indiana[13][20]..... Any institutional investor.

Iowa[12][20] ..... Any institutional investor.

Kansas[13][20] ..... Any institutional investor.

Kentucky[1]..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

Louisiana[14] ..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, as now or hereafter amended, real estate investment trust, small business investment corporation, pension or profit-sharing plan or trust, or other financial institution.

Maine[15][16] ..... Any institutional investor.

Maryland[17][18]..... Any investment company as defined in the Investment Company Act of 1940, an investment adviser with assets under management of not less than $1,000,000, savings and loan association, bank, trust company, insurance company, employee benefit plan with assets of not less than $1,000,000, or governmental agency or instrumentality, whether acting for itself or as a trustee or a fiduciary with investment control or other institutional investor as designated by rule or order.

Massachusetts[1][19] ..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

Michigan[20][21]..... Any institutional investor.

Minnesota[13][22]..... Any institutional investor or an accredited investor as that term is defined in Rule 501(a) of Regulation D adopted pursuant to the Securities Act of 1933.

Mississippi[13][20] ..... Any institutional investor.

Missouri[9][20] ..... Any institutional investor.

Montana[(1)(23)] .....Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

Nebraska[(24)(25)] .....Any bank, savings institution, credit union, trust company, or other financial institution, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, corporation with total assets in excess of five million dollars, not formed for the specific purposes of acquiring the securities offered, Massachusetts or similar business trust with total assets in excess of five million dollars, not formed for the specific purpose of acquiring the securities offered, partnership with total assets in excess of five million dollars, not formed for the specific purpose of acquiring the securities offered, trust with total assets in excess of five million dollars, not formed for the specific purpose of acquiring the securities, whose purchase is directed by a person who has such knowledge and experience in financial and business matters that he or she is capable of evaluating the merits and risks of the prospective investment, entity in which all of the equity owners are individuals who are individual accredited investors, institutional buyer as may be defined by rule and regulation or order or individual accredited investor.

Nevada[(26)(27)] .....Any financial or institutional investor.

New Hampshire[(28)(29)] .....Any institutional investor.

New Jersey[(30)] .....Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

New Mexico[(13)(31)] .....Any institutional investor.

New York .....Any state or national bank, trust company or savings institution incorporated under the laws and subject to the examination, supervision and control of any state or of the United States or of any insular possession thereof, any dealer or broker, or any syndicate, corporation or other group formed for the specific purpose of acquiring such securities for resale to the public directly or through other syndicates or groups.

North Carolina[1][32]..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

North Dakota[13][31] ..... Any institutional investor.

Ohio[33][34] ..... Any institutional investor.

Oklahoma[13][20] ..... Any institutional investor.

Oregon[2] ..... Any bank, savings institution, trust company, insurance company, investment company, pension or profit-sharing trust, financial institution or institutional buyer (including but not limited to the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the Federal Housing Administration, the United States Department of Veteran's Affairs and the Government National Mortgage Association), or mortgage broker or mortgage banker.

Pennsylvania[1][35] ..... Any bank, insurance company, pension or profit-sharing plan or trust (except a municipal pension plan or system), investment company as defined in the Investment Company Act of 1940, or any person, other than an individual, which controls any of the foregoing, the Federal Government, state or any agency or political subdivision thereof, except public school districts in Pennsylvania, or any other person designated as an institutional investor by regulation of the Pennsylvania Securities Commission.

Puerto Rico[1] ..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Companies Act of Puerto Rico, pension or profit-sharing trust, or other financial institution or institutional buyer.

Rhode Island[36] ..... Any depository institution; an insurance company or separate account of an insurance company; an investment company as defined in the Investment Company Act of 1940; an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of five million dollars ($5,000,000) or if investment decisions are made by a plan fiduciary, as defined in the Employee Retirement Income Security Act of 1974, which is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository

institution, or an insurance company; and any other institutional buyer.

South Carolina[13][20] ..... Any institutional investor.

South Dakota[13][20] ..... Any institutional investor.

Tennessee[37] ..... Any bank, unless the bank is acting as a broker-dealer as such term is defined in the Tennessee Securities Act of 1980, trust company, insurance company, investment company registered under the Investment Company Act of 1940, as amended, a holding company which controls any of the foregoing, a trust or fund over which any of the foregoing has or shares investment discretion, a pension or profit sharing plan, an institutional buyer or any other person engaged as a substantial part of its business in investing in securities, provided such purchaser has a net worth in excess of $1,000,000.

Texas[38] ..... Any bank, trust company, building and loan association, insurance company, surety or guaranty company, savings institution, investment company as defined in the Investment Company Act of 1940 or small business investment company as defined in the Small Business Investment Act of 1958, as amended, provided the securities are purchased by such institution for its own account or as a bona fide trustee of a trust organized and existing other than for the purpose of acquiring the securities.

Utah[39] ..... Any depository institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional investor.

Vermont[13][20] ..... Any institutional investor.

Virginia ..... Any corporation, investment company or pension or profit-sharing trust.

Washington[1][40] ..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

West Virginia[39][41] ..... Any bank, savings institution, trust company, insurance company, investment company as defined in the Investment Company Act of 1940, pension or profit-sharing trust, or other financial institution or institutional buyer.

Wisconsin[42][43] .....Any institutional investor.

Wyoming[13][44] .....Any institutional investor.

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(1) Provided the offeror or seller (i) is registered or licensed as a dealer or broker in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through registered or licensed dealers or brokers or with institutions enumerated with respect to this jurisdiction in this Part.

(2) Provided the offeror or seller (i) is a registered broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions exclusively with other broker-dealers registered or exempt from registration in this jurisdiction.

(3) Provided the offeror or seller (i) is registered as a broker-dealer in Arkansas, or (ii) has no place of business in Arkansas and effects transactions in Arkansas exclusively with or through other broker-dealers, savings and loan associations or with institutions enumerated with respect to Arkansas in this Part.

(4) Provided the offeror or seller (i) is registered as a broker-dealer in California, or (ii) is a broker-dealer registered under the Securities Exchange Act of 1934, who has not previously had any certificate denied or revoked under the California Corporate Securities Law of 1968 or any predecessor statute, has no place of business in California and does not direct offers to sell or buy into California in any manner to persons other than registered broker-dealers or to institutions enumerated with respect to California in this Part.

(5) The institutional investors, governmental agencies and instrumentalities designated by rule of the Commissioner of Corporations are: (a) any organization described in Section 501(c)(3) of the Internal Revenue Code, as amended December 29, 1981, which has total assets (including endowment, annuity and life income funds) of not less than $5,000,000 according to its most recent audited financial statement; (b) any corporation which has a net worth on a consolidated basis according to its most recent audited financial statement of not less than $14,000,000; (c) any wholly owned subsidiary of any institutional investor designated in this Part; and (d) the Federal Government, any agency or instrumentality of the Federal Government, any corporation wholly owned by the Federal Government, any state, any city, city and county, or county, or any agency or instrumentality of such governments, any state university or state college, and any retirement system for the benefit of employees of any of the foregoing.

(6) Provided the offeror or seller (i) is registered as a broker-dealer in Colorado, or (ii) is a broker-dealer registered pursuant to the Securities Exchange Act of 1934, has no place of business in Colorado and effects transactions in Colorado exclusively (A) with or through other broker-dealers registered or exempt from registration in Colorado, except when the broker-dealer is acting as a clearing broker-dealer for such other broker-dealers, (B) with institutions enumerated with respect to Colorado in this Part, (C) with issuers in transaction involving their own securities, (D) with individuals who are existing customers and whose principal places of residence are not in Colorado, or during any twelve consecutive months, with not more than fiver person in Colorado, excluding persons described in clauses (A) through (D).

(7) The term “institutional buyer” includes, but is not limited: (i) an “accredited investor” as defined by SEC Rule 501 (a)(1)-(4), (7) and (8) excluding, however, any self-directed employee benefit plan with investment decisions made solely by persons that are “accredited investors” as defined in Rule 501 (a)(5)-(6); (ii) any “qualified institutional buyer” as that term is defined in SEC Rule 144A(a)(1) and (iii) a corporation, partnership, trust, estate or other entity (excluding individuals) having a net worth of not less than $5 million or a wholly owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the specific securities, but the offer or sale securities is not exempt under the Delaware Securities Act if the institutional buyer is in fact acting only as an agent for another purchaser that is not an institutional buyer or financial institution listed in this Part.

(8) Provided the offeror or seller (i) is registered as a broker-dealer in the District of Columbia or (ii) has no place of business in the District of Columbia and effects transactions in the District of Columbia exclusively with depository institutions, another broker-dealer, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit-sharing trusts or other financial institutions or institutional buyers.

(9) The term “institutional investor” means any of the following, whether acting for itself or for others in a fiduciary capacity, (i) a depository institution, a trust company organized or chartered under the laws of this jurisdiction, or

an international banking institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) a broker-dealer registered under the securities exchange act of 1934; (vi) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of ten million dollars ($10,000,000) or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a depository institution, or an insurance company; (vii) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of ten million dollars ($10,000,000) or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a depository institution or an insurance company; (viii) a trust, if it has total assets in excess of ten million dollars ($10,000,000), its trustee is a depository institution, and its participants are exclusively plans of the types identified in the immediately preceding two clauses, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (ix) an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)), corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of ten million dollars ($10,000,000); (x) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of ten million dollars ($10,000,000); (xi) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of ten million dollars ($10,000,000); (xii) a federal covered investment adviser acting for its own account; (xiii) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A); (xiv) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6); (xv) any other person, other than an individual, of institutional character with total assets in excess of ten million dollars ($10,000,000) not organized for the specific purpose of evading this act; or (xvi) or any other person specified by rule adopted or order issued under this jurisdiction.

(10) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) is not regularly engaged in the business of offering or selling securities in reliance on the exemptions for limited offerings to thirty-five persons or less or preorganization subscriptions and such transactions in the jurisdiction are exclusively with the institutions enumerated with respect to this jurisdiction in Part III.

(11) The term "institutional investor" shall include, but not be limited to: (a) any investment company, university, or other organization whose primary purpose is to invest its own assets or those held in trust by it for others; (b) any trust account or individual or group retirement account in which a bank, trust company, insurance company or savings and loan institution acts in a fiduciary capacity; and (c) any foundation or endowment fund exempt from taxation under the Internal Revenue Code, a principal business function of which is to invest funds to produce income in order to carry out the purpose of the foundation or fund. The Illinois Securities Department has also defined "financial institution" to include, but not be limited to, a manager of investment accounts on behalf of other than natural persons, who, with affiliates, exercises sole investment discretion with respect to such accounts and provided such accounts exceed 10 in number and have a fair market value of not less than $10,000,000 at the end of the preceding calendar month.

(12) The term "institutional investor" means any of the following, whether acting for itself or for others in a fiduciary capacity: (i) a depository institution or international banking institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) a broker-dealer registered under the Securities Exchange Act of 1934; (vi) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of five million dollars or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment advisor registered or exempt from registration under the Investment Advisors Act of 1940, an investment advisor registered under the laws of this jurisdiction, a depository institution, or an insurance company; (vii) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of five million dollars or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment advisor registered or exempt from registration under the Investment Advisers Act of 1940, an investment advisor registered under the laws of this jurisdiction, a depository institution, or an insurance company; (viii) a trust, if it has total assets in excess of five million dollars, its trustee is a depository institution, and its participants are exclusively plans of the

types identified in the two immediately preceding clauses, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (iv) an organization described in section 501(c)(3) of the Internal Revenue Code, 26 U.S.C. Section 501(c)(3), corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of five million dollars; (x) a small business investment company licensed by the small business administration under section 301(c) of the Small Business Investment Act of 1958, 15 U.S.C. Section 681(c), with total assets in excess five million dollars; (xi) a private business development company as defined in section 202(a)(22) of the Investment Advisers Act of 1940, 15 U.S.C. Section 80b-2(a)(22), with total assets in excess of five million dollars; (xii) a federal covered investment adviser acting for its own account; (xiii) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted by the securities and exchange commission under the Securities Act of 1933, 17 C.F.R. Section 230.144A; (xiv) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted by the securities and exchange commission under the Securities Exchange Act of 193, 17 C.F.R. Section 240.15a-6; (xv) any other person, other than an individual, of institutional character with total assets in excess of five million dollars not organized for the specific purpose of evading the laws of this jurisdiction; or (xvi) or any other person specified by rule adopted or order issued under this jurisdiction.

(13) The term "institutional investor" means any of the following, whether acting for itself or for others in a fiduciary capacity, (i) a depository institution or an international banking institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) a broker-dealer registered under the securities exchange act of 1934; (vi) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of ten million dollars ($10,000,000) or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a depository institution, or an insurance company; (vii) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of ten million dollars ($10,000,000) or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a depository institution or an insurance company; (viii) a trust, if it has total assets in excess of ten million dollars ($10,000,000), its trustee is a depository institution, and its participants are exclusively plans of the types identified in the immediately preceding two clauses, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (ix) an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)), corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of ten million dollars ($10,000,000); (x) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of ten million dollars ($10,000,000); (xi) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of ten million dollars ($10,000,000); (xii) a federal covered investment adviser acting for its own account; (xiii) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A); (xiv) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6); (xv) any other person, other than an individual, of institutional character with total assets in excess of ten million dollars ($10,000,000) not organized for the specific purpose of evading the securities laws of this jurisdiction; or (xvi) or any other person specified by rule adopted or order issued under this jurisdiction.

(14) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) effects transactions in this jurisdiction exclusively with institutions enumerated with respect to this jurisdiction in Part III herein.

(15) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the transactions effected by the broker-dealer in this jurisdiction are exclusively with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers licensed or exempt under this jurisdiction, except when the broker-dealer is acting as a clearing broker-dealer for such other broker-dealers; (3) or institutions enumerated with respect to this jurisdiction in this Part III; (4) non-affiliated federal covered investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (5) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the

customer maintains a principal place of residence; or (6) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met.

(16) The term "institutional investor" means any of the following whether in acting for itself or for others in a fiduciary capacity: (i) a depository institution or international banking institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the federal Investment Company Act of 1940; (v) an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of $10,000,000 or its investment decisions are made by a named fiduciary, as defined in the federal Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the federal Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the federal Investment Advisers Act of 1940, an investment adviser registered under this chapter, a depository institution or an insurance company; (vi) a plan established and maintained by a state, a political subdivision of a state or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of $10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the federal Employee Retirement Income Security Act of 1974, that is a broker –dealer registered under the federal Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the federal Investment Advisers Act of 1940, an investment adviser registered under this chapter, a depository institution or an insurance company; (vii) a trust, if it has total assets in excess of $10,000,000, its trustee is a depository institution and its participants are exclusively plans of the types identified in previous two clauses, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (viii) an organization described in Section 501(c)(3) of the Internal Revenue Code, 26 United States Code, Section 501(c)(3), a corporation, a Massachusetts trust or similar business trust, a limited liability company or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $10,000,00; (ix) a small business investment company licensed by the United States Small Business Administration under Section 301(c) of the federal Small Business Investment Act of 1958, 15 United States Code, Section 681(c) with total assets in excess of $5,000,000; (x) a private business development company as defined in Section 202(a)(22) of the federal Investment Advisers Act of 1940, 15 United State Code, Section 80b-2(a)(22) with total assets in excess of $5,000,000; (xi) a federal covered investment advisor acting for its own account; (xii) a qualified institutional buyer as defined in 17 Code of Federal Regulations, 230.144A(a)(1), except as defined in 17 Code of Federal Regulations 230.144A(a)(1)(i)(H); (xiii) a major U.S. Institutional investor as defined in 17 Code of Federal Regulations, 240.15a-6(b)(4)(i); (xiv) any other person, other than an individual, of institutional character with total assets in excess of $10,000,000 not organized for the specific purpose of evading this chapter; or (xv) any other person specified by rule adopted or order issued under this chapter.

(17) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through banks, savings institutions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit sharing trusts, or other financial or institutional buyers.

(18) The Maryland Division of Securities has by rule defined institutional investor to include an accredited investor as set forth in Regulation D, 17 CFR §230.501(a)(1)-(3),(7), and (8), and a qualified institutional buyer as set forth in Rule 144A, 55 FR 17933 (1990).

(19) The term "institutional buyer" includes, but is not limited to, (i) a Small Business Investment Company licensed by the U.S. Small Business Administration under the Small Business Investment Act of 1958, as amended; (ii) a private business development company as defined in §202(a)(22) of the Investment Advisers Act of 1940, as amended; (iii) a Business Development Company as defined in §2(a)(48) of the Investment Company Act of 1940, as amended; (iv) an entity with total assets in excess of $5 million and which is either: (a) a company (whether a corporation, a Massachusetts or similar business trust, partnership, limited liability company or limited liability partnership) not formed for the specific purpose of acquiring the securities offered; a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and whose investment decisions are made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of investment; or (b) an organization described in Section 501(c)(3) of the Internal Revenue Code; and (v) a Qualified Institutional Buyer as defined in 17 CFR 230.144A(a).

(20) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the only transactions effected by the broker-dealer in this jurisdiction are with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers registered or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in this Part; (4) non-affiliated federal covered

investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (5) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence; (6) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met; (7) not more than three customers in this jurisdiction during the previous twelve months, in addition to those specified in clauses (1) through (6) and in clause (8), if the offeror or seller is registered under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which such entity has its principal place of business; and (8) any other person exempted by rule adopted or order issued under the laws of this jurisdiction.

(21) The term "institutional investor" means any of the following, whether acting for itself or for others in a fiduciary capacity, (i) a depository institution or an international banking institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) a broker-dealer registered under the securities exchange act of 1934; (vi) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of $2,500,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a depository institution, or an insurance company; (vii) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of $2,500,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a depository institution or an insurance company; (viii) a trust, if it has total assets in excess of $2,500,000, its trustee is a depository institution, and its participants are exclusively plans of the types identified in the immediately preceding two clauses, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (ix) an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)), corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $2,500,000; (x) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of $2,500,000; (xi) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of $2,500,000); (xii) a federal covered investment adviser acting for its own account; (xiii) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A); (xiv) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6); (xv) any other person, other than an individual, of institutional character with total assets in excess of $2,500,000 not organized for the specific purpose of evading this act; or (xvi) or any other person specified by rule adopted or order issued under this jurisdiction.

(22) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the only transactions effected by the broker-dealer in this jurisdiction are with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers registered or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in this Part; (4) accredited investors; (5) non-affiliated federal covered investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (6) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence; (7) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met; (8) not more than three customers in this jurisdiction during the previous twelve months, in addition to those specified in clauses (1) through (7) and in clause (9), if the offeror or seller is registered under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which such entity has its principal place of business; and (9) any other person exempted by rule adopted or order issued under the laws of this jurisdiction.

(23) The Montana State Auditor and Commissioner of Securities has, in an interpretative opinion, added institutional investors qualified under Rule 144A of the Securities Exchange Commission to the list set forth in this Part.

(24) The Nebraska Director of Banking and Finance has, in an interpretative opinion, provided that the following definitions shall apply to the list set forth in this Part: (a) "Bank" means a bank as defined in Section 3(a)(2) of the Securities Act of 1933, 15 U.S.C. §77c(a)(2); (b) "Insurance Company" means an insurance company as defined in Section 2(13) of the Securities Act of 1933, 15 U.S.C. §77b(13); (c) a "pension or profit-sharing trust" means an employee benefit plan, as defined in Title I of the Employee Retirement Income Security Act of 1974, 29 U.S.C. §1002(2) if: (i) the investment decisions are made by a "plan fiduciary", as defined in Section 3(21) of the Employee Retirement Income Security Act of 1974, 29 U.S.C. §1002(21), which is either a bank, insurance company or registered investment adviser; or (ii) the employee benefit plan has total assets in excess of $5,000,000; (d) "Financial institution" means a bank, savings bank, building and loan association, savings and loan association, or credit union, whether chartered by the United States, the department, or a foreign state agency; any other similar organization which is covered by federal deposit insurance; or a trust company; (e) "Corporation" includes domestic corporations as defined by the Nebraska Model Business Corporation Act, Neb. Rev. Stat. §21-214(4), and foreign corporations as defined by Neb. Rev. Stat. §21-214(20); and (f) "Partnership" means a partnership as defined by Nebraska Uniform Partnership Act, Neb. Rev. Stat. §67-402(6).

(25) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through banks, savings institutions, credit unions, trust companies, insurance companies, investment companies as defined in the Investment Company Act of 1940, pension or profit sharing trusts, or other financial or institutional buyers, whether acting for themselves or as trustees, or (iii) has no place of business in this jurisdiction if during any period of twelve consecutive months, such person does not direct more than five offers to sell or to buy into this jurisdiction in any manner to persons other than those specified in clause (ii).

(26) Provided the offeror or seller (i) is registered as a broker-dealer in Nevada, or (ii) is registered, or not required to be registered under the Securities Exchange Act of 1934 and has no place of business in Nevada and effects transactions exclusively with other broker-dealers licensed or exempt under the Nevada Revised Statutes, as amended or with institutions enumerated with respect to Nevada in this Part.

(27) The term "financial or institutional investor" means: (i) a depository institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of $5,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is either a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, a depository institution, or an insurance company; and (vi) any other institutional buyer.

(28) The term "institutional investor" means any of the following whether in acting for itself or for others in a fiduciary capacity: (i) a depository institution, trust company or international banking institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) a broker-dealer registered under the Securities Exchange Act of 1934; (vi) an employee pension, profit-sharing or benefit plan if the plan has total assets in excess of $10,000,000 or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the New Hampshire Uniform Securities Act, a depository institution, a trust company or an insurance company; (vii) a plan established and maintained by a state, a political subdivision of a state or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of $10,000,000 or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker –dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the New Hampshire Uniform Securities Act, a depository institution, a trust company or an insurance company; (viii) a trust, if it has total assets in excess of $10,000,000, its trustee is a depository institution or trust company and its participants are exclusively plans of the types identified in previous two clauses, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (ix) an organization described in Section 501(c)(3) of the Internal Revenue Code, 26 United States Code, Section 501(c)(3), a corporation, a Massachusetts trust or similar business trust, a limited liability company or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of $10,000,00; (ix) a small business investment company licensed by the United States Small Business Administration under Section 681(c) of the Small Business Investment Act of 1958, 15 United States Code, Section 681(c) with total assets in

excess of $10,000,000; (xi) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940, 15 United State Code, Section 80b-2(a)(22) with total assets in excess of $10,000,000; (xii) a federal covered investment advisor acting for its own account; (xiii) a qualified institutional buyer as defined in 17 Code of Federal Regulations, 230.144A(a)(1), except as defined in 17 Code of Federal Regulations 230.144A(a)(1)(i)(H); (xiv) a major U.S. Institutional investor as defined in 17 Code of Federal Regulations, 240.15a-6(b)(4)(i); (xv) any other person, other than an individual, of institutional character with total assets in excess of $25,000,000 not organized for the specific purpose of evading the New Hampshire Uniform Securities Act; or (xv) any other person specified by rule adopted or order issued under the New Hampshire Uniform Securities Act.

(29) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the only transactions effected by the broker-dealer in this jurisdiction are with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers licensed or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in this Part III; or (4) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence.

(30) Provided the offeror or seller (i) is registered as a broker-dealer in New Jersey, or (ii) effects transactions in New Jersey exclusively with or through registered broker-dealers or with institutions enumerated with respect to New Jersey in this Part.

(31) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the transactions effected by the broker-dealer in this jurisdiction are exclusively with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers licensed or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in this Part; (4) non-affiliated federal covered investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (5) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence; or (6) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met.

(32) In addition, a broker-dealer registered in North Carolina may offer and sell to an entity which has a net worth in excess of $1,000,000 as determined by generally accepted accounting principles.

(33) Provided the offeror or seller (i) is registered or licensed as a broker dealer in Ohio or (ii) has no place of business in Ohio and is registered with the Securities and Exchange Commission and effects transactions in Ohio exclusively with the institutions enumerated with respect to Ohio in this Part.

(34) The term “institutional investor” means any of the following, whether acting for itself or for others in a fiduciary capacity, (i) a bank or an international banking institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) a broker-dealer registered under the securities exchange act of 1934 or licensed by this jurisdiction as a dealer; (vi) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of ten million dollars ($10,000,000) or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a bank, or an insurance company; (vii) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of ten million dollars ($10,000,000) or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a bank or an insurance company; (viii) a trust, if it has total assets in excess of ten million dollars ($10,000,000), its trustee is a bank, and its participants are exclusively plans of the types identified in the immediately preceding two clauses, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (ix) an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)),

corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of ten million dollars ($10,000,000); (x) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of ten million dollars ($10,000,000); (xi) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of ten million dollars ($10,000,000); (xii) a federal covered investment adviser acting for its own account; (xiii) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A); (xiv) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6); (xv) any other person, other than an individual, of institutional character with total assets in excess of ten million dollars ($10,000,000) not organized for the specific purpose of evading this act; or (xvi) or any other person specified by rule adopted or order issued under this jurisdiction.

(35) The term "institutional investor" includes: (1) a corporation, partnership, trust, estate or other entity (excluding individuals), or a wholly owned subsidiary of the entity, which has been in existence for at least 18 months and which had a tangible net worth on a consolidated basis of $25 million or more; (2) a college, university, or other public or private institution which has received exempt status under section 501(c)(3) of the Internal Revenue Code of 1986 (26 U.S.C.A. §501(c)(3)) and which has a total endowment or trust funds, including annuity and life income funds, of $5 million or more according to its most recent audited financial statements; provided that the aggregate dollar amount of securities being sold to the person under the exemption contained in section 203(c) of the Pennsylvania Securities Act of 1972 (the "Act") (70 P.S. §1 203(c)) and this title may not exceed 5% of the endowment or trust funds; (3) a wholly owned subsidiary of a bank as defined in section 102(d) of the Act (70 P.S. §1 102(d); (4) a person, except an individual or an entity whose securityholders consist entirely of one individual or group of individuals who are related, which is organized primarily to purchase, in non public offerings, securities of corporations or issuers engaged in research and development activities in conjunction with a corporation and which complies with one of the following: (i) has purchased $5 million or more of the securities excluding both of the following: (A) a purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the corporation's voting securities, unless the purchase occurred under a leveraged buy out financing in which the person does not intend to provide direct management to the issuer, and (B) a dollar amount of a purchase of securities of a corporation which investment represents more than 20% of the person's net worth; (ii) is capitalized at $2,500,000 or more and is controlled by a person which meets the criteria contained in subparagraph (i); (iii) is capitalized at $10 million or more and has purchased $500,000 or more of the securities, excluding a purchase of securities of a corporation in which the person directly or beneficially owns more than 50% of the corporation's voting securities; (iv) is capitalized at $250,000 or more and is a side by side fund; (5) a Small Business Investment Company as that term is defined in section 103 of the Small Business Investment Act of 1958, (15 U.S.C.A. § 662) which either: (i) has a total capital of $1 million or more; or (ii) is controlled by institutional investors as defined in section 102(k) of the Act (70 P.S. §1 102(k)) or section 102.021 of the Pennsylvania Blue Sky Regulations; (6) a Seed Capital Fund, as defined in section 2 and authorized in section 6 of the Small Business Incubators Act (73 P.S. §§395.2 and 395.6); (7) a Business Development Credit Corporation, as authorized by the Business Development Credit Corporation Law (7 P.S. §§6040-1 6040-16); (8) a person whose securityholders consist solely of institutional investors or broker dealers; (9) a person as to which the issuer reasonably believed qualified as an institutional investor under this section at the time of the offer or sale of the securities on the basis of written representations made to the issuer by the purchaser; (10) a qualified institutional buyer as defined in 17 CFR 230.144A (relating to private resales of securities to institutions), or any successor rule; and (11) a qualified pension and profit sharing and stock bonus plan under section 401 of the Internal Revenue Code of 1986 (26 U.S.C.A. §401) and all plans under section 408 of the Internal Revenue Code of 1986 (26 U.S.C.A. §408) if the plan has either of the following: (i) plan assets of $5 million or more or (ii) investments of $500,000 or more in securities and retained, on an on-going basis, the services of an investment advisor registered under section 301 of the Act (70 P.S. §1-301) or a Federally covered advisor to give professional investment management advice.

(36) Provided the offeror or seller (i) is registered as a broker-dealer in Rhode Island or (ii) is a broker-dealer who is registered or not required to be registered under the Securities Exchange Act of 1934, has no place of business in Rhode Island and effects transactions in Rhode Island exclusively with or through other broker-dealers or with institutions enumerated with respect to Rhode Island in this Part.

(37) Provided the offeror or seller (i) is registered or licensed as a broker-dealer in Tennessee, or (ii) has no place of business in Tennessee and is registered as a broker-dealer with the Securities and Exchange Commission or the Financial Industry Regulatory Authority and effects transactions in Tennessee exclusively with or through registered or licensed broker-dealers or with institutions enumerated with respect to Tennessee in this Part.

(38) In addition, the Texas State Securities Board exempts from the securities registration requirements of the Securities Act the offer and sale of any securities to any of the following purchasers: (1) an "institutional accredited investor," which is defined as "an entity (not a natural person) described in Rule 501(a), promulgated by the Securities and Exchange Commission ("SEC") under the Securities Act of 1933 (17 CFR §230.501, as amended), excluding, however, any self-directed employee benefit plan with investment decisions made solely by persons that are "individual accredited investors" which is defined as a natural person described in Rule 501(a), promulgated by the SEC under the Securities Act of 1933 (17 CFR §230.501, as amended); (2) any "qualified institutional buyer" which is defined as an entity described in Rule 144A, as promulgated by the SEC under the Securities Act of 1933 (17 CFR §230.144A, as amended); and (3) a corporation, partnership, trust, estate, or other entity (excluding individuals) having net worth of not less than $5 million, or a wholly-owned subsidiary of such entity, as long as the entity was not formed for the purpose of acquiring the specific securities. For purposes of determining a purchaser's total assets or net worth, the issuer and the seller may rely upon the entity's most recent annual balance sheet or other financial statement which shall have been audited by an independent accountant or which shall have been verified by a principal of the purchaser.

(39) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction and effects transactions in this jurisdiction exclusively with or through institutions enumerated with respect to this jurisdiction in this Part or during any period of twelve consecutive months the person does not direct more than 15 offers to sell or buy into this jurisdiction in any manner to persons other than those specified in this Part, whether or not the offeror or an offeree is then present in this jurisdiction.

(40) The term "institutional buyer" includes a corporation, business trust, or partnership or wholly owned subsidiary of such an entity, which has been operating for at least 12 months and which has a net worth on a consolidated basis of at least $10 million as determined by the entity's most recent audited financial statements, such statements to be dated within 16 months of the transaction made in reliance upon this exemption; any entity which has been granted exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986 and which has a total endowment or trust funds of $5 million or more according to its most recent audited financial statements, such statements to be dated within 16 months of the transaction made in reliance upon this exemption; or any wholly owned subsidiary of a bank, savings institution, insurance company, or investment company as defined in the Investment Company Act of 1940.

(41) The term "institutional buyer" includes a corporation, business trust, partnership, limited liability company, limited liability partnership or a wholly owned subsidiary of any of the aforementioned entities, which has been operating on a continuing basis for at least twelve (12) months and which has a net worth of at least five million ($5,000,000) dollars, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and whose investment decisions are made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investment, an entity which has been granted exempt status under Section 501(c)(3) of the Internal Revenue Code, as amended, which has been operating on a continuing basis for at least twelve (12) months and which has a net worth of at least five million ($5,000,000) dollars, a substantial part of whose business activities consists of investing, purchasing, selling or trading in securities issued by others and whose investment decisions are made by persons who are reasonably believed by the seller to have such knowledge and experience in financial and business matters to be capable of evaluating the merits and risks of investment, a Small Business Investment Company licensed by the United States Small Business Administration by the Small Business Investment Act of 1958, as amended, a private business development company as defined by the Investment Advisors Act of 1940, as amended, a Business Development Company as defined by the Investment Company Act of 1940, as amended, a wholly-owned subsidiary of a bank, savings institution, insurance company, or investment company as defined by the Investment Company Act of 1940, as amended, and a "Qualified Institutional Buyer" as defined in 17 CFR 230.144A(a).

(42) Provided the offeror or seller (i) is registered as a broker-dealer in this jurisdiction or not required to be registered as a broker-dealer in Wisconsin, or (ii) effects transactions in this jurisdiction exclusively with broker-dealers registered or exempt under this jurisdiction, accredited investors as described in SEC Rule 501(a) (1), (2), (3), (7) or (8) or with institutions enumerated with respect to Wisconsin in this Part.

(43) The term "institutional investor" means any of the following, whether acting for itself or for others in a fiduciary capacity, (i) a depository institution or an international banking institution; (ii) an insurance company; (iii) a separate account of an insurance company; (iv) an investment company as defined in the Investment Company Act of 1940; (v) a broker-dealer registered under the securities exchange act of 1934; (vi) an employee pension, profit-sharing, or benefit plan if the plan has total assets in excess of ten million dollars ($10,000,000) or its investment decisions are made by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered

under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a depository institution, or an insurance company; (vii) a plan established and maintained by a state, a political subdivision of a state, or an agency or instrumentality of a state or a political subdivision of a state for the benefit of its employees, if the plan has total assets in excess of ten million dollars ($10,000,000) or its investment decisions are made by a duly designated public official or by a named fiduciary, as defined in the Employee Retirement Income Security Act of 1974, that is a broker-dealer registered under the Securities Exchange Act of 1934, an investment adviser registered or exempt from registration under the Investment Advisers Act of 1940, an investment adviser registered under the laws of this jurisdiction, a depository institution or an insurance company; (viii) a trust, if it has total assets in excess of ten million dollars ($10,000,000), its trustee is a depository institution, and its participants are exclusively plans of the types identified in the immediately preceding two clauses, regardless of the size of their assets, except a trust that includes as participants self-directed individual retirement accounts or similar self-directed plans; (ix) an organization described in Section 501(c)(3) of the Internal Revenue Code (26 U.S.C. Section 501(c)(3)), corporation, Massachusetts trust or similar business trust, limited liability company, or partnership, not formed for the specific purpose of acquiring the securities offered, with total assets in excess of ten million dollars ($10,000,000); (x) a small business investment company licensed by the Small Business Administration under Section 301(c) of the Small Business Investment Act of 1958 (15 U.S.C. Section 681(c)) with total assets in excess of ten million dollars ($10,000,000); (xi) a private business development company as defined in Section 202(a)(22) of the Investment Advisers Act of 1940 (15 U.S.C. Section 80b-2(a)(22)) with total assets in excess of ten million dollars ($10,000,000); (xii) a federal covered investment adviser acting for its own account; (xiii) a "qualified institutional buyer" as defined in Rule 144A(a)(1), other than Rule 144A(a)(1)(i)(H), adopted under the Securities Act of 1933 (17 C.F.R. 230.144A); (xiv) a "major U.S. institutional investor" as defined in Rule 15a-6(b)(4)(i) adopted under the Securities Exchange Act of 1934 (17 C.F.R. 240.15a-6); (xv) any other person, other than an individual, of institutional character with total assets in excess of two million five hundred thousand dollars ($2,500,000) not organized for the specific purpose of evading this act; or (xvi) or any other person specified by rule adopted or order issued under this jurisdiction.

(44) Provided the offeror or seller (i) is registered as a broker dealer in this jurisdiction, or (ii) has no place of business in this jurisdiction, if the only transactions effected by the broker-dealer in this jurisdiction are with the following: (1) the issuer of the securities involved in the transactions; (2) other broker-dealers registered or exempt under this jurisdiction; (3) institutions enumerated with respect to this jurisdiction in this Part; (4) non-affiliated federal covered investment advisors with investments under management in excess of $100,000,000 acting for the account of others pursuant to discretionary authority in a signed record; (5) bona fide pre-existing customers whose principal place of residence are not in this jurisdiction and the offeror or seller is registered as a broker-dealer under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which the customer maintains a principal place of residence; (6) bona fide pre-existing customers whose principal place of residence are in this jurisdiction but were not present in this jurisdiction when the customer relationship was established if certain other requirements are met; (7) not more than one customer in this jurisdiction during the previous twelve months, in addition to those specified in clauses (1) through (6) and in clause (8), if the offeror or seller is registered under the Securities Exchange Act of 1934 or not required to be registered under the Securities Exchange Act of 1934 and is registered under the securities act of the state in which such entity has its principal place of business; and (8) any other person exempted by rule adopted or order issued under the laws of this jurisdiction.

NIXON PEABODY

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$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE
CERTIFICATES OF PARTICIPATION, 2008 SERIES A

FINAL BLUE SKY SURVEY

June 8, 2023

PNC Capital Markets LLC
as Remarketing Agent
Philadelphia, Pennsylvania

Ladies and Gentlemen:

This memorandum confirms our Preliminary Blue Sky Survey, dated June 2, 2023, for the above-captioned certificates.

Very truly yours,

NIXON PEABODY LLP

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

REPLACEMENT OF LIQUIDITY FACILITY

CERTIFICATE OF THE BANK

June 8, 2023

The undersigned authorized representative of BMO Harris Bank N.A. (the "Bank"), hereby certifies that, to the best of the undersigned officer's knowledge, the information set forth in the Remarketing Memorandum, dated June 2, 2023, relating to the above-referenced certificates of participation, set forth under the heading "LIQUIDITY FACILITY — BMO Harris Bank N.A.," is true and correct in all material respects.

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IN WITNESS WHEREOF, the undersigned has executed this certificate on behalf of the Bank as of the date first written above.

BMO HARRIS BANK N.A.

By: Edward C Neu
Name: Edward C. Neu
Title: Managing Director

[Signature Page to Certificate of the Bank]

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

TAX CERTIFICATE OF THE BANK

June 8, 2023

The undersigned, an authorized signatory of BMO Harris Bank N.A. (the "Bank"), hereby certifies as follows with respect to the above-referenced certificates of participation (the "Certificates"), the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"), among the Modesto Public Financing Authority (the "Authority"), the City of Modesto (the "City"), The Bank of New York Mellon Trust Company, N.A., as trustee, and the Bank, providing liquidity support for the Certificates, and the Fee Letter Agreement, dated June 8, 2023, among the Authority, the City and the Bank:

(a) The fees paid or to be paid to the Bank pursuant to the Standby Certificate Purchase Agreement and the Fee Agreement represent an arm's-length charge for the transfer of liquidity risk.

(b) The fees payable to the Bank under the Standby Certificate Purchase Agreement and the Fee Agreement were determined in arm's length negotiations and are in consideration of the liquidity support being provided by the Bank pursuant to the Standby Certificate Purchase Agreement. Such fees represent a charge only for liquidity support. No portion of such fees represents any payment for any direct or indirect services, including any indirect payment of costs of issuance, rating agency fees, or the costs of underwriting or remarketing the Certificates. No portion of the fees payable to the Bank under the Standby Certificate Purchase Agreement and the Fee Agreement is refundable to the City or the Authority.

(c) The Bank does not reasonably expect to make any payments under the Standby Certificate Purchase Agreement other than payments for which it will be reimbursed immediately or upon commercially reasonable terms.

This Certificate is provided solely for the information of and to provide assistance to the City and the Authority, for purposes of establishing the qualification of the Standby Certificate Purchase Agreement as a "qualified guarantee," as defined in Treas. Reg. § 1.148-4(f). However, the Bank provides no assurances and makes no representations regarding whether or not the Standby Certificate Purchase Agreement qualifies as a qualified guarantee as defined in Treas. Reg. Section 1.148-4(f) and the Bank makes no representations as to the treatment of fees and other payments made with respect to the Standby Certificate Purchase Agreement and the Fee Agreement under Treas. Reg. Section 1.148-4(f).

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

BMO HARRIS BANK N.A.

By: Edward C Nell
Its: Managing Director

(Signature Page to Tax Certificate of the Bank)

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

REPLACEMENT OF LIQUIDITY FACILITY

INCUMBENCY CERTIFICATE OF THE BANK

June 8, 2023

The undersigned, an authorized officer of BMO Harris Bank N.A., a national banking association, as successor in interest to Bank of the West (the "Bank"), hereby certifies, in connection with that certain Standby Certificate Purchase Agreement dated as of June 1, 2023 (the "Standby Agreement"), by and among the Modesto Public Financing Authority (the "Authority"), the City of Modesto (the "City"), The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") for the above-referenced certificates of participation (the "Certificates") and the Bank, and that certain Fee Letter Agreement, dated June 8, 2023 (the "Fee Letter Agreement"), by and among the Authority, the City and the Bank, as follows:

1. that to his or her knowledge, the person whose name, title and signature appears on the Certificate of Incumbency dated May 8, 2023 attached hereto Exhibit A, is an authorized signing officer of the Bank, having their respective title indicated on said Exhibit A, and the signature appearing opposite the name of such person on said Exhibit A is the genuine signature of such person; and

2. that the person whose name, title and signature appears on Exhibit A hereto is authorized by the bylaws of the Bank to sign the Standby Agreement and the Fee Letter Agreement for and on behalf of the Bank.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK.]

IN WITNESS WHEREOF, the undersigned has executed this certificate on behalf of the Bank as of the date first written above.

BMO HARRIS BANK N.A.

By: _____
Name: Christine Armani-Dawood
Title: Director

Exhibit A to
Incumbency Certificate of BMO Harris Bank N.A.

[See attached pages]

BMO Harris Bank

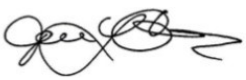
BYLAW CERTIFICATION

Section 9.2. Execution of Instruments. (a) All agreements, contracts, indentures, loans, mortgages, deeds, conveyances, transfers, certificates, declarations, receipts, discharges, releases, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, proxies and other instruments or documents may be signed, executed, acknowledged, verified, delivered or accepted on behalf of the association by the Chair of the board, Vice Chair of the board, Chief Executive Officer, or the President, or any Executive Vice President, Senior Vice President, Managing Director, Vice President, Director, Authorized Signatory (as confirmed by the Human Resources Department) or the Secretary, Assistant Secretary ,or, if in connection with the exercise of fiduciary powers of the association (including, but not limited to, the acceptance of trusts and the execution of trust agreements), by any of those officers or by the senior fiduciary officer or any trust officer. Any such instruments may also be executed, acknowledged, verified, delivered or accepted on behalf of the association in such other manner and by such other officers as the board of directors may from time to time direct. In addition to the signing authorities granted by or pursuant to the foregoing provisions of this Article IX, the Chair of the board, a Vice Chair of the board, the President, any Executive Vice President, Managing Director or Senior Vice President within the area of his or her assigned duties or responsibilities, may designate from time to time in writing any officer or employee, either by name or by title, to sign or execute any documents, instruments or contracts to which the association is a party. The provisions of this Section 9.2 are supplementary to any other provision of these Bylaws.

Any account, deposit or otherwise, may be opened at the direction of any Executive Vice President or above. Any institution or entity opening any such account may rely on this authority in good faith and open such account without any further action on the part of the association. This authorization in no way limits or impairs the ability of any other authorized officer to open accounts of the association.

The undersigned, Jennifer Crusoe, a duly authorized and acting Assistant Secretary of BMO Harris Bank N.A., certifies that the foregoing is a true, current and complete copy of Article IX, Section 9.2 (a) of the Bylaws of BMO Harris Bank N.A.

DATED this 8th day of May 2023.



Jennifer Crusoe
Assistant Secretary

BMO Harris Bank

CERTIFICATE OF INCUMBENCY

I, Jennifer Crusoe, Assistant Secretary of BMO Harris Bank N.A., certify that the following named person is an Authorized Signatory for BMO Harris Bank N.A.:

Name	Title	Signature
Edward C. (Ted) Neu	Managing Director	Edward C Neu

IN WITNESS WHEREOF, I have hereunto set my hand this 8th day of May 2023.

Jennifer Crusoe
Assistant Secretary

ASSURED GUARANTY CORP.

Endorsement to Financial Guaranty Insurance Policy
(Bank Certificate Endorsement)

Issuer:	City of Modesto, California	Policy No.:	D-2008-461
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	June 8, 2023

The Policy to which this Endorsement is attached and of which it forms a part is hereby amended to provide that the term "Due for Payment" shall include (i) interest on the Bank Certificates (as defined the Standby Agreement referred to below) at the Bank Rate (as defined in the Standby Agreement) that shall become Due for Payment but which is unpaid by reason of Nonpayment on any Bank Certificates, but only to the extent that such interest rate does not exceed the lesser of eighteen percent (18%) per annum or the maximum rate of interest permitted by applicable law (the "Maximum Interest Rate," as defined in the Standby Agreement), and (ii) the required mandatory amortization of the principal amount of such Bank Certificates until such Bank Certificate shall have been redeemed in full pursuant to Section 2.08 of the Standby Agreement. Amounts Due for Payment under the Policy shall not, however, include (a) excess interest on any Bank Certificate to the extent such interest would cause Bank Certificates to bear interest in excess of the Maximum Interest Rate, and (b) any interest accrued on such excess Bank Certificate interest.

"Standby Agreement" means the "Standby Certificate Purchase Agreement", dated as of June 1, 2023, by and among Modesto Public Financing Authority, City of Modesto, BMO Harris Bank N.A., as Bank and The Bank of New York Mellon Trust Company, N.A., as Trustee.

This Endorsement supersedes in its entirety the Endorsement to the Policy dated July 14, 2011 entitled "Endorsement to Financial Guaranty Insurance Policy (Bank Certificates and Subrogated Certificates Endorsement)."

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement shall supersede the Policy language with respect to any Bank Obligation.

IN WITNESS WHEREOF, Assured Guaranty has caused this Endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.

ASSURED GUARANTY CORP. CORPORATE SEAL 1985 MARYLAND

ASSURED GUARANTY CORP.

By: William J. Hogan

Signature attested to by:

Counsel

Form-E-BB001 (05/07)

Assured Guaranty Corp.
1633 Broadway
New York, NY 10019
main 212 974 0100
fax 212 581 3268
info@assuredguaranty.com
www.assuredguaranty.com

ASSURED GUARANTY CORP.

Endorsement to Financial Guaranty Insurance Policy (Reserve Fund)
(Bank Certificate Endorsement)

Issuer:	City of Modesto, California	Policy No.:	D-2008-462
Obligations:	$47,625,000 Water Refunding Revenue Certificates of Participation, 2008 Series A	Effective Date:	June 8, 2023

The Policy to which this Endorsement is attached and of which it forms a part is hereby amended to provide that the term "Due for Payment" shall include interest on the Bank Certificates (as defined the Standby Agreement referred to below) at the Bank Rate (as defined in the Standby Agreement) that shall become Due for Payment but which is unpaid by reason of Nonpayment on any Bank Certificates, but only to the extent that such interest rate does not exceed the Maximum Interest Rate (as defined in the Standby Agreement). Amounts Due for Payment under the Policy shall not, however, include (a) excess interest on any Bank Certificate to the extent such interest would cause Bank Certificates to bear interest in excess of the Maximum Interest Rate, and (b) any interest accrued on such excess Bank Certificate interest.

"Standby Agreement" means the "Standby Certificate Purchase Agreement", dated as of June 1, 2023, by and among Modesto Public Financing Authority, City of Modesto, BMO Harris Bank N.A., as Bank and The Bank of New York Mellon Trust Company, N.A., as Trustee.

This Endorsement supersedes in its entirety the Endorsement to the Policy dated July 14, 2011 entitled "Endorsement to Financial Guaranty Insurance Policy (Reserve Fund) (Bank Certificates and Subrogated Certificates Endorsement)."

Nothing herein shall be construed to waive, alter, reduce or amend coverage in any other section of the Policy. If found contrary to the Policy language, the terms of this Endorsement shall supersede the Policy language with respect to any Bank Certificate.

IN WITNESS WHEREOF, Assured Guaranty has caused this Endorsement to be affixed with its corporate seal, to be signed by its duly authorized officer and to become effective and binding upon Assured Guaranty on the Effective Date listed above by virtue of such signature.



ASSURED GUARANTY CORP.

By: _____

Signature attested to by:

_____
Counsel

Form-E-BB001 (05/07)

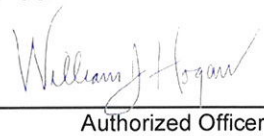
Assured Guaranty Corp.
1633 Broadway
New York, NY 10019
main 212 974 0100
fax 212 581 3268
info@assuredguaranty.com
www.assuredguaranty.com

DISCLOSURE CERTIFICATE OF ASSURED GUARANTY CORP.

The undersigned hereby certifies on behalf of Assured Guaranty Corp. ("AGC"), in connection with AGC's Policy No. D-2008-461 and Policy No. D-2008-462 with respect to $47,625,000 City of Modesto, California Water Refunding Revenue Certificates of Participation, 2008 Series A (the "Certificates"), that:

(i) the information set forth under the caption "CERTIFICATE INSURANCE – Assured Guaranty Corp." and in "APPENDIX E – FINANCIAL GUARANTY INSURANCE POLICY" in the Remarketing Memorandum dated June 2, 2023, relating to the Certificates is true and correct.

ASSURED GUARANTY CORP.

By: 
Authorized Officer

Dated: June 8, 2023

CONSENT AND APPROVAL OF ASSURED GUARANTY CORP.

Assured Guaranty Corp. ("AGC") is the insurer of City of Modesto Water Refunding Revenue Certificates of Participation, 2008 Series A (the "Insured Certificates"), evidencing and representing proportionate interests of the owners thereof in the 2008 Payments to be made by the City of Modesto (the "City") to the Modesto Public Financing Authority (the "Authority") under the 2008 Supplemental Contract. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Amended and Restated Trust Agreement dated as of May 1, 2008 and amended and restated July 14, 2011 (the "Amended and Restated Trust Agreement") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").

Pursuant to Section 3.12(a) of the Amended and Restated Trust Agreement, AGC as 2008 Certificate Insurer approves the appointment of the Remarketing Agent. AGC hereby approves to the appointment of PNC Capital Markets LLC as Remarketing Agent under the Amended and Restated Trust Agreement.

Neither this consent and approval nor any past, present or future consents, approvals, waivers, actions, amendments or other agreements, individually or in combination, may be construed to imply or impose upon AGC any intention, agreement, obligation or undertaking to grant future consents, approvals, waivers or amendments, or to limit the ability of AGC to exercise any and all of its rights under the Amended and Restated Trust Agreement, as amended, or any other transaction document relating to the Insured Certificates, all of which shall remain unmodified and in full force and effect. By granting this consent, AGC expresses no opinion as to whether the consent or approval of any other person is required, or whether any other condition needs to be satisfied, in connection with the appointment of the Remarketing Agent.

[Remainder of page intentionally left blank.]

Dated: June 7, 2023

ASSURED GUARANTY CORP.

By: Barbara Boulle'
Name: Barbara Boulle'
Title: Director

CONSENT AND APPROVAL OF ASSURED GUARANTY CORP.

Assured Guaranty Corp. ("AGC") is the insurer of City of Modesto Water Refunding Revenue Certificates of Participation, 2008 Series A (the "Insured Certificates"), evidencing and representing proportionate interests of the owners thereof in the 2008 Payments to be made by the City of Modesto (the "City") to the Modesto Public Financing Authority (the "Authority") under the 2008 Supplemental Contract. Capitalized terms used herein not otherwise defined herein shall have the meanings ascribed thereto in the Amended and Restated Trust Agreement referred to below.

Pursuant to Section 3.11(a) and Section 10.02(a) of the Amended and Restated Trust Agreement dated as of May 1, 2008 and amended and restated July 14, 2011 (the "Amended and Restated Trust Agreement") between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), AGC as 2008 Certificate Insurer (i) approves the Liquidity Facility for the Insured Certificates in the form attached hereto as Exhibit A and (ii) consents to the First Supplemental Trust Agreement dated as of June 1, 2023, between the Authority and the Trustee in the form attached hereto as Exhibit B.

Neither this consent and approval nor any past, present or future consents, approvals, waivers, actions, amendments or other agreements, individually or in combination, may be construed to imply or impose upon AGC any intention, agreement, obligation or undertaking to grant future consents, approvals, waivers or amendments, or to limit the ability of AGC to exercise any and all of its rights under the Amended and Restated Trust Agreement, as amended by the First Supplemental Trust Agreement, or any other transaction document relating to the Insured Certificates (except as set forth in each of the Termination Agreements of even date herewith executed and delivered by AGC in connection with the Insured Certificates), all of which shall remain unmodified and in full force and effect. By granting this consent, AGC expresses no opinion as to whether the consent or approval of any other person is required, or whether any other condition needs to be satisfied, in connection with the execution and delivery of the First Supplemental Trust Agreement or the Liquidity Facility.

[Remainder of page intentionally left blank.]

Dated: June 8, 2023

ASSURED GUARANTY CORP.

By: Barbara Boulle'
Name: Barbara Boulle'
Title: Director

Exhibit A

FIRST SUPPLEMENTAL TRUST AGREEMENT

between

MODESTO PUBLIC FINANCING AUTHORITY

and

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

Dated as of June 1, 2023

Relating to

WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

EVIDENCING AND REPRESENTING PROPORTIONATE INTERESTS
OF THE OWNERS THEREOF IN 2008 PAYMENTS TO BE MADE BY THE
CITY OF MODESTO
TO THE
MODESTO PUBLIC FINANCING AUTHORITY

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FIRST SUPPLEMENTAL TRUST AGREEMENT

THIS FIRST SUPPLEMENTAL TRUST AGREEMENT, dated as of June 1, 2023 (this "First Supplement"), amending and supplementing the Amended and Restated Trust Agreement, dated as of May 1, 2008 (the "Existing Trust Agreement" and, together with the First Supplement, the "Trust Agreement"), is by and between MODESTO PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as successor trustee (the "Trustee");

W I T N E S S E T H:

WHEREAS, as a result of the expiration of the direct-pay letter of credit (the "JPM Letter of Credit") from JPMorgan Chase Bank, N.A. (the "Bank"), the Authority and the City have elected to replace the JPM Letter of Credit with an Alternate Liquidity Facility in the form of a standby certificate purchase agreement (the "Standby Certificate Purchase Agreement") effective on the Substitution Date (as defined in the Trust Agreement), thereby triggering a mandatory tender of the 2008 Certificates in whole on the Substitution Date; and

WHEREAS, the Standby Certificate Purchase Agreement constitutes an Alternate Liquidity Facility for purposes of the Contract (as defined in the Trust Agreement) and this Trust Agreement; and

WHEREAS, the Existing Trust Agreement is being amended and supplemented as of the Substitution Date pursuant to this Trust Agreement, in order to modify provisions relating to the JPM Letter of Credit and the Standby Certificate Purchase Agreement; and

WHEREAS, Section 7.01 of the Existing Trust Agreement permits any amendments of the Existing Trust Agreement, with the prior written consent of the 2008 Certificate Insurer (as defined in the Trust Agreement), but without the consent of the Owners, if effective upon the remarketing of the 2008 Certificates following mandatory tender of the 2008 Certificates; and

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants herein, and for other valuable consideration, the parties hereto do hereby covenant and agree, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Definitions and Rules of Construction. Unless the context otherwise requires, the capitalized terms used in this First Supplement shall have the meanings specified in the Existing Trust Agreement.

ARTICLE II

AMENDMENTS TO EXISTING TRUST AGREEMENT

SECTION 2.1. Amendments to Section 1.01 (Definitions).

(a) The following defined terms are deleted:

"Assigned Rights to Interest," "Bank," "Cancellation Date," "Control Event," "Replacement Liquidity Facility," "Subrogated Certificate" and "2008 Liquidity Facility Payment Account."

(b) The defined term "Alternate Liquidity Facility" is amended to read (deletions stricken):

> "Alternate Liquidity Facility" means a letter of credit ~~(including, without limitation, the Replacement Liquidity Facility)~~, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, approved by the 2008 Certificate Insurer and issued in accordance with the terms hereof with respect to the 2008 Certificates as a replacement or substitute for any Liquidity Facility then in effect.

(c) The defined term "Credit Enhancement" is amended to read (deletions stricken):

> "Credit Enhancement" means the 2008 Certificate Insurance Policy issued by the 2008 Certificate Insurer. ~~In case a letter of credit is provided as a Liquidity Facility, such letter of credit will also be considered a Credit Enhancement and its issuer, a Credit Enhancement Provider, if such letter of credit is a direct-pay letter of credit that provides for the payment of the principal of, and interest with respect to, the 2008 Certificates as they become due.~~

(d) The defined term "Credit Enhancement Provider" is amended to read:

> "Credit Enhancement Provider" means the 2008 Certificate Insurer.

(e) Clause (a) of the defined term "Insurer Indenture Event of Default" is amended to read (deletions stricken):

> (a) any principal or interest evidenced by the 2008 Certificates (including Liquidity Provider Certificates ~~or Subrogated Certificates~~) is not paid by the 2008 Certificate Insurer when, as, and in the amounts required to be paid pursuant to the terms of the 2008 Certificate Insurance Policy; or

(f) The defined term "Liquidity Facility" is amended to read (deletions stricken):

"Liquidity Facility" means, as of any time, the Initial Liquidity Facility~~, the Replacement Liquidity Facility~~ or an Alternate Liquidity Facility, as applicable, which provides for the payment of the purchase price of the 2008 Certificates upon the tender thereof in the event remarketing proceeds are insufficient therefor.

(g) The defined term "Liquidity Facility Provider" is amended to read (additions underlined and deletions stricken):

"Liquidity Facility Provider" means, with respect to the Initial Liquidity Facility, the Initial Liquidity Facility Provider ~~Replacement Liquidity Facility, the Bank~~, and with respect to any Alternate Liquidity Facility for the 2008 Certificates, a bank, insurance company, pension fund or other financial institution acceptable to the 2008 Certificate Insurer.

(h) The defined term "Mandatory Purchase Date" is amended to read (additions underlined and deletions stricken):

"Mandatory Purchase Date" means: (i) with respect to a Flexible Rate Certificate, the first Business Day following the last day of each Flexible Rate Period with respect to such Flexible Rate Certificate; (ii) for the 2008 Certificates in a Term Rate Mode, the first Business Day following the last day of each Term Rate Period for such 2008 Certificates; (iii) any Mode Change Date; (iv) any Substitution Date; (v) the fifth Business Day prior to an Expiration Date; (vi) the date specified by the Trustee following the occurrence of an event of default with respect to the Liquidity Facility or under the related Reimbursement Agreement which requires or gives the Liquidity Facility Provider the option to terminate the Liquidity Facility upon notice and requires that all Outstanding 2008 Certificates secured by such Liquidity Facility be tendered for purchase, which date shall be a Business Day not less than 7 days after the Trustee's receipt of notice of such event of default from the applicable Liquidity Facility Provider and in no event later than the Business Day preceding the termination date specified in the notice of event of default delivered to the Trustee by such Liquidity Facility Provider; and (vii) for the 2008 Certificates in a Daily Mode or a Weekly Mode, any Business Day specified by the Authority in a notice delivered to the Trustee and consented to by the Liquidity Facility Provider, which Mandatory Purchase Date shall be not less than twenty (20) days after the Trustee's receipt of such notice from the Authority~~, and (viii) the Business Day prior to the Cancellation Date~~.

(i) Clause (11) of the defined term "Permitted Investments" is amended to read (deletions stricken):

(11) Other investments approved in writing by the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~; and

(j) The defined term "Reimbursement Agreement" is amended to read (deletions stricken):

"Reimbursement Agreement" means any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, between a Credit Enhancement Provider or a Liquidity Facility Provider, as applicable, and the Authority and/or the City, as the same may be amended from time to time pursuant to its terms~~, including the Reimbursement Agreement, dated as of July 1, 2011, by and between the City and the Bank~~.

(k) The defined term "Remarketing Agent" is amended to read:

"Remarketing Agent" means each Person selected by the Authority to act as remarketing agent for the 2008 Certificates pursuant to Section 3.12 hereof and approved by the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~.

SECTION 2.2. Amendments to Section 3.04 (Source of Funds for Purchase of 2008 Certificates in Daily Mode, Weekly Mode, Flexible Mode, or Term Rate Mode). The final paragraph of Section 3.04 is deleted.

SECTION 2.3. Amendments to Section 3.05 (Delivery of Certificates in Daily Mode, Weekly Mode, Flexible Mode or Term Rate Mode). Clause (b) of Section 3.05 is amended to read (deletions stricken):

(b) Each 2008 Certificate purchased by the Trustee with moneys described in Section 3.04(b) ~~hereof or purchased from proceeds from the 2008 Liquidity Facility Payment Account~~ shall be registered immediately in the name of the applicable Liquidity Facility Provider or its nominee (which may be the Securities Depository) as provided in Section 2.1 l(d), if any, on or before 3:00 p.m. New York City time. The Trustee shall not release any Liquidity Provider Certificates unless the Trustee shall have received evidence that the Liquidity Facility has been reinstated to an amount equal to the principal amount of unremarketed 2008 Certificates, including Liquidity Provider Certificates, plus interest at the Maximum Rate for the number of days required under the Liquidity Facility.

SECTION 2.4. Amendments to Section 3.09(a) (Establishment of 2008 Purchase Fund – Remarketing Proceeds Account). Section 3.09(a) is amended to read (additions underlined):

(a) Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of any 2008 Certificate (including Liquidity Provider Certificates) on the date such 2008 Certificate is to be purchased, the Trustee shall deposit such remarketing proceeds in the Remarketing Proceeds Account, such remarketing proceeds to be applied to the payment of the Purchase Price of such 2008 Certificate. The Authority shall not have any right, title or interest in any of the funds held on deposit in any Remarketing Proceeds Account nor any remarketing proceeds held for any period of time by any Remarketing Agent.

SECTION 2.5. Amendments to Section 3.11(b) (Liquidity Facility; Alternate Liquidity Facility). Section 3.11(b) is amended to read (deletions stricken):

(b) If a Liquidity Facility is in effect with respect to the 2008 Certificates, on each date on which a 2008 Certificate is to be purchased, the Trustee, by demand given by Electronic means before 12:30 p.m. New York City time, shall draw on the applicable Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 2:30 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of such 2008 Certificates on such date, to enable the Trustee to pay the Purchase Price in connection therewith. The proceeds of such draw shall be paid to the Trustee, who shall deposit said proceeds in the applicable Liquidity Facility Account pursuant to Section 3.09(b) hereof ~~or, in the case of the Replacement Liquidity Facility, the 2008 Liquidity Facility Payment Account~~.

SECTION 2.6. Amendments to Section 3.13 (Duties of Remarketing Agent). The final paragraph of Section 3.13 is amended to read (additions underlined and deletions stricken):

Notwithstanding any provision of this Trust Agreement to the contrary, if there shall have occurred and be continuing ~~(i) a Control Event and no other Credit Enhancement Provider Failure or Liquidity Facility Provider Failure, the Remarketing Agent shall continue remarketing 2008 Certificates or (ii) a Control Event and either another~~ either a Credit Enhancement Provider Failure or a Liquidity Facility Provider Failure, the Remarketing Agent shall not be required to remarket 2008 Certificates.

SECTION 2.7. Amendments to Section 4.03(a) (Establishment and Maintenance of Accounts for Use of Money in the 2008 Debt Service Fund – 2008 Interest Account). Section 4.03(a) is amended to read (additions underlined and deletions stricken):

(a) 2008 Interest Account. On the Delivery Date, the Trustee shall deposit in the 2008 Interest Account any Payment Agreement Receipts relating to the 2008 Interest Rate Swap Agreement which the City has directed under the 2008 Interest Rate Swap Agreement to be transferred to the Trustee for deposit in the 2008 Interest Account and any amounts transferred to the Trustee pursuant to Section 2.03 of the 2008 Supplemental Contract for the payment of payments due under the 2008 Interest Rate Swap Agreement. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall set aside from the 2008 Debt Service Fund and deposit in the 2008 Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) becoming due and payable on each such Interest Payment Date~~, unless such amounts are required to be used to reimburse the Bank pursuant to clause (c) below~~. The Trustee will also apply amounts on deposit in the 2008 Fees Subaccount to pay on behalf of the City, the Payment Agreement Payments required to be paid under the 2008 Interest Rate Swap Agreement and to pay the Remarketing Agent fees as the same shall become due on each due date therefor until such 2008 Fees Subaccount shall be depleted (expected to be on or about November 29, 2008). Investment earnings on amounts on deposit in the 2008 Fees Subaccount shall be transferred to the City for deposit in the Revenue Fund.

No deposit need be made in the 2008 Interest Account if the amount contained therein (exclusive of amounts transferred for the payment of amounts due under the 2008 Interest Rate Swap Agreement) is at least equal to the aggregate amount of interest

evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) becoming due and payable on such Interest Payment Date.

Except as otherwise provided herein, all money in the 2008 Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest (including accrued interest evidenced and represented by any 2008 Certificates (including Liquidity Provider Certificates) purchased or prepaid prior to their respective Certificate Payment Date) with respect to the 2008 Certificates (including Liquidity Provider Certificates) as it shall become due and payable~~, or for reimbursing the Bank~~ and paying the Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement as they shall become due and payable. The Trustee shall be under no obligation to calculate the amount of Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement and shall be entitled to rely conclusively on the information received by it with respect to the amount of the Payment Agreement Payments due and owing by the City.

SECTION 2.8. Amendments to Section 4.03(b) (Establishment and Maintenance of Accounts for Use of Money in the 2008 Debt Service Fund – 2008 Principal Account).

(a) Section 4.03(b) is amended to read (additions underlined and deletions stricken):

(b) 2008 Principal Account. On the Business Day immediately preceding each October 1, commencing on October 1, 2008, the Trustee shall set aside from the 2008 Debt Service Fund and deposit in the 2008 Principal Subaccount an amount of money equal to the principal amount evidenced and represented by the Outstanding Serial Certificates and Liquidity Provider Certificates with a Certificate Payment Date of such October 1, and in the 2008 Sinking Fund Subaccount in the 2008 Principal Account the amount of all Sinking Fund Payments required to be made on such October 1.

Amounts to be applied to (i) the optional prepayment of the principal component of the 2008 Certificates pursuant to Section 2.03(c) hereof and (ii) to the mandatory prepayment of the principal component of Liquidity Provider Certificates pursuant to Section 2.03(b) shall be deposited in the 2008 Prepayment Subaccount of the 2008 Principal Account. All money in the 2008 Prepayment Subaccount shall be used and withdrawn by the Trustee for the purpose of paying such prepayments on the respective prepayment dates.

No deposit need be made in the 2008 Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding Serial Certificates with a Certificate Payment Date of such October 1 and the amount contained in the 2008 Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Payments required to be made on such October 1.

All money in the 2008 Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Serial Certificates as they shall become due and payable, whether at their respective

Certificate Payment Dates or on prior prepayment and Liquidity Provider Certificates as they shall become due and payable whether at their respective Certificate Payment Dates or on prior prepayment, and all money in the 2008 Sinking Fund Subaccount of the 2008 Principal Account shall be used and withdrawn by the Trustee only to purchase or to prepay or to pay Term Certificates, and with respect to the 2008 Sinking Fund Subaccount, on each Sinking Fund Payment date, the Trustee shall apply the Sinking Fund Payment required on that date to the prepayment (or payment at Certificate Payment Date, as the case may be) of the Term Certificates upon the notice and in the manner provided in Article II; provided, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Written Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation Term Certificates in accordance with Section 2.03(a) hereof~~, and provided further that so long as the Liquidity Facility is in place, amounts in the 2008 Principal Account shall be used as provided in clause (c) below~~.

(b) Section 4.03(c) is deleted.

SECTION 2.9. Amendments to Section 4.04 (Parity Reserve Fund).

(a) The first paragraph of Section 4.04 is amended to read (additions underlined and deletions stricken):

The Parity Reserve Fund created pursuant to Section 3.04 of the 1997 Trust Agreement is hereby continued. The Trustee hereby agrees and covenants to maintain the Parity Reserve Fund so long as the Contract has not been discharged in accordance with its terms or any 2008 Certificates remain Outstanding hereunder. Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the 1997 Certificates, the 2008 Certificates (including Liquidity Provider Certificates ~~and Subrogated Certificates~~) and any other obligations hereafter issued in connection with a Supplemental Contract and shall be applied only for such purposes as hereinafter provided. The Trustee shall deposit in the Parity Reserve Fund from the proceeds of the 2008 Certificates, the amount specified in Section 2.12, such amount being sufficient to cause the balance on deposit in or credited to the Parity Reserve Fund, to be equal to the Reserve Fund Requirement upon delivery of the 2008 Certificates. The Trustee shall deposit in the Parity Reserve Fund such other amounts transferred to the Trustee by the City pursuant to Section 2.04(b)(2) of the Contract, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the Parity Reserve Fund shall be transferred by the Trustee to the 2008 Debt Service Fund to pay principal and interest evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) on any ~~Interest Payment Date or to reimburse the Liquidity Facility Provider for any unreimbursed drawing made under the Liquidity Facility to pay such principal and interest on any such~~ Interest Payment Date in the event amounts on deposit herein are insufficient for such purposes. The Trustee shall also, from such amounts on deposit in the Parity Reserve Fund, transfer or cause to be transferred to any applicable debt service fund established under the 1997 Trust Agreement and under any other trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made pursuant to this sentence and the

preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a Supplemental Contract. All investments in the Parity Reserve Fund shall (notwithstanding anything in the 1997 Trust Agreement to the contrary) be valued on or before October 1 of each year at the lesser of the cost or market value thereof. Following such valuation, any moneys on deposit in the Parity Reserve Fund representing an excess of the Reserve Fund Requirement will be transferred by the Trustee to the City for deposit in the Revenue Fund. The Trustee may create such subaccounts in the Parity Reserve Fund as may be necessary or convenient for the purposes of this Section 4.04.

(b) The final paragraph of Section 4.04 is deleted.

SECTION 2.10. Amendments to Section 4.08 (2008 Liquidity Facility Payment Account; Payment of Principal and Interest and Mandatory Purchase Price of the 2008 Certificates). Section 4.08 is deleted.

SECTION 2.11. Amendments to Section 6.02(c). Section 6.02(c) is amended to read (additions underlined):

(c) 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, as applicable, the Credit Enhancement Provider, the Liquidity Facility Provider or the Owners of not less than a majority in aggregate principal amount of the 2008 Certificates 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.

SECTION 2.12. Amendments to Section 6.02(d). Section 6.02(d) is amended to read (additions underlined):

(d) 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, as applicable, the Credit Enhancement Provider, the Liquidity Facility Provider, or any of the Owners pursuant to the provisions hereof unless, as applicable, the Credit Enhancement Provider, the Liquidity Facility Provider, or such Owners shall have offered to the Trustee reasonable security or indemnity against the costs, expenses and liabilities that may be incurred therein or thereby. The Trustee has no obligation or liability to the Owners for the payment of interest, principal or prepayment premium, if any, evidenced and represented by the 2008 Certificates from its own funds; but rather the Trustee's obligations shall be limited to the performance of its duties hereunder.

SECTION 2.13. Amendments to Section 8.07 (Control of Remedies by Credit Enhancement Provider or Liquidity Facility Provider). Section 8.07 is amended to read:

Provided that the Credit Enhancement remains in effect, notwithstanding anything in this Trust Agreement to the contrary, the Credit Enhancement Provider shall have the right to direct all remedies upon the occurrence of an Event of Default. If the Credit

Enhancement is no longer in effect or a default has occurred with respect to the Credit Enhancement, and the Liquidity Facility is in effect, the Liquidity Facility Provider shall have the right to direct all remedies upon the occurrence of an Event of Default.

Notwithstanding the foregoing, if the Credit Enhancement is no longer in effect or a default has occurred with respect to the Credit Enhancement, if a Liquidity Facility is in effect and the Liquidity Facility Provider thereof has failed to honor its payment obligations under the Liquidity Facility in respect of the purchase price of Certificates upon tender thereof, fifty-one percent (51%) of the Certificate holders of the Certificates enhanced by such Liquidity Facility (excluding Certificates owned by the City and Liquidity Provider Certificates), shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of such payment obligations; provided that such direction shall be in accordance with applicable law.

SECTION 2.14. Amendments to Section 9.01 (Discharge of Trust Agreement).

(a) The first paragraph of Section 9.01 is amended to read (additions underlined and deletions stricken):

When the obligations of the City under the Contract shall cease pursuant to Article VI of the Contract (except for the right of the Trustee and the obligation of the City to have the money and Federal Securities mentioned therein applied to the payment of 2008 Payments as therein set forth) and (a)(i) the 2008 Certificates are in Fixed Rate Mode at the time moneys or Federal Securities are deposited pursuant to Section 9.02~~,~~ or (ii) ~~the deposit of money and Federal Securities is sufficient to pay the 2008 Certificates at the Maximum Rate to the earlier of the first possible tender or redemption date, (iii) the City shall have received a Rating Confirmation Notice on any 2008 Certificate that shall remain Outstanding following such redemption, and (iv)~~ the 2008 Certificates are not in Fixed Rate Mode at the time moneys or Federal Securities are deposited pursuant to 9.02 and the Trustee has received written confirmation from each of Moody's and S&P stating that its rating on the 2008 Certificates will not be reduced or withdrawn as a result of such defeasance, and (b) all other sums payable hereunder, including to the 2008 Certificate Insurer and the Liquidity Facility Provider ~~Bank~~, have been paid, then and in such case the obligations created by this Trust Agreement shall thereupon cease, terminate and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and Federal Securities to the payment of the 2008 Certificates as herein set forth and the right of the Trustee to collect any fees or expenses due hereunder and the Trustee shall turn over to the City, as an overpayment of 2008 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the 2008 Certificates at maturity or on prepayment, which moneys and Federal Securities shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the 2008 Certificates, and after such payment, this Trust Agreement shall become void.

(b) The third paragraph of Section 9.01 is amended to read (deletions stricken):

In connection with any defeasance of any of the 2008 Certificates pursuant to this Article, the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~ shall receive (i) a Favorable Opinion of Special Counsel and (ii) an escrow agreement and an Opinion of Counsel regarding the validity and enforceability of the escrow agreement, such escrow agreement shall provide that: (1) any substitution of securities shall require a verification by an independent certified public accountant and the prior written consent of the 2008 Certificate Insurer; (2) the Authority will not exercise any optional redemption of the 2008 Certificates secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (a) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding obligations, and (b) as a condition of any such redemption there shall be provided to the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~ a verification of an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption; and (3) the Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~.

SECTION 2.15. Amendments to Section 10.01 (Payment Under the 2008 Certificate Insurance Policy).

(a) Clause (a) of Section 10.01 is amended to read (additions underlined and deletions stricken):

In the event that, on the second Business Day, and again on the Business Day, prior to an interest payment date for the 2008 Certificates the Trustee has not received sufficient moneys to pay all of the principal and interest with respect to the 2008 Certificates ~~(including amounts required to reimburse the Bank for the payment of such principal and interest)~~ due on the second following, or following, ~~Business Day,~~ as the case may be, Business Day, the Trustee shall promptly on such Business Day moneys are not received, notify the 2008 Certificate Insurer or its designee on the same Business Day by telephone, electronic mail or facsimile, confirmed in writing by registered or certified mail of the amount of the deficiency, the obligations which such deficiency is applicable and whether such obligations will be deficient as to principal or interest or both. If the deficiency is cured in whole or in part prior to or on the interest payment date, the Trustee shall so notify the 2008 Certificate Insurer or its designee.

(b) Clause (c) of Section 10.01 is amended to read (deletions stricken):

(c) The Trustee shall provide the 2008 Certificate Insurer and any fiscal agent with a list of registered owners of the 2008 Certificates entitled to receive principal or interest payments from the 2008 Certificate Insurer under the terms of the 2008 Certificate Insurance Policy, and shall make arrangements with the 2008 Certificate Insurer, the fiscal agent or another designee of the 2008 Certificate Insurer to (i) mail

checks or drafts to the registered owners of the 2008 Certificates ~~(including the Bank)~~ entitled to receive full or partial interest payments from the 2008 Certificate Insurer and (ii) pay principal upon the 2008 Certificates surrendered to the 2008 Certificate Insurer, the fiscal agent or another designee of the 2008 Certificate Insurer by the registered owners of the 2008 Certificates ~~(including the Bank)~~ entitled to receive full or partial principal payments from the 2008 Certificate Insurer.

(c) Clause (d) of Section 10.01 is amended to read (deletions stricken):

(d) The Trustee shall, at the time it provides notice to the 2008 Certificate Insurer of any deficiency pursuant to clause (a) above, notify registered owners of the 2008 Certificates ~~(including the Bank)~~ entitled to receive the payment of principal or interest thereon from the 2008 Certificate Insurer (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that the 2008 Certificate Insurer will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to the 2008 Certificate Insurer or any fiscal agent, in form satisfactory to the 2008 Certificate Insurer, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from the 2008 Certificate Insurer, they must surrender the related the 2008 Certificates for payment first to the Trustee, which will note on such the 2008 Certificates the portion of the principal paid by the Trustee and second to the 2008 Certificate Insurer or its designee, together with an appropriate assignment, in form satisfactory to the 2008 Certificate Insurer, to permit ownership of the 2008 Certificates to be registered in the name of the 2008 Certificate Insurer, which will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from the 2008 Certificate Insurer, they must surrender the 2008 Certificates for payment to the 2008 Certificate Insurer or its designee, rather than the Trustee, together with the an appropriate assignment, in form satisfactory to the 2008 Certificate Insurer, to permit ownership of the 2008 Certificates to be registered in the name of the 2008 Certificate Insurer.

(d) Clause (e) of Section 10.01 is amended to read (deletions stricken):

(e) In addition, if the Trustee has written notice that any Owner of a 2008 Certificate ~~(including the Bank)~~ has been required to disgorge payments of principal or interest with respect to the 2008 Certificates to the City or its trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the 2008 Certificate Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(e) The introductory clause of clause (f) of Section 10.01 is amended to read (additions underlined and deletions stricken):

(f) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the 2008 Certificates ~~(including the Bank)~~ as follows:

(f) Clause (g) of Section 10.01 is amended to read (deletions stricken):

(g) ~~In the event that the Trustee shall have made a claim under the 2008 Certificate Insurance Policy with respect to principal and/or interest due on any payment date with respect to the 2008 Certificates and the Bank shall have paid on such payment date a draw made by the Trustee on the Bank's Credit Enhancement for such principal and/or interest, then, notwithstanding anything to the contrary, the amount paid by the 2008 Certificate Insurer with respect to the 2008 Certificates (the "Held Amount") on such payment date pursuant to such claim under the 2008 Certificate Insurance Policy shall be held uninvested by the Trustee until the Trustee shall have received notice from the 2008 Certificate Insurer that: (A) the Bank has directed the 2008 Certificate Insurer to reimburse the Bank for such draw pursuant to the Reimbursement Agreement between the Bank and the City, in which case the Trustee shall immediately pay the Held Amount to the Bank; or (B) the Bank has failed to direct the 2008 Certificate Insurer to reimburse the Bank for such draw within the time period set forth in the Reimbursement Agreement between the Bank and the City, in which case the Trustee shall immediately return the Held Amount to the 2008 Certificate Insurer. If the Held Amount is returned to the 2008 Certificate Insurer, the Authority shall pay interest at the Reimbursement Rate on such Held Amount from the date paid by the 2008 Certificate Insurer until such return to the 2008 Certificate Insurer.~~ Payments with respect to claims for interest and principal with respect to the 2008 Certificates disbursed by the Trustee from proceeds of the 2008 Certificate Insurance Policy shall not be considered to discharge the obligation of the Authority with respect to such 2008 Certificates, and the 2008 Certificate Insurer shall become the Owner of such unpaid 2008 Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this Section 10.01 or otherwise.

References to 2008 Certificates in this Section 10.01 include Liquidity Provider Certificates, except that Liquidity Provider Certificates need not be surrendered as a condition for payment and principal and interest payments on Liquidity Provider Certificates by the 2008 Certificate Insurer shall not be paid by mailed check or draft, but principal and interest payments on Liquidity Provider Certificates shall instead be paid by the 2008 Certificate Insurer pursuant to the procedures set forth for payment of Liquidity Provider Certificates in Section 2.02 hereof.

SECTION 2.16. Amendments to Section 10.04 (Modification, Cancellation, Termination or Substitution of 2008 Certificate Insurance Policy). Section 10.04 is amended to read (additions underlined and deletions stricken):

The Authority shall not consent to the surrender, cancellation, termination, amendment or modification in any material respect of the 2008 Certificate Insurance Policy by the 2008 Certificate Insurer, or to the substitution of a different Credit Enhancement for the 2008 Certificate Insurance Policy, unless the Authority and the Trustee shall have received the consent of the Liquidity Facility Provider ~~Bank, and the~~

~~Authority and the Trustee shall consent to any such surrender, cancellation, termination, amendment or modification of the 2008 Certificate Insurance Policy by the 2008 Certificate Insurer if so directed by the Bank within seven days of receiving such direction~~. If, upon receipt of such consent ~~or direction~~ from the Liquidity Facility Provider ~~Bank~~, the 2008 Certificate Insurance Policy is so surrendered, cancelled, terminated, amended or modified in any material respect by the 2008 Certificate Insurer, or a different Credit Enhancement is so substituted for the 2008 Certificate Insurance Policy, the 2008 Certificates shall be subject to mandatory tender.

SECTION 2.17. Amendments to Section 10.05 (Additional Provisions with respect to Rights of the Bank). Section 10.05 is deleted.

SECTION 2.18. Amendments to Section 11.01 (Benefits of this Trust Agreement Limited to Parties) . Section 11.01 is amended to read (additions underlined and deletions stricken):

Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the 2008 Certificate Insurer, the Liquidity Facility Provider ~~Bank~~ and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the 2008 Certificate Insurer, the Liquidity Facility Provider ~~Bank~~ and the Owners. The 2008 Certificate Insurer and the Liquidity Facility Provider ~~Bank~~ shall be third-party beneficiaries of this Trust Agreement.

ARTICLE III

MISCELLANEOUS

SECTION 3.1. Effectiveness of this First Supplement. This First Amendment shall be effective with the prior written consent of the 2008 Certificate Insurer, but without the consent of the Owners, upon the remarketing of the 2008 Certificates following the first mandatory tender of the 2008 Certificates following the date of execution and delivery of this First Amendment.

SECTION 3.2. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

SECTION 3.3. Headings . The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely of reference and shall not affect the meaning, construction or effect of this First Supplement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this First Supplement as of the date and year first above written.

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

By: _____
Authorized Officer

MODESTO PUBLIC FINANCING
AUTHORITY

By: _____
Auditor and Treasurer

Exhibit B

Execution Copy

STANDBY CERTIFICATE PURCHASE AGREEMENT

among

MODESTO PUBLIC FINANCING AUTHORITY,

CITY OF MODESTO,

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

and

BMO HARRIS BANK N.A.

Dated as of June 1, 2023

Relating to

$47,625,000.00
original aggregate principal amount of
City of Modesto
Water Revenue Refunding Certificates of Participation, 2008 Series A

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Exhibits

Exhibit A ..... Form of Notice of Bank Purchase (Liquidity Purchase)
Exhibit B ..... Form of Notice of Bank Purchase (Mandatory Purchase)
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Exhibit D ..... Form of Custodian Agreement

This STANDBY CERTIFICATE PURCHASE AGREEMENT dated as of June 1, 2023 among the MODESTO PUBLIC FINANCING AUTHORITY, a California joint exercise of powers entity (the "Authority"), the CITY OF MODESTO, a California municipal corporation and charter city (the "City"), THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, as successor trustee (together with its successors, the "Trustee") appointed under the hereinafter defined Trust Agreement, and BMO HARRIS BANK, N.A., a national banking association (including its successors, the "Bank").

WITNESSETH:

WHEREAS, the Authority and the City have heretofore entered into a Master Installment Purchase Contract, dated as of November 1, 1997 (as more specifically defined herein, the "Master Contract"), as supplemented by the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997 (as more specifically defined herein, the "1997 Supplemental Contract"), under and pursuant to which the Authority agreed to assist the City by refinancing certain additions, betterments, extensions and improvements to the Water Utility System of the City (the "1997 Project" as defined therein); and

WHEREAS, the City is obligated to make certain payments to the Authority under the 1997 Supplemental Contract (the "1997 Payments"), and all rights to receive such payments have been assigned by the Authority to State Street Bank and Trust Company of California, N.A, as succeeded by The Bank of New York Trust Company, N.A., as successor trustee for the owners of the Refunding Revenue Certificates of Participation (1997 Water Utility Refinancing Project); and

WHEREAS, the Authority and the City have heretofore entered into the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006 (as more specifically defined herein, the "2006 Supplemental Contract", under and pursuant to which the Authority agreed to assist the City by financing certain additions, betterments, extensions and improvements to the Water Utility System of the City (the "2006 Project" as defined therein); and

WHEREAS, the City is obligated to make certain payments to the Authority under the 2006 Supplemental Contract (the "2006 Payments"), and all rights to receive such payments have been assigned by the Authority to The Bank of New York Trust Company, N.A., as successor trustee for the owners of the Water Revenue Certificates of Participation 2006 Series A; and

WHEREAS, the Authority and the City, concurrently with the execution and delivery of a Trust Agreement dated as of May 1, 2008 (as more specifically defined herein, the "Original Trust Agreement") between the Authority and the Trustee, executed and delivered a 2008 Supplemental Installment Purchase Contract dated as of May 1, 2008 (the "2008 Supplemental Contract" and collectively with the Master Contract, the 1997 Supplemental Contract, the 2006 Supplemental Contract and any other Supplemental Contract, and as more specifically defined herein, the "Contract"), under and pursuant to which the Authority agreed to assist the City in refinancing the 2006 Project as described in the 2008 Supplemental Contract (the "2008 Project" as defined therein); and

WHEREAS, the City is obligated to make certain payments to the Authority under the 2008 Supplemental Contract (the "2008 Payments"), and all rights to receive such payments are being assigned by the Authority to The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") for the owners of the Water Revenue Refunding Certificates of Participation, 2008 Series A (the "2008 Certificates") pursuant to the Original Trust Agreement, as amended and restated by an Amended and Restated Trust Agreement, dated as of May 1, 2008, as amended and restated on July 14, 2011, and as amended by a First Supplemental Trust Agreement, dated as of June 1, 2023 (as so amended and restated and as more specifically defined herein, the "Trust Agreement"), each between the Authority and the Trustee; and

WHEREAS, the Authority and the City, concurrently with the execution and delivery of the Original Trust Agreement, executed and delivered a 2008 Supplemental Installment Purchase Contract dated as of May 1, 2008 (the "2008 Supplemental Contract" and collectively with the Master Contract, the 1997 Supplemental Contract, and the 2006 Supplemental Contract, the "Contract"), under and pursuant to which the Authority agreed to assist the City in refinancing the 2006 Project as described in the 2008 Supplemental Contract (the "2008 Project" as defined therein); and

WHEREAS, the payment of the principal of and interest on the Certificates (including Bank Certificates, as hereinafter defined) is insured by a financial guaranty insurance policy (together with any and all riders and endorsements thereto, including the Endorsement (as defined herein), the "Bond Insurance Policy") issued by Assured Guaranty Corp., a Maryland-domiciled insurance company (the "Bond Insurer"), in favor of the holders of the Certificates (including the Bank); and

WHEREAS, the Certificates are subject to purchase from time to time at the option of the owner thereof and are required to be purchased in certain events; and in order to further assure the availability of funds for the payment of the purchase price therefor, the Authority has provided for the remarketing of such Certificates and, to the extent such remarketing may not be successful, for the purchase of such Certificates by the provider of a liquidity facility, such provider initially being Bank of America, N.A. pursuant to a Standby Certificate Purchase Agreement, dated as of May 1, 2008, by and among the Authority, the City and Bank of America, N.A. (the "Initial Liquidity Facility"); and

WHEREAS, the Authority and the City subsequently replaced the Initial Liquidity Facility with an irrevocable direct pay letter of credit issued by JPMorgan Chase Bank, National Association (the "Prior Bank") on June 14, 2011, as extended from time to time (the "Prior Liquidity Facility"); and

WHEREAS, the Authority and the City have requested the Bank to enter to this Agreement to replace the Prior Liquidity Facility in order to further assure the availability of funds for the payment of the purchase price of the Certificates subject to purchase from time to time at the option of the owner thereof and required to be purchased in certain events; and

WHEREAS, this Agreement will constitute an Alternate Liquidity Facility for purposes of the Contract and the Trust Agreement; and

NOW, THEREFORE, in consideration of the respective agreements contained herein, the parties hereto agree as follows:

SECTION 1. DEFINITIONS

1.01 Definitions. The following terms have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

"Affiliate" means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

"Additional Payments" has the meaning assigned to that term in the 2008 Supplemental Contract.

"Agreement" means this Standby Certificate Purchase Agreement, as amended, modified and supplemented from time to time.

"Alternate Liquidity Facility" has the meaning assigned to that term in the Trust Agreement.

"Authority" has the meaning assigned to that term in the introductory paragraph.

"Authorized Representative" shall mean such Person at the time and from time to time authorized by resolution to act on behalf of the City or the Authority by written certificate furnished to the Bank.

"Available Commitment" means on any day the sum of the Available Principal Commitment and the Available Interest Commitment on such day.

"Available Interest Commitment" means for each Weekly Rate Period $487,776, representing an amount equal to 35 days of interest on the Available Principal Commitment calculated at the assumed rate of interest of 12% per annum (on the basis of actual days elapsed and a 365-day year) and rounded up to the nearest dollar. The Available Interest Commitment shall increase or decrease concurrently and proportionately with each increase or decrease in the Available Principal Commitment. Notwithstanding the foregoing provisions of this defined term, in no event shall the Available Interest Commitment exceed $487,776.

"Available Principal Commitment" means initially $42,390,000.00 and thereafter means such amount adjusted from time to time as follows: (a) downward by the amount of any reduction or termination of the Available Principal Commitment pursuant to Section 2.04 hereof, (b) downward by the principal amount of any Certificates purchased by the Bank pursuant to Section 2.03 hereof; and (c) upward by the principal amount of

any Certificates theretofore purchased by the Bank pursuant to Section 2.03 hereof, which are remarketed pursuant to Section 2.05(b) hereof or are prepaid pursuant to the terms hereof and for which the Bank has received immediately available funds equal to the principal amount thereof and accrued interest thereon, or which cease to bear interest at the Bank Rate pursuant to Section 2.05(c) hereof; provided that after giving effect to such adjustment the Available Principal Commitment shall never exceed $42,390,000. Any adjustment pursuant to clause (a), (b) or (c) in this defined term shall occur simultaneously with the event requiring such adjustment.

"Bank" has the meaning assigned to that term in the introductory paragraph.

"Bank Assignees" has the meaning assigned to that term in Section 8.01(c) hereof.

"Bank Certificate" means each Certificate (whether or not such Certificate is at the time of determination owned by the Bank) purchased with funds provided by the Bank hereunder, until such Certificate is remarketed in accordance with Section 2.05(b) hereof, prepaid in accordance with the terms hereof or ceases to bear interest at the Bank Rate pursuant to Section 2.05(c) hereof.

"Bank Certificateholder" means (a) the Bank in its capacity as owner of Bank Certificates purchased pursuant to this Agreement and (b) any Bank Assignee to whom the Bank has sold Bank Certificates in accordance with the terms of this Agreement.

"Bank Payment Account" shall have the meaning set forth in the Fee Letter Agreement.

"Bank Purchase Period" means the period from the Effective Date to and including the earliest of (a) the Stated Expiration Date then in effect; (b) the first Business Day following the date on which the Interest Period for all of the Certificates ceases to be a Weekly Rate Period; (c) the close of business of the Bank on the Business Day following the Substitution Date; (d) the Purchase Termination Date (except to the extent that purchases are permitted on the Termination Date pursuant to Section 7.02(b)); (e) the date on which no Certificates are Outstanding; and (f) the date on which the Available Commitment is terminated in whole pursuant to Section 2.04(b).

"Bank Rate" means on any day, (a) if such day occurs during the Bank Purchase Period but on or prior to the ninetieth day following the date on which such Bank Certificate was purchased by the Bank hereunder, a rate per annum equal to the Base Rate plus 1.00%; and (b) if such day occurs during the Bank Purchase Period but after the ninetieth day following the date on which such Bank Certificate was purchased by the Bank hereunder or if such day occurs after the Bank Purchase Period has terminated or expired, a rate per annum equal to the Base Rate plus 3.00%; provided that from and after the occurrence of an Event of Default, the Bank Rate shall mean the Default Rate; provided, further, that in no event shall the Bank Rate be less than the rate on the Certificates that are not Bank Certificates.

"Base Rate" means, for any day, the higher of (a) the Prime Rate or (b) the Federal Funds Rate plus 1.00% per annum.

"Bond Insurance Policy" has the meaning assigned to that term in the recitals to this Agreement.

"Bond Insurer" has the meaning assigned to that term in the recitals to this Agreement.

"Bond Insurer Event of Insolvency" means the occurrence and continuance of one or more of the following events: (a) the issuance by an oversight body or court of appropriate jurisdiction, under the laws of the state of incorporation or formation of the Bond Insurer, of an order of relief (including a seizure order or injunction), rehabilitation, reorganization, conservation or liquidation of the Bond Insurer; (b) the commencement by the Bond Insurer of a voluntary case or other proceeding seeking an order for relief, rehabilitation, reorganization, conservation or liquidation with respect to the Bond Insurer or its debts or claims under any bankruptcy, insolvency or other similar law now or hereafter in effect including, without limitation, the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator or other similar official for the Bond Insurer or any substantial part of its property; (c) the commencement by an oversight body or court of appropriate jurisdiction of a delinquency proceeding or an involuntary case or other proceeding seeking an order for relief (including a seizure order or injunction), rehabilitation, reorganization, conservation or liquidation with respect to the Bond Insurer or its debts or claims under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator or other similar official for the Bond Insurer or any substantial part of its property, and such involuntary case or appointment remains undismissed and unstayed for a period of 90 consecutive days; (d) the consent of the Bond Insurer to any relief referred to in the preceding clause (c) in an involuntary case or other proceeding commenced against it; (e) the making by the Bond Insurer of a general assignment for the benefit of creditors; (f) the Bond Insurer admits in writing its inability to pay its debts generally as they become due or claims under any of its insurance policies as such claims are made; or (g) the board of directors or any senior officer of the Bond Insurer shall take any action to authorize any of the foregoing.

"Business Day" means a day that is not a Saturday, Sunday or legal holiday on which banking institutions in the State of California or in any state in which the office of the Remarketing Agent or the Trustee is located or at which Notice of Bank Purchases are to be presented and payments made by the Bank pursuant thereto are authorized or required to remain closed or a day on which the New York Stock Exchange is closed; provided, however, that the Bank shall not be deemed to have notice of any day that is a legal holiday on which banking institutions in the state in which the office of the Remarketing Agent or the Trustee is located are authorized or required to remain closed unless the Bank has received written notice thereof from the Authority, the City, the Remarketing Agent and/or the Trustee.

"Certificate Purchase Contract" means the Purchase Contract, dated May 29, 2008, by and between the Authority and Banc of America Securities LLC, as the underwriter of the Certificates.

"Certificates" has the meaning assigned to that term in the recitals to this Agreement and shall include, unless the context otherwise requires, all Bank Certificates.

"Change of Law" shall mean occurrence of any of the following: (a) the adoption or taking effect of any law, rule, regulation, statute, treaty, regulation, policy, guideline or directive, (b) any change in any law, rule, regulation, statute, treaty, regulation, policy, guideline or directive or in the interpretation, promulgation, implementation, administration or enforcement thereof by any governmental authority, court, central bank or comparable agency charged with the interpretation or administration thereof, (c) the making or issuance of any request, rule, ruling, guideline or directive (whether or not having the force of law) of any such authority, court, central bank or comparable agency, or (d) compliance by the Bank with any request or directive regarding capital adequacy or liquidity (whether or not having the force of law) of any such authority, court, central bank or comparable agency; provided that notwithstanding anything in this Agreement to the contrary, (x) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines or directives thereunder or issued in connection therewith and (y) all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or the United States financial regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a "Change of Law," regardless of the date adopted, issued, promulgated, enacted or implemented.

"City" has the meaning assigned to that term in the introductory paragraph.

"Contract" means the Master Contract, as the same may be amended or supplemented from time to time, including as supplemented by the 1997 Supplemental Contract, the 2006 Supplemental Contract and the 2008 Supplemental Contract.

"Custodian Agreement" means the Custodian Agreement to be entered into among the Bank, the City and the Trustee on or prior to the Effective Date, the form of which is attached hereto as Exhibit D.

"Debt" of any Person means at any date, without duplication, (a) all obligations of such person for borrowed money; (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments; (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business; (d) all obligations of such Person as lessee under capital leases; (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person; and (f) all obligations, contingent or otherwise, of such Person directly or indirectly guaranteeing any Debt or other obligation of any other person including, without limiting the generality of the foregoing, any obligation, direct or indirect, contingent or otherwise, of such Person (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation (whether arising by virtue of partnership arrangements, by agreement to keep-well, to purchase assets, goods, securities or services, to take-or-pay, or to maintain financial statement condition or otherwise) or (ii) entered into for the purpose of assuring in any other manner the obligee of such Debt or other obligation of the payment thereof or to protect such obligee against

loss in respect thereof (in whole or in part); provided, however, that with respect to the City, Debt shall exclude conduit, enterprise and other Debt that have no claim on the General Fund of the City other than obligations payable from the Revenue Fund.

"Defaulted Interest" means accrued interest payable on a Certificate, which was not paid when due under the terms of the Trust Agreement.

"Default Rate" means a rate per annum equal to the Base Rate plus 5.00% per annum.

"Differential Interest Amount" means, with respect to any Bank Certificate, the excess of (a) the interest which has accrued and could actually be paid on such Bank Certificate at the Bank Rate, as determined in accordance with Section 3.01 hereof, up to but excluding the Business Day on which such Bank Certificate is purchased from a Bank Certificateholder pursuant to Section 2.05(b) hereof, less (b) the interest accrued on such Certificate received by the Bank Certificateholder thereof as part of the Sale Price.

"Dollars" and "$" means the lawful currency of the United States of America.

"Effective Date" means the first date on which all of the conditions set forth in Section 6.01 have been satisfied or waived by the Bank.

"Eligible Certificate" means any Certificate bearing interest at the Weekly Rate other than Bank Certificates and Certificates owned by, for the account of, or on behalf of, the Authority or the City.

"Endorsement" has the meaning assigned to that term in Section 2.08(c) hereof.

"Environmental Laws" means any and all federal, state and local statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or other governmental restrictions relating to the environment or to emissions, discharges or releases of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes into the environment including, without limitation, ambient air, surface water, ground water, or land, or otherwise relating to the manufacture, processing, distribution, use, treatment, storage, disposal, transport or handling of pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or the clean-up or other remediation thereof

"Event of Default" has the meaning assigned to that term in Section 7.01 hereof.

"Excess Interest Amount" has the meaning assigned to that term in Section 3.01(c) hereof.

"Existing Swap Agreement" means, collectively, the ISDA Master Agreement, the ISDA U.S. Municipal Counterparty Schedule to the Master Agreement, the ISDA Credit Support Annex and the Confirmation, each dated September 27, 2006 and amended on May 29, 2008, between the City and Bank of America, N.A.

"Extended Bank Purchase Period" has the meaning assigned to that term in Section 8.15 hereof.

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (a) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (b) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank. Notwithstanding anything herein to the contrary, if the Federal Funds Rate as determined as provided above would be less than zero percent (0.0%), then the Federal Funds Rate shall be deemed to be zero percent (0.0%).

"Fee Letter Agreement" means the Fee Letter Agreement dated June 8, 2023 among the Authority, the City and the Bank, as the same may be amended or supplemented from time to time.

"First Supplemental Trust Agreement" means the First Supplemental Trust Agreement dated as of June 1, 2023 between the Authority and the Trustee.

"Fitch" means Fitch Ratings and its successors.

"Gross Revenues" has the meaning assigned to that term in the Contract.

"Indemnitee" has the meaning assigned to that term in Section 8.06(a) hereof.

"Involuntary Insolvency Event" has the meaning assigned to that term in Section 7.02(c) hereof.

"Interest Component" has the meaning assigned to that term in Section 2.01 hereof.

"Interest Payment Date" has the meaning assigned to that term in the Trust Agreement.

"Interest Period" has the meaning assigned to that term in the Trust Agreement.

"Liquidity Payment Date" has the meaning assigned to that term in Section 3.01(a) hereof.

"Mandatory Purchase" means a mandatory purchase of all or a portion of the Certificates on any date on which the Certificates are subject to mandatory tender for purchase as described in subsections (iii), (iv), (v), (vi) and (vii) of the definition of "Mandatory Purchase Date" in the Trust Agreement, in each case, at a price equal to the principal amount thereof plus accrued interest thereon if the date of Mandatory Purchase

is other than an Interest Payment Date for the Certificates that are subject to mandatory purchase.

"Master Contract" means the Master Installment Purchase Contract, dated as of November 1, 1997, by and between the Authority and the City.

"Maximum Interest Rate" means, with respect to Bank Certificates and all other payment obligations under this Agreement, the lower of (i) eighteen percent (18%) per annum and (ii) the highest rate permitted by law.

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

"1997 Supplemental Contract" means the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997, by and between the Authority and the City, as the same may be amended or supplemented from time to time.

"Notice of Bank Purchase" means (a) in the case of a purchase of Eligible Certificates by the Bank as a result of an Optional Tender, a notice in the form of Exhibit A attached hereto and incorporated herein by this reference or (b) in the case of a purchase of Eligible Certificates by the Bank as a result of a Mandatory Purchase, a notice in the form of Exhibit B attached hereto and incorporated herein by this reference, in each case with blanks appropriately completed and executed by the Trustee.

"Notice of Termination" has the meaning assigned to that term in Section 7.02(b) hereof.

"Optional Tender" means the tender of Certificates by the registered owner thereof in accordance with the applicable provisions of Section 3.01 of the Trust Agreement.

"Original Trust Agreement" means the Trust Agreement, dated as of May 1, 2008, by and between the Authority and The Bank of New York Trust Company, N.A., as the same may be amended or supplemented from time to time.

"Other Event of Insolvency" means the occurrence and continuance of one or more of the following events: (a) the Authority or the City shall (i) voluntarily commence any proceeding or file any petition seeking relief under Title 11 of the United States Code (the "Bankruptcy Code") or any other federal, state or foreign bankruptcy, insolvency or similar law, (ii) consent to the institution of, or fail to controvert in a timely and appropriate manner, any such proceeding or the filing of any such petition, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator or similar official for itself or for a substantial part of its property, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors, (vi) become unable, admit in writing its inability or fail generally to pay its debts as they become due or (vii) take action for the purpose of effecting any of the foregoing; or (b) an involuntary proceeding shall be commenced or an involuntary petition shall be filed in a court of competent jurisdiction seeking (i) relief in respect of the Authority, the City or of a substantial part of the property of the Authority or the City, under the Bankruptcy Code or any other federal, state or foreign bankruptcy, insolvency or

similar law or (ii) the appointment of a receiver, trustee, custodian, sequestrator or similar official for the Authority, the City or for a substantial part of the property of the Authority or the City, and such proceeding or petition shall continue undismissed and unstayed for 60 days; or an order or decree for relief shall be entered against the Authority or the City under the Bankruptcy Code as now or hereafter in effect.

"Outstanding" has the meaning assigned to that term in the Trust Agreement.

"Participants" has the meaning assigned to that term in Section 8.01(c) hereof.

"Person" means an individual, a corporation, a partnership, a limited liability company, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

"Potential Event of Default" means the occurrence of any event that, with the passage of time, the giving of notice, or both, would become an Event of Default.

"Prime Rate" shall mean the rate of interest publicly announced from time to time by the Bank as its Prime Rate. The Prime Rate is set by the Bank based on various factors, including the Bank's costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans. The Bank may price loans to its customers at, above, or below the Prime Rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the Bank's Prime Rate; provided, that if the Prime Rate shall be less than zero, such rate shall be deemed zero for purposes of this Agreement.

"Prior Bank" has the meaning assigned to that term in the Whereas clauses above.

"Prior Liquidity Facility" has the meaning assigned to that term in the Whereas clauses above.

"Purchase Date" means the date on which the Bank purchases Eligible Certificates following its receipt of a Notice of Bank Purchase.

"Purchase Price" means, with respect to any Eligible Certificate or portion thereof on a Purchase Date therefor, the unpaid principal amount thereof plus accrued but unpaid interest thereon, other than Defaulted Interest, to but excluding a Purchase Date, without premium; provided that if a Purchase Date is an Interest Payment Date, interest payable on such Bond on such Interest Payment Date shall not be taken into account in the computation of the Purchase Price.

"Purchase Termination Date" means the date on which the Bank is no longer required to purchase Eligible Certificates pursuant to Section 7.02(a), (b) or (c) hereof.

"Rating Agencies" means Fitch, Moody's and S&P.

"Related Documents" means the Fee Letter Agreement, the Certificates, the Trust Agreement, the Contract, the Custodian Agreement, the Remarketing Memorandum, the Bond Insurance Policy and the Remarketing Agreement.

"Related Parties" means, with respect to any Person, such Person's Affiliates and the partners, directors, officers, employees, agents, trustees, administrators, managers, advisors and representatives of such Person and of such Person's Affiliates.

"Remarketing Agent" means PNC Capital Markets LLC, as Remarketing Agent, or any other firm which may at any time be substituted in its place as Remarketing Agent under the Trust Agreement.

"Remarketing Agreement" means the Remarketing Agreement, made and entered into as of June 1, 2023 (with an effective date of June 7, 2023), by and between the Authority and the Remarketing Agent, with respect to the Certificates, as the same may be amended or supplemented from time to time, or any similar agreement between the Authority and any successor Remarketing Agent.

"Remarketing Memorandum" means the Remarketing Memorandum of the Authority, dated June 2, 2023, with respect to the Certificates, and any supplement and/or amendment thereto used with respect to the Certificates.

"Request for Extension" has the meaning assigned to that term in Section 8.15 hereof.

"Rescission Notice" has the meaning assigned to that term in Section 7.02(c) hereof.

"Revenue Fund" has the meaning assigned to that term in the Contract.

"Revenues" has the meaning assigned to that term in the Trust Agreement.

"Sale Price" has the meaning assigned to that term in Section 2.05(b) hereof.

"Sanctions" has the meaning assigned to that term in Section 4.01(s) hereof.

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies Inc., and any successor to such division.

"State" means the State of California.

"Stated Expiration Date" means the later of (a) June 8, 2026 and (b) the last day of the Extended Bank Purchase Period as extended from time to time pursuant to Section 8.15 hereof or, if any such day is not a Business Day, the next preceding Business Day to such day.

"Substitution Date" means the date of the acceptance by the Trustee of an Alternate Liquidity Facility.

"Swap" means any interest rate swap agreement, forward payment conversion agreement, futures or contracts providing for payment based on levels of, or changes in, interest rates or other indices, or contracts to exchange cash flows or a series of payments or contracts, including, without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar exposure.

"Termination Date" has the meaning assigned to that term in Section 7.02(b) hereof.

"Termination Event" has the meaning assigned to that term in Section 7.02(a) hereof.

"Term-Out Conversion Date" means the earliest of (i) the ninety-first day following the date Bank Certificates are purchased and (ii) the Purchase Termination Date.

"Term-Out Period" means the period commencing on the Term-Out Conversion Date and ending on the earliest of (a) the fifth anniversary of the Term-Out Conversion Date, (b) the fifth anniversary of the Stated Expiration Date, (c) the Substitution Date, (d) the date on which the Interest Period for all of the Certificates ceases to be a Weekly Rate Period; and (e) the date that the Available Commitment is permanently reduced to zero.

"Term-Out Payments" means for each year during the Term-Out Period an amount equal to the sum of (i) (a) the quotient obtained by dividing the aggregate principal amount of all Bank Certificates that are Outstanding immediately following the Term-Out Conversion Date by five (5) and (b) the interest to accrue on the amount determined in accordance with clause (a) above during such year, assuming a per annum interest rate equal to the Maximum Interest Rate (based on a 365-day year and actual days elapsed), plus (ii) the principal and interest due with respect to all Certificates that are not Bank Certificates.

"Trust Agreement" means the Original Trust Agreement, as amended and restated by the Amended and Restated Trust Agreement, dated as of May 1, 2008, as amended and restated on July 14, 2011, between the Authority and the Trustee, and as amended by the First Supplemental Trust Agreement, and as the same may be further amended or supplemented from time to time.

"Trustee" means The Bank of New York Mellon Trust Company, N.A., as successor trustee and any successor thereto appointed from time to time to serve as trustee under the Trust Agreement.

"Trust Estate" means all, any amounts on deposit in the Parity Reserve Fund (as such term is defined in the Master Contract), any amounts on deposit in the 2008 Debt Service Fund, and any other amounts (including proceeds of the sale of the Certificates) held by the Trustee in any fund or account established under the Trust Agreement (other than amounts on deposit or the Purchase Fund (as such term is defined in the Trust Agreement), subject to the terms of the Master Contract and the Trust Agreement permitting the application of such amounts on the terms provided in such agreements.

"2006 Supplemental Contract" means the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006, by and between the Authority and the City, as the same may be amended or supplemented from time to time.

"2008 Payments" has the meaning assigned to that term in the Whereas clauses above.

"2008 Project" has the meaning assigned to that term in the Whereas clauses above.

"2008 Supplemental Contract" means the 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, by and between the Authority and the City, as the same may be amended or supplemented from time to time.

"Water Utility System" has the meaning assigned to that term in the Contract.

"Weekly Rate" has the meaning assigned to that term in the Trust Agreement.

"Weekly Rate Period" has the meaning assigned to that term in the Trust Agreement.

"Written" or "in writing" means any form of written communication or a communication by means of e-mail or facsimile.

1.02 Incorporated of Certain Definitions by Reference. Each capitalized term used herein and not defined herein has the meaning provided therefor in the Trust Agreement.

1.03 Construction. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words "include", "includes" and "including" shall be deemed to be followed by the phrase "without limitation". The word "will" shall be construed to have the same meaning and effect as the word "shall". Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person's successors and assigns, (c) the words "herein", "hereof" and "hereunder", and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof and (d) all references herein to Sections and Exhibits shall be construed to refer to Sections of, and Exhibits to, this Agreement.

SECTION 2. PURCHASE COMMITMENT; FEES

2.01 Commitment to Purchase Certificates. The Bank agrees, on the terms and conditions contained in this Agreement, at the request of the Trustee, to purchase from time to time during the Bank Purchase Period at the Purchase Price, with its own immediately available funds, Eligible Certificates tendered or deemed tendered for purchase pursuant to an Optional Tender or a Mandatory Purchase and which, in either case, the Remarketing Agent has been unable to remarket. The aggregate principal amount of any Certificate purchased by the Bank on a

Purchase Date shall be an authorized denomination applicable to Certificates bearing interest at the Weekly Rate, and in any case the aggregate principal amount of all Certificates purchased on the applicable Purchase Date shall not exceed the Available Principal Commitment on such date (calculated immediately before giving effect to any such purchase of Certificates by the Bank on such date). The aggregate amount of the Purchase Price comprising interest on the Certificates (the "Interest Component") purchased on a Purchase Date shall not exceed the lesser of (a) the Available Interest Commitment on such date and (b) the actual aggregate amount of interest accrued and unpaid on each such Certificate, other than Defaulted Interest, to but excluding a Purchase Date; provided that if a Purchase Date is an Interest Payment Date the amount described in this clause (b) shall be reduced by the amount of interest payable on each such Certificate on such Interest Payment Date.

2.02 Bank Certificates; Rights of Bank Certificateholders. Any Certificates purchased by the Bank pursuant to Section 2.01 shall thereupon constitute Bank Certificates and shall, from the date of such purchase and while they are Bank Certificates, bear interest at the Bank Rate and have other characteristics of Bank Certificates as set forth herein and in the Trust Agreement. Upon purchasing Bank Certificates, Bank Certificateholders shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Certificateholders, except to the extent such rights and privileges conflict with this Agreement, in which case the terms of this Agreement shall prevail and govern. Upon purchasing Bank Certificates, Bank Certificateholders shall be recognized by the Authority, the Bond Insurer, the City and the Trustee as the true and lawful owners of such Bank Certificates, free from any claims, liens, security interests, equitable interests and other interests of the Authority and/or the City, except as such interests might exist under the terms of the Bank Certificates with respect to all owners of the Certificates.

2.03 Method of Purchasing. If the Trustee determines that the Bank is required to purchase Eligible Certificates during the Bank Purchase Period as a result of an Optional Tender, the Trustee shall deliver to the Bank a Notice of Bank Purchase in the form of Exhibit A. If the Trustee determines that the Bank is required to purchase Eligible Certificates during the Bank Purchase Period as a result of a Mandatory Purchase, the Trustee shall deliver to the Bank a Notice of Bank Purchase in the form of Exhibit B. Each Notice of Bank Purchase shall be executed by the Trustee and delivered to the Bank by facsimile (confirmed by telephone). If the Bank receives a Notice of Bank Purchase from the Trustee at or before 9:30 a.m. (California time) on a Business Day during the Bank Purchase Period, the Bank will, unless it determines that any applicable condition specified in Section 6.02 below is not satisfied, transfer not later than 11:30 a.m. (California time) on the same Business Day to the Trustee, in funds of the Bank to be available as specified in such Notice of Bank Purchase, an amount equal to the aggregate Purchase Price of such Certificates. If the Bank receives a Notice of Bank Purchase from the Trustee after 9:30 a.m. (California time) but before 4:00 p.m. (California time) on a Business Day during the Bank Purchase Period, the Bank will, unless it determines that any applicable condition specified in Section 6.02 below is not satisfied, transfer not later than 11:30 a.m. (California time) on the next Business Day to the Trustee, in funds of the Bank to be available as specified in such Notice of Bank Purchase, an amount equal to the aggregate Purchase Price of such Certificates.

The Trustee shall receive and hold in trust in non-commingled funds, (a) the Purchase Price advanced by the Bank hereunder until such amounts are made available to the Owners of such Certificates. Such monies held by the Trustee shall not be considered monies of the City or the

Authority, and the City and the Authority shall not have any right, title or interest in or to such monies; no such monies shall be invested; and no Certificates purchased by the Trustee shall be deemed to have been purchased by, for or on behalf of the City or the Authority. Without limiting the generality of Section 8.13 hereof, the Bank shall not have any responsibility for, or incur any liability in respect of any act, or any failure to act, by the Trustee which results in the failure of the Trustee (a) to credit the appropriate account with funds made available by the Bank pursuant to this Section or (b) to effect the purchase for the account of the Bank of Certificates with such funds pursuant to this Section or (c) deliver a completed Notice of Bank Purchase to the Bank on or prior to the expiration of the Bank Purchase Period.

The Certificates purchased with amounts made available hereunder shall be registered in the name of the Bank or its nominee and shall be held as Bank Certificates in custody by the Trustee in its capacity as custodian for the benefit of the Bank or such nominee as provided in the Custodian Agreement. Immediately following the purchase of Certificates by the Bank, the Trustee shall take such steps as necessary, subject to the cooperation of the parties hereto, to assign the separate CUSIP number for Bank Certificates to such Bank Certificates and to make such Bank Certificates eligible for book-entry with DTC and the Authority and the City shall cause any such Bank Certificates to have any rating(s) by a nationally recognized securities rating agency required for the Bank to assign and pledge such Bank Certificates to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank. Upon the sale of Bank Certificates or payment in full of such Certificates pursuant to the terms of this Agreement, the Bank Certificates shall be released by the Bank and the Trustee shall take such actions as may be necessary to return such Certificates to the CUSIP number assigned to the Certificates other than Bank Certificates.

Amounts made available hereunder on a Purchase Date that are not so used to purchase Certificates or which are not required by the Trustee to purchase undelivered Certificates will be returned to the Bank no later than 1:00 p.m. California time on the same Purchase Date. In the event the Trustee fails to return such funds by 1:00 p.m. California time on such date, the City shall pay the Bank as Additional Payments interest on such unused amount for each day until such funds are returned at a rate equal to the Bank's cost of funds for one night overdrafts in New York, New York. For purposes of computing such interest, funds returned after 1:00 p.m. California time on a Business Day shall be deemed to have been returned on the following Business Day.

2.04 Reduction and Termination of Commitment.

(a) Mandatory Reduction and Termination of Commitment. Upon any prepayment, repayment or other payment pursuant to the Trust Agreement of all or any portion of the principal amount of the Certificates so that such Certificates shall cease to be Outstanding under the Trust Agreement or the conversion of a portion of the Certificates to an Interest Period other than a Weekly Rate Period, the aggregate Available Principal Commitment of the Bank shall automatically be reduced by the principal amount of such Certificates so prepaid, repaid or otherwise deemed paid or converted, and the Available Interest Commitment shall also be simultaneously reduced as provided in the definition thereof in Section 1.01 hereof. The Trustee shall notify the Bank within two Business Days of such prepayment, repayment or other payment or conversion. The Available Commitment shall automatically terminate on the last day of the

Bank Purchase Period (except to the extent that purchases are permitted or required on the Termination Date pursuant to Section 7.02(b) hereof).

(b) Voluntary Termination of Commitment. Subject to Section 5.01(n), the City may substitute this Agreement with an Alternate Liquidity Facility and thereby terminate the Available Commitment in whole (but not in part) upon sixty (60) days written notice to the Bank at any time. In the event the City so terminates this Agreement prior to the second anniversary of the execution and delivery of this Agreement, the City shall pay the Bank a fee (the "Termination Fee") in an amount equal to the Commitment Fee payable pursuant to Section 2.06(a) that would have accrued had this Agreement been in effect for two full years (less any amounts then paid pursuant to Section 2.06(a) hereof). Notwithstanding the foregoing, no Termination Fee shall be payable in the event this Reimbursement Agreement is terminated due to (i) a downgrading of the Bank's long-term ratings to below "BBB-","Baa3" and "BBB-", or short-term ratings to below "A-1" or "P-1" or "F-1" by Moody's, S&P or Fitch or (ii) the imposition by the Bank of any increased costs pursuant to Section 2.07 hereof.

2.05 Sale of Bank Certificates.

(a) Right to Sell Bank Certificates. The Bank shall not have the right to sell Bank Certificates to any Person other than: (i) Bank Assignees, provided that each Bank Assignee acknowledges that: (A) so long as such Bank Certificates remain as such, it has no right to tender such Bank Certificates for purchase and (B) the ratings otherwise applicable to the Certificates will not apply to the Bank Certificates purchased by such purchaser, (ii) the Remarketing Agent (or a purchaser identified by the Remarketing Agent), (iii) the Authority, (iv) the City or (v) an Alternate Liquidity Facility provider. The City and the Authority agree that any Bank Certificates sold by the Bank pursuant to this Section 2.05(a) shall, subject to Section 2.05(b), remain Bank Certificates in the hands of the purchaser thereof. Each Person that purchases Bank Certificates from the Bank pursuant to this Section 2.05(a) shall by his or its acceptance of such Bank Certificates be deemed to have agreed to sell such Bank Certificates only to (1) the Bank, (2) the Remarketing Agent (or a purchaser identified by the Remarketing Agent), (3) the Authority, (4) the City or (5) an Alternate Liquidity Facility provider.

(b) Sales by Remarketing Agent. In accordance with the Trust Agreement and subject to the following, all Bank Certificates shall be repurchased from each Bank Certificateholder on the date such Bank Certificates are successfully remarketed in accordance with the Trust Agreement, any such repurchase to be made from the proceeds of such remarketing and payment of the Differential Interest Amount as described below. Each Bank Certificateholder by its acceptance of Bank Certificates hereby authorizes the Remarketing Agent to sell Bank Certificates on behalf of such Bank Certificateholder pursuant to the Trust Agreement at a price equal to the principal amount thereof (plus unpaid accrued interest thereon to but excluding the date such Bank Certificates are to be sold pursuant to this Section 2.05(b) at the interest rate to be borne by the Certificates after such sale or, if less, the Bank Rate) (the "Sale Price"); provided that no Bank Certificateholder shall have any obligation to deliver Bank Certificates as directed by the Remarketing Agent or sell such Bank Certificates unless (i) the City has paid or has duly provided for the payment of the Differential Interest Amount to the Bank for the account of such Bank Certificateholder and (ii) such Bank Certificateholder has received one Business Day's prior written notice of such sale. Any sale of a Bank Certificate pursuant to this Section 2.05(b) shall be

without recourse to the seller and without representation or warranty of any kind. Each Bank Certificateholder by its acceptance of Bank Certificates agrees to deliver (but only upon receipt by the Bank of Dollars in the amount of the Sale Price and the Differential Interest Amount) to the Trustee each certificate representing a Bank Certificate sold by it pursuant to this Section 2.05(b), including without limitation certificates representing Bank Certificates which are deemed to have been delivered in accordance with the provisions of the Trust Agreement. Notwithstanding the foregoing or anything else in this Agreement, each Bank Certificateholder shall have the right, by notice to the Remarketing Agent, to elect not to sell Bank Certificates or any portion thereof.

(c) Right to Retain Certificates. After any sale of Bank Certificates by the Remarketing Agent pursuant to Section 2.05(b) and payment (or, in the case of the Differential Interest Amount accrued on such Bank Certificates, provision for payment thereof on the date of such sale in accordance with the Trust Agreement) to the Bank of the Sale Price, or any election by a Bank Certificateholder not to sell such Bank Certificates or any portion thereof through the Remarketing Agent pursuant to Section 2.05(b) hereof, such Bank Certificates so sold or as to which such election is made, shall from such sale date or upon such election cease to bear interest at the Bank Rate and shall bear interest at a rate calculated in accordance with the provisions applicable to such Certificates immediately prior to the Bank's purchase thereof.

2.06 Fees.

(a) Commitment Fee. The Authority and the City (by payment of Additional Payments) shall pay to Bank a nonrefundable commitment fee at the times and in such amounts as set forth in Section 1.1 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

(b) Payment Dates. The commitment fee shall be due and payable as set forth in Section 1.2 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

(c) Other Fees. In addition, the Authority and the City (by payment of Additional Payments) shall pay to Bank upon the amendment or transfer of this Agreement and upon purchase of Eligible Certificates under this Agreement, fees and charges at the times and in such amounts as set forth in Section 1.3 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

(d) Calculation of Fees and Interest. All fees and interest payable under this Agreement shall be calculated as set forth in Section 1.4 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

(e) Initial Costs and Expenses. The Authority and the City (by payment of Additional Payments) shall pay to the Bank any and all fees, charges and expenses as set forth in Section 1.5 of the Fee Letter Agreement, the terms of which are incorporated herein by this reference as if fully set forth herein.

2.07 Compensation for Increased Costs, Capital Adequacy or Liquidity.

(a) If the Bank shall have determined that any Change of Law regarding capital adequacy or liquidity shall impose, modify or deem applicable any capital adequacy or liquidity or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank allocates capital resources to its commitments), affects or would affect the amount of capital to be maintained by the Bank or has or would have the effect of reducing the rate of return on the capital of the Bank (or its parent) as a consequence of the Bank's commitment or obligations hereunder, including issuing, participating in or maintaining this Agreement, purchasing, owning, holding or remarketing Bank Certificates or any participation therein or any collateral therefor, to a level below that which the Bank would have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy or liquidity), then from time to time, within fifteen (15) days after written demand by the Bank made through the Bank, the Authority and the City (by payment of Additional Payments) shall pay to the Bank such additional amount or amounts as will compensate the Bank for such event.

(b) If the Bank shall have determined that any Change of Law:

(i) shall subject the Bank to any tax, duty or other charge with respect to its commitment or obligations under this Agreement, or shall change the basis of taxation of payments to the Bank of the Bank Certificates or in respect of any amounts due under this Agreement (except for changes in the rate of tax on the overall net income of the Bank imposed by any taxing jurisdiction in which the Bank's principal executive office is located and other than by reason of any amount hereunder not being tax-exempt income to the recipient); or

(ii) shall impose, modify or deem applicable any reserve, special deposit or similar requirement (including, without limitation, any imposed by the Board of Governors of the Federal Reserve System), against assets of, deposits with or for the account of, or credit extended by, the Bank;

and the result of any of the foregoing is to increase the cost to the Bank of issuing this Agreement, its purchase of Eligible Certificates or holding any Bank Certificates, or to reduce the amount of any sum received or receivable by the Bank under this Agreement, by an amount deemed by the Bank to be material, then, within fifteen (15) days after written demand by the Bank made through the Bank, the Authority and the City (by payment of Additional Payments) agrees to pay or cause to be paid to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction.

(c) A certificate of the Bank claiming compensation under this Section 2.07 and setting forth the additional amount or amounts to be paid to it hereunder (accompanied by a statement specifying the reasons therefor) shall be conclusive in the absence of manifest error. In determining such amount, the Bank may use any reasonable averaging and attribution methods.

2.08 Term-Out Payments; Increase in Amount of 2008 Payments.

(a) Subject to the following sentence, the City and the Authority shall increase the amount of the 2008 Payments payable under the 2008 Supplemental Contract so that all Bank Certificates are prepaid or purchased on the Term-Out Conversion Date. If on the Term-Out Conversion Date, no Event of Default of the type described in Section 7.01(a), (b), (c), (d), (g), (n) or (q) shall have occurred and be continuing, commencing on the Term-Out Conversion Date and until the last day of the Term-Out Period, the City and the Authority shall increase the amount of the monthly installments of 2008 Payments payable under the 2008 Supplemental Contract during the Term-Out Period to one-twelfth (1/12) of the Term-Out Payments so that all Bank Certificates are prepaid or purchased by the last day of the Term-Out Period.

(b) Subject to the following sentence, the Bank Certificates shall be subject to mandatory prepayment pursuant to Section 2.03(b) of the Trust Agreement and this Section 2.08, at a Prepayment Price (the "Prepayment Price") equal to 100% of the principal amount of the Bank Certificates to be prepaid plus accrued interest at the Bank Rate to the prepayment date, on Term-Out Conversion Date. If on the Term-Out Conversion Date, no Event of Default of the type described in Section 7.01(a), (b), (c), (d), (g), (n) or (q) shall have occurred and be continuing, the Authority and the City shall not be required to prepay or purchase Bank Certificates pursuant to Section 2.03(b) of the Trust Agreement and this Section 2.08 on the Term-Out Conversion Date but rather shall be required to prepay or purchase Bank Certificates pursuant to Section 2.03(b) of the Trust Agreement and this Section 2.08 on each Bank Certificate Prepayment Date (as defined below) so that all Bank Certificates are prepaid or purchased by the last day of the Term-Out Period. The term "Bank Certificate Prepayment Date" means the first Business Day of each April and October during the Term-Out Period, provided that the first Bank Certificate Prepayment Date shall be the first such date that is at least five (5) complete calendar months following the first Purchase Date.

(c) The City shall cause the Bond Insurer to insure payment of the Prepayment Price of the Bank Certificates required to be prepaid pursuant to Section 2.08(b) by endorsement of the Bond Insurance Policy, in form and substance satisfactory to the Bank (the "Endorsement").

(d) The insurance required by Section 2.08(c) is in addition to, and not by way of limitation of, the obligation of the Bond Insurer under its Bond Insurance Policy to insure timely payment of the principal of, interest on, and scheduled Prepayment Price of the Certificates (including Bank Certificates) in accordance with the terms of the Trust Agreement.

2.09 Interest Component of Draws. The Authority agrees to pay the component, if any, of each advance made by the Bank under this Agreement to purchase any Certificate which corresponds to accrued interest on such Certificate, together with interest on such component accruing at the Bank Rate from and including the date on which the Bank purchased such Certificate to but excluding the date on which such component (and accrued interest thereon) is paid in full.

2.10 Bank Records. All transactions relating to the Available Commitment and Bank Certificates including, without limitation, prepayments, repayments, interest charges and reductions in the amount of the Available Commitment shall be reflected in the books and records

of the Bank, which records shall be conclusive and binding upon the Authority and the City absent manifest error. The Bank agrees, following its receipt of a written request of the City, to provide the City and the Authority with reasonable access during the Bank's regular business hours to the Bank's books and records related to the Available Commitment and Bank Certificates for the sole purpose of verifying the existence or lack of existence of manifest error in such books and records as they relate to the Available Commitment and Bank Certificates.

SECTION 3. BANK RATE

3.01 Bank Certificates to Bear Interest at Bank Rate.

(a) Bank Rate. Each Bank Certificate shall bear interest at the Bank Rate for the period commencing from the date that the Bank shall have purchased such Certificate (subject to Section 2.05(c) hereof) and continuing until such Certificate is paid in full or remarketed as provided in Section 2.05(b) hereof. Interest on Bank Certificates shall be payable (i) on the first Business Day of each calendar month, (ii) at maturity, (iii) upon prepayment or purchase by the Authority and (iv) on the date such Bank Certificates are remarketed as provided in Section 2.05(b) (each such date, a "Liquidity Payment Date"). The Bank shall give telephonic notice, confirmed in writing, to the City, the Authority and the Trustee with a copy to the Bond Insurer on the Business Day preceding each Liquidity Payment Date of the interest payment due on such date. The failure of the Bank to give any notice shall not limit or otherwise affect the obligation of the Authority to pay interest on the Bank Certificates at the rates specified in this Section 3.01.

(b) Default Rate. If the principal amount of any Bank Certificate, or any other obligation of the Authority or the City under this Agreement or the Bank Certificates (including, to the extent permitted by law, any interest payment required thereunder) is not paid when due (whether by acceleration, prepayment or otherwise), such overdue principal payment or other obligation shall bear interest from the date such principal amount or other obligation, as the case may be, was due until paid in full (after as well as before judgment) at a rate per annum (computed on the basis of a year of 365/366 days and actual days elapsed) equal to the Default Rate. Such interest shall be payable on demand. If at any time an Event of Default has occurred and is continuing, the principal amount of any Bank Certificate, or any other obligation of the Authority or the City under this Agreement or the Bank Certificates (including, to the extent permitted by law, any interest payment required thereunder), shall bear interest from the date such principal amount or other obligation, as the case may be, was due until paid in full (after as well as before judgment) at the Default Rate (computed on the basis of a year of 365/366 days and actual days elapsed). Such interest shall be payable on demand.

(c) Excess Interest Amount. If the amount of interest accrued in respect of any Bank Certificate for any day during a period ending on any Liquidity Payment Date exceeds the amount of interest that would have accrued for such day had interest for such day been calculated at the Maximum Interest Rate, then the amount of interest payable on such Bank Certificate for such day shall be calculated at the Maximum Interest Rate. The aggregate amount of interest, if any, accrued on Bank Certificates under Sections 3.01(a) and (b) for all periods ending on a Liquidity Payment Date in excess of the amount of interest actually paid for all such periods as a result of the preceding sentence shall constitute the "Excess Interest Amount." If the Excess Interest Amount is a positive amount on any day when the Bank Rate is less than the Maximum Interest Rate, then for purposes

of calculating the interest accrued and payable on all Bank Certificates outstanding on such day, interest shall accrue for such day at the Maximum Interest Rate instead of the Bank Rate and, upon payment of such interest on the applicable Liquidity Payment Date, the amount of such accrual difference shall be applied Dollar-for-Dollar to reduce the Excess Interest Amount until such time, if any, as the Excess Interest Amount is zero.

3.02 Payments.

(a) Place of Payment, Etc. Except to the extent otherwise provided in the Trust Agreement with respect to payments on Bank Certificates, all payments hereunder shall be made to the Bank Payment Account prior to 10:00 a.m. California time on the date such payment is due and shall be made in immediately available funds.

(b) Withholding. All payments to the Bank under this Agreement and the Bank Certificates shall be made in Dollars and in immediately available and freely transferable funds at the place of payment without counterclaim, defense, set-off, condition or qualification, and free and clear of and without deduction or withholding for or by reason of any present or future taxes, levies, imposts, deductions, fees, assessments or charges of any nature whatsoever. In the event that the City is compelled by law to make any such deduction or withholding, the City shall nevertheless pay to the Bank such amounts as will result in the receipt by the Bank of the sum it would have received had not such deduction or withholding been required to be made. If requested, the Bank or any Bank Assignee, shall from time to time provide the Authority, the City, the Trustee and the United States Internal Revenue Service (to the extent such information and forms may be lawfully provided by the Bank or such Bank Assignee) with such information and forms as may be required by Treasury Regulations Section 1.1411 or any other such information and forms as may be necessary to establish that neither the Authority nor the City is subject to any withholding obligation under Section 1442 or other comparable provisions of the Code.

SECTION 4. REPRESENTATIONS AND WARRANTIES OF THE AUTHORITY AND THE CITY

4.01 Representations of the Authority. The Authority makes the following representations and warranties to the Bank as of the date hereof, the Effective Date and as of each Purchase Date:

(a) Valid Existence. The Authority is a joint exercise of powers entity, duly organized and validly existing under the laws of the State and has the necessary power and authority to execute and deliver this Agreement and the Related Documents to which the Authority is a party, to perform its obligations hereunder and thereunder and to conduct the business of the Authority as presently conducted.

(b) Authorization and Validity. The execution, delivery and performance by the Authority of this Agreement and the Related Documents to which the Authority is a party have been duly authorized by proper proceedings of the Authority, and no further approval, authorization or consents are required by law or otherwise. This Agreement and such Related Documents constitute the legal, valid and binding obligations of the Authority enforceable in

accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally and principles of equity and public policy.

(c) Compliance with Laws and Contracts. Neither the execution and delivery by the Authority of this Agreement and the Related Documents to which the Authority is a party, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will (i) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Authority or the Authority's organizational documents; (ii) result in any material breach of or default under the provisions of any material indenture, instrument or agreement to which the Authority is a party or is subject, or by which it or its property is bound, or (iii) conflict with or result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement.

(d) Litigation. Except as disclosed in the Remarketing Memorandum, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending with service of process accomplished or, to the knowledge of the Authority after due inquiry, threatened against or affecting the Authority, the 2008 Project or any properties or rights of the Authority (i) wherein an unfavorable decision, ruling or finding would adversely affect (A) the Authority's ability to perform its obligations under this Agreement and the other Related Documents to which the Authority is a party or (B) the validity of this Agreement, any of the Related Documents to which the Authority is a party or any other agreement or instrument to which the Authority is a party and which pertains to the 2008Project; or (ii) which in any way contests the existence, organization or powers of the Authority or the titles of the officers of the Authority to their respective offices.

(e) No Event of Default. No Event of Default or Potential Event of Default has occurred and is continuing.

(f) Title to 2008 Project. Upon the Effective Date, the City will own the 2008 Project free and clear of all liens and encumbrances other than those approved by the Bank.

(g) Contract; 2008 Supplemental Contract. The Contract and the 2008 Supplemental Contract are in full force and effect. The Authority has not granted any waiver, indulgence or postponement of any of the City's obligations under the Contract or the 2008 Supplemental Contract. There exists no event of default or event, occurrence, condition or act that, with the giving of notice, the lapse of time or the happening of any further event or condition, would become a default under the Contract or the 2008 Supplemental Contract.

(h) Security. The payment of Bank Certificates is further secured by a Trust Estate. The Trust Agreement creates a valid security interest in favor of the Trustee in the Trust Estate and, as of the Effective Date, all necessary action on the part of the Authority, the Trustee and the Bank has been taken as required (other than delivery of possession of after-acquired moneys, securities and instruments to the Trustee) to pledge and grant a valid security interest in the Trust Estate for the benefit of the Bank, the Bond Insurer and the Certificateholders under the Trust Agreement prior to any pledge, lien, assignment or security interest of any other creditors of the Authority. The Bank is a Liquidity Facility Provider (and the Prior Bank is no longer a Liquidity Facility Provider and the Bank) within the meaning of the Trust Agreement. This Agreement is an

Alternate Liquidity Facility and therefore the Liquidity Facility (and the Prior Liquidity Facility is no longer an Alternate Liquidity Facility or the Liquidity Facility) within the meaning of the Trust Agreement, and this Agreement is a Reimbursement Agreement (and the Prior Liquidity Facility is no longer a Reimbursement Agreement) within the meaning of the Trust Agreement. There is no longer a Cancellation Agreement within the meaning of the Trust Agreement.

(i) Accurate and Complete Disclosure. All factual information certified by the Authority in writing to the Bank (including without limitation all information contained in, or made pursuant to, this Agreement and the Related Documents to which the Authority is a party) is, and all other such factual information hereafter certified by the Authority in writing to the Bank will be, to the knowledge of the authorized person making such certification after reasonable inquiry, accurate and complete in all material respects on the date as of which such information is certified. The Remarketing Memorandum, true copies of which have heretofore been delivered to the Bank, and each amendment or supplement thereto prepared subsequent to the Effective Date (a true copy of which shall be furnished to the Bank), do not and will not contain any untrue statement of a material fact and do not and will not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to any information furnished by the Bond Insurer, the Trustee, DTC or the Bank expressly for inclusion therein.

(j) Certificates. Each Certificate will be duly issued under the Trust Agreement and entitled to the benefits thereof.

(k) Regulatory Approvals. On the Effective Date, each authorization, consent, approval, license or formal exemption from or filing, declaration or registration with, any court governmental agency or regulatory authority (federal, state or local), required in connection with the Authority's execution and delivery of, and performance under, this Agreement and the Related Documents (and the documents contemplated thereby) to which the Authority is a party, or the issuance by the Authority of the Certificates in the manner and for the purpose contemplated by this Agreement and the Related Documents, has been obtained or made and is in full force and effect; provided, however, that no representation is made as to State blue sky laws.

(l) Use of Proceeds. The proceeds of the Certificates will be used only as authorized in the Trust Agreement.

(m) Other Documents. This Agreement and each of the Related Documents to which the Authority is a party is in full force and effect, and the Authority hereby makes to the Bank each of the representations and warranties made by the Authority therein as if set forth at length herein. None of this Agreement or the Related Documents has been amended or supplemented except by such amendments or supplements as have previously been delivered to the Bank.

(n) Prospective Change in Law. To the best knowledge of the Authority (after due inquiry), except as otherwise disclosed in the Remarketing Memorandum, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation which has passed either house of the State legislature or is under consideration by any conference or similar committee, or any published judicial decision

interpreting any of the foregoing, the effect of which is to materially adversely affect the ability of the Authority to perform its obligations under this Agreement or any of the Related Documents to which it is a party.

(o) Tax-Exempt Status. The Authority has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Certificates from gross income for Federal income tax purposes or the exemption of such interest from the State's personal income tax.

(p) No Other Defaults. The Authority is not in default on any Debt to any person or entity in excess of $500,000.

(q) No Immunity. The Authority is subject to liability for damages in contract and in tort in the manner and to the extent provided by the laws of the State. The Authority is subject to claims and to suit for money or damages in connection with or under this Agreement pursuant to and in accordance with the laws of the State applicable to public entities, including, but not limited to Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California. The Authority is a "local public entity" as defined in Section 900.4 of the Government Code of the State of California. To the extent the Authority has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty or otherwise, the Authority hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising with or under this Agreement or any Related Document.

(r) Usury; Maximum Rate. The terms of this Agreement, the Fee Letter Agreement and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws. The Authority is authorized by Section 5922 of the California Government Code to enter into this Agreement and the Fee Letter Agreement and the transactions contemplated hereby and thereby. The obligations of the Authority hereunder and under the Fee Letter Agreement and the Contract are not subject to any maximum interest rate imposed by law.

(s) Government Sanctions. Neither the Authority nor, to the knowledge of the Authority, any of its Related Parties, is an individual or entity or Person currently the subject of any sanctions administered or enforced by the United States Government, including, without limitation, the U.S. Department of Treasury's Office of Foreign Assets Control ("OFAC"), the United Nations Security Council ("UNSC"), the European Union, Her Majesty's Treasury ("HMT"), or other relevant sanctions authority (collectively, "Sanctions"), nor is the Authority located, organized or resident in a country or territory that is the subject of Sanctions.

(t) Incorporation by Reference. The Authority hereby makes to the Bank the same representations and warranties made by the Authority in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are incorporated herein by this reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations, warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

4.02 Representations of the City. The City makes the following representations and warranties to the Bank as of the date hereof, the Effective Date and as of each Purchase Date:

(a) Valid Existence. The City is a charter city and municipal corporation, duly organized and validly existing under its charter and the Constitution of the State and has the necessary power and authority to execute and deliver this Agreement and the Related Documents to which the City is a party and to perform its obligations hereunder and thereunder.

(b) Authorization and Validity. The execution, delivery and performance by the City of this Agreement and the Related Documents to which the City is a party have been duly authorized by all proper proceedings of the City, and no further approval, authorization or consents are required by law or otherwise. This Agreement and such Related Documents constitute the legal, valid and binding obligations of the City enforceable in accordance with their respective terms, subject to bankruptcy, insolvency, moratorium and other laws affecting creditors' rights generally and principles of equity and public policy.

(c) Compliance with Laws and Contracts. Neither the execution and delivery by the City of this Agreement and the Related Documents to which the City is a party, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will (i) violate any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the City or the City's charter, (ii) result in any material breach of, or default under the provisions of any material indenture, instrument or agreement to which the City is a party or is subject, or by which it or its property is bound, or (iii) conflict with or result in the creation or imposition of any lien pursuant to the terms of any such indenture, instrument or agreement.

(d) Litigation. Except as disclosed in the Remarketing Memorandum, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board or body pending with service of process accomplished or, to the knowledge of the City after due inquiry, threatened against or affecting the City, the 2008 Project or any properties or rights of the City (i) wherein an unfavorable decision, ruling or finding would adversely affect (A) the City's ability to perform its obligations under this Agreement and the Related Documents to which the City is a party or (B) the validity of this Agreement, any of the Related Documents to which the City is a party or any other agreement or instrument to which the City is a party and which pertains to the 2008 Project; or (ii) which in any way contests the existence, organization or powers of the City or the titles of the officers of the City to their respective offices.

(e) No Event of Default. No Event of Default or Potential Event of Default has occurred and is continuing.

(f) Financial Statements. The audited statements of revenues, expenses and changes in fund balances and changes in financial position of the City for the most recently completed fiscal year as heretofore delivered to the Bank pursuant to Section 5.02(h)(i)(A) or 6.01(b)(xvi) hereof, including balance sheets as of June 30 of such fiscal year, and statements of revenue and expense as of June 30 of such fiscal year, all examined and reported on by independent public accountants, prepared by the City, correctly and fairly present the financial condition of the City as of said date and the results of the operations of the City for such period, respectively, and have

been prepared in accordance with generally accepted accounting principles consistently applied except as stated in the notes thereto. Since June 30 of such fiscal year, there has been no material adverse change in the financial condition, operations or prospects of the City or its ability to perform its obligations under this Agreement or any Related Document.

(g) Master Contract; 2008 Supplemental Contract. The Master Contract and the 2008 Supplemental Contract are in full force and effect. The City has not been granted any waiver, indulgence or postponement of any of the City's obligations under the Master Contract or the 2008 Supplemental Contract. There exists no event of default or event, occurrence, condition or act that, with the giving of notice, the lapse of time or the happening of any further event or condition, would become a default under the Master Contract or the 2008 Supplemental Contract.

(h) Accurate and Complete Disclosure. All factual information certified by the City in writing to the Bank (including without limitation all information contained in, or made pursuant to, this Agreement and the Related Documents to which the City is a party) is, and all other such factual information hereafter certified by the City in writing to the Bank will be, to the knowledge of the authorized person making such certification after reasonable inquiry, accurate and complete in all material respects on the date as of which such information is certified. The Remarketing Memorandum, true copies of which have heretofore been delivered to the Bank, and each Remarketing Memorandum pertaining to the Certificates (including any amendments or supplements) prepared subsequent to the Effective Date (a true copy of which shall be furnished to the Bank prior to the distribution thereof) do not and will not contain any untrue statement of a material fact and do not and will not omit to state a material fact necessary to make the statements therein, in the light of the circumstances under which made, not misleading, except no representation is made as to any information furnished by the Bond Insurer, the Trustee, DTC or the Bank expressly for inclusion therein.

(i) Regulatory Approvals. Each authorization, consent, approval, license or formal exemption from or filing, declaration or registration with, any court governmental agency or regulatory authority (federal, state or local), required in connection with the City's execution and delivery of, and performance under, this Agreement and each of the Related Documents to which the City is a party has been obtained or made and is in full force and effect; provided, however, that no representation is made as to State blue sky laws.

(j) Other Documents. This Agreement and each of the Related Documents to which the City is a party is in full force and effect, and the City hereby makes to the Bank each of the representations and warranties made by the City therein as if set forth at length herein. None of this Agreement or the Related Documents has been amended or supplemented except by such amendments or supplements as have previously been delivered to the Bank.

(k) Prospective Change in Law. To the best knowledge of the City (after due inquiry), except as otherwise disclosed in the Remarketing Memorandum, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State or any published administrative interpretation of the Constitution of the State or any State law, or any legislation which has passed either house of the State legislature or is under consideration by any conference or similar committee, or any published judicial decision interpreting any of the

foregoing, the effect of which is to materially adversely affect the ability of the City to perform its obligations under this Agreement or any of the Related Documents to which it is a party.

(l) Tax-Exempt Status. The City has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Certificates from gross income for Federal income tax purposes or the exemption of such interest from the State's personal income tax.

(m) No Other Defaults. The City is not in default on any debt to any Person or entity in excess of $500,000 (measured in the case of any Swap, by the amount of any settlement amount that would be payable by the City if such Swap were terminated as of such date).

(n) No Immunity. The City is subject to liability for damages in contract and in tort in the manner and to the extent provided by the laws of the State. The City is subject to claims and to suit for money or damages in connection with or under this Agreement pursuant to and in accordance with the laws of the State applicable to public entities, including, but not limited to Part 3 of Division 3.6 of Title 1 of the Government Code of the State of California. The City is a "local public entity" as defined in Section 900.4 of the Government Code of the State of California. To the extent the City has or hereafter may acquire under any applicable law any right to immunity from set-off or legal proceedings on the grounds of sovereignty or otherwise, the City hereby waives, to the extent permitted by law, such rights to immunity for itself in respect of its obligations arising with or under this Agreement or any Related Document.

(o) Usury; Maximum Rate. The terms of this Agreement, the Fee Letter Agreement and the Related Documents regarding the calculation and payment of interest and fees do not violate any applicable usury laws. The City is authorized by Section 5922 of the California Government Code to enter into this Agreement and the Fee Letter Agreement and the transactions contemplated hereby and thereby. The obligations of the City hereunder and under the Fee Letter Agreement and the Contract are not subject to any maximum interest rate imposed by law.

(p) Parity Obligations. The obligations under this agreement constitute Parity Obligations of the City under the Master Contract, secured by a valid pledge of the Gross Revenues of the Revenue Fund on a parity with all other Parity Obligations and are subject to the limitations set forth in Section 7.01 of the Master Contract. There are no obligations of the City outstanding secured by Gross Revenues that are senior in right of payment to the Parity Obligations (including the 2008 Payments). Except for early termination payments under the Existing Swap Agreement that are insured by the Bond Insurer, the City is not a party to any Swap that contains termination payments that are Parity Obligations.

(q) Insurance. The City currently maintains insurance of such type and in such amounts or in excess of such amounts as are customarily carried by, and insures against such risks as are customarily insured against by, businesses of like type, size and character to the City and of such type and in such amounts required by the Contract.

(r) Government Sanctions. Neither the City nor, to the knowledge of the City, any of its Related Parties, is an individual or entity or Person currently the subject of any Sanctions, nor is the City located, organized or resident in a country or territory that is the subject of Sanctions.

(s) Incorporation by Reference. The City hereby makes to the Bank the same representations and warranties made by the City in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are incorporated herein by this reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to or waiver of such representations, warranties or definitions made pursuant to the relevant Related Documents shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Bank.

SECTION 5. COVENANTS OF THE AUTHORITY AND THE CITY

5.01 Covenants of the Authority. During the term of this Agreement, and until the obligations of the Authority and the City to the Bank hereunder are paid in full, including full payment of the Bank Certificates, and the Bank has no further commitment hereunder, unless the Bank shall otherwise consent in writing, the Authority covenants and agrees as follows:

(a) Notice of Default. As soon as practicable but in any event not more than five (5) Business Days after the Authority shall have obtained knowledge of the occurrence of an Event of Default or Potential Event of Default provide to the Bank the written statement of an Authorized Representative of the Authority setting forth the details of each such Event of Default or Potential Event of Default and the action, if any, which the Authority proposes to take with respect thereto.

(b) Compliance With Laws. The Authority shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject: provided, however, that the Authority may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the Authority's power and authority to execute and deliver this Agreement, to perform its obligations and pay all amounts payable by it hereunder, or to execute and deliver this Agreement or the Related Documents and to perform its obligations hereunder and thereunder.

(c) Use of Proceeds. The Authority shall (i) cause the proceeds from purchases of Certificates made hereunder to be used solely to pay the Purchase Price of such Certificates as more fully described in Section 2.01 hereof and (ii) use the proceeds of the Certificates for the purpose set forth in the Trust Agreement.

(d) Related Obligations. The Authority shall promptly pay all amounts payable by it hereunder and under the Related Documents according to the terms hereof or thereof and shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party. The Authority shall use its best efforts to cause the Bond Insurer at all times to comply with the Bond Insurance Policy, and the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

(e) Financial Statements. The Authority shall provide to the Bank copies of all financial statements and other information of the Authority, if any, that it is required to provide to the Bond Insurer concurrently with providing the same to the Bond Insurer.

(f) Inspection Rights. At any reasonable time and from time to time the Authority shall permit the Bank or any agents or representatives thereof to examine and make copies of the records and books of account related to the Trust Estate and the transactions contemplated by this Agreement and the Related Documents, to visit its properties and to discuss its affairs, finances and accounts with any of its officers and independent accountants.

(g) Amendments. The Authority shall not amend, modify, terminate or grant, or permit the amendment, modification, termination or grant of, any waiver under, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, termination, modification, or grant of a waiver under the Bond Insurance Policy or any other Related Document without the prior written consent of the Bank, provided that such consent shall not be required if the Bank notifies the Authority in writing that the Bank, in its sole discretion, has determined that any such amendment, modification or waiver does not affect its rights, duties or obligations.

(h) Remarketing Memorandum. The Authority shall not refer to the Bank in any official statement (including the Remarketing Memorandum) or make any changes in reference to the Bank in any official statement (including the Remarketing Memorandum) without the Bank's prior written consent thereto, which the Bank shall not unreasonably withhold or delay based upon customary business practices at the time such consent is requested.

(i) Voluntary Prepayment. Without the prior written consent of the Bank, the Authority shall not voluntarily prepay pursuant to the Trust Agreement any Certificates (other than Bank Certificates) issued under the Trust Agreement prior to prepaying the Bank Certificates in full.

(j) Conversion. The Authority shall promptly furnish, or cause to be furnished, to the Bank, notice of any proposed conversion of the Interest Period on the Certificates to an interest rate period other than a Weekly Rate Period.

(k) Certain Notices. The Authority shall furnish to the Bank a copy of any notice, certification, demand or other writing or communication given by the Bond Insurer to the Authority or by the Authority to the Bond Insurer under or in connection with the Certificates or any of the Related Documents, in each case promptly after the receipt or giving of the same. The Authority shall give the Bank prompt notice of any action, suit or proceeding known to it at law or in equity or by or before any governmental instrumentality, entity or other agency which, if adversely determined, would materially impair the ability of the Authority to carry out its obligations under this Agreement, the Related Documents to which it is a party or any other document, instrument or agreement required hereunder or thereunder, or would materially and adversely affect its assets or financial condition. The Authority shall promptly give written notice to the Bank of (i) any material dispute which may exist between the Authority on the one hand and the Bond Insurer, the Trustee or the Remarketing Agent on the other hand or any dispute in connection with any transaction contemplated under this Agreement or any Related Document, or

(ii) any matter or event which may result in a material adverse change in the Authority's financial condition or operations.

(l) Existence. The Authority shall maintain its existence as a joint exercise of powers authority, duly organized and validly existing under its charter and the Constitution of the State and its rights, franchises and privileges material to the conduct of its business and shall not, without the prior written consent of the Bank, initiate proceedings to reorganize, merge or consolidate with or into any Person, wind up, liquidate or dissolve its affairs (or suffer any liquidation or dissolution) or convert, sell, assign, transfer, lease or otherwise dispose of (or agree to do any of the foregoing at any future time), whether in one transaction or a series of transactions, all or substantially all of its property or assets.

(m) Bond Insurance Policy. Except as provided in Section 5.01(r), the Authority shall at all times maintain the Bond Insurance Policy with respect to the Certificates. The Authority shall take no action that could reasonably be expected to impair the ability of the Trustee to present claims for payment under, and in accordance with, the terms of the Bond Insurance Policy. The Authority shall not, without the prior written consent of the Bank, cause or permit the Bond Insurance Policy to be surrendered, canceled or terminated.

(n) Liquidity. The Authority agrees to use its best efforts to obtain an Alternate Liquidity Facility to replace this Agreement in the event (i) the Bank shall decide not to extend the Stated Expiration Date (such replacement to occur on or before the then current Stated Expiration Date), (ii) the Bank shall furnish a Notice of Termination pursuant to Section 7.02(b) hereof to the Trustee, or (iii) a mandatory purchase of Certificates shall have been effected with any funds made available hereunder, unless the Bank shall have been immediately reimbursed therefor by the proceeds of the remarketing of the Certificates. The Authority agrees that any Alternate Liquidity Facility will require, as a condition to the effectiveness of the Alternate Liquidity Facility, that the Authority, the City or the issuer of the Alternate Liquidity Facility, as the case may be, will provide immediately available funds, on the date of such termination or provision, which funds, when taken together with funds available to the Bank under the Trust Agreement, will be sufficient to ensure the payment of all Bank Certificates then outstanding (at par plus accrued and unpaid interest thereon at the Bank Rate) and all other amounts due to the Bank hereunder, including, without limitation, payment of any fees due hereunder and interest accrued thereon and payment of any Differential Interest Amount.

(o) Appointment of Successors. The Authority shall not, without the prior written consent of the Bank, which consent shall not be unreasonably withheld, appoint a successor Trustee or Remarketing Agent.

(p) Incorporation of Certain Covenants. The covenants of the Authority set forth in the Trust Agreement, the Master Contract and the 2008 Supplemental Contract are hereby incorporated by reference in this Agreement for the benefit of the Bank. The Authority further confirms to and agrees with the Bank that the Trust Agreement has been made and was entered into for the express benefit of the holder of any Certificates and shall constitute a contract among the Authority, the Trustee and the Bank, in its capacities hereunder as the "Liquidity Facility Provider" and as holder of any Certificates that are Bank Certificates.

(q) Liens, Etc. The Authority shall not create or suffer to exist any lien upon or with respect to any of the Trust Estate.

(r) Rating of Bond Insurer's Obligations. If the ratings assigned by both Moody's and S&P to the claims paying ability of the Bond Insurer shall, for any uninterrupted period of thirty (30) days drop below: (i) in the case of Moody's, a financial strength rating of A2 (or its equivalent); or (ii) in the case of S&P, a financial strength rating of AA (or its equivalent) (a suspension or withdrawal of a rating shall be treated as "below" the stated rating for purposes of the foregoing), the Authority shall use its best efforts to (including soliciting the assistance of the City to) (x) replace the Bond Insurer with a bond insurer rated at least "A2" (or its equivalent) by Moody's and "AA" (or its equivalent) by S&P or obtain additional insurance or other credit enhancement in respect of the payment of principal and interest on the Certificates (including Bank Certificates) on terms comparable to the Bond Insurance Policy or as the Bank may otherwise consent and in form and substance and from an insurer or other issuer satisfactory to the Bank, (y) convert the Certificates to a rate not covered by this Agreement and terminate this Agreement or (z) obtain an Alternate Liquidity Facility.

(s) Further Assurances. The Authority shall execute and deliver to the Bank all such documents, consents and instruments and do all such other acts and things as may be reasonably necessary or required by the Bank to enable the Bank to exercise and enforce its rights under the Related Documents and the Related Documents and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the Bank to validate, preserve and protect the position of the Bank under the Related Documents.

(t) Government Sanctions. The Authority shall not, directly or indirectly, use the proceeds from purchases of Certificates made hereunder or any other credit provided under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or in any manner that will result in a violation by any Person (including any Person participating in the transactions contemplated by this Agreement, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(u) Additional Covenants Regarding Remarketing Agent. The Authority shall at all times cause a Remarketing Agent acceptable to the Bank to be in place and at all times have in place a Remarketing Agreement with respect thereto acceptable to the Bank. The Authority shall cause the Remarketing Agreement to at all times provide that (a) the Remarketing Agent shall use its best efforts to remarket the Certificates (including without limitation Bank Certificates) at rates up to and including the maximum rate permitted under the Trust Agreement without regard to the rate paid to the Bank with respect to Bank Certificates; (b) if at any time the Remarketing Agent shall fail to remarket the Certificates for a period of thirty (30) consecutive calendar days or shall otherwise fail to perform its duties under the Remarketing Agreement, the Authority shall, at the direction of the Bank, appoint a successor remarketing agent acceptable to the Bank; (c) the Remarketing Agent must give at least 60 days' written notice prior to resigning; and (d) the Bank must be a third-party beneficiary of the Remarketing Agreement.

(v) Maintenance of Tax Exempt Status of the Certificates. The Authority shall not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the Certificates from gross income for purposes of federal income taxation or the exemption of such interest from State income taxes.

(w) Sovereign Immunity. To the fullest extent permitted by law, the Authority agrees not to assert the defense of sovereign immunity, if available, in any proceeding to enforce any of the obligations of the Authority hereunder or under any Related Document in any federal or state court of competent jurisdiction.

(x) Additional Rights. In the event that the Authority shall enter into or otherwise consent to any credit agreement, reimbursement agreement, bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplement or modification thereto) pursuant to which a financial institution or financial institutions (other than the Authority or the City) (each, a "Lender") undertakes to make loans or advances or extend credit or liquidity to the Authority and/or the City secured by Gross Revenues (each, a "Bank Agreement"), which Bank Agreement contains (i) covenants that are more restrictive on the part of the City or the Authority than those contained in this Agreement, (ii) termination events, suspension events or events of default not included in this Agreement, (iii) termination events, suspension events or events of default which are included in this Agreement but which are more favorable to the Lender (e.g., shorter cure periods) than those contained in this Agreement, (iv) additional or more expansive remedies, and/or (v) collateral in addition to a pledge of Gross Revenues (collectively, the "Additional Rights"), such Additional Rights (other than any Rating Confirmable Additional Rights) (the "Other Additional Rights") shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Other Additional Rights. Upon entering into or consenting to any Bank Agreement, which Bank Agreement contains any Other Additional Rights, the Authority shall promptly enter into an amendment to this Agreement to include such Other Additional Rights, provided that the Bank shall maintain the benefit of such Other Additional Rights even if the Authority fails to provide such amendment. If the Authority shall amend any such Bank Agreement which contains any Other Additional Rights such that it no longer provides for such Other Additional Rights, then, without the consent of the Bank, this Agreement shall automatically no longer contain such Other Additional Rights and the Bank shall no longer have the benefits of any of such Other Additional Rights. "Rating Confirmable Additional Rights" means those Additional Rights which provide additional or more expansive automatic termination events, automatic suspension events, noticed termination events or conditions to purchase which are more favorable to the Lender (e.g. shorter notice periods) than those contained in this Agreement. In the event that the Authority shall enter into or otherwise consent to any Bank Agreement, which Bank Agreement contains any Rating Confirmable Additional Rights, such Rating Confirmable Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Rating Confirmable Additional Rights subject to confirmation by each Rating Agency that the then current ratings on the Certificates supported by this Agreement, including such Rating Confirmable Additional Rights, will not be lowered or withdrawn as a result thereof. Upon entering into or consenting to any Bank Agreement, which Bank Agreement contains any Rating Confirmable Additional Rights, the Authority shall promptly enter into an amendment to this Agreement to include such Rating Confirmable Additional Rights subject to confirmation by each Rating Agency then rating the Certificates that the then current ratings on the Certificates

supported by this Agreement, including such Rating Confirmable Additional Rights, will not be lowered or withdrawn as a result thereof. If the Authority shall amend any such Bank Agreement which contains any Rating Confirmable Additional Rights such that it no longer provides for such Rating Confirmable Additional Rights, then, without the consent of the Bank, this Agreement shall automatically no longer contain such Rating Confirmable Additional Rights and the Bank shall no longer have the benefits of any of such Rating Confirmable Additional Rights.

5.02 Covenants of the City. During the term of this Agreement, and until the obligations of the Authority and the City to the Bank hereunder are paid in full, including full payment of the Bank Certificates, and the Bank has no further commitment hereunder, unless the Bank shall otherwise consent in writing, the City covenants and agrees as follows:

(a) Notice of Default. As soon as practicable but in any event not more than five (5) Business Days after an Authorized Representative of the City shall have obtained knowledge of the occurrence of an Event of Default or Potential Event of Default provide to the Bank the written statement of an Authorized City Representative setting forth the details of each such Event of Default or Potential Event of Default and the action, if any, which the City proposes to take with respect thereto.

(b) Compliance With Laws. The City shall comply with all laws, rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards to which it may be subject; provided, however, that the City may contest the validity or application thereof and appeal or otherwise seek relief therefrom, and exercise any and all of the rights and remedies which it may have with regard thereto, so long as such acts do not affect the City's power and authority to execute and deliver this Agreement, to perform its obligations and pay all amounts payable by it hereunder, or to execute and deliver this Agreement or the Related Documents to which it is a party and to perform its obligations hereunder or thereunder.

(c) Related Obligations. The City shall duly perform each of its obligations under this Agreement and the other Related Documents to which it is a party. The City shall use its best efforts to cause the Bond Insurer at all times to comply with the Bond Insurance Policy, and the Trustee and the Remarketing Agent at all times to comply with the terms of the Related Documents to which they are a party.

(d) Inspection Rights. At any reasonable time and from time to time the City shall permit the Bank or any agents or representatives thereof to examine and make copies of the records and books of account related to the transactions contemplated by this Agreement and the Related Documents, to visit its properties and to discuss its affairs, finances and accounts with any of its officers and independent accountants.

(e) Amendments. The City shall not amend, modify, terminate or grant, or permit the amendment, modification, termination or grant of, any waiver under, or consent to, or permit or suffer to occur any action or omission which results in, or is equivalent to, an amendment, termination, modification, or grant of a waiver under the Bond Insurance Policy or any other Related Document without the prior written consent of the Bank; provided that such consent shall not be required if the Bank notifies the City in writing that the Bank, in its sole discretion, has determined that any such amendment, modification or waiver does not affect its rights, duties or

obligations; and provided further that nothing herein shall prevent the City from incurring additional Parity Obligations under the Master Contract in accordance with its terms.

(f) Remarketing Memorandum. The City shall not refer to the Bank in any official statement (including the Remarketing Memorandum) or make any changes in reference to the Bank in any official statement (including the Remarketing Memorandum) without the Bank's prior written consent thereto, which the Bank shall not unreasonably withhold or delay based upon customary business practices at the time such consent is requested.

(g) Voluntary Prepayment. Without the prior written consent of the Bank, the City shall not permit the prepayment pursuant to the Trust Agreement of any Certificates (other than Bank Certificates) prior to prepaying the Bank Certificates in full.

(h) Certain Notices; Financial Statements. The City shall provide or cause to be provided to the Bank copies of:

(i) Financial Statements. The City shall provide the following financial information and statements in form and content acceptable to the Bank, and such additional information as requested by the Bank from time to time:

(A) Within 270 days of the City's fiscal year end, the City's annual financial statements, including statements of revenue and expense for the City's Water Utility System as of June 30 of each year, certified and dated by an authorized financial officer of the City. These financial statements must be audited (with an unqualified opinion, using the accounting standards then applicable to the City) by a Certified Public Accountant .

(B) The City shall, promptly upon its approval and upon publication of the annual budget of the City each year, deliver to the Bank a copy of such budget and promptly after the adoption thereof.

(C) Promptly, upon sending or receipt, copies of any management letters and correspondence relating to management letters, sent or received by the City to or from the City's auditor, or, if no management letter is prepared, a letter from such auditor stating that no deficiencies were noted that would otherwise be addressed in a management letter.

(D) Together with the annual financial statements of the City delivered pursuant to Section 5.02 (i)(A), a certificate signed by an Authorized Representative of the City stating (1) that under his/her supervision the City has made a review of its activities during the preceding annual period for the purpose of determining whether or not the City has complied with all of the terms, provisions and conditions of this Agreement and the Related Documents (including without limitation Sections 5.02(j) and (n) hereof and Sections 3.01, 3.02 and 4.12 of the Master Contract) and including calculations showing compliance with Section 5.02(n) hereof and Section 4.12 of the Master Contract and (2) to the best of his/her knowledge, whether there existed, as of the date of such financial statements, any default in the performance or observance of any of the terms,

covenants, provisions or conditions of this Agreement or any of the Related Documents and whether there exists, as of the date of the certificate, any default in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the Related Documents, or if any such default existed or exists, specifying the nature thereof and the action the City is taking and proposes to take with respect thereto.

(E) A copy of the annual report of the City, if any, which is delivered in accordance with the City's "continuing disclosure certificate" related to the Certificates at the time it is delivered thereunder.

(ii) Promptly, notice of any action, suit or proceeding known to it at law or in equity or by or before any governmental instrumentality, entity or other agency for any uninsured claim which, if adversely determined, could result in a judgment against the City of $500,000 or more against the Revenue Fund, or would materially and adversely affect the City's ability to pay its obligations under this Agreement.

(iii) Promptly, notice of (A) any material dispute which may exist between the City on the one hand and the Bond Insurer, the Remarketing Agent, the Trustee or the Custodian on the other hand or any dispute in connection with any transaction contemplated under this Agreement or any Related Document, (B) any matter or event which may result in a material adverse change in the City's ability to pay its obligations under this Agreement, (C) any inquiry by the Internal Revenue Service or the Securities and Exchange Commission, (D) any amendment to any Related Document, and (E) the resignation or removal of the Remarketing Agent, the Trustee or the Custodian;

(iv) Any notice, certification, demand or other writing or communication given by the Bond Insurer to the City or by the City to the Bond Insurer under or in connection with the Certificates or any of the Related Documents, in each case promptly after the receipt or giving of the same;

(v) As soon as practicable after the sale by the City of any securities payable from the Revenue Fund with respect to which an offering memorandum or official statement was prepared, such offering memorandum or official statement; and

(vi) Such additional information concerning the Revenue Fund, the Water Utility System, the Gross Revenues, the Related Documents, the City or the Authority, as requested by the Bank from time to time.

(i) Existence. The City shall maintain its existence as a charter city, duly organized and validly existing under its charter and the Constitution of the State and its rights, franchises and privileges material to the conduct of its business and shall not, without the prior written consent of the Bank, initiate proceedings to reorganize, merge or consolidate with or into any Person, wind up, liquidate or dissolve its affairs (or suffer any liquidation or dissolution) or convert, sell, assign, transfer, lease or otherwise dispose of (or agree to do any of the foregoing at any future time), whether in one transaction or a series of transactions, all or substantially all of its property or assets.

(j) Incorporation of Certain Covenants. The covenants of the City set forth in the Master Contract (including without limitation Sections 3.01 and 3.02 thereof) are hereby incorporated by reference in this Agreement for the benefit of the Bank.

(k) Liens, Etc. The City shall not issue any obligation secured by Gross Revenues that is senior in right of payment to the Parity Obligations (including the 2008 Payments). The City shall not enter into any Swap with termination payments that are Parity Obligations.

(l) Insurance. The City shall maintain at all times the insurance required by Section 4.08 of the Master Contract.

(m) Maintenance of 2008 Project. Without limiting the generality of Section 4.06 of the Master Contract, the City shall maintain and preserve the 2008 Project in good working order and condition, making all repairs or replacements as necessary.

(n) Rate Covenant. The City shall comply with the rate covenant set forth in Section 4.12 of the Master Contract.

(o) Further Assurances. The City shall execute and deliver to the Bank all such documents, consents and instruments and do all such other acts and things as may be reasonably necessary or required by the Bank to enable the Bank to exercise and enforce its rights under the Related Documents and the Related Documents and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or required by the Bank to validate, preserve and protect the position of the Bank under the Related Documents.

(p) Additional Rights. In the event that the City shall enter into or otherwise consent to any Bank Agreement, which Bank Agreement contains any Other Additional Rights, such Other Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Other Additional Rights. Upon entering into or consenting to any Bank Agreement, which Bank Agreement contains any Other Additional Rights, the City shall promptly enter into an amendment to this Agreement to include such Other Additional Rights, provided that the Bank shall maintain the benefit of such Other Additional Rights even if the City fails to provide such amendment. If the City shall amend any such Bank Agreement which contains any Other Additional Rights such that it no longer provides for such Other Additional Rights, then, without the consent of the Bank, this Agreement shall automatically no longer contain such Other Additional Rights and the Bank shall no longer have the benefits of any of such Other Additional Rights. In the event that the City shall enter into or otherwise consent to any Bank Agreement, which Bank Agreement contains any Rating Confirmable Additional Rights, such Rating Confirmable Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Bank shall have the benefits of such Rating Confirmable Additional Rights subject to confirmation by each Rating Agency that the then current ratings on the Certificates supported by this Agreement, including such Rating Confirmable Additional Rights, will not be lowered or withdrawn as a result thereof. Upon entering into or consenting to any Bank Agreement, which Bank Agreement contains any Rating Confirmable Additional Rights, the City shall promptly enter into an amendment to this Agreement to include such Rating Confirmable Additional Rights subject to confirmation by each Rating Agency then rating the Certificates that

the then current ratings on the Certificates supported by this Agreement, including such Rating Confirmable Additional Rights, will not be lowered or withdrawn as a result thereof. If the City shall amend any such Bank Agreement which contains any Rating Confirmable Additional Rights such that it no longer provides for such Rating Confirmable Additional Rights, then, without the consent of the Bank, this Agreement shall automatically no longer contain such Rating Confirmable Additional Rights and the Bank shall no longer have the benefits of any of such Rating Confirmable Additional Rights.

(q) Government Sanctions. The City shall not, directly or indirectly, use the proceeds from purchases of Certificates made hereunder or any other credit provided under this Agreement, or lend, contribute or otherwise make available such proceeds to any subsidiary, joint venture partner or other Person, to fund any activities of or business with any Person, or in any country or territory, that, at the time of such funding, is the subject of Sanctions, or in any manner that will result in a violation by any Person (including any Person participating in the transactions contemplated by this Agreement, whether as underwriter, advisor, investor or otherwise) of Sanctions.

(r) Maintenance of Tax Exempt Status of the Certificates. The City shall not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the Certificates from gross income for purposes of federal income taxation or the exemption of such interest from State income taxes.

(s) Sovereign Immunity. To the fullest extent permitted by law, the City agrees not to assert the defense of sovereign immunity, if available, in any proceeding to enforce any of the obligations of the City hereunder or under any Related Document in any federal or state court of competent jurisdiction.

SECTION 6. CONDITIONS PRECEDENT

6.01 Conditions to Bank's Entering Into Agreement. It shall be a condition precedent to the Bank's entering into this Agreement that all corporate and other proceedings taken in connection with the transactions contemplated hereby and all documents incident thereto including the Related Documents and the Bond Insurance Policy shall be in form and substance satisfactory to the Bank and that the conditions enumerated in this Section 6.01 have been fulfilled to the satisfaction of the Bank. Delivery by the Bank of fully executed signature pages to this Agreement shall constitute acknowledgment and acceptance by the Bank that all such conditions have been met or waived.

(a) Representations. On the Effective Date (and after giving effect to the issuance of the Certificates and the effectiveness hereof), (i) there shall exist no Event of Default or Potential Event of Default or Involuntary Insolvency Event, (ii) all representations and warranties made by the Authority or the City herein or in any of the Related Documents to which it is a party shall be true and correct with the same effect as though such representations and warranties had been made at and as of such time and (iii) each of this Agreement and the Related Documents to which the Authority or the City is a party, as amended (if applicable), is in full force and effect and has not been amended, modified or changed.

(b) Supporting Documents. On or prior to the Effective Date, the Bank shall have received, in form and substance satisfactory to the Bank, the following:

(i) (A) True and complete executed originals of this Agreement, the Fee Letter Agreement, the Custodian Agreement, the First Supplemental Trust Agreement and the Remarketing Agreement, and true and complete certified copies of the other Related Documents, (B) a specimen of the executed Bond Insurance Policy and an executed original of the Endorsement, (C) a copy of the Remarketing Memorandum and (D) a specimen Certificate;

(ii) Certified copies of the resolutions of the Authority authorizing this Agreement, the Fee Letter Agreement, the First Supplemental Trust Agreement, the Remarketing Agreement and the Related Documents to which the Authority is a party and the issuance of the Certificates and approving the distribution of the Remarketing Memorandum, certified on the Effective Date by the Secretary of the Commission of the Authority and certified copies of the Authority's joint exercise of powers agreement, notice of a joint powers agreement filed with the Secretary of State and roster of public agencies filing and acknowledgement from the California Secretary of State;

(iii) Signature and incumbency certificates, dated the Effective Date and in form and substance satisfactory to the Bank, of the signatories of the Authority executing this Agreement, the Fee Letter Agreement, the First Supplemental Trust Agreement and the Remarketing Agreement;

(iv) A certificate of an Authorized Representative of the Authority, dated the Effective Date and Date and in form and substance satisfactory to the Bank, making the representations set forth in Section 6.01(a) with respect to the Authority and covering such other matters as the Bank may reasonably request;

(v) Certified copies of the resolutions of the City authorizing this Agreement, the Fee Letter Agreement, the Custodian Agreement and the Related Documents to which the City is a party, approving the issuance of the Certificates and approving distribution of the Remarketing Memorandum, certified on the Effective Date by the City Clerk of the City;

(vi) Signature and incumbency certificates, dated the Effective Date and in form and substance satisfactory to the Bank, of the signatories of the City executing this Agreement, the Fee Letter Agreement and the Custodian Agreement;

(vii) A certificate of an Authorized Representative of the City, dated the Effective Date and in form and substance satisfactory to the Bank, making the representations set forth in Section 6.01(a) with respect to the City and covering such other matters as the Bank may reasonably request;

(viii) Executed copies of all legal opinions, certificates, reports and other documents rendered or delivered in connection with the issuance of the Certificates, the Remarketing Memorandum, the delivery of this Agreement, the Fee Letter Agreement, the Custodian Agreement and the First Supplemental Trust Agreement and the delivery of the

Related Documents and any other documents which the Bank may reasonably request evidencing that all necessary action (including, without limitation, adoption of resolutions) required to be taken by the Authority and the City in connection with the authorization, execution, issuance, delivery and performance of such documents and any other document required to be delivered by the Authority or the City pursuant to or in connection with this Agreement, the Fee Letter Agreement, the Custodian Agreement, the First Supplemental Trust Agreement, the Remarketing Memorandum or the transactions contemplated hereby or thereby, has been taken;

(ix) Executed legal opinions or reliance letters, as applicable, dated the Effective Date, addressed to the Bank and in form and substance satisfactory to the Bank, (A) of counsel to the Bond Insurer, permitting the Bank to rely on its opinion rendered at the time the Bond Insurance Policy was originally issued, addressing the enforceability of the Endorsement and covering such other matters as the Bank may reasonably request; (B) of counsel to the Authority, to the effect set forth in Section 4.01(a)-(d), inclusive, Section 4.01(k) and covering such other matters as the Bank may reasonably request; (C) of counsel to the City, to the effect set forth in Section 4.02(a)-(d), inclusive, Section 4.02(i) and covering such other matters as the Bank may reasonably request; (D) of counsel to the Trustee, addressing the enforceability of this Agreement, the Custodian Agreement and the Trust Agreement as amended by the First Supplemental Trust Agreement, and covering such matters as the Bank may reasonably request; and (E) of Special Counsel, addressing the enforceability of the Trust Agreement (including as amended by the First Supplemental Trust Agreement) and permitting the Bank to rely on any opinions rendered on the Effective Date;

(x) Satisfactory evidence that the Bank Certificates have been assigned a CUSIP number that is unique and distinct from the CUSIP number assigned to Certificates other than Bank Certificates;

(xi) Satisfactory evidence that either Moody's or S&P has assigned unenhanced long-term and underlying ratings (SPUR) on the Revenue Fund (and on the City's outstanding long-term water revenue bonds) of "AA" (including satisfactory evidence that S&P has assigned unenhanced long-term ratings of "Aa3" by Moody's and "AA" by S&P to the Certificates);

(xii) Signature and incumbency certificates, dated the Effective Date and in form and substance satisfactory to the Bank, of the signatories of the Trustee executing this Agreement, the Custodian Agreement and the First Supplemental Trust Agreement;

(xiii) Evidence that the conditions precedent to the delivery of this Agreement as an Alternate Liquidity Facility under Section 3.11 of the Trust Agreement have been satisfied, including a Favorable Opinion of Special Counsel upon which the Bank is permitted to rely;

(xiv) Except for state "blue sky" laws, true and correct copies of any and all governmental approvals necessary for the City and the Authority to enter into this

Agreement, the Fee Letter Agreement, the Custodian Agreement and the First Supplemental Trust Agreement and the distribution of the Remarketing Memorandum and such approvals necessary at the Effective Date for the transactions contemplated hereby and thereby, or if no governmental approvals are required, a certificate of an Authorized Representative of the City to the effect that no such approvals are necessary;

(xv) Evidence that the City has received all consents and other approvals from creditors necessary for the City to execute, deliver and perform this Agreement, the Fee Letter Agreement, the Custodian Agreement and the Related Documents to which it is a party, to authorize the distribution of the Remarketing Memorandum and to authorize the City to obtain the issuance of this Agreement;

(xvi) Review and approval by the Bank of the City's financial condition;

(xvii) Review and approval of the City's adopted budget for the 2022-2023 fiscal year; and

(xviii) Such further documentation, certificates or opinions as the Bank may reasonably request in connection with the matters arising under this Agreement.

(c) Certain Payments. The Bank shall be reasonably satisfied that payment will be made promptly after demand therefor of the fees and expenses of counsel to the Bank as provided in Sections 2.06(e) and 8.05 hereof and the Fee Letter Agreement.

(d) Ratings. The Bank shall have received satisfactory evidence that the Certificates have been assigned long-term ratings of "A2" by Moody's and "AA" by S&P.

(e) Legal Matters. All other legal matters pertaining to the execution and delivery of this Agreement, the Fee Letter Agreement, the Custodian Agreement, the First Supplemental Trust Agreement, the Remarketing Memorandum and the other Related Documents shall be reasonably satisfactory to the Bank and its counsel.

6.02 Obligation to Purchase. The obligation of the Bank to purchase any of the Certificates hereunder on a Purchase Date is subject to the satisfaction of the following conditions on such date:

(a) No Termination Event. No Termination Event shall have occurred.

(b) No Suspension or Termination. The obligation of the Bank to purchase Certificates hereunder shall not have been suspended or terminated pursuant to Section 7.02(c) hereof.

(c) Notices of Purchase. The Bank shall have received the required Notice of Bank Purchase with respect to such purchase provided for in Section 2.03 hereof.

SECTION 7. EVENTS OF DEFAULT; TERMINATION EVENTS AND REMEDIES

7.01 Events of Default. Each of the following events shall constitute an "Event of Default" hereunder:

(a) any principal or interest due on the Certificates is not paid by the Authority when due and such principal or interest is not paid by the Bond Insurer when, as and in the amounts required to be paid pursuant to the terms of the Bond Insurance Policy; or

(b) a Bond Insurer Event of Insolvency shall have occurred; or

(c) (i) the Bond Insurance Policy, with respect to the payment of principal or interest on the Certificates, at any time for any reason ceases to be valid and binding on the Bond Insurer in accordance with the terms of the Bond Insurance Policy or is declared or ruled to be null and void by a court or other governmental agency of appropriate jurisdiction; or (ii) the Bond Insurer shall (A) in writing to the Trustee claim that the Bond Insurance Policy with respect to the payment of principal or interest on the Certificates is not valid and binding on the Bond Insurer, (B) repudiate in writing the obligations of the Bond Insurer under the Bond Insurance Policy with respect to payment of principal of or interest due on the Certificates, or (C) initiate legal proceedings seeking an adjudication that the Bond Insurance Policy, with respect to the payment of principal or interest on the Certificates, is not valid and binding on the Bond Insurer; or

(d) the Bond Insurer shall default in any payment or payments of amounts payable by it under any insurance policy or policies that insure or support the payment of principal and interest on municipal obligations (other than the Bond Insurance Policy) when due and such default shall continue for a period of thirty (30) days; (it being understood by the Bank that default, for the purposes of this paragraph, shall not mean a situation whereby the Bond Insurer contests in good faith its liability under any such policy or policies in light of the claim or claims made thereunder); or

(e) any material representation or warranty made by the Authority or the City under or in connection with this Agreement or in any Related Document shall prove to be untrue in any material respect on the date as of which it was made; or

(f) any Other Event of Insolvency shall have occurred; or

(g) (i) nonpayment of any fees due to the Bank hereunder pursuant to Section 2.06(a), if such failure to pay when due shall continue for ten (10) Business Days after the City, the Authority and the Bond Insurer have received written notice thereof from the Bank; or (ii) nonpayment of any other amounts payable to the Bank under this Agreement or under any of the Related Documents and such failure is not cured within 20 days after the City, the Authority and the Bond Insurer have received written notice thereof from the Bank; or

(h) the breach by the Authority or the City of any of the terms or provisions of Section 5.01(c)(i) (in respect of proceeds from the purchases of Certificates hereunder), (g), (i), (j), (1), (m), the second sentence of (n), (o) or (q) hereof or 5.02(e), (g), (i), (k) or (p) hereof; or

(i) the Authority shall default in the performance or observance of any other material covenant or agreement contained (or incorporated by reference) in this Agreement and such default shall continue unremedied for a period of thirty (30) days after the Authority has received written notice thereof from the Bank; or

(j) the City shall default in the performance or observance of any other material covenant or agreement contained (or incorporated by reference) in this Agreement and such default shall continue unremedied for a period of thirty (30) days after the City has received written notice thereof from the Bank; or

(k) any provision of this Agreement or any of the Related Documents ceases to be valid and binding against the Authority or the City or shall be declared null and void or the Authority or the City repudiates its obligations under this Agreement or any of the Related Documents or the pledge and assignment pursuant to this Agreement and the Related Documents shall for any reason cease to be fully enforceable with the priority required hereunder and thereunder; or

(l) the occurrence of any "event of default" under any of the Related Documents which is not otherwise described in this Section 7.01, other than the failure of the Bank to provide funds for the purchase of Eligible Certificates when required by the terms and conditions of this Agreement; or

(m) the Trustee ceases to have an effective security interest in the Trust Estate prior to any lien, pledge, assignment or security interest of any creditors of the City or the Authority; or

(n) (i) each of S&P and Moody's shall suspend or withdraw the long-term rating on the Certificates for credit related reasons or shall reduce such rating below BBB- (or its equivalent) in the case of S&P and Baa3 (or its equivalent) in the case of Moody's, or (ii) the long term claims-paying or financial strength rating of the Bond Insurer is lowered below A3 (or its equivalent) and A- (or its equivalent) by each of Moody's, and S&P, respectively; or

(o) the City shall default in any payment of principal of or premium, if any, or interest on any of its Debts in excess of $500,000 and such default shall continue beyond the expiration of the applicable grace period, if any, or the City shall fail to perform any other agreement, term or condition contained in any agreement under which any obligation for the payment of $500,000 or more is created or secured, which shall permit or result in the declaring due and payable of such obligation prior to the date on which it would otherwise have become due and payable; or

(p) a final judgment or order for the payment of money for an uninsured claim in excess of $500,000 shall have been rendered against the City and such judgment or order shall not have been satisfied, stayed or bonded pending appeal within a period of thirty (30) days from the date on which it was first so rendered; or

(q) any cancellation, termination, replacement, amendment, replacement or other modification of the Bond Insurance Policy or substitution of the Bond Insurer occurs without the prior written consent of the Bank; or

(r) the long-term, unenhanced rating of the Revenue Fund shall be withdrawn or suspended or otherwise unavailable for credit-related reasons or reduced below Baa1 (or its equivalent) in the case of Moody's, BBB+ (or its equivalent) in the case of S&P or BBB+ (or its equivalent) in the case of Fitch; provided that in the event of split ratings, the default will be determined by reference to the lowest rating; or

(s) a moratorium shall have been declared with respect to the payment of the debts of the Authority or the City; or

(t) any of the funds or accounts established pursuant to the Trust Agreement or the Contract or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City or the Authority and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within thirty (30) days after its issue or levy; or

(u) an event shall have occurred that in the opinion of the Bank has a material adverse effect on the financial condition, operations or prospects of the City or its ability to perform its obligations under this Agreement or any Related Document.

7.02 Remedies.

(a) In the case of an Event of Default specified in Section 7.01(a), 7.01(b), 7.01(c)(i), 7.01(d), 7.01(n)(i) or 7.01(q) hereof (each, a "Termination Event"), the Available Commitment and the obligation of the Bank to purchase Certificates shall immediately terminate without notice or demand, and thereafter the Bank shall be under no obligation to purchase Certificates. Promptly after the Bank receives written notice of such Termination Event, the Bank shall give written notice of the same to the Trustee, the Authority, the City, the Rating Agencies and the Remarketing Agent; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no way affect the termination of the Available Commitment and of the Bank's obligation to purchase Eligible Certificates pursuant to this Agreement.

(b) Upon the occurrence and during the continuance of an Event of Default specified in Section 7.01(g)(i) or 7.01(n)(ii) hereof, the Bank may terminate the Available Commitment by giving written notice (a "Notice of Termination") to the City, the Trustee, the Remarketing Agent and the Bond Insurer, specifying the date on which at 3:00 p.m. California time the Available Commitment shall terminate (the "Termination Date"), which shall be not less than thirty (30) days from the date of receipt of such notice by the Trustee, and after the Termination Date the Bank shall be under no further obligation to purchase Certificates hereunder other than Certificates which are the subject of the Notice of Bank Purchase delivered by the Trustee in accordance with Section 2.03 hereof and received by the Bank on or prior to the Termination Date.

(c) In the case of (i) the occurrence of an Event of Default of the type specified in Section 7.01(c)(ii) hereof or (ii) the commencement of an involuntary case or other involuntary proceeding seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution with respect to the Bond Insurer or its debts or claims under any bankruptcy, insolvency or other similar law now or hereafter in effect, or seeking the appointment of a trustee, receiver, liquidator, custodian, assignee, sequestrator or other similar official for the Bond Insurer or any substantial part of its property (an "Involuntary Insolvency Event"), the Bank's obligation to purchase Eligible Certificates hereunder shall immediately be suspended without further action on the part of any Person. Upon such a suspension, the Bank shall give written notice thereof to the City, the Trustee, the Remarketing Agent and the Bond Insurer; provided, however, that the failure

of the Bank to give such notice shall not affect the validity of such suspension. The obligation of the Bank to purchase Eligible Certificates shall be suspended until either (x) the Bank delivers a written notice to the Trustee rescinding the automatic suspension of its obligation to purchase Eligible Certificates under this Agreement (a "Rescission Notice") or, (y)(1) in the case of a suspension event of the type described in Section 7.01(c)(ii) hereof, a final non-appealable order of a court having jurisdiction in the premises shall be entered declaring that all material contested provisions of the Bond Insurance Policy are upheld in their entirety or (2) in the case of an Involuntary Insolvency Event, a court having jurisdiction in the premises shall dismiss or stay such involuntary case, proceeding or appointment within 60 days. In the event a final non-appealable order is entered declaring any material provision of the Bond Insurance Policy to be null and void, or declaring that the Bond Insurer does not have any further liability or obligation under the Bond Insurance Policy or in the event an Involuntary Insolvency Event is not dismissed or stayed within 60 days by a court having jurisdiction in the premises, then the obligation of the Bank to purchase Eligible Certificates shall immediately terminate without any further action by any Person. In the event a final non-appealable order is entered declaring that all material contested provisions of the Bond Insurance Policy are upheld in their entirety or in the event a court having jurisdiction in the premises shall dismiss or stay any Involuntary Insolvency Event within 60 days, the obligation of the Bank to purchase Eligible Certificates shall be automatically reinstated and the terms of this Agreement will continue in full force and effect (unless the Bank Purchase Period shall have otherwise expired or terminated) as if there had been no such suspension. Notwithstanding the foregoing, if the Bank has not delivered a Rescission Notice to the Trustee and if, upon the earlier of (a) the last day of the Bank Purchase Period or (b)(i) in the case of the occurrence of an Event of Default of the type described in Section 7.01(c)(ii) hereof, the date which is three years after the effective date of suspension of the obligation of the Bank to purchase Eligible Certificates, litigation is still pending and a judgment regarding the validity of the Bond Insurance Policy has not been obtained or (ii) in the case of the occurrence of an Involuntary Insolvency Event, the date which is 60 days after the commencement of the involuntary case, proceeding or appointment, such involuntary case, proceeding or appointment has not been dismissed or stayed, then the Available Commitment and the obligation of the Bank to purchase Eligible Certificates shall at such time terminate without notice or demand and thereafter the Bank shall be under no further obligation to purchase Eligible Certificates.

(d) In addition to the rights and remedies set forth in Section 7.02(a), (b) and (c) hereof, in the case of any Event of Default, upon the election of the Bank: (i) all amounts payable hereunder (other than payments of principal and interest on Bank Certificates) shall upon notice to the City become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the Authority and the City, and (ii) the Bank shall have all the rights and remedies available to it under this Agreement, the Related Documents or otherwise pursuant to law or equity other than acceleration of the Certificates or termination of its obligation to purchase Certificates.

SECTION 8. MISCELLANEOUS

8.01 Other Matters.

(a) No failure or delay on the part of the Bank in exercising any right, power or privilege hereunder and no course of dealing shall operate as a waiver thereof; nor shall any single

or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies that the Bank would otherwise have. No notice to or demand on the Authority, the City or any other party hereto in any case shall entitle the Authority, the City or such other party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Bank to any other or further action in any circumstances without notice or demand.

(b) No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto; provided that the provisions of Sections 2.06, 2.07, 2.08, 3.01, 6.02, 7, 8.01(b) and 8.07 and the following defined terms: Available Commitment, Available Interest Commitment, Available Principal Commitment, Bank Purchase Period, Bank Rate, Bond Insurer Event of Insolvency and Maximum Interest Rate may be changed, waived, discharged or terminated by instruments in writing signed by the parties hereto with the consent of the Bond Insurer. The City shall give notice to Moody's, S&P and Fitch of any amendments to this Agreement.

(c) This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that neither the Authority nor the City may assign or transfer any of its rights or obligations hereunder without the prior written consent of the Bank. The Bank shall have the right at any time to sell or assign all or part of its rights (but not its obligations) hereunder, under the Related Documents and/or in and to Bank Certificates owned by the Bank to any commercial bank or institutional investor (herein, the "Bank Assignees") without the consent of or notice to the Authority or the City; provided, however, that no such sale or assignment shall relieve the Bank from any of its obligations under this Agreement (including its obligation to purchase Eligible Certificates in accordance with the terms of this Agreement) and the Authority, the City, the Trustee and the Remarketing Agent may deal exclusively with the Bank for all purposes of this Agreement. The Bank shall also have the right at any time to grant or sell participation interests in all or part of its rights and obligations hereunder, under the Related Documents and/or in and to Bank Certificates owned by the Bank to any Person (herein, the "Participants") without the consent of or notice to the Authority or the City; provided that no participation shall relieve the Bank from any of its obligations under this Agreement (including its obligation to purchase Eligible Certificates in accordance with the terms of this Agreement with its own funds). If participation is sold or the loan is assigned, the purchaser will have the benefit of Sections 2.07, 3.02(b), 8.05 and 8.06 hereof. The Bank may disclose to any Bank Assignees, prospective Bank Assignees, participants or prospective participants any information or other data or material in the Bank's possession relating to this Agreement, any Related Document, the Bond Insurer, the City and the Authority, without the consent of or notice to the Bond Insurer, the City or the Authority. If the Bank seeks to assign its obligations to any Bank Assignee and such assignment would relieve the Bank of its obligation to purchase any portion of Eligible Certificates pursuant to this Agreement with its own funds, the Bank shall obtain prior written confirmation from the rating agencies that the rating on the Certificates will not be lowered or withdrawn as a result of such assignment. The Bank may collaterally assign and pledge all or any portion of the obligations owing to it hereunder or under the other Related Documents to any Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, provided that any payment in respect of

such assigned obligations made by the Authority or the City to the Bank in accordance with the terms of this Agreement shall satisfy the obligations of the Authority or the City, respectively, hereunder in respect of such assigned obligation to the extent of such payment.

8.02 Governing Law. This Agreement shall be governed by, and construed in accordance with, the laws of the State of California.

8.03 Severability. If any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable to any extent whatever.

8.04 Counterparts. This Agreement may be simultaneously executed in several counterparts, each of which shall be deemed an original and all of which shall constitute but one and the same instrument. This Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by attaching a pdf copy to an email, and any printed or copied version of any signature page so delivered shall have the same force and effect as an originally signed version of such signature page.

8.05 Expenses. The City shall pay counsel to the Bank fees and expenses and shall reimburse counsel to the Bank for its reasonable out-of-pocket expenses, in each case, in connection with the negotiation, execution and delivery of this Agreement and the Related Documents. The City shall also pay on demand (a) all reasonable out-of-pocket expenses of the Bank, including reasonable fees and expenses of counsel retained by the Bank in connection with any waiver or consent hereunder, under the Certificates or under any Related Documents or any amendment hereof or thereof and (b) all costs and expenses incurred by the Bank (including fees and expenses of counsel and other experts retained by the Bank) in connection with the enforcement, attempted enforcement or preservation of any rights or remedies under this Agreement, the Related Documents and any other documents delivered hereunder or thereunder, whether or not suit is filed and whether or not a Potential Event of Default or an Event of Default or an Involuntary Insolvency Event exists (including all such costs and expenses incurred during any "workout" or restructuring in respect of this Agreement, the Bond Insurance Policy or the Certificates and during any legal proceeding, including any proceeding under any debtor relief law).

8.06 Indemnification.

(a) To the extent permitted by law, the City agrees to indemnify and hold harmless the Bank, each Bank Assignee, each Participant and each of their respective officers, directors, employees and their agents (each, an "Indemnitee") from and against any and all claims, damages, penalties, actions, losses, liabilities, judgments, suits and reasonable costs or expenses (including, without limitation, reasonable attorneys' fees and expenses) whatsoever which an Indemnitee may incur (or which may be claimed against an Indemnitee by any person or entity whatsoever) by reason of or in connection with (i) the offering, sale, remarketing or resale of the Certificates (including, without limitation, by reason of any untrue statement or alleged untrue statement of any material fact contained or incorporated by reference in this Agreement, the Related Documents or the Remarketing Memorandum (other than in connection with the description of the Bank therein and any other information provided by the Bank for inclusion therein), or in any supplement

or amendment thereof, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances in which they are or were made, not misleading); (ii) the validity, sufficiency or genuineness of this Agreement (other than a failure thereof resulting from any invalidity on the part of the Bank), the Related Documents or the Remarketing Memorandum; or (iii) the execution and delivery of this Agreement (other than by the Bank), or the making or the failure to make purchases of Certificates under this Agreement; provided that the City shall not be required to indemnify any Indemnitee for any losses, claims, damages, liabilities, costs and expenses to the extent, that there has been a final, nonappealable determination by a court of competent jurisdiction that such losses, claims, damages, liabilities, costs and expenses were caused by the willful misconduct or gross negligence of such Indemnitee.

(b) To the extent permitted by law, the City agrees to indemnify and hold each Indemnitee harmless (on a net after-tax basis) from any present or future claim or liability for stamp, transfer, documentary, excise or other similar tax and any penalties or interest with respect thereto, which may be assessed, levied or collected by any jurisdiction in connection with the execution, delivery and performance of, or any payment made under, this Agreement, the Certificates and the other Related Documents, or any amendment thereto.

8.07 Term of the Agreement. The obligation of the Bank to purchase Certificates under this Agreement shall terminate on the last day of the Bank Purchase Period (as it may be extended pursuant to Section 8.15 hereof). Except for the City's obligations to indemnify the Bank and each Indemnitee as provided in Section 8.06 and except as provided in Section 8.12, this Agreement shall terminate when (a) the Bank Purchase Period (as it may be extended pursuant to Section 8.15 hereof) shall have expired or terminated and (b) the principal of and interest on all Certificates purchased by the Bank hereunder and all other amounts owing to the Bank hereunder shall have been paid in full.

8.08 Enforcement by Trustee; Third Party Beneficiaries. The Bank agrees that the Trustee may enforce the provisions of this Agreement on behalf of the Certificateholders against the Bank. The Bank further agrees that if any provision of this Agreement shall be held or deemed to be or shall in fact be illegal, inoperative or unenforceable, as between the Bank and the City and the Authority, the same shall not affect any other provisions herein contained or render the same invalid, inoperative or unenforceable as between the Bank and the Trustee, nor shall the same affect the Bank's rights and remedies hereunder, including, under certain circumstances, causing the mandatory tender of Certificates or terminating the obligation of the Bank to purchase Certificates as expressly provided herein. The Trustee and the Bond Insurer are each hereby made an express third party beneficiary.

8.09 Notice. Any notice, demand, direction, request or other instrument authorized or required by this Agreement to be given to or filed with the Authority, the City, the Remarketing Agent, the Trustee, the Bank or the Bond Insurer, shall be deemed or have been sufficiently given or filed for all purposes, if any, when delivered by hand or when sent by registered mail, return receipt requested, postage prepaid, and if given by telecopy or telegraphic means shall be deemed given when transmitted (receipt confirmed):

If to the Authority:

Modesto Public Financing Authority
c/o City of Modesto
City Hall
1010 Tenth Street, Suite 5200
Modesto, California 95354
Attention: Director of Finance;

If to the City:

City of Modesto
City Hall
1010 Tenth Street, Suite 5200
Modesto, California 95354
Attention: Director of Finance

If to the Bank:

To the addresses set forth in the Fee Letter Agreement.

If to the Bond Insurer:

Assured Guaranty Corp.
1633 Broadway
New York, New York 10019
Attention: Managing Director – Municipal Surveillance
Re: Policy No. 2008-461
Email: munidisclosure@agltd.com

If to the Remarketing Agent:

To the address for notices set forth in the Remarketing Agreement.

If to the Trustee or any Rating Agency:

To the address for notices set forth in the Trust Agreement.

8.10 Obligations Absolute. The obligations of the Authority and the City under this Agreement shall be primary, absolute, independent, unconditional and irrevocable, and shall be paid and performed strictly in accordance with the terms of this Agreement, under all circumstances whatsoever, including, without limitation, the following circumstances:

(a) Any lack of validity or enforceability of this Agreement or the Related Documents;

(b) Any amendment or waiver of or any consent to or departure from all or any of the Related Documents or this Agreement;

(c) Any exchange, release or non-perfection of any collateral or any release or amendment or waiver of or consent to departure from any guaranty and insurance documents;

(d) The existence of any claim, set-off, defense, or other right which the Authority or the City may have at any time against the Authority, the City, the Trustee, the Remarketing Agent, the Bond Insurer, the Bank (other than the defense of the payment to the Bank in accordance with the terms of this Agreement) or any other person or entity, whether in connection with this Agreement, the Related Documents or any unrelated transactions;

(e) Any certificate, notice or any other document presented under this Agreement proving to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever; or

(f) Any other circumstances or happening whatsoever, whether or not similar to any of the foregoing.

Notwithstanding the foregoing, all liability of the City under this Agreement shall be limited obligations of the City payable solely from Gross Revenues on a parity with other Parity Obligations.

8.11 Holidays. Except as otherwise provided herein, whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

8.12 Survival. All representations, warranties, covenants and agreements of the Authority and the City contained in this Agreement as amended or supplemented from time to time or made in writing in connection herewith shall survive the execution and delivery hereof and the purchase of Certificates by the Bank hereunder and shall continue in full force and effect until payment in full of all the obligations of the Authority and the City hereunder, it being understood that the agreements, obligations and liabilities of the City found in Sections 2.06, 2.07, 3.02(b), 8.05 and 8.06 hereof shall survive the termination of this Agreement, the Fee Letter Agreement and the Contract and the Authority's and the City's obligations hereunder and thereunder and the payment in full of all 2008 Payments and Additional Payments.

8.13 Liability of the Bank. The Authority and the City agree that none of the Bank, its officers, directors, employees and their agents shall have any liability or responsibility for the acts or omissions of either the Trustee or the Remarketing Agent in respect of its use of this Agreement or any amounts made available by the Bank hereunder. The Bank, its officers, directors, employees and their agents shall have no responsibility for, nor incur any liability in respect of, any act, or any failure to act, by the Trustee or the Remarketing Agent which results in the failure of the Trustee to effect the purchase of Eligible Certificates for the account of the Bank with funds provided by the Bank pursuant to Section 2.03 hereof or to comply with the applicable provisions of the Trust Agreement. Neither the Bank nor any of its officers or directors shall be liable or responsible for: (a) the use which may be made of this Agreement or any amounts made available by the Bank hereunder or for any acts or omissions of the Trustee or the Remarketing Agent in

connection therewith; (b) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respect invalid, insufficient, fraudulent or forged; or (c) any other circumstances whatsoever in making or failing to make payment under this Agreement, other than, in the case of the Bank, other than any direct, as opposed to consequential, special, punitive, exemplary or indirect damages suffered by the Authority or the City which the Authority and the City proves were caused by the Bank's gross negligence or willful failure to purchase Eligible Certificates when required under the terms and conditions of this Agreement.

8.14 Bank Information. The Bank hereby consents to the use of the information concerning the Bank and this Agreement contained in the Remarketing Memorandum under the caption "STANDBY PURCHASE AGREEMENT- The Bank." The Bank shall, upon the written request, provide the Authority with the Bank's most recent disclosure information for inclusion in official statements.

8.15 Extension of Bank Purchase Period. Upon the City's written request in the form attached hereto as Exhibit C (a "Request for Extension") and the Bank's agreement thereto, the then current Stated Expiration Date may be extended to a later date (the period from the then current Stated Expiration Date to such new Stated Expiration Date is hereinafter referred to as the "Extended Bank Purchase Period"). The City may submit no more than one Request for Extension for a minimum of one year and a maximum of three years. The City shall not submit a Request for Extension any earlier than the 120th day, or any later than the 90th day, prior to the then current Stated Expiration Date. The Bank has no obligation to agree to any Request for Extension. If the Bank, in its sole discretion, agrees to a Request for Extension, the Bank shall promptly give written notice of the election to extend to the City (with a copy to the Trustee, the Remarketing Agent and the Bond Insurer); provided, however, that if the Bank fails for any reason or no reason to give such written notice within 60 days of its receipt of a Request for Extension, the Bank shall be deemed to have denied such Request for Extension. At the time of any extension, the Bank may, in its sole discretion, renegotiate terms and conditions of this Agreement, including the duration of the extended term, the commitment fees and the Bank Rate. Any extension shall not become effective unless the Bond Insurer shall have consented thereto; provided, however, that in no event shall the Bond Insurer's consent be required (i) if the Bond Insurer is in default under the Bond Insurance Policy or (ii) for any change in the rate upon which the commitment fee described in Section 2.06 is calculated.

8.16 One Agreement. This Agreement, the Fee Letter Agreement and the Related Documents, collectively:

(a) represent the sum of the understandings and agreements among the Authority, the City, the Trustee and the Bank concerning the subject matter hereof;

(b) replace any prior oral or written agreements between or among the Bank and the Authority, the City and/or the Trustee concerning the subject matter hereof; and

(c) are intended by the Authority, the City, the Trustee and the Bank as the final, complete and exclusive statement of the terms agreed to by them concerning the subject matter hereof.

In the event of any conflict between this Agreement and the Fee Letter Agreement and any other Related Documents, this Agreement and the Fee Letter Agreement will prevail.

8.17 Headings. Article and paragraph headings are for reference only and shall not affect the interpretation or meaning of any provisions of this Agreement.

8.18 Set-Off. Upon the occurrence and during the continuance of any Event of Default the Bank and each of its affiliates are hereby authorized at any time and from time to time, without notice to the Authority or the City (any such notice being expressly waived by the Authority and the City) and to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisions or final) at any time held and other indebtedness at any time owing by the Bank or any of its affiliates, except in connection with the Bank's obligation to purchase Eligible Certificates under this Agreement as herein provided, to or for the credit or the account of the Authority or the City against any and all of the obligations of the Authority and the City now or hereafter existing under this Agreement, irrespective of whether or not the Bank shall have made any demand hereunder and although such obligations may not have matured. The rights of the Bank and each of its affiliates under this Section are in addition to other rights and remedies which the Bank and each of its affiliates may have including, without limitation, other rights of set-off. For such purpose, the Bank and each of its affiliates shall have, and the Authority and the City each hereby grants to the Bank and each of its affiliates, a first lien on and security interest in such deposits or indebtedness held or maintained by the Bank or any of its affiliates and the proceeds thereof.

8.19 Waiver of Suretyship. The Authority, City and the Bank intend that the obligations of the Authority and the City under this Agreement constitute direct obligations of the Authority and the City, respectively, and not obligations in the nature of a guaranty or a surety. Nevertheless, should it ever be deemed that the Authority's or the City's obligations hereunder are in the nature of a guarantor or surety, then the Authority and the City expressly waive any and all rights of subrogation, reimbursement, indemnification and contribution and any other rights and defenses under applicable suretyship or similar laws now or hereafter in effect, including without limitation Sections 2787 to 2855, inclusive, 2899 and 3433 of the California Civil Code. The Authority and the City, respectively, agree that the Bank may enforce this Agreement without the necessity of resorting to or exhausting any security or collateral, and the Authority and the City waive the right to require the Bank to proceed against the other co-obligor to exercise any right or remedy under this Agreement or to pursue any other remedy, or to enforce any other right.

Further, should it ever be deemed that the Authority's or the City's obligations hereunder are in the nature of a guarantor or surety and the Authority's or the City's obligations hereunder are secured by real property, then each of the Authority and the City, respectively, waives all rights and defenses that it may have because the other co-obligor's Obligations hereunder are secured by real property. This means, among other things: (1) the Bank may collect from either the Authority or the City without first foreclosing on any real or personal property collateral pledged by the other co-obligor; (2) if the Bank forecloses on any real property collateral pledged by the other co-obligor, (A) the amount of the obligation may be reduced only by the price for which that collateral is sold at the foreclosure sale, even if the collateral is worth more than the sale price and (B) the Bank may collect from the Authority or the City even if the Bank, by foreclosing on the real property collateral, has destroyed any right the Authority or the City, as applicable, may have to

collect from the other co-obligor. This is an unconditional and irrevocable waiver of any rights and defenses the Authority or the City may have because the other co-obligor's Obligations hereunder are secured by real property. These rights and defenses include, but are not limited to, any rights or defenses based upon Section 580a, 580b, 580d, or 726 of the Code of Civil Procedure. In addition, each of the Authority and the City, respectively, waives all rights and defenses arising out of an election of remedies by the Bank, even though that election of remedies, such as a nonjudicial foreclosure with respect to security for a guaranteed obligation, has destroyed the Authority's or the City's, as applicable, rights of subrogation and reimbursement against the principal by the operation of Section 580d of the Code of Civil Procedure or otherwise.

8.20 Waiver of Jury Trial; Judicial Reference.

(a) TO THE FULL EXTENT PERMITTED BY LAW, THE AUTHORITY AND THE CITY EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, ANY RELATED DOCUMENT OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY OR IN ANY ACTION, PROCEEDING OR OTHER LITIGATION OF ANY TYPE BROUGHT BY THE AUTHORITY OR THE CITY AGAINST THE BANK OR ANY BANK-RELATED PERSON, PARTICIPANT OR ASSIGNEE, WHETHER WITH RESPECT TO CONTRACT CLAIMS, TORT CLAIMS, OR OTHERWISE. EACH OF THE AUTHORITY AND THE CITY FURTHER AGREES, TO THE FULLEST EXTENT PERMITTED BY LAW, THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT JURY. WITHOUT LIMITING THE FOREGOING, TO THE EXTENT PERMITTED BY LAW, EACH OF THE AUTHORITY AND THE CITY FURTHER AGREES THAT ITS RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, ANY RELATED DOCUMENT OR ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT, ANY RELATED DOCUMENT AND ANY OTHER DOCUMENTS DELIVERED IN CONNECTION THEREWITH.

(b) In the event the waiver of jury trial as set forth in subsection (a) of this Section shall be declared void or unenforceable, each of the Authority and the City agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure.

8.21 Concerning the Trustee. The Trustee is executing this Agreement solely in its capacity as Trustee under the Trust Agreement and shall have all of the rights, indemnities and protections hereunder as afforded to it as Trustee under the Trust Agreement.

8.22 No Advisory or Fiduciary Relationship. The Authority and the City each acknowledges and agrees that: (i) the transaction contemplated by this Agreement is an arm's length, commercial transaction among the Authority, the City and the Bank in which the Bank is

acting solely as a principal and is not acting as a municipal advisor, financial advisor or fiduciary to the Authority or the City; (ii) the Bank has not assumed any advisory or fiduciary responsibility to the Authority or the City with respect to the transaction contemplated hereby and the discussions, undertakings and procedures leading thereto (irrespective of whether the Bank has provided other services or is currently providing other services to the Authority or the City on other matters); (iii) the only obligations the Bank has to the Authority or the City with respect to the transaction contemplated hereby expressly are set forth in this Agreement; and (iv) the Authority and the City each has consulted its own legal, accounting, tax, financial and other advisors, as applicable, to the extent it has deemed appropriate.

8.23 Redaction. In the event on or subsequent to the Effective Date the City or the Authority delivers or causes to be delivered to the Remarketing Agent for delivery to the Municipal Securities Rulemaking Board, or directly to the Municipal Securities Rulemaking Board, in either instance pursuant to Rule G-34 ("CUSIP Numbers, New Issue, and Market Information Requirements"), a copy of this Agreement (including without limitation any amendments hereto or thereto), the City and the Authority shall only provide or cause to be provided a copy of this Agreement (including without limitation any amendments hereto or thereto), in the form provided by the Bank, that redacts such confidential information contained in this Agreement (including without limitation any amendments hereto) which could be used in a fraudulent manner, such as any VRDO liquidity bank routing or account numbers, staff names and contact information and fees assessed by the Bank, which redaction is consistent with MSRB Notice 2011-17 (February 23, 2011) and the City and the Authority shall not provide or cause to be provided a copy of the Fee Letter Agreement. The Bank shall provide such redacted copy of this Agreement (including without limitation any amendments hereto) upon request by the City or the Authority. The City and the Authority shall cause the Remarketing Agent to deliver only such redacted copy of this Agreement (including without limitation any amendments hereto), in the form provided by the Bank, and shall not permit delivery of a copy of the Fee Letter Agreement, to the Municipal Securities Rulemaking Board pursuant to said Rule G-34.

[The remainder of this page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto, by their officers thereunto duly authorized, have executed and delivered this Agreement, effective as of the day and year first above written.

MODESTO PUBLIC FINANCING AUTHORITY

By:_____
Name: DeAnna Christensen
Title: Auditor and Treasurer

CITY OF MODESTO

By:_____
Name: DeAnna Christensen
Title: Finance Director/Treasurer

Attest:

By:_____
Name: Diane Navares-Perez
Title: City Clerk

Approved as to Form:

By:_____
Name: _____
Title:_____

Federal law requires the Bank to provide the following notice. This notice is not part of the foregoing agreement or instrument and may not be altered. Please read the notice carefully.

USA PATRIOT ACT NOTICE. Federal law requires all financial institutions to obtain, verify and record information that identifies each Person who opens an account or obtains a loan. The Bank will ask for the Authority's and the City's legal name, address, tax ID number or social security number and other identifying information. The Bank may also ask for additional information or documentation or take other actions reasonably necessary to verify the identity of the Authority, the City, guarantors or other related Persons.

[Signatures continue on the next page]

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

By:_____
Name: _____
Title:_____

[Signatures continue on the next page]

BMO HARRIS BANK N.A.

By:_____
Name: Edward C. Neu
Title: Managing Director

EXHIBIT A

FORM OF NOTICE OF BANK PURCHASE
(LIQUIDITY PURCHASE)

BMO Harris Bank N.A.
180 Montgomery Street
San Francisco, California 94104
Attention: Ted Neu
Telephone: (415) 765-4938
Email: ted.neu@bankofthewest.com

BMO Harris Bank N.A.
500 Capitol Mall, Suite 1200
Sacramento, CA 95814
Attention: Andrea M. Williams
Telephone: (916) 552-4351
Email: andrea.williams@bankofthewest.com

Re: City of Modesto Financing Authority Water Revenue Certificates of Participation, 2008 Series A

The undersigned, a duly authorized officer of The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), hereby certifies to BMO Harris Bank N.A. (the "Bank"), in accordance with the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (as amended, modified and supplemented through the date hereof, the "Standby Certificate Purchase Agreement"), among the City of Modesto Financing Authority, the City of Modesto, The Bank of New York Mellon Trust Company, N.A., as successor trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Certificate Purchase Agreement), that:

1. Eligible Certificates have been tendered for purchase pursuant to Section 3.01 of the Trust Agreement. As provided in Section 2.08 of the Trust Agreement, the Trustee may deem and treat the registered owner of any Eligible Certificates as the absolute owner of such Eligible Certificates.

2. Insufficient moneys are available for such purchase pursuant to Section 3.03(b) of the Trust Agreement.

3. [(a)] The total principal amount of the Eligible Certificates referred to above is $[_____], which amount does not exceed the Available Principal Commitment.

[(b)] Accrued but unpaid interest on such Eligible Certificates (other than Defaulted Interest), computed in accordance with the terms of the Certificates and the Trust Agreement, as of the date of delivery hereof to the Bank is $[_____], which amount does not exceed the Available Interest Commitment.][1]

4. The Eligible Certificates referred to above are being delivered to the Bank for purchase pursuant to the Standby Certificate Purchase Agreement on the date hereof

[1] If the Certificates are to be purchased on an Interest Payment Date, this amount will exclude the interest payable on such date. If exclusion results in no interest, delete (b).

for an aggregate purchase price of $[_____],[2] which amount does not exceed the Available Commitment.

5. Upon completion of purchase, the Trustee will cause the Certificate to be assigned the separate CUSIP number for Bank Certificates and made eligible for book-entry with DTC and to register such Certificates for the benefit of the Bank in accordance with the procedures of DTC in effect as such time, or, if the Certificates are then certificated, to register the Certificate in the name of the Bank, or if a Certificate is not delivered and the Certificates are not in book-entry form, to issue a new Certificate in replacement of the undelivered Certificate, in the name of the Bank or if directed in writing by the Bank its nominee or designee on the Certificate register, and the Trustee will hold such Certificates (or new Certificates) in accordance with the terms of the Custodian Agreement.

6. The Purchase Date is [_____], and the wire instructions for payment of the Purchase Price are as follows: [insert payment instructions.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the [____] day of [_____], [____].

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

By:_____
Title:_____

[2] Insert the sum of principal and accrued interest shown in paragraphs 3(a) and (b).

EXHIBIT B

FORM OF NOTICE OF BANK PURCHASE
(MANDATORY PURCHASE)

BMO Harris Bank N.A.
180 Montgomery Street
San Francisco, California 94104
Attention: Ted Neu
Telephone: (415) 765-4938
Email: ted.neu@bankofthewest.com

BMO Harris Bank N.A.
500 Capitol Mall, Suite 1200
Sacramento, CA 95814
Attention: Andrea M. Williams
Telephone: (916) 552-4351
Email: andrea.williams@bankofthewest.com

Re: City of Modesto Financing Authority Water Revenue Certificates of Participation, 2008 Series A

The undersigned, a duly authorized officer of The Bank of New York Mellon Trust Company, N.A., as Trustee (the "Trustee"), hereby certifies to BMO Harris Bank N.A. (the "Bank"), in accordance with the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (as amended, modified and supplemented through the date hereof, the "Standby Certificate Purchase Agreement"), among the City of Modesto Financing Authority, the City of Modesto, The Bank of New York Mellon Trust Company, N.A., as successor trustee and the Bank (all capitalized terms herein having the meanings ascribed thereto in the Standby Certificate Purchase Agreement), that:

1. Eligible Certificates have been tendered or deemed tendered for mandatory purchase as described in subsections (iii), (iv), (v), (vi) or (vii) of the definition of "Mandatory Purchase Date" in the Trust Agreement pursuant to Section 3.02 of the Trust Agreement. As provided in Section 2.08 of the Trust Agreement, the Trustee may deem and treat the registered owner of any Eligible Certificates as the absolute owner of such Eligible Certificates.

2. Insufficient moneys from remarketing proceeds are available for such purchase pursuant to Section 3.04 of the Trust Agreement.

3. [(a)] The total principal amount of the Eligible Certificates referred to above is $[_____], which amount does not exceed the Available Principal Commitment.

[(b)] Accrued but unpaid interest on such Eligible Certificates (other than Defaulted Interest), computed in accordance with the terms of the Certificates and the Trust Agreement, as of the date of delivery hereof to the Bank is $[_____][3], which amount does not exceed the Available Commitment.

4. The Eligible Certificates referred to above are being delivered to the Bank for purchase pursuant to the Standby Certificate Purchase Agreement on the date hereof

[3] If the Certificates are to be purchased on an Interest Payment Date, this amount will exclude the interest payable on such date. If exclusion results in no interest, delete (b).

for an aggregate purchase price of $[_____][4], which amount does not exceed the Available Commitment.

5. Upon completion of purchase, the Trustee will cause the Certificate to be assigned the separate CUSIP number for Bank Certificates and made eligible for book-entry with DTC and to register such Certificates for the benefit of the Bank in accordance with the procedures of DTC in effect as such time, or, if the Certificates are then certificated, to register the Certificate in the name of the Bank, or if a Certificate is not delivered and the Certificates are not in book-entry form, to issue a new Certificate in replacement of the undelivered Certificate, in the name of the Bank or if directed in writing by the Bank its nominee or designee on the Certificate register, and the Trustee will hold such Certificates (or new Certificates) in accordance with the terms of the Custodian Agreement.

6. The Purchase Date is [_____], and the wire instructions for payment of the Purchase Price are as follows: [insert payment instructions.]

IN WITNESS WHEREOF, the Trustee has executed and delivered this Notice of Bank Purchase as of the [_____] day of [_____], [_____].

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

By: _____
Title: _____

[4] Insert the sum of principal and accrued interest shown in paragraphs 3(a) and (b).

EXHIBIT C

FORM OF REQUEST FOR EXTENSION

[Date]

BMO Harris Bank N.A.
180 Montgomery Street
San Francisco, California 94104
Attention: Ted Neu
Telephone: (415) 765-4938
Email: ted.neu@bankofthewest.com

Ladies and Gentlemen:

Reference is made to the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (as amended, modified and supplemented through the date hereof, the "Agreement"), among the Modesto Public Financing Authority, the City of Modesto, The Bank of New York Mellon Trust Company, N.A., as successor trustee and BMO Harris Bank N.A. Capitalized terms not otherwise defined herein have the meanings set forth in the Agreement.

The City hereby requests, pursuant to Section 8.15 of the Agreement, that the Stated Expiration Date with respect to the Agreement as of the date hereof be extended by [_____] to [_____].

The City hereby certifies that, as of the date hereof:

1. The outstanding principal amount of the Certificates is $[_____].

2. [Except as described below,] [N]o Potential Event of Default or Event of Default has occurred and is continuing.

3. [Except as described below,] [T]he representations and warranties of the Authority and the City as set forth in Section 4 of the Agreement are true and correct as though made on the date hereof.

If you agree to extend the Stated Expiration Date, you are required to provide written notice thereof to the City (with a copy to the Trustee, the Remarketing Agent and the Certificate Insurer).

If you fail to notify the City of your decision within 30 days, you shall be deemed to have rejected such request.

Very truly yours,

By: _____
Title: _____

EXHIBIT D

FORM OF CUSTODIAN AGREEMENT

CUSTODIAN AGREEMENT, dated as of June 1, 2023 (as the same may be amended, modified and supplemented from time to time, this "Agreement"), BMO HARRIS BANK N.A. (the "Bank"), CITY OF MODESTO (the "City") and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A. (the "Custodian"), as custodian for the Bank.

WITNESSETH:

WHEREAS, the Bank has entered into that certain Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"; all terms capitalized herein and not defined herein shall have the meaning ascribed to them in the Standby Certificate Purchase Agreement), among the Bank, the City, The Bank of New York Mellon Trust Company, N.A., as successor trustee and the Modesto Public Financing Authority (the "Authority");

WHEREAS, pursuant to the terms of the Standby Certificate Purchase Agreement the Bank has agreed to purchase from time to time Eligible Certificates tendered or deemed tendered for purchase in accordance with the terms of the Trust Agreement;

WHEREAS, it is a condition precedent, among others, to the effectiveness of the Standby Certificate Purchase Agreement that the City and Custodian shall have executed and delivered this Agreement.

NOW, THEREFORE, in consideration of the foregoing premises, the terms and conditions of this Agreement, and other good and valuable consideration, the parties hereto do hereby agree as follows:

1. Appointment and Acceptance.

(a) The Bank hereby appoints The Bank of New York Mellon Trust Company, N.A. to act as agent, bailee and custodian ("Custodian") for the exclusive benefit of the Bank with respect to Bank Certificates. The Bank of New York Mellon Trust Company, N.A. hereby accepts such appointment and agrees to maintain and hold all Bank Certificates at any time delivered to it as agent, bailee or custodian for the exclusive benefit of the Bank in accordance with the terms of this Agreement.

(b) The Custodian acknowledges and agrees that it is acting and will act with respect to Bank Certificates at the direction of the Bank for the exclusive benefit of the Bank and is not and shall not at any time be subject in any manner or to any extent to the direction or control of the City or the Authority with respect to such Bank Certificates. The Custodian agrees to act in strict accordance with this Agreement and in accordance with any lawful written instructions from the Bank delivered to the Custodian from time to time pursuant hereto. Under no circumstances shall the Custodian deliver possession of the Bank Certificates to, or cause Bank Certificates to be registered in the name of, the City, the Authority, the Remarketing Agent or any Person other than

the Bank except in accordance with the express terms of this Agreement or otherwise upon the written instructions of the Bank.

The Custodian acknowledges that it is familiar with the procedures set forth in a notice from DTC, dated April 4, 2008, respecting "Variable Rate Demand Obligations ("VDRO") Failed Remarketings and Issuance of Bank Certificates", as amended by DTC Notice number B3488-08, dated May 15, 2008, as further amended by DTC Notice number B13531-20, dated June 16, 2020 (as amended, the "DTC April 4 Notice") which, as of the date hereof, must be followed in the event that any of the Certificates that are tendered for purchase become Bank Certificates. The Custodian agrees that, if any of the Certificates become Bank Certificates and if the DTC April 4 Notice is in effect at such time, at the expense of the City, it will follow the DTC procedures set forth in the DTC April 4 Notice, as the same may be amended from time to time, including the withdrawal from DTC of any Certificates that have become Bank Certificates and the simultaneous deposit with DTC of the Bank Certificates, as identified by new CUSIP numbers, to be held in the DTC accounts of the Bank. The Bank agrees that it shall not request the Custodian to, and the Custodian shall not be required to, deviate from the DTC procedures set forth in the DTC April 4 Notice, as amended from time to time, to the extent that the DTC April 4 Notice is in effect.

(c) The Custodian may rely and shall be protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, approval or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties. The Custodian shall not be liable for any error in judgment made in good faith by its responsible officers, employees and agents unless the Custodian, its responsible officers, employees or agents were negligent or engaged in willful misconduct. Anything herein to the contrary notwithstanding, the Custodian shall have no liability hereunder for any act or omission except as shall result from its gross negligence or willful misconduct. The Custodian undertakes to perform such duties and only such duties as are specifically set forth in this Agreement, and no implied covenants or obligations shall be read into this Agreement against the Custodian. None of the provisions of this Agreement shall require the Custodian to expend or risk its own funds or otherwise to incur any liability, financial or otherwise, in the performance of any of its duties hereunder. The Custodian may consult with counsel and the advice or any opinion of counsel shall be full and complete authorization and protection in respect of any action taken or omitted by it hereunder in good faith and in accordance with such advice or opinion of counsel. The Custodian may execute any of the trusts or powers hereunder or perform any duties hereunder either directly or by or through agents, attorneys, custodians or nominees appointed with due care, and shall not be responsible for any willful misconduct or negligence on the part of any agent, attorney, custodian or nominee so appointed.

2. Receipt of the Bank Certificates. The Custodian agrees to receive and hold Bank Certificates in custody for the Bank. Immediately upon the Custodian's receipt of Bank Certificates, the Custodian shall (a) promptly give e-mail notice to the Bank that it has received such Bank Certificates and (b) within 2 Business Days following such receipt, send or cause to be sent to the Bank, (i) a copy of the transfer journal entry for such Bank Certificates identifying the principal amount of such Bank Certificates and (ii) confirmation that the Bank or its nominee has been registered as the owner of such Bank Certificates. If the Certificates are in book-entry, the Custodian shall cause the Certificate to be assigned the separate CUSIP number for Bank

Certificates and made eligible for book-entry with DTC and shall register such Certificates for the benefit of the Bank in accordance with the procedures of DTC in effect as such time.

3. Payments with respect to the Certificates. If, while this Agreement is in effect, the Custodian shall become entitled to receive or shall receive any payment in respect of any Bank Certificates, the Custodian agrees to accept the same as the Bank's agent and to hold the same in trust on behalf of the Bank and to deliver the same forthwith to the Bank in accordance with the payment instructions provided to the Custodian from time to time by the Bank in writing (any such payment instructions to remain effective until the Custodian receives written instructions from the Bank to the contrary).

4. Release of Bank Certificates.

(a) Upon the remarketing of any Bank Certificates and receipt by the Bank of the proceeds thereof (or receipt by the Trustee of the proceeds thereof in trust for the Bank), the Custodian shall release Bank Certificates in a principal amount equal to the principal amount so remarketed to the Remarketing Agent in accordance with the terms of the Trust Agreement.

(b) In order to facilitate the transfer of Bank Certificates in physical form, the Bank agrees to deliver to the Custodian from time to time upon the written request of the Custodian, instruments of transfer duly endorsed in blank by the Bank.

5. No Disposition, Etc. Except as provided in Section 4 above, without the prior written consent of the Bank, the Custodian agrees that it will not sell, assign, transfer, exchange or otherwise dispose of, or grant any option with respect to, Bank Certificates, and will not create, incur or permit to exist any pledge, lien, mortgage, hypothecation, security interest, charge, option or any other encumbrance or take any other action with respect to Bank Certificates, or any interest therein, or any proceeds thereof.

6. Information Regarding Bank Certificates. The Custodian shall deliver to the Bank at the Bank's request such information as may be in the possession of the Custodian with respect to Bank Certificates.

7. Standard of Care. The Custodian agrees that it will perform its duties hereunder in accordance with the express terms of this Agreement. The Custodian shall perform such duties and only such duties as set forth herein. The Custodian shall not be liable to the Bank except for gross negligence or willful misconduct in the performance of its obligations under this Agreement. The City shall indemnify and hold harmless the Custodian and its officers, directors, agents and employees from and against any and all liability arising out of the performance of its obligations under the Agreement except for any liability arising out of the gross negligence or willful misconduct of the Custodian or the breach by the Custodian of its obligations under this Agreement. The terms of this paragraph shall survive the Custodian's resignation or removal hereunder, the termination of this Agreement, the Fee Letter Agreement and the Contract and the Authority's and the City's obligations hereunder and thereunder and the payment in full of all 2008 Payments and Additional Payments.

8. Removal or Resignation. The Bank may, at any time, effective immediately, and with or without cause, remove and discharge the Custodian from the performance of the

Custodian's duties under this Agreement by written notice to the Custodian with a copy to the City and the Trustee. The Custodian may, at any time, effective upon five (5) business days' prior written notice to the Bank, resign from its duties hereunder. Upon the effective date of any such removal or resignation, the Custodian shall deliver all Bank Certificates then in its custody to any successor custodian appointed by the Bank to be held in accordance with this Agreement or any other document executed by such successor custodian or, if the Bank has not designated a successor custodian, to the Bank.

9. Insurance. If the Custodian is holding Bank Certificates, the Custodian, at its own expense, shall maintain and keep in full force and effect at all times during the existence of this Agreement: (a) fidelity insurance, (b) theft of documents insurance, (c) forgery insurance, and (d) errors and omissions insurance (which may be maintained by self-insurance). All such insurance shall be in amounts, with standard coverage and subject to deductibles, that are customary for insurance typically maintained by a bank or other financial institution acting as custodian.

10. Payment of Expenses. The City acknowledges and agrees that the transactions contemplated by this Agreement are for the benefit of the City and the City agrees to pay or cause to be paid all reasonable out-of-pocket fees, costs, disbursements, taxes and expenses (including, without limitation, the reasonable attorney's fees and expenses) incurred by the Custodian in connection with the performance by the Custodian of its obligations hereunder.

11. Further Assurances. The Custodian and the City each agree that at any time upon the written request of the Bank and at the expense of the City, such party will execute and deliver or cause to be executed and delivered any and all such further documents and do any and all such further acts and things as the Bank may reasonably request in order to effect the purposes of this Agreement.

12. Availability of Documents. The Custodian agrees to keep and to cause its agents to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available upon reasonable prior notice for inspection by the Bank, its agents, accountants, attorneys and auditors.

13. Originals and Counterparts. This Agreement may be executed simultaneously in any number of counterparts, each of which counterparts shall be deemed to be an original, and which counterparts shall constitute and be one and the same instrument.

14. Notices. Except as otherwise expressly provided in this Agreement, all notices shall be in writing, and delivered personally or by certified or registered United States mail, postage prepaid, or by expedited mail or courier, return receipt requested, charges prepaid, addressed to the respective party at the address set forth below:

If to the Bank:	To the addresses set forth in the Standby Certificate Purchase Agreement
If to the Trustee:	The Bank of New York Mellon Trust Company, N.A.

333 S. Hope Street
Los Angeles, California 90071
Attention: Corporate Trust Dept.
Telephone: (213) 630-6206

If to the City:

City of Modesto
Finance Department
City Hall
101 Tenth Street, Suite 5200
Modesto, California 95353
Attention: Director of Finance

Any party may change the address to which notices are to be sent by giving written notice of such change to the other parties hereto.

15. Severability. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof, and any such prohibition or unenforceability in any jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

16. Waivers, Amendments. None of the terms or provisions of this Agreement may be waived, altered, modified or amended except by an instrument in writing, duly executed by each of the Bank, the City and the Custodian. This Agreement and all obligations of the Custodian and the City hereunder shall be binding upon their respective successors and assigns and shall, together with the rights and remedies of the Bank hereunder, inure to the benefit of the Bank and its successors and assigns.

17. Governing Law. THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA WITHOUT REGARD TO PRINCIPLES OF CONFLICTS OF LAW.

* * *

IN WITNESS WHEREOF, each of the parties hereto has caused this Custodian Agreement to be duly executed and delivered on the day and year first above written.

BMO HARRIS BANK N.A.

By:_____
Name: Edward C. Neu
Title: Managing Director

[Signatures continue on the next page]

CITY OF MODESTO

By:_____
Name: DeAnna Christensen
Title: Finance Director/Treasurer

Attest:

By:_____
Name: Diane Navares-Perez
Title: City Clerk

Approved as to Form:

By:_____
Name: _____
Title:_____

[Signatures continue on the next page]

THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A.,
in its capacity as Custodian

By:_____
Name: _____
Title:_____

Exhibit A

NOTICE OF MANDATORY TENDER TO THE HOLDERS OF
$47,625,000*
CITY OF MODESTO
WATER REFUNDING REVENUE
CERTIFICATES OF PARTICIPATION
2008 SERIES A

NOTICE IS HEREBY GIVEN pursuant to the applicable provisions of the governing documents of the above captioned certificates (the "Certificates"), that the letter of credit issued by JPMorgan Chase Bank, N.A., with respect to the Certificates (the "JPM Facility") will be replaced on June 8, 2023 (the "Substitution Date"), requiring the affected Owner to tender his or her Certificates to The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") for purchase on Substitution Date pursuant to Section 3.02 of the Amended and Restated Trust Agreement dated as of May 1, 2008 and amended and restated July 14, 2011 (the "Trust Agreement"), between the Modesto Public Financing Authority (the "Authority") and Trustee. Purchase of the Certificates will be made by payment of the principal amount of each such Certificate, together with interest accrued and unpaid to the Substitution Date. From and after the Substitution Date, interest with respect to the Certificates shall cease to accrue. Any Certificate called for mandatory tender for purchase but not delivered for purchase on the Substitution Date shall be deemed to have been delivered and shall cease to accrue interest for the benefit of the former Owner thereof. The JPM Facility will be replaced by with a Standby Certificate Purchase Agreement with BMO Harris Bank N.A. (the "BMO Harris Facility").

The following Certificates must be tendered and will be paid upon presentation to the office(s) shown below.

*CUSIP	Maturity	Original Principal Amount
607804 AC5	October 1, 2036	$47,625,000

Payment of the Certificates called for mandatory tender will be made upon presentation and surrender of said Certificates.

Tendered Certificates should be presented by U.S. mail to the following address; registered or certified insured mail is suggested:

The Bank of New York Mellon
Global Corporate Trust
P.O. Box 2320
Dallas, Texas 75221-2320

When inquiring about this mandatory tender, please have the Certificate number available. Please inform the customer service representative of the CUSIP number(s) of the affected Certificate. Customer Service is available at (800) 934-6802.

By: The Bank of New York Mellon Trust Company, N.A.,
as Trustee

Dated: May 24, 2023

NOTICE

Federal law requires the payor to withhold at the current rate of withholding from the payment if a certified taxpayer (social security) number is not provided. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

The CUSIP number has been assigned by CUSIP Global Services, managed by FactSet Research Systems Inc. on behalf of the American Bankers Association and is included solely for the convenience of the Certificate

* Original principal amount. Currently outstanding in the principal amount of $42,390,000.

Owners. Neither the Authority nor the Trustee shall be responsible for the selection or use of the CUSIP number nor is any representation made as to the correctness of such number herein or on the Certificates.

NOTICE PURSUANT TO SECTION 3.11(d)
OF THE TRUST AGREEMENT RELATING TO THE

$47,625,000 original principal amount of
CITY OF MODESTO WATER REFUNDING REVENUE
CERTIFICATES OF PARTICIPATION 2008 SERIES A

Series	Maturity	CUSIP[1]
2008 Series A	10/01/2036	607804 AC5

NOTICE IS HEREBY GIVEN by the Modesto Public Financing Authority (the "Authority") to the parties listed in Exhibit A hereto pursuant to Section 3.11(d) of the Amended and Restated Trust Agreement, dated as of July 14, 2011 (the "Trust Agreement"), between The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the Authority, relating to the above-captioned certificates of participation (the "Certificates"), that the Authority expects to replace the liquidity facility issued by JPMorgan Chase Bank, N.A. (the "JPMorgan Facility") with respect to the Certificates on or about June 8, 2023 (the "Substitution Date"), requiring the affected Owner to tender his or her Certificates to the Trustee for purchase on the Substitution Date pursuant to Section 3.02 of the Trust Agreement. The JPMorgan Facility is expected to be replaced on the Substitution Date by a liquidity facility pursuant to a Standby Certificate Purchase Agreement, dated as of June 1, 2023, by and among the Authority, the City of Modesto and BMO Harris Bank, N.A.

Dated: May 9, 2023

[1] The City of Modesto, the Authority and the Trustee shall not be responsible for the use of the CUSIP number(s) selected, nor is any representation made as to their correctness indicated in the notice or as printed on any Certificate. They are included solely for the convenience of the owners.

Exhibit A

Trustee

The Bank of New York Mellon Trust Company, N.A.
100 Pine Street, Suite 3100
San Francisco, CA 94111
Attention: Corporate Trust
Telephone No.: (415) 263-2418
Facsimile No.: (415) 399-1647

Rating Agencies

Moody's Investors Services
7 World Financial Center
New York, New York 10007
Attention: Public Finance Department
Facsimile: (212) 553-4090

Standard and Poor's
Attn: Muni Structured Finance
55 Water Street, 38th Floor
New York, New York 10041
Telephone No.: (212) 438-2000
Email: Pubfin_structured@standardand poors.com

Liquidity Facility Provider

JPMorgan Chase Bank, N.A.
Public Finance - Credit Origination
383 Madison Avenue
Mail Code: NY1-M076
New York, NY, 10179
Telephone No.: (212) 270-2198
Telecopy No.: (917) 456-3538
Attention: James G. Millard

With a copy to:

JPMorgan Chase Bank, N.A.
131 South Dearborn, 5th Floor
Mail Code ILl-0236
Chicago, IL 60603-5506
Facsimile No.: (312) 954-6163
Telephone No.: (800) 634-1969, Option 1
Attention: Standby Service Unit

City

City of Modesto
1010 Tenth Street, Suite 5200
Modesto, CA 95354
Attention: Finance Director
Telephone No.: (209) 577-5371
Facsimile No.: (209) 571-5880

Credit Enhancement Provider

Assured Guaranty Corp.
1325 Avenue of the Americas
New York, New York 10019
Attention: General Counsel
Facsimile: (212) 581-3268

Assured Guaranty
325 Avenue of the Americas
New York, New York 10019
Attention: Risk Management Department - Public Finance Surveillance
Facsimile: (212) 581-3268

Remarketing Agent

J.P. Morgan Securities LLC
383 Madison Avenue, Floor 8
New York, New York 10179
Attention: Municipal Short Term Desk
Telephone: (212) 834-7224
Facsimile: (917) 456-3541

NOTICE PURSUANT TO SECTION 5.5(n)
OF THE REIMBURSEMENT AGREEMENT RELATING TO THE

$47,625,000 original principal amount of
CITY OF MODESTO WATER REFUNDING REVENUE
CERTIFICATES OF PARTICIPATION 2008 SERIES A

NOTICE IS HEREBY GIVEN by the City of Modesto (the "City") to JPMorgan Chase Bank, N.A. (the "Bank") pursuant to Section 5.5(n) of the Reimbursement Agreement, dated as of July 1, 2011 (as amended, the "Reimbursement Agreement"), between the City and the Bank, relating to the above-captioned certificates of participation (the "Certificates"), that the City expects an amendment to the Amended and Restated Trust Agreement, dated as of July 14, 2011 (the "Trust Agreement"), between The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and the Modesto Public Financing Authority, relating to the Certificates, will be executed and delivered on or about June 8, 2023. The amendment will be in substantially the form attached hereto as Exhibit A.

Dated: May 9, 2023

CITY OF MODESTO

By: _____
Finance Director/Treasurer

Exhibit A

FIRST SUPPLEMENTAL TRUST AGREEMENT

between

MODESTO PUBLIC FINANCING AUTHORITY

and

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

Dated as of [_____] 1, 2023

Relating to

WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

EVIDENCING AND REPRESENTING PROPORTIONATE INTERESTS
OF THE OWNERS THEREOF IN 2008 PAYMENTS TO BE MADE BY THE
CITY OF MODESTO
TO THE
MODESTO PUBLIC FINANCING AUTHORITY

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FIRST SUPPLEMENTAL TRUST AGREEMENT

THIS FIRST SUPPLEMENTAL TRUST AGREEMENT, dated as of [____] 1, 2023 (this "First Supplement"), amending and supplementing the Amended and Restated Trust Agreement, dated as of May 1, 2008 (the "Existing Trust Agreement" and, together with the First Supplement, the "Trust Agreement"), is by and between MODESTO PUBLIC FINANCING AUTHORITY, a joint powers authority duly organized and existing under the laws of the State of California (the "Authority"), and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, as successor trustee (the "Trustee");

W I T N E S S E T H:

WHEREAS, as a result of the expiration of the direct-pay letter of credit (the "JPM Letter of Credit") from JPMorgan Chase Bank, N.A. (the "Bank"), the Authority and the City have elected to replace the JPM Letter of Credit with an Alternate Liquidity Facility in the form of a standby certificate purchase agreement (the "Standby Certificate Purchase Agreement") effective on the Substitution Date (as defined in the Trust Agreement), thereby triggering a mandatory tender of the 2008 Certificates in whole on the Substitution Date; and

WHEREAS, the Standby Certificate Purchase Agreement constitutes an Alternate Liquidity Facility for purposes of the Contract (as defined in the Trust Agreement) and this Trust Agreement; and

WHEREAS, the Existing Trust Agreement is being amended and supplemented as of the Substitution Date pursuant to this Trust Agreement, in order to modify provisions relating to the JPM Letter of Credit and the Standby Certificate Purchase Agreement; and

WHEREAS, Section 7.01 of the Existing Trust Agreement permits any amendments of the Existing Trust Agreement, with the prior written consent of the 2008 Certificate Insurer (as defined in the Trust Agreement), but without the consent of the Owners, if effective upon the remarketing of the 2008 Certificates following mandatory tender of the 2008 Certificates; and

NOW, THEREFORE, in consideration of the premises and the mutual agreements and covenants herein, and for other valuable consideration, the parties hereto do hereby covenant and agree, as follows:

ARTICLE I

DEFINITIONS

SECTION 1.1. Definitions and Rules of Construction. Unless the context otherwise requires, the capitalized terms used in this First Supplement shall have the meanings specified in the Existing Trust Agreement.

ARTICLE II

AMENDMENTS TO EXISTING TRUST AGREEMENT

SECTION 2.1. Amendments to Section 1.01 (Definitions).

(a) The following defined terms are deleted:

"Assigned Rights to Interest," "Bank," "Cancellation Date," "Control Event," "Replacement Liquidity Facility," "Subrogated Certificate" and "2008 Liquidity Facility Payment Account."

(b) The defined term "Alternate Liquidity Facility" is amended to read (deletions stricken):

> "Alternate Liquidity Facility" means a letter of credit ~~(including, without limitation, the Replacement Liquidity Facility)~~, line of credit, surety bond, standby purchase agreement or other security or liquidity instrument, as the case may be, approved by the 2008 Certificate Insurer and issued in accordance with the terms hereof with respect to the 2008 Certificates as a replacement or substitute for any Liquidity Facility then in effect.

(c) The defined term "Credit Enhancement" is amended to read (deletions stricken):

> "Credit Enhancement" means the 2008 Certificate Insurance Policy issued by the 2008 Certificate Insurer. ~~In case a letter of credit is provided as a Liquidity Facility, such letter of credit will also be considered a Credit Enhancement and its issuer, a Credit Enhancement Provider, if such letter of credit is a direct-pay letter of credit that provides for the payment of the principal of, and interest with respect to, the 2008 Certificates as they become due.~~

(d) The defined term "Credit Enhancement Provider" is amended to read:

> "Credit Enhancement Provider" means the 2008 Certificate Insurer.

(e) Clause (a) of the defined term "Insurer Indenture Event of Default" is amended to read (deletions stricken):

> (a) any principal or interest evidenced by the 2008 Certificates (including Liquidity Provider Certificates ~~or Subrogated Certificates~~) is not paid by the 2008 Certificate Insurer when, as, and in the amounts required to be paid pursuant to the terms of the 2008 Certificate Insurance Policy; or

(f) The defined term "Liquidity Facility" is amended to read (deletions stricken):

"Liquidity Facility" means, as of any time, the Initial Liquidity Facility~~, the Replacement Liquidity Facility~~ or an Alternate Liquidity Facility, as applicable, which provides for the payment of the purchase price of the 2008 Certificates upon the tender thereof in the event remarketing proceeds are insufficient therefor.

(g) The defined term "Liquidity Facility Provider" is amended to read (additions underlined and deletions stricken):

"Liquidity Facility Provider" means, with respect to the Initial Liquidity Facility, the Initial Liquidity Facility Provider ~~Replacement Liquidity Facility, the Bank~~, and with respect to any Alternate Liquidity Facility for the 2008 Certificates, a bank, insurance company, pension fund or other financial institution acceptable to the 2008 Certificate Insurer.

(h) The defined term "Mandatory Purchase Date" is amended to read (additions underlined and deletions stricken):

"Mandatory Purchase Date" means: (i) with respect to a Flexible Rate Certificate, the first Business Day following the last day of each Flexible Rate Period with respect to such Flexible Rate Certificate; (ii) for the 2008 Certificates in a Term Rate Mode, the first Business Day following the last day of each Term Rate Period for such 2008 Certificates; (iii) any Mode Change Date; (iv) any Substitution Date; (v) the fifth Business Day prior to an Expiration Date; (vi) the date specified by the Trustee following the occurrence of an event of default with respect to the Liquidity Facility or under the related Reimbursement Agreement which requires or gives the Liquidity Facility Provider the option to terminate the Liquidity Facility upon notice and requires that all Outstanding 2008 Certificates secured by such Liquidity Facility be tendered for purchase, which date shall be a Business Day not less than 7 days after the Trustee's receipt of notice of such event of default from the applicable Liquidity Facility Provider and in no event later than the Business Day preceding the termination date specified in the notice of event of default delivered to the Trustee by such Liquidity Facility Provider; and (vii) for the 2008 Certificates in a Daily Mode or a Weekly Mode, any Business Day specified by the Authority in a notice delivered to the Trustee and consented to by the Liquidity Facility Provider, which Mandatory Purchase Date shall be not less than twenty (20) days after the Trustee's receipt of such notice from the Authority~~, and (viii) the Business Day prior to the Cancellation Date~~.

(i) Clause (11) of the defined term "Permitted Investments" is amended to read (deletions stricken):

(11) Other investments approved in writing by the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~; and

(j) The defined term "Reimbursement Agreement" is amended to read (deletions stricken):

"Reimbursement Agreement" means any reimbursement agreement, credit agreement, line of credit agreement, standby purchase agreement or other agreement, between a Credit Enhancement Provider or a Liquidity Facility Provider, as applicable, and the Authority and/or the City, as the same may be amended from time to time pursuant to its terms~~, including the Reimbursement Agreement, dated as of July 1, 2011, by and between the City and the Bank~~.

(k) The defined term "Remarketing Agent" is amended to read:

"Remarketing Agent" means each Person selected by the Authority to act as remarketing agent for the 2008 Certificates pursuant to Section 3.12 hereof and approved by the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~.

SECTION 2.2. Amendments to Section 3.04 (Source of Funds for Purchase of 2008 Certificates in Daily Mode, Weekly Mode, Flexible Mode, or Term Rate Mode). The final paragraph of Section 3.04 is deleted.

SECTION 2.3. Amendments to Section 3.05 (Delivery of Certificates in Daily Mode, Weekly Mode, Flexible Mode or Term Rate Mode). Clause (b) of Section 3.04 is amended to read (deletions stricken):

(b) Each 2008 Certificate purchased by the Trustee with moneys described in Section 3.04(b) ~~hereof or purchased from proceeds from the 2008 Liquidity Facility Payment Account~~ shall be registered immediately in the name of the applicable Liquidity Facility Provider or its nominee (which may be the Securities Depository) as provided in Section 2.1 l(d), if any, on or before 3:00 p.m. New York City time. The Trustee shall not release any Liquidity Provider Certificates unless the Trustee shall have received evidence that the Liquidity Facility has been reinstated to an amount equal to the principal amount of unremarketed 2008 Certificates, including Liquidity Provider Certificates, plus interest at the Maximum Rate for the number of days required under the Liquidity Facility.

SECTION 2.4. Amendments to Section 3.09(a) (Establishment of 2008 Purchase Fund – Remarketing Proceeds Account). Section 3.09(a) is amended to read (additions underlined):

(a) Remarketing Proceeds Account. Upon receipt of the proceeds of a remarketing of any 2008 Certificate (including Liquidity Provider Certificates) on the date such 2008 Certificate is to be purchased, the Trustee shall deposit such remarketing proceeds in the Remarketing Proceeds Account, such remarketing proceeds to be applied to the payment of the Purchase Price of such 2008 Certificate. The Authority shall not have any right, title or interest in any of the funds held on deposit in any Remarketing Proceeds Account nor any remarketing proceeds held for any period of time by any Remarketing Agent.

SECTION 2.5. Amendments to Section 3.11(b) (Liquidity Facility; Alternate Liquidity Facility). Section 3.11(b) is amended to read (deletions stricken):

(b) If a Liquidity Facility is in effect with respect to the 2008 Certificates, on each date on which a 2008 Certificate is to be purchased, the Trustee, by demand given by Electronic means before 12:30 p.m. New York City time, shall draw on the applicable Liquidity Facility in accordance with the terms thereof so as to receive thereunder by 2:30 p.m. New York City time on such date an amount, in immediately available funds, sufficient, together with the proceeds of the remarketing of such 2008 Certificates on such date, to enable the Trustee to pay the Purchase Price in connection therewith. The proceeds of such draw shall be paid to the Trustee, who shall deposit said proceeds in the applicable Liquidity Facility Account pursuant to Section 3.09(b) hereof ~~or, in the case of the Replacement Liquidity Facility, the 2008 Liquidity Facility Payment Account~~.

SECTION 2.6. Amendments to Section 3.13 (Duties of Remarketing Agent). The final paragraph of Section 3.13 is amended to read (additions underlined and deletions stricken):

Notwithstanding any provision of this Trust Agreement to the contrary, if there shall have occurred and be continuing ~~(i) a Control Event and no other Credit Enhancement Provider Failure or Liquidity Facility Provider Failure, the Remarketing Agent shall continue remarketing 2008 Certificates or (ii) a Control Event and either another~~ either a Credit Enhancement Provider Failure or a Liquidity Facility Provider Failure, the Remarketing Agent shall not be required to remarket 2008 Certificates.

SECTION 2.7. Amendments to Section 4.03(a) (Establishment and Maintenance of Accounts for Use of Money in the 2008 Debt Service Fund – 2008 Interest Account). Section 4.03(a) is amended to read (additions underlined and deletions stricken):

(a) 2008 Interest Account. On the Delivery Date, the Trustee shall deposit in the 2008 Interest Account any Payment Agreement Receipts relating to the 2008 Interest Rate Swap Agreement which the City has directed under the 2008 Interest Rate Swap Agreement to be transferred to the Trustee for deposit in the 2008 Interest Account and any amounts transferred to the Trustee pursuant to Section 2.03 of the 2008 Supplemental Contract for the payment of payments due under the 2008 Interest Rate Swap Agreement. On the Business Day immediately preceding each Interest Payment Date, the Trustee shall set aside from the 2008 Debt Service Fund and deposit in the 2008 Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) becoming due and payable on each such Interest Payment Date~~, unless such amounts are required to be used to reimburse the Bank pursuant to clause (c) below~~. The Trustee will also apply amounts on deposit in the 2008 Fees Subaccount to pay on behalf of the City, the Payment Agreement Payments required to be paid under the 2008 Interest Rate Swap Agreement and to pay the Remarketing Agent fees as the same shall become due on each due date therefor until such 2008 Fees Subaccount shall be depleted (expected to be on or about November 29, 2008). Investment earnings on amounts on deposit in the 2008 Fees Subaccount shall be transferred to the City for deposit in the Revenue Fund.

No deposit need be made in the 2008 Interest Account if the amount contained therein (exclusive of amounts transferred for the payment of amounts due under the 2008 Interest Rate Swap Agreement) is at least equal to the aggregate amount of interest

evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) becoming due and payable on such Interest Payment Date.

Except as otherwise provided herein, all money in the 2008 Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest (including accrued interest evidenced and represented by any 2008 Certificates (including Liquidity Provider Certificates) purchased or prepaid prior to their respective Certificate Payment Date) with respect to the 2008 Certificates (including Liquidity Provider Certificates) as it shall become due and payable~~, or for reimbursing the Bank~~ and paying the Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement as they shall become due and payable. The Trustee shall be under no obligation to calculate the amount of Payment Agreement Payments due under the 2008 Interest Rate Swap Agreement and shall be entitled to rely conclusively on the information received by it with respect to the amount of the Payment Agreement Payments due and owing by the City.

SECTION 2.8. Amendments to Section 4.03(b) (Establishment and Maintenance of Accounts for Use of Money in the 2008 Debt Service Fund – 2008 Principal Account).

(a) Section 4.03(b) is amended to read (additions underlined and deletions stricken):

(b) 2008 Principal Account. On the Business Day immediately preceding each October 1, commencing on October 1, 2008, the Trustee shall set aside from the 2008 Debt Service Fund and deposit in the 2008 Principal Subaccount an amount of money equal to the principal amount evidenced and represented by the Outstanding Serial Certificates and Liquidity Provider Certificates with a Certificate Payment Date of such October 1, and in the 2008 Sinking Fund Subaccount in the 2008 Principal Account the amount of all Sinking Fund Payments required to be made on such October 1.

Amounts to be applied to (i) the optional prepayment of the principal component of the 2008 Certificates pursuant to Section 2.03(c) hereof and (ii) to the mandatory prepayment of the principal component of Liquidity Provider Certificates pursuant to Section 2.03(b) shall be deposited in the 2008 Prepayment Subaccount of the 2008 Principal Account. All money in the 2008 Prepayment Subaccount shall be used and withdrawn by the Trustee for the purpose of paying such prepayments on the respective prepayment dates.

No deposit need be made in the 2008 Principal Account if the amount contained therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding Serial Certificates with a Certificate Payment Date of such October 1 and the amount contained in the 2008 Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Payments required to be made on such October 1.

All money in the 2008 Principal Account shall be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Serial Certificates as they shall become due and payable, whether at their respective

Certificate Payment Dates or on prior prepayment and Liquidity Provider Certificates as they shall become due and payable whether at their respective Certificate Payment Dates or on prior prepayment, and all money in the 2008 Sinking Fund Subaccount of the 2008 Principal Account shall be used and withdrawn by the Trustee only to purchase or to prepay or to pay Term Certificates, and with respect to the 2008 Sinking Fund Subaccount, on each Sinking Fund Payment date, the Trustee shall apply the Sinking Fund Payment required on that date to the prepayment (or payment at Certificate Payment Date, as the case may be) of the Term Certificates upon the notice and in the manner provided in Article II; provided, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Written Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation Term Certificates in accordance with Section 2.03(a) hereof~~, and provided further that so long as the Liquidity Facility is in place, amounts in the 2008 Principal Account shall be used as provided in clause (c) below~~.

(b) Section 4.03(c) is deleted.

SECTION 2.9. Amendments to Section 4.04 (Parity Reserve Fund).

(a) The first paragraph of Section 4.04 is amended to read (additions underlined and deletions stricken):

The Parity Reserve Fund created pursuant to Section 3.04 of the 1997 Trust Agreement is hereby continued. The Trustee hereby agrees and covenants to maintain the Parity Reserve Fund so long as the Contract has not been discharged in accordance with its terms or any 2008 Certificates remain Outstanding hereunder. Amounts on deposit in the Parity Reserve Fund are pledged to the payment of the 1997 Certificates, the 2008 Certificates (including Liquidity Provider Certificates ~~and Subrogated Certificates~~) and any other obligations hereafter issued in connection with a Supplemental Contract and shall be applied only for such purposes as hereinafter provided. The Trustee shall deposit in the Parity Reserve Fund from the proceeds of the 2008 Certificates, the amount specified in Section 2.12, such amount being sufficient to cause the balance on deposit in or credited to the Parity Reserve Fund, to be equal to the Reserve Fund Requirement upon delivery of the 2008 Certificates. The Trustee shall deposit in the Parity Reserve Fund such other amounts transferred to the Trustee by the City pursuant to Section 2.04(b)(2) of the Contract, as directed by the Authority in a Written Request of the Authority. Moneys on deposit in the Parity Reserve Fund shall be transferred by the Trustee to the 2008 Debt Service Fund to pay principal and interest evidenced and represented by the 2008 Certificates (including Liquidity Provider Certificates) on any ~~Interest Payment Date or to reimburse the Liquidity Facility Provider for any unreimbursed drawing made under the Liquidity Facility to pay such principal and interest on any such~~ Interest Payment Date in the event amounts on deposit herein are insufficient for such purposes. The Trustee shall also, from such amounts on deposit in the Parity Reserve Fund, transfer or cause to be transferred to any applicable debt service fund established under the 1997 Trust Agreement and under any other trust agreement under which any obligations are issued in connection with a Supplemental Contract, without preference or priority between transfers made pursuant to this sentence and the

preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to such trust agreement under which any obligations are issued in connection with a Supplemental Contract. All investments in the Parity Reserve Fund shall (notwithstanding anything in the 1997 Trust Agreement to the contrary) be valued on or before October 1 of each year at the lesser of the cost or market value thereof. Following such valuation, any moneys on deposit in the Parity Reserve Fund representing an excess of the Reserve Fund Requirement will be transferred by the Trustee to the City for deposit in the Revenue Fund. The Trustee may create such subaccounts in the Parity Reserve Fund as may be necessary or convenient for the purposes of this Section 4.04.

(b) The final paragraph of Section 4.04 is deleted.

SECTION 2.10. Amendments to Section 4.08 (2008 Liquidity Facility Payment Account; Payment of Principal and Interest and Mandatory Purchase Price of the 2008 Certificates). Section 4.08 is deleted.

SECTION 2.11. Amendments to Section 8.07 (Control of Remedies by Credit Enhancement Provider or Liquidity Facility Provider). Section 8.07 is amended to read:

Provided that the Credit Enhancement remains in effect, notwithstanding anything in this Trust Agreement to the contrary, the Credit Enhancement Provider shall have the right to direct all remedies upon the occurrence of an Event of Default. If the Credit Enhancement is no longer in effect or a default has occurred with respect to the Credit Enhancement, and the Liquidity Facility is in effect, the Liquidity Facility Provider shall have the right to direct all remedies upon the occurrence of an Event of Default.

Notwithstanding the foregoing, if the Credit Enhancement is no longer in effect or a default has occurred with respect to the Credit Enhancement, if a Liquidity Facility is in effect and the Liquidity Facility Provider thereof has failed to honor its payment obligations under the Liquidity Facility in respect of the purchase price of Certificates upon tender thereof, fifty-one percent (51%) of the Certificate holders of the Certificates enhanced by such Liquidity Facility (excluding Certificates owned by the City and Liquidity Provider Certificates), shall have the right at any time, by an instrument or instruments in writing executed and delivered to the Trustee, to direct the method and place of conducting all proceedings to be taken in connection with the enforcement of such payment obligations; provided that such direction shall be in accordance with applicable law.

SECTION 2.12. Amendments to Section 9.01 (Discharge of Trust Agreement).

(a) The first paragraph of Section 9.01 is amended to read (additions underlined and deletions stricken):

When the obligations of the City under the Contract shall cease pursuant to Article VI of the Contract (except for the right of the Trustee and the obligation of the City to have the money and Federal Securities mentioned therein applied to the payment of 2008 Payments as therein set forth) and (a)(i) the 2008 Certificates are in Fixed Rate

Mode at the time moneys or Federal Securities are deposited pursuant to Section 9.02~~,~~ or (ii) ~~the deposit of money and Federal Securities is sufficient to pay the 2008 Certificates at the Maximum Rate to the earlier of the first possible tender or redemption date, (iii) the City shall have received a Rating Confirmation Notice on any 2008 Certificate that shall remain Outstanding following such redemption, and (iv)~~ the 2008 Certificates are not in Fixed Rate Mode at the time moneys or Federal Securities are deposited pursuant to 9.02 and the Trustee has received written confirmation from Moody's stating that the rating on the 2008 Certificates will not be reduced or withdrawn as a result of such defeasance, and (b) all other sums payable hereunder, including to the 2008 Certificate Insurer and the Liquidity Facility Provider ~~Bank~~, have been paid, then and in such case the obligations created by this Trust Agreement shall thereupon cease, terminate and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and Federal Securities to the payment of the 2008 Certificates as herein set forth and the right of the Trustee to collect any fees or expenses due hereunder and the Trustee shall tum over to the City, as an overpayment of 2008 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the 2008 Certificates at maturity or on prepayment, which moneys and Federal Securities shall continue to be held by the Trustee in trust for the benefit of the Owners and shall be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the 2008 Certificates, and after such payment, this Trust Agreement shall become void.

(b) The third paragraph of Section 9.01 is amended to read (deletions stricken):

In connection with any defeasance of any of the 2008 Certificates pursuant to this Article, the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~ shall receive (i) a Favorable Opinion of Special Counsel and (ii) an escrow agreement and an Opinion of Counsel regarding the validity and enforceability of the escrow agreement, such escrow agreement shall provide that: (1) any substitution of securities shall require a verification by an independent certified public accountant and the prior written consent of the 2008 Certificate Insurer; (2) the Authority will not exercise any optional redemption of the 2008 Certificates secured by the escrow agreement or any other redemption other than mandatory sinking fund redemptions unless (a) the right to make any such redemption has been expressly reserved in the escrow agreement and such reservation has been disclosed in detail in the official statement for the refunding obligations, and (b) as a condition of any such redemption there shall be provided to the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~ a verification of an independent certified public accountant as to the sufficiency of escrow receipts without reinvestment to meet the escrow requirements remaining following such redemption; and (3) the Authority shall not amend the escrow agreement or enter into a forward purchase agreement or other agreement with respect to rights in the escrow without the prior written consent of the 2008 Certificate Insurer ~~(or, if a Control Event has occurred, the Bank)~~.

SECTION 2.13. Amendments to Section 10.01 (Payment Under the 2008 Certificate Insurance Policy).

(a) Clause (a) of Section 10.01 is amended to read (additions underlined and deletions stricken):

In the event that, on the second Business Day, and again on the Business Day, prior to an interest payment date for the 2008 Certificates the Trustee has not received sufficient moneys to pay all of the principal and interest with respect to the 2008 Certificates ~~(including amounts required to reimburse the Bank for the payment of such principal and interest)~~ due on the second following, or following, ~~Business Day,~~ as the case may be, Business Day, the Trustee shall promptly on such Business Day moneys are not received, notify the 2008 Certificate Insurer or its designee on the same Business Day by telephone, electronic mail or facsimile, confirmed in writing by registered or certified mail of the amount of the deficiency, the obligations which such deficiency is applicable and whether such obligations will be deficient as to principal or interest or both. If the deficiency is cured in whole or in part prior to or on the interest payment date, the Trustee shall so notify the 2008 Certificate Insurer or its designee.

(b) Clause (c) of Section 10.01 is amended to read (deletions stricken):

(c) The Trustee shall provide the 2008 Certificate Insurer and any fiscal agent with a list of registered owners of the 2008 Certificates entitled to receive principal or interest payments from the 2008 Certificate Insurer under the terms of the 2008 Certificate Insurance Policy, and shall make arrangements with the 2008 Certificate Insurer, the fiscal agent or another designee of the 2008 Certificate Insurer to (i) mail checks or drafts to the registered owners of the 2008 Certificates ~~(including the Bank)~~ entitled to receive full or partial interest payments from the 2008 Certificate Insurer and (ii) pay principal upon the 2008 Certificates surrendered to the 2008 Certificate Insurer, the fiscal agent or another designee of the 2008 Certificate Insurer by the registered owners of the 2008 Certificates ~~(including the Bank)~~ entitled to receive full or partial principal payments from the 2008 Certificate Insurer.

(c) Clause (d) of Section 10.01 is amended to read (deletions stricken):

(d) The Trustee shall, at the time it provides notice to the 2008 Certificate Insurer of any deficiency pursuant to clause (a) above, notify registered owners of the 2008 Certificates ~~(including the Bank)~~ entitled to receive the payment of principal or interest thereon from the 2008 Certificate Insurer (i) as to such deficiency and its entitlement to receive principal or interest, as applicable, (ii) that the 2008 Certificate Insurer will remit to them all or a part of the interest payments due on the related payment date upon proof of its entitlement thereto and delivery to the 2008 Certificate Insurer or any fiscal agent, in form satisfactory to the 2008 Certificate Insurer, of an appropriate assignment of the registered owner's right to payment, (iii) that, if they are entitled to receive partial payment of principal from the 2008 Certificate Insurer, they must surrender the related the 2008 Certificates for payment first to the Trustee, which will note on such the 2008 Certificates the portion of the principal paid by the Trustee and second to the 2008 Certificate Insurer or its designee, together with an appropriate assignment, in form satisfactory to the 2008 Certificate Insurer, to permit ownership of the 2008 Certificates to be registered in the name of the 2008 Certificate Insurer, which

will then pay the unpaid portion of principal, and (iv) that, if they are entitled to receive full payment of principal from the 2008 Certificate Insurer, they must surrender the 2008 Certificates for payment to the 2008 Certificate Insurer or its designee, rather than the Trustee, together with the an appropriate assignment, in form satisfactory to the 2008 Certificate Insurer, to permit ownership of the 2008 Certificates to be registered in the name of the 2008 Certificate Insurer.

(d) Clause (e) of Section 10.01 is amended to read (deletions stricken):

(e) In addition, if the Trustee has written notice that any Owner of a 2008 Certificate ~~(including the Bank)~~ has been required to disgorge payments of principal or interest with respect to the 2008 Certificates to the City or its trustee in bankruptcy or creditors or others pursuant to a final judgment by a court of competent jurisdiction that such payment constitutes a voidable preference to such Owner within the meaning of any applicable bankruptcy laws, then the Trustee shall notify the 2008 Certificate Insurer or its designee of such fact by telephone or telegraphic notice, confirmed in writing by registered or certified mail.

(e) The introductory clause of clause (f) of Section 10.01 is amended to read (additions underlined and deletions stricken):

(f) The Trustee is hereby irrevocably designated, appointed, directed and authorized to act as attorney-in-fact for Owners of the 2008 Certificates ~~(including the Bank)~~ as follows:

(f) Clause (g) of Section 10.01 is amended to read (deletions stricken):

(g) ~~In the event that the Trustee shall have made a claim under the 2008 Certificate Insurance Policy with respect to principal and/or interest due on any payment date with respect to the 2008 Certificates and the Bank shall have paid on such payment date a draw made by the Trustee on the Bank's Credit Enhancement for such principal and/or interest, then, notwithstanding anything to the contrary, the amount paid by the 2008 Certificate Insurer with respect to the 2008 Certificates (the "Held Amount") on such payment date pursuant to such claim under the 2008 Certificate Insurance Policy shall be held uninvested by the Trustee until the Trustee shall have received notice from the 2008 Certificate Insurer that: (A) the Bank has directed the 2008 Certificate Insurer to reimburse the Bank for such draw pursuant to the Reimbursement Agreement between the Bank and the City, in which case the Trustee shall immediately pay the Held Amount to the Bank; or (B) the Bank has failed to direct the 2008 Certificate Insurer to reimburse the Bank for such draw within the time period set forth in the Reimbursement Agreement between the Bank and the City, in which case the Trustee shall immediately return the Held Amount to the 2008 Certificate Insurer. If the Held Amount is returned to the 2008 Certificate Insurer, the Authority shall pay interest at the Reimbursement Rate on such Held Amount from the date paid by the 2008 Certificate Insurer until such return to the 2008 Certificate Insurer.~~ Payments with respect to claims for interest and principal with respect to the 2008 Certificates disbursed by the Trustee from proceeds of the 2008 Certificate Insurance Policy shall not be considered to discharge the obligation of the

Authority with respect to such 2008 Certificates, and the 2008 Certificate Insurer shall become the Owner of such unpaid 2008 Certificates and claims for the interest in accordance with the tenor of the assignment made to it under the provisions of this Section 10.01 or otherwise.

References to 2008 Certificates in this Section 10.01 include Liquidity Provider Certificates, except that Liquidity Provider Certificates need not be surrendered as a condition for payment and principal and interest payments on Liquidity Provider Certificates by the 2008 Certificate Insurer shall not be paid by mailed check or draft, but principal and interest payments on Liquidity Provider Certificates shall instead be paid by the 2008 Certificate Insurer pursuant to the procedures set forth for payment of Liquidity Provider Certificates in Section 2.02 hereof.

SECTION 2.14. Amendments to Section 10.04 (Modification, Cancellation, Termination or Substitution of 2008 Certificate Insurance Policy). Section 10.04 is amended to read (additions underlined and deletions stricken):

The Authority shall not consent to the surrender, cancellation, termination, amendment or modification in any material respect of the 2008 Certificate Insurance Policy by the 2008 Certificate Insurer, or to the substitution of a different Credit Enhancement for the 2008 Certificate Insurance Policy, unless the Authority and the Trustee shall have received the consent of the Liquidity Facility Provider ~~Bank, and the Authority and the Trustee shall consent to any such surrender, cancellation, termination, amendment or modification of the 2008 Certificate Insurance Policy by the 2008 Certificate Insurer if so directed by the Bank within seven days of receiving such direction~~. If, upon receipt of such consent ~~or direction~~ from the Liquidity Facility Provider ~~Bank~~, the 2008 Certificate Insurance Policy is so surrendered, cancelled, terminated, amended or modified in any material respect by the 2008 Certificate Insurer, or a different Credit Enhancement is so substituted for the 2008 Certificate Insurance Policy, the 2008 Certificates shall be subject to mandatory tender.

SECTION 2.15. Amendments to Section 10.05 (Additional Provisions with respect to Rights of the Bank). Section 10.05 is deleted.

SECTION 2.16. Amendments to Section 11.01 (Benefits of this Trust Agreement Limited to Parties) . Section 11.01 is amended to read (additions underlined and deletions stricken):

Nothing contained herein, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the 2008 Certificate Insurer, the Liquidity Facility Provider ~~Bank~~ and the Owners any right, remedy or claim under or by reason hereof. Any agreement or covenant required herein to be performed by or on behalf of the Authority or any member, officer or employee thereof shall be for the sole and exclusive benefit of the Trustee, the 2008 Certificate Insurer, the Liquidity Facility Provider ~~Bank~~ and the Owners. The 2008 Certificate Insurer and the Liquidity Facility Provider ~~Bank~~ shall be third-party beneficiaries of this Trust Agreement.

ARTICLE III

MISCELLANEOUS

SECTION 3.1. Effectiveness of this First Supplement. This First Amendment shall be effective with the prior written consent of the 2008 Certificate Insurer, but without the consent of the Owners, upon the remarketing of the 2008 Certificates following the first mandatory tender of the 2008 Certificates following the date of execution and delivery of this First Amendment.

SECTION 3.2. Execution in Counterparts. This First Supplement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same agreement.

SECTION 3.3. Headings . The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely of reference and shall not affect the meaning, construction or effect of this First Supplement.

[Remainder of page intentionally left blank.]

IN WITNESS WHEREOF, the parties have executed this First Supplement as of the date and year first above written.

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

By: _____
Authorized Officer

MODESTO PUBLIC FINANCING AUTHORITY

By: _____
Auditor and Treasurer

NORTON ROSE FULBRIGHT

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June 8, 2023

City of Modesto
Modesto, California

Modesto Public Financing Authority
Modesto, California

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

BMO Harris Bank N.A.
San Francisco, California

Assured Guaranty Corp.
New York, New York

RE: $47,625,000 original aggregate principal amount of City of Modesto, California Water Refunding Revenue Certificates of Participation, 2008 Series A

Ladies and Gentlemen:

We acted as special counsel to the City of Modesto (the "City"), in connection with the execution and delivery of a Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"), among the Modesto Public Financing Authority (the "Authority"), the City, The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), and BMO Harris Bank N.A., relating to the above-referenced certificates of participation (the "Certificates"). The Certificates were executed and delivered on May 30, 2008, and evidence and represent proportionate interests of the owners thereof in 2008 Payments (as that term is defined in the Trust Agreement referred to below) to be made by the City pursuant to that certain Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Installment Purchase Contract"), by and between the City and the Modesto Public Financing Authority (the "Authority"), as amended and supplemented by that certain 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006 (the "2006 Supplemental Installment Purchase Contract"), by and between the City and the Authority and that certain 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008 (the "2008 Supplemental Installment Purchase Contract"), by and between the City and the Authority. The Master Installment Purchase Contract, as amended and supplemented by the 2006 Supplemental Installment Purchase Contract and the 2008 Supplemental Installment Purchase Contract, is referred to herein as the "Installment Purchase Contract." All of the Authority's rights to receive such 2008 Payments were assigned on May 30, 2008, the date of execution and delivery of the Certificates, by the Authority to the Trustee, pursuant to that certain Trust Agreement, dated as of May 1, 2008 (the

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"Original Trust Agreement"), between the Authority and the Trustee. The Certificates were executed by the Trustee pursuant to the terms of the Original Trust Agreement. On May 30, 2008, the date of execution and delivery of the Certificates, Sidley Austin LLP rendered its opinion that, subject to certain conditions, assumptions and limitations, interest represented by the Certificates would be excludable from gross income retroactive to the date of execution and delivery of the Certificates for federal income tax purposes (the "Original Special Counsel Opinion"). The Original Trust Agreement was amended and restated by the Amended and Restated Trust Agreement, dated as of May 1, 2008 and amended and restated July 14, 2011 (the "Amended and Restated Trust Agreement"), between the Authority and the Trustee. The Amended and Restated Trust Agreement is being amended and supplemented by a First Supplemental Trust Agreement, dated as of June 1, 2023 (the "First Supplemental Trust Agreement"), between the Authority and the Trustee. The Amended and Restated Trust Agreement as amended and supplemented by the First Supplemental Trust Agreement is referred to herein as the "Trust Agreement." Capitalized terms not defined herein shall have the meanings ascribed to them in the Trust Agreement or in the Original Special Counsel Opinion.

This opinion is being rendered pursuant to Section 3.11(e) of the Amended and Restated Trust Agreement in connection with the delivery by the Authority to the Trustee of an Alternate Liquidity Facility on the date hereof in substitution for the Replacement Liquidity Facility (as such term is defined in the Amended and Restated Trust Agreement) and in connection with the execution and delivery of the First Supplemental Trust Agreement.

In connection with our rendering of the opinions set forth herein, we have reviewed the Installment Purchase Contract, the Amended and Restated Trust Agreement and the First Supplemental Trust Agreement and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein. In addition, for purposes of rending this opinion, we have assumed the genuineness of all documents and signatures presented to us (whether as originals or as copies) and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. As to questions of fact material to our opinion, we have relied upon, and have assumed the accuracy of, the certified proceedings and other certifications of public officials and officials of the Authority furnished to us without undertaking to verify the same by independent investigation.

Based upon the foregoing, under existing law, we are of the opinions that:

1. The delivery to the Trustee of the Standby Certificate Purchase Agreement as an Alternate Liquidity Facility in substitution for the Replacement Liquidity Facility (i) is

authorized under the Amended and Restated Trust Agreement, (ii) complies with the terms of the Amended and Restated Trust Agreement and (iii) will not, in and of itself, adversely affect the exclusion of interest represented by the Certificates from gross income for purposes of federal income taxation.

2. The First Supplemental Trust Agreement has been duly and validly authorized, executed and delivered by the Authority. The Trust Agreement constitutes the legally valid and binding obligation of the Authority, enforceable against the Authority in accordance with its terms.

In rendering the opinion expressed in paragraph 1 above, we express no opinion on the exclusion from gross income of interest represented by the Certificates or, except as expressly set forth in paragraph 1 above, on any other tax consequences related to the ownership or disposition of, or the accrual or receipt of, interest represented by the Certificates. We have not been engaged to make, and we have not made, any inquiry or investigation with respect to any circumstances that may have occurred after the execution and delivery of the Certificates, other than the delivery on the date hereof of the Standby Certificate Purchase Agreement as an Alternate Liquidity Facility in substitution for the Replacement Liquidity Facility, that might adversely affect the exclusion from gross income of the interest represented by the Certificates.

The opinion expressed in paragraph 2 above is qualified to the extent the enforceability of the Trust Agreement may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. The enforceability of the Trust Agreement is subject to the effect of general principles of equity, including, without limitation, concepts of materiality, reasonableness, good faith and fair dealing, to the possible unavailability of specific performance or injunctive relief, regardless of whether considered in a proceeding in equity or at law, and to the limitations on legal remedies against governmental entities in the State of California.

No opinion is expressed herein on the accuracy, completeness or fairness of the Remarketing Memorandum or other offering material relating to the Certificates.

Our opinions are based on existing law, which is subject to change. Such opinions are further based on our knowledge of facts as of the date hereof. We assume no duty to update or supplement our opinions to reflect any facts or circumstances that may thereafter come to our attention or to reflect any changes in any law that may thereafter occur or become effective. Such opinions represent our legal judgment based upon our

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review of existing law that we deem relevant to such opinions and in reliance upon the representations and covenants referenced above.

We call your attention to the fact that our conclusion is an expression of professional judgment and is not a guarantee of a result. This letter is delivered to you, and is solely your benefit and is not to be used, circulated, quoted or otherwise referred to or relied upon by any person other than you.

Respectfully submitted,

Norton Rose Fulbright US LLP

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June 8, 2023

Modesto Public Financing Authority
Modesto, California

The Bank of New York Mellon Trust Company, N.A.
Los Angeles, California

PNC Capital Markets LLC
New York, New York

BMO Harris Bank N.A.
San Francisco, California

Assured Guaranty Corp.
New York, New York

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

Ladies and Gentlemen:

I have acted as counsel to the Modesto Public Financing Authority (the "Authority"), a joint exercise of powers authority organized and existing pursuant to Title 1, Division 7, Chapter 5 of the Government Code of the State of California, as amended. This opinion is rendered in connection with the replacement of a liquidity facility supporting the City of Modesto Water Refunding Revenue Certificates of Participation, 2008 Series A, in the original aggregate principal amount of $47,625,000 (the "Certificates").

In rendering this opinion, I have examined: (i) the Amended and Restated Trust Agreement, dated July 14, 2011 (the "Amended Trust Agreement"), by and between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); (ii) the First Supplemental Trust Agreement, dated as of June 1, 2023 (the "First Supplemental Trust Agreement" and together with the Amended Trust Agreement, the "Trust Agreement"); (iii) the Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), as supplemented by the 1997 Supplemental Installment Purchase Contract, dated

as of November 1, 1997 (the "1997 Contract"), the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006 (the "2006 Contract"), and the 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008 (the "2008 Contract" and together with the Master Contract, the 1997 Contract, the 2006 Contract and the 2008 Contract, the "Contract"), each by and between the City of Modesto (the "City") and the Authority; (iv) the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"), among the Authority, the City, the Trustee and BMO Harris Bank N.A. (the "Bank"); (v) the Fee Letter Agreement, dated June 8, 2023 (the "Fee Agreement"), among the Authority, the City and the Bank; (vi) Resolution No. 01-2008 adopted by the Commission of the Authority on May 13, 2008 and Resolution No. 02-2023 adopted by the Commission of the Authority on April 11, 2023 (together, the "Authority Resolutions"); (vii) the Remarketing Memorandum, dated June 2, 2023 (the "Remarketing Memorandum"), relating to the Certificates; and (viii) the Remarketing Agreement, made and entered into as of June 1, 2023 (with an effective date of June 7, 2023) (the "Remarketing Agreement" and together with the Trust Agreement, the Contract, the Standby Certificate Purchase Agreement and the Fee Agreement, the "Authority Agreements"), between the Authority and PNC Capital Markets LLC, as Remarketing Agent.

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Trust Agreement.

Based upon the foregoing and my review of such other information, documents and matters of law as I consider necessary, I am of the opinion that:

(a) the Authority is a joint powers authority under Article 1 of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California duly organized and validly existing under and by virtue of the Joint Exercise of Powers Agreement, dated as of December 1, 1989 (the "JPA Agreement") and the laws of the State of California with full legal right, power and authority to execute, deliver and perform all of its obligations under the Authority Agreements;

(b) each Authority Resolution was duly adopted at a meeting of the Commission of the Authority which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and each Authority Resolution is in full force and effect and has not been modified, amended or rescinded as of the date hereof; and aside from adoption of the Authority Resolutions no further action on the part of the Authority is required in order for the Authority to execute and deliver the Authority Agreements and to perform its obligations thereunder;

(c) to the best of my knowledge after reasonable investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the Authority, challenging the existence of the Authority or the titles of its officers to their respective

offices or in any way contesting or affecting the validity or enforceability of the Authority Agreements or the Certificates or contesting the powers of the Authority or its authority to enter into, adopt or perform its obligations under any of the foregoing, or which would have a material adverse effect on the Authority's ability to perform its obligations under the Authority Agreements or contesting in any way the completeness or accuracy of the Remarketing Memorandum;

(d) the adoption of the Authority Resolutions, the execution and delivery of the Authority Agreements and compliance by the Authority with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute, on the part of the Authority, a breach or default under the JPA Agreement or any other agreement or other instrument to which the Authority is a party or by which it is bound or, to the best of my knowledge, any existing law, regulation, court order or consent decree to which the Authority is subject;

(e) the Authority Agreements have been duly authorized, executed and delivered by the Authority and, assuming due authorization, execution and delivery by the other parties thereto, constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought and to the limitations on legal remedies against public agencies in the State of California;

(f) no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State having jurisdiction over the Authority is required for the valid authorization, execution, delivery and performance by the Authority of the Authority Agreements or for the adoption of the Authority Resolutions which has not been obtained; and

(g) the Authority is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or financial assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court or, (iii) except to the extent provided in Part 5 of Division 3.6 of Title 1 of the Government Code of the State of California (x) relief by way of injunction, order for specific performance or for recovery of property, (y) attachment of its financial assets (whether before or after judgment) or (z) execution or enforcement of any judgment to which it or its revenues or financial assets might otherwise be subject.

This opinion applies only to matters referred to herein and existing on the date of this letter. This opinion is solely for the benefit of the addressees and their successors and assigns and is not to be relied upon by any other person or used, or quoted, or otherwise referred to for any other purpose.

Respectfully submitted,

Jose M. Sanchez
Authority Counsel for the Authority Opinion

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June 8, 2023

City of Modesto
Modesto, California

PNC Capital Markets LLC
New York, New York

BMO Harris Bank N.A.
San Francisco, California

Assured Guaranty Corp.
New York, New York

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

Ladies and Gentlemen:

As City Attorney of the City of Modesto (the "City"), I have reviewed the following documents in connection with the replacement of a liquidity facility supporting the City of Modesto Water Refunding Revenue Certificates of Participation, 2008 Series A, in the original aggregate principal amount of $47,625,000 (the "Certificates"): (i) the Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), as supplemented by the 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997 (the "1997 Contract"), the 2006 Supplemental Installment Purchase Contract, dated as of November 1, 2006 (the "2006 Contract"), and the 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008 (the "2008 Contract" and together with the Master Contract, the 1997 Contract, the 2006 Contract and the 2008 Contract, the "Contract"), each by and between the City and the Modesto Public Financing Authority (the "Authority"); (ii) the Standby Certificate Purchase Agreement, dated as of June 1, 2023 (the "Standby Certificate Purchase Agreement"), among the Authority, the City, The Bank of New York Mellon Trust Company, N.A., as trustee, and BMO Harris Bank N.A. (the "Bank") (iii) the Fee Letter Agreement, dated June 8, 2023 (the "Fee Agreement"), among the Authority, the City and the Bank; (iv) the Custodian Agreement, dated as of June 1, 2023 (the "Custodian Agreement" and together with the Contract, the Standby Certificate Purchase Agreement and the Fee

Agreement, the "City Agreements"), among the Bank, the City and The Bank of New York Mellon Trust Company, N.A., as Custodian; (v) Resolution No. 2008-294 adopted by the City Council of the City on May 13, 2008, Resolution No. 2011-201 adopted by the City Council of the City on June 7, 2011, and Resolution No. 2023-191 adopted by the City Council of the City on April 11, 2023 (collectively, the "City Resolutions"); and (vi) the Remarketing Memorandum, dated June 2, 2023 (the "Remarketing Memorandum"), relating to the Certificates.

All capitalized terms used herein and not otherwise defined shall have the meaning ascribed to such terms in the Standby Certificate Purchase Agreement.

Based upon the foregoing and upon such other information and documents as I consider necessary to render this opinion, I am of the opinion that:

(a) the City is a charter city duly organized and validly existing under and by virtue of the laws of the State of California with full legal right, power and authority to execute, deliver and perform all of its obligations under the City Agreements;

(b) each City Resolution was duly adopted at a meeting of the City Council of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and each City Resolution is in full force and effect and has not been modified, amended or rescinded as of the date hereof; and aside from adoption of the City Resolutions no further action on the part of the City is required in order for the City to execute and deliver the City Agreements and to perform its obligations thereunder;

(c) to the best of my knowledge after reasonable investigation, there is no action, suit, proceeding or investigation at law or in equity before or by any court, public board or body, pending or threatened against or affecting the City, challenging the existence of the City or the titles of its officers to their respective offices or in any way contesting or affecting the validity or enforceability of the City Agreements or the pledge of Gross Revenues under the Master Contract or contesting the powers of the City or its authority to enter into, adopt or perform its obligations under any of the foregoing, or which would have a material adverse effect on the City's ability to perform its obligations under the City Agreements or contesting in any way the completeness or accuracy of the Remarketing Memorandum;

(d) the adoption of the City Resolution, the execution and delivery of the City Agreements and compliance by the City with the provisions of the foregoing, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute, on the part of the City, a breach or default under any agreement or instrument to which the City is a party or by which it is bound or, to the best of my knowledge, any existing law, regulation, court order or consent decree to which the City is subject;

(e) the Remarketing Memorandum has been duly authorized and executed, and the City Agreements have been duly authorized, executed and delivered by the City and, assuming due authorization, execution and delivery by the other parties thereto, the City Agreements constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought and to the limitations on legal remedies against public agencies in the State of California;

(f) no authorization, approval, consent, or other order of the State or any other governmental authority or agency within the State having jurisdiction over the City is required for the valid authorization, execution, delivery and performance by the City of the City Agreements or for the adoption of the City Resolutions which has not been obtained; and

(g) the City is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or financial assets (irrespective of their use or intended use) from (i) suit, (ii) jurisdiction of any court or, (iii) except to the extent provided in Part 5 of Division 3.6 of Title 1 of the Government Code of the State of California (x) relief by way of injunction, order for specific performance or for recovery of property, (y) attachment of its financial assets (whether before or after judgment) or (z) execution or enforcement of any judgment to which it or its revenues or financial assets might otherwise be subject.

This opinion applies only to matters referred to herein and existing on the date of this letter. This opinion is solely for the benefit of the addressees and their successors and assigns and is not to be relied upon by any other person or used, or quoted, or otherwise referred to for any other purpose.

Respectfully submitted,

Jose M. Sanchez
City Attorney

5381291.2

BNY MELLON

Legal
333 South Hope Street
Suite #2525
Los Angeles, California 90071

June 8, 2023

BMO Harris Bank N.A.
San Francisco, California

Assured Guaranty Corp.
New York, New York

Re: Standby Certificate Purchase Agreement relating to $47,625,000 City of Modesto Water Revenue Refunding Certificates of Participation, 2008 Series A

Ladies and Gentlemen:

I am a Managing Counsel in the Legal Department of The Bank of New York Mellon Trust Company, N.A. ("BNY Mellon") and I am delivering this opinion in connection with the execution and delivery of (i) that certain First Supplemental Trust Agreement (the "First Supplemental"), dated as of June 1, 2023, between the Modesto Public Financing Authority (the "Authority") and BNY Mellon, as trustee (the "Trustee"), amending and supplementing that certain Amended and Restated Trust Agreement dated as of May 1, 2008, and amended and restated July 14, 2011 (together with the First Supplemental, the "Trust Agreement"), between the Authority and the Trustee, (ii) that certain Standby Certificate Purchase Agreement dated as of June 1, 2023 (the "SCPA"), among the City of Modesto (the "City"), BMO Harris Bank N.A. (the "Bank"), the Authority and the Trustee, and (iii) that certain Custodian Agreement dated as of June 1, 2023 (the "Custodian Agreement", and together with the SCPA and the First Supplemental, the "2023 Documents"), among the Bank, the City and BNY Mellon, as custodian. The SCPA, the Custodian Agreement and the Trust Agreement are collectively the "Agreements", and each individually, an "Agreement"). All capitalized terms used herein not otherwise defined shall be as defined in the Agreements.

In rendering the opinions set forth below, I have examined the originals, or copies certified to my satisfaction, of such agreements (including, without limitation, the Agreements), certificates and other statements of government officials and corporate officers of BNY Mellon, documents and other papers as I deemed relevant and necessary as a basis for such opinion and have relied as to factual matters on representations, warranties and other statements therein. With respect to parties other than BNY Mellon, in such examination, I have assumed the authenticity of all documents submitted to me as originals, the genuineness of all signatures, the legal capacity of natural persons and the conformity to the originals of all documents submitted to me as copies. In my examination of documents (including, without limitation, the Agreements) executed by parties other than BNY Mellon, I have also assumed that, if the opinions set forth in paragraphs (1) through (4) below referred to such parties and such

documents, such opinions would be true and correct with respect to such parties and such documents.

The opinions expressed herein are limited to the laws of the State of California and the Federal law of the United States, and I do not express any opinion herein concerning any other law.

Based upon the foregoing, I am of the opinion that:

(1) BNY Mellon is a national banking association duly organized and validly existing under the laws of the jurisdiction of its organization and has the corporate power to execute and deliver the 2023 Documents, and to perform its obligations under the Agreements.

(2) The execution and delivery by BNY Mellon of the 2023 Documents, and its performance of its obligations under the Agreements, have been and are as of the date hereof duly authorized by all necessary corporate action.

(3) No approval, authorization or other action by, or filing with, any governmental body or regulatory authority (which has not been obtained) is required in connection with the due execution and delivery by BNY Mellon of the 2023 Documents, and performance by BNY Mellon of the Agreements.

(4) The 2023 Documents have been duly executed and delivered by BNY Mellon and the Agreements constitute the valid and legally binding obligations of BNY Mellon enforceable against it in accordance with their terms except as such enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally and by general principles of equity (regardless of whether enforcement is sought as a proceeding in equity or at law).

My opinions are subject to the following assumptions and qualifications:

I express no opinion as to (a) any transactions not specifically referred to herein; (b) any provision of the Agreements to the extent it provides that a party is entitled to recover more than its actual damages under such Agreement; (c) any right, remedy or provision of the Agreements (including without limitation any termination payment provisions thereof) which, if determined to be a penalty, a court or other authority or body may have the discretion to invalidate or decline to enforce; (d) the enforcement of rights with respect to indemnification and contribution obligations; (e) any provision relating to severability; (f) any provision purporting to waive or limit rights to trial by jury, oral amendments to written agreements or rights of set-off; (g) any provision relating to submission to jurisdiction, venue or service of process; (h) any provision purporting to prohibit, restrict or require the consent of the other party for the transfer of, or the creation, attachment or perfection of a security interest in, an Agreement or an interest therein, which may be limited by applicable law or considerations of public policy; (i) any provision that provides that the rights of the parties to an Agreement may not be assigned by a party without the prior written consent of the other party or parties, which may be limited by the Uniform Commercial Code; (j) the tax consequences of any transaction under the Agreements; (k) any Federal securities laws, pension and employee benefit laws (e.g., ERISA), anti-money laundering laws, trading with the enemy laws, or other laws of special or general application not normally covered in an opinion on capacity and enforceability, in accordance with market practice; or (l) the priority, perfection, attachment or validity of any security interest created under the Agreements or the enforcement of remedies in connection therewith.

This opinion is based upon facts and law in existence on the date hereof and I disclaim any obligation to advise you of any changes therein occurring after the date hereof. This opinion is given for the use and benefit of the addressees and no other party or entity is entitled to rely on it.

Very truly yours,



Rhea L. Ricard
Managing Counsel

Hawkins Delafield & Wood LLP

333 SOUTH GRAND AVENUE
LOS ANGELES, CA 90071
WWW.HAWKINS.COM

June 8, 2023

BMO Harris Bank N.A.
San Francisco, California

City of Modesto
Modesto, California

Modesto Public Financing Authority
Modesto, California

The Bank of New York Mellon Trust Company, as Trustee
Los Angeles, California

Assured Guaranty Corp. as Bond Insurer
New York, New York

$47,625,000.00
original aggregate principal amount of
City of Modesto, California
Water Revenue Refunding Certificates of Participation, 2008 Series A

Ladies and Gentlemen:

Description of Representation

We have acted as special counsel for BMO Harris Bank N.A., a national banking association organized under the laws of the United States of America (the "Bank"), in connection with that certain Standby Certificate Purchase Agreement dated as of June 1, 2023 (the "Standby Agreement"), by and among the Modesto Public Financing Authority (the "Authority"), the City of Modesto (the "City"), The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") for the above-referenced certificates of participation (the "Certificates") and the Bank. Capitalized terms used herein that are not defined herein shall have the respective meanings attributed to such terms in the Standby Agreement.

Materials Examined

We have examined a copy of the Standby Agreement. We have also considered such questions of law and relied on such records, documents, instruments and certificates of public officials and of officers of the Bank as we have deemed necessary for purposes of rendering this opinion.

Opinions

Based solely upon our examination of such documents, having regard for legal considerations we deem relevant, and subject to the assumptions, limitations, qualifications and exceptions contained herein, we are of the following opinions:

1. The Bank is a national banking association validly existing under the laws of the United States of America. The Bank has the power to execute and deliver the Standby Agreement.

2. The Standby Agreement has been duly executed and delivered by the Bank.

3. The Standby Agreement constitutes the valid and legally binding obligation of the Bank, enforceable against the Bank in accordance with its terms, except as such enforceability may be affected by bankruptcy, insolvency, reorganization, receivership, conservatorship, liquidation, arrangement, fraudulent conveyance, moratorium, or other laws relating to or affecting the rights of creditors generally (with respect to the Bank) or by general principles of equity, including without limitation concepts of materiality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief, regardless of whether such enforceability is considered in a proceeding in equity or at law.

We express no opinion herein as to whether a court, in the exercise of its equitable powers, may temporarily restrain the purchase of Certificates pursuant to the Standby Agreement. We note that acts or omissions of the Authority or the Trustee may result in a court restraining the purchase of Certificates pursuant to the Standby Agreement, and we express no opinion herein as to whether any such restraint may occur. Such acts could include an attempt to cause the purchase of Certificates pursuant to the Standby Agreement in violation of applicable law or equitable principles. See, e.g., Brenntag International Chemicals, Inc. v. Bank of India, 175 F.3d 245 (2d Cir. 1999); Chuidian v. Philippine National Bank, 976 F.2d 561 (9th Cir. 1992); Wysko Investment Co. v. Great American Bank, 131 B.R. 146 (D. Ariz. 1991); Hubbard Business Plaza v. Lincoln Liberty Life Insurance Co., 649 F. Supp. 1310 (D. Nev. 1986), aff'd mem., 844 F.2d 792 (9th Cir. 1988); In re Delaware River Stevedores, Inc., 129 B.R. 38 (Bankr. E.D. Pa. 1991); In re Metrobility Optical Systems, Inc., 268 B.R. 326 (Bankr. D.N.H. 2001); Hendricks v. Bank of America, 408 F.3d 1127 (9th Cir. 2005); United Bank Ltd. v. Cambridge Sporting Goods Corp., 41 N.Y.2d 254 (N.Y. 1976).

Certain Assumptions

With your permission we have assumed the following: (a) the authenticity of original documents and the genuineness of all signatures; (b) the conformity to the originals of all documents submitted to us as copies; (c) the truth, accuracy, and completeness of the information, representations, and warranties contained in the records, documents, instruments, and certificates we have reviewed; and (d) the absence of any evidence extrinsic to the provisions of the written agreements between the parties that the parties intended a meaning contrary to that expressed by those provisions. We have also assumed the due authorization, execution and delivery of the Standby Agreement on behalf of the Authority and the Trustee, and have assumed the legal, valid and binding effect of the Standby Agreement on the Authority and the Trustee.

Certain Limitations and Qualifications

We express no opinion as to (a) matters governed by laws other than the laws of the State of California and the federal laws of the United States of America, or (b) with respect to any indemnification, contribution, penalty, choice of law, choice of forum, choice of venue, subject matter jurisdiction, waiver (including any waiver of trial by jury) or severability provisions contained in the Standby Agreement.

Use of Opinion

This opinion is solely for your benefit in connection with the transactions covered by the first paragraph of this letter and may not be relied upon or used by, circulated, quoted or referred to, nor may copies hereof be delivered to, any other person or for any other purpose without our prior written approval; provided, however that Moody's Investors Service, Inc. and Standard & Poor's Ratings Services may rely on this opinion and copies of this opinion may be included in the closing transcripts for the transactions connected with the Standby Agreement. We disclaim any obligation to update this opinion letter for events occurring or coming to our attention after the date hereof.

Very truly yours,

Hawkins Delafield & Wood LLP

Hawkins Delafield & Wood LLP

333 SOUTH GRAND AVENUE
LOS ANGELES, CA 90071
WWW.HAWKINS.COM

June 8, 2023

PNC Capital Markets LLC, as Remarketing Agent
New York, New York

$47,625,000.00
original aggregate principal amount of
City of Modesto, California
Water Revenue Refunding Certificates of Participation, 2008 Series A

Ladies and Gentlemen:

We have acted as special counsel for BMO Harris Bank N.A., a national banking association organized under the laws of the United States of America (the "Bank") in connection with that certain Standby Certificate Purchase Agreement dated as of June 1, 2023 (the "Standby Agreement"), by and among the Modesto Public Financing Authority (the "Authority"), the City of Modesto (the "City"), The Bank of New York Mellon Trust Company, N.A., as successor trustee (the "Trustee") and the Bank. This letter is addressed to you as remarketing agent for the above-referenced certificates of participation (the "Certificates"). Capitalized terms used herein that are not defined herein shall have the respective meanings attributed to such terms in the Standby Agreement.

In such capacity, we have participated in the preparation of the Standby Agreement and have examined copies, certified or otherwise authenticated to our satisfaction, of the Standby Agreement and the Remarketing Memorandum, dated June 2, 2023, relating to the Certificates (the "Remarketing Memorandum"). In addition, we have examined such documents, opinions and matters to the extent we deemed necessary to render the opinion set forth herein.

On the basis of the foregoing, we are of the opinion that the statements contained in the Remarketing Memorandum under the caption "LIQUIDITY FACILITY — Liquidity Facility," insofar as such statements purport to summarize certain provisions of the Standby Agreement, are accurate in all material respects.

This opinion is furnished by us as special counsel to the Bank. No attorney-client relationship has existed or exists between our firm and you by virtue of this letter. Our engagement with respect to this matter has terminated as of the date hereof, and we disclaim any obligation to update this letter. This letter is delivered to you as remarketing agent for the Certificates, is solely for your benefit as such remarketing agent and is not to be used, circulated,

quoted or otherwise referred to or relied upon for any other purpose or by any other person. This letter is not intended to, and may not, be relied upon by owners of Certificates or by any other party to whom it is not specifically addressed.

Very truly yours,

Hawkins Delafield & Wood LLP

ASSURED GUARANTY® CORP.

June 8, 2023

Financial Guaranty Insurance Policy No. D-2008-461 (with endorsements) (the "Policy")
and Debt Service Reserve Fund Policy No. D-2008-462 (with endorsements)
(the "Reserve Policy" and, together with the Policy, the "Policies") With Respect to
$47,625,000 City of Modesto, California Water Refunding Revenue Certificates of Participation, 2008 Series A

Ladies and Gentlemen:

I am Counsel of Assured Guaranty Corp., a Maryland corporation ("AGC"). You have requested my opinion in such capacity as to the matters set forth below in connection with the above-referenced Policies. In that regard, and for purposes of this opinion, I have examined such corporate records, documents and proceedings as I have deemed necessary and appropriate.

Based upon the foregoing, I am of the opinion that:

1. AGC is a Maryland corporation duly incorporated and validly existing under the laws of the State of Maryland and authorized to transact financial guaranty insurance business therein.

2. The Policies have been duly authorized, executed and delivered by AGC.

3. Each of the Policies constitutes the valid and binding obligation of AGC, enforceable in accordance with its terms, subject, as to the enforcement of remedies, to bankruptcy, insolvency, reorganization, rehabilitation, moratorium and other similar laws affecting the enforceability of creditors' rights generally applicable in the event of the bankruptcy or insolvency of AGC and to the application of general principles of equity.

In addition, please be advised that I have reviewed the description of the Policies under the captions "CERTIFICATE INSURANCE – Certificate Insurance Policy and – The Reserve Fund Insurance Policy" in the Remarketing Memorandum relating to the above-referenced Certificates dated June 2, 2023 (the "Remarketing Memorandum"). There has not come to my attention any information which would cause me to believe that the description of the Policies referred to above, as of the date of the Remarketing Memorandum or as of the date of this opinion, contains any untrue statement of a material fact or omits to state a material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Please be advised that I express no opinion with respect to any information contained in, or omitted from, the caption "CERTIFICATE INSURANCE – Assured Guaranty Corp." or "APPENDIX E – FINANCIAL GUARANTY INSURANCE POLICY."

I am licensed to practice law in the State of New York, and do not purport to be an expert as to, or to express any opinion concerning the laws of any other jurisdiction other than the laws of the State of New York and the federal laws of the United States of America to the extent specifically referred to herein. To the extent that the opinions set forth herein purport to deal with matters of Maryland law, the statements made herein are based solely upon my review of the corporate documents of AGC, my reading of the Maryland General Corporation Law and, in respect of the opinion set forth in paragraph (1) above, my reading of the Maryland Insurance Code.

Very truly yours,



City of Modesto, California

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

BMO Harris Bank N.A.
San Francisco, California

Assured Guaranty Corp.

1633 Broadway
New York, NY 10020

main 212 974 0100
fax 212 581 3268

info@assuredguaranty.com

www.assuredguaranty.com

NORTON ROSE FULBRIGHT

June 8, 2023

Norton Rose Fulbright US LLP
555 South Flower Street
Forty-First Floor
Los Angeles, California 90071
United States

Tel +1 213 892 9200
nortonrosefulbright.com

Modesto Public Financing Authority
Modesto, California

City of Modesto
Modesto, California

PNC Capital Markets LLC
New York, New York

Re: $47,625,000 City of Modesto Water Refunding Revenue Certificates of Participation 2008 Series A

Ladies and Gentlemen:

We have acted as Disclosure Counsel to the City of Modesto (the "City") in connection with the execution and delivery of a Standby Certificate Purchase Agreement, dated as of June 1, 2023, among the Modesto Public Financing Authority (the "Authority"), the City, The Bank of New York Trust Company, N.A., as trustee (the "Trustee") and BMO Harris Bank N.A. (the "Bank"), relating to the above-referenced certificates of participation (the "Certificates") and the offering of such Certificates pursuant to a Remarketing Memorandum, dated June 2, 2023 (the "Remarketing Memorandum"). Capitalized terms not defined herein shall have the meanings ascribed to them in the Remarketing Memorandum.

In delivering this letter, we have reviewed such records, documents, certificates and opinions, and made such other investigations of law and fact as we have deemed necessary or appropriate. This opinion is limited to matters governed by the federal securities law of the United States of America, and we assume no responsibility with respect to the applicability or effect of the laws of any other jurisdiction.

In our capacity as Disclosure Counsel, we have rendered certain legal advice and assistance to the Authority in connection with the preparation of the Remarketing Memorandum. Rendering such legal advice and assistance involved, among other things, discussions and inquiries concerning various legal matters, review of certain records, documents and proceedings, and participation in telephone conferences with, among others, representatives of the Authority, the City, the Remarketing Agent, PFM Financial Advisors LLC, as municipal advisor, the Trustee and each of their respective counsel, during which telephone conferences the contents of the Remarketing Memorandum and related matters were discussed. On the basis of the information made available to us in the course of the foregoing (but without having undertaken to determine or verify independently, or assuming any responsibility for, the accuracy, completeness or fairness of any of the statements contained in the Remarketing Memorandum), no facts have come to the attention of the personnel directly involved in rendering legal advice and assistance

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in connection with the preparation of the Remarketing Memorandum that causes them to believe that the Remarketing Memorandum as of its date contained any untrue statement of a material fact or omitted to state a material fact necessary in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading (except for any information relating to The Depository Trust Company, Cede & Co., the book-entry system, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, and information under the captions "CERTIFICATE INSURANCE" and "LIQUIDITY FACILITY" and in Appendices A, C, D and E thereof, as to all of which we express no view).

During the period from the date of the Remarketing Memorandum to the date of this opinion, except for our review of the certificates and opinions regarding the Remarketing Memorandum delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of any of the statements contained in the Remarketing Memorandum.

We further inform you that we are of the opinion that the statements contained in the Remarketing Memorandum under the captions "THE 2008 CERTIFICATES" and "SECURITY FOR THE 2008 CERTIFICATES" and in APPENDIX B – "DEFINITIONS AND SUMMARY OF PRINCIPAL LEGAL DOCUMENTS," insofar as such statements expressly summarize certain provisions of the Certificates, the Contract and the Trust Agreement, are accurate in all material respects.

We are furnishing this letter to the Remarketing Agent, the Authority and the City, solely for their benefit. This letter is rendered in connection with the transaction described herein, and may not be relied upon for any other purpose. No attorney-client relationship has existed or exists between our firm and the Remarketing Agent in connection with the Certificates or by virtue of this letter. This letter shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent. Our engagement with respect to this matter terminates upon the delivery of this letter at the time of the closing relating to the Certificates, and we have no obligation to update this letter.

Respectfully submitted,

Norton Rose Fulbright US LLP

NIXON PEABODY

Nixon Peabody LLP
300 S. Grand Avenue, Suite 4100
Los Angeles, CA 90071-3151

T / 213-629-6000
F / 213-629-6001

Attorneys at Law
nixonpeabody.com
@NixonPeabodyLLP

June 8, 2023

PNC Capital Markets LLC
as Remarketing Agent
Philadelphia, Pennsylvania

Re: $47,625,000 original aggregate principal amount of City of Modesto, California Water Refunding Revenue Certificates of Participation, 2008 Series A

Ladies and Gentlemen:

We have acted as counsel to you in connection with the remarketing of $47,625,000 original aggregate principal amount of City of Modesto, California (the "City") Water Refunding Revenue Certificates of Participation, 2008 Series A (the "Certificates"), issued pursuant to the provisions of a Trust Agreement, dated as of May 1, 2008, as amended and restated by an Amended and Restated Trust Agreement, dated July 14, 2011 (the "Amended and Restated Trust Agreement"), as supplemented and amended to date, including by a First Supplemental Trust Agreement, dated as of June 1, 2023 (the "First Supplemental Trust Agreement" and together with the Amended and Restated Trust Agreement, the "Trust Agreement"), each by and between the Modesto Public Financing Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). Except as otherwise indicated, capitalized terms used in this opinion will have the meanings given in the Remarketing Memorandum, dated June 2, 2023, relating to the Certificates (the "Remarketing Memorandum").

In so acting, we have reviewed the Trust Agreement, the Remarketing Memorandum, the Remarketing Agreement, dated as of June 7, 2023, by and between the Authority and PNC Capital Markets LLC, opinions of counsel to the Authority, the City and the Trustee, certificates of the Authority, the City, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary in order to render the opinions set forth herein. In addition, we have examined such documents, records, instruments, certificates of corporate officers and representatives, certificates of public officials and such matters of law as we have deemed necessary or appropriate to enable us to render the opinions expressed below. In such examinations, we have assumed the genuineness of all signatures, the authenticity of all documents submitted to us as originals and the conformity with originals of all documents submitted to us as copies thereof.

Based upon the foregoing, we are of the opinion that under the laws of the United States, the Certificates are exempt from registration pursuant to the Securities Act of 1933, as amended, and the Trust Agreement is exempt from qualification pursuant to the Trust Indenture Act of 1939, as amended. We express no opinion as to the securities laws of any other jurisdiction.

As your counsel, we have also rendered legal advice and assistance to you in the course of your participation in the preparation of the Remarketing Memorandum. Rendering such advice and assistance involved, among other things, discussions and inquiries concerning various legal matters and the review of certain records, documents and proceedings. We have also participated in correspondences with officers and representatives of, among others, the Authority, the City, special counsel and disclosure counsel to the City, General Counsel to the Authority, the City Attorney, the City's municipal advisor and others, at which the contents of the Remarketing Memorandum were discussed. Based upon information made available to us in the course of our participation in the preparation of the Remarketing Memorandum and without having undertaken to determine independently or assuming any responsibility for the accuracy or completeness or fairness of the statements contained in the Remarketing Memorandum, as a matter of fact and not opinion, we advise that during the course of our representation of you on this matter, no facts came to the attention of the attorneys in our firm which caused us to believe that the Remarketing Memorandum as of its date and as of the date hereof (in each case except for any CUSIP numbers, financial, accounting, statistical, economic, engineering or demographic data or forecasts, numbers, charts, tables, graphs, estimates, projections, assumptions or expressions of opinion, management discussion and analysis, environmental matters, environmental litigation, any information about The Depository Trust Company and its book-entry system, any appendices thereto, and information relating to tax exemption, included or referred to therein, which we expressly exclude from the scope of this paragraph and as to which we express no view) contained or contains any untrue statement of a material fact or omitted or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. No responsibility is undertaken or view expressed with respect to any other disclosure document, materials or activity.

In this connection, however, we must advise you that the limitations inherent in the examination made by us and the knowledge available to us are such that we are unable to assume, and do not assume, any responsibility for, nor have we independently verified, the accuracy, completeness or fairness of the statements contained in the Remarketing Memorandum. We further advise you that during the period from the date of the Remarketing Memorandum to the date of this letter, except for our review of the certificates and opinions regarding the Remarketing Memorandum delivered on the date hereof, we have not undertaken any procedures or taken any actions which were intended or likely to elicit information concerning the accuracy, completeness or fairness of the statements made in the Remarketing Memorandum. We have not reviewed any printed version of the Remarketing Memorandum and assume that any such version is identical in all respects to the electronic version.

This letter is solely for the benefit of the persons to whom it is addressed in connection with the matter described above. This letter is not to be used, circulated, quoted, or otherwise referred to for any purpose other than the remarketing of the Certificates or in the list of closing documents pertaining to the remarketing of the Certificates. This letter is expressly limited to the matters set forth above and we render no opinion, whether by implication or otherwise, as to any other matters. We assume no obligation to update or supplement this letter to reflect any facts or circumstances which may hereafter come to our attention or any changes in laws which may hereafter occur.

Respectfully submitted,

Nixon Peabody LLP

CONSENT TO APPOINTMENT OF NEW REMARKETING AGENT
BY JPMORGAN CHASE BANK, N.A. AND
ACKNOWLEDGEMENT BY J.P. MORGAN SECURITIES LLC

JPMorgan Chase Bank, N.A.
Public Finance - Credit Origination
383 Madison Avenue
Mail Code: NY1-M076
New York, NY, 10179
Telephone No.: (212) 270-2198
Telecopy No.: (917) 456-3538
Attention: James G. Millard

JPMorgan Chase Bank, N.A.
131 South Dearborn, 5th Floor
Mail Code ILl-0236
Chicago, IL 60603-5506
Facsimile No.: (312) 954-6163
Telephone No.: (800) 634-1969, Option 1
Attention: Standby Service Unit

J.P. Morgan Securities LLC
383 Madison Avenue, Floor 8
New York, New York 10179
Attention: Municipal Short Term Desk
Telephone: (212) 834-7224
Facsimile: (917) 456-3541

$47,625,000 original principal amount of
CITY OF MODESTO, CALIFORNIA WATER REFUNDING REVENUE
CERTIFICATES OF PARTICIPATION, 2008 SERIES A

The City of Modesto (the "City") hereby requests your consent to (or in the case of J.P. Morgan Securities LLC, acknowledgment of) the appointment of PNC Capital Markets LLC, as the new remarketing agent for the above-referenced certificates of participation. The appointment and succession will be effective on June 7, 2023. Until such date, the Remarketing Agreement, dated as of July 1, 2011, between the Authority and J.P. Morgan Securities LLC shall remain in full force and effect.

Defined terms herein have the meanings given in the Amended and Restated Trust Agreement, dated as of July 14, 2011, between The Bank of New York Mellon Trust Company, N.A., as trustee, and the Modesto Public Financing Authority.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

CITY OF MODESTO

By: _____
Finance Director/Treasurer

Dated as of May 9th, 2023

AGREED BY:
JPMorgan Chase Bank, N.A., as Liquidity Facility Provider

By: _____
Authorized Signatory

Dated as of MAY 16, , 2023

ACKNOWLEDGED BY:
J.P. Morgan Securities LLC, as Remarketing Agent

By: _____
Authorized Signatory

Dated as of MAY 16, , 2023

$47,625,000 original aggregate principal amount of
CITY OF MODESTO, CALIFORNIA
WATER REFUNDING REVENUE CERTIFICATES OF PARTICIPATION
2008 SERIES A

LETTER OF CREDIT SURRENDER CERTIFICATE OF THE TRUSTEE

June 8, 2023

JPMorgan Chase Bank

Irrevocable Transferrable Letter of Credit No. CPCS-923992

JPMorgan Chase Bank, N.A.
Attn: Trade Operations - Standby LCs
10410 HIGHLAND MANOR DRIVE, FLOOR 03
TAMPA, FL 33610-9128
Attn: Lorenzo Brown
Tel: (800) 634-1969

Ladies and Gentlemen:

We refer to your Irrevocable Transferrable Letter of Credit No. CPCS-923992 (the "Letter of Credit"). Any term which is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of The Bank of New York Mellon Trust Company, N.A. (the "Trustee" or "we"), hereby certifies to you that:

1. We are the Trustee or a successor Trustee under the Amended and Restated Trust Agreement, dated as of May 1, 2008 as amended and restated on July 14, 2011 (the "Trust Agreement"), between the Modesto Public Financing Authority and the Trustee, for the holders of the above-referenced certificates of participation.

2. We hereby surrender the attached Letter of Credit to you in accordance with the terms of the Trust Agreement.

3. The Letter of Credit is hereby terminated in accordance with its terms.

4. No payment is demanded of you in connection with this surrender of the Letter of Credit.

[THE REMAINDER OF THIS PAGE INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, I have hereunto set my hand as of the date first written above.

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

By: _____
Authorized Officer

(Signature Page to Letter of Credit Surrender Certificate of the Trustee)

JPMorganChase

JPMorgan Chase Bank, N.A.
Global Trade Services
131 South Dearborn
Mail Code IL1-0236
Chicago, IL 60603-5506
Tel: (800) 634-1969 Fax: (312) 954-0203
SWIFT: CHASUS33
Telex: ITT420120 CMBUI

Irrevocable Transferable Letter of Credit

July 14, 2011
U.S. $47,625,989
No. CPCS-923992

The Bank of New York Mellon Company, N.A.,
as trustee (the *"Trustee"*) and Agent under the
Amended and Restated Trust Agreement,
Trust Agreement dated as of July 14, 2011
(the *"Trust Agreement"*) between the Modesto
Public Financing Authority (the *"Authority"*)
and the Trustee
555 Kearny Street, Suite 600
San Francisco, CA 94108

Attention: Corporate Trust Department

Ladies and Gentlemen:

We hereby establish in your favor as Trustee for the benefit of the holders of the Authority's Water Revenue Refunding Certificates of Participation 2008 Series A (the *"Certificates"*), our irrevocable transferable Letter of Credit No. CPCS-923992 for the account of the City of Modesto (the *"Applicant"*), whereby we hereby irrevocably authorize you to draw on us from time to time, from and after the date hereof to and including the earliest to occur of our close of business on: (i) July 14, 2014 (as extended from time to time, the *"Stated Expiration Date"*), (ii) the earlier of (A) the date which is five (5) days following the Conversion Date (as defined in the Trust Agreement) of all of the Certificates as such date is specified in a certificate in the form of Annex A hereto (the *"Conversion Date"*) to a rate of interest other than a Daily Rate (as defined in the Trust Agreement) or the Weekly Rate (as defined in the Trust Agreement) or (B) the date on which the Bank honors a drawing under the Letter of Credit on or after the Conversion Date, (iii) the date which is five (5) days following receipt from you of a certificate in the form set forth as Annex B hereto, and (iv) the date which is ten (10) days following receipt by you of a written notice from us stating that such notice is delivered pursuant to Section 6.3(a) or Section 6.5(b), as the case may be, of the Reimbursement Agreement, dated as of July 1, 2011, between the Applicant and us (such agreement, the *"Reimbursement Agreement"*; such notice, a *"Default Notice"*) and specifying the occurrence of an Event of Default or a Rating Event under the Reimbursement Agreement and directing you to cause a mandatory purchase of the Certificates (the *"Termination Date"*), a maximum aggregate amount not exceeding Forty Seven Million Six Hundred Twenty Five Thousand Nine Hundred Eighty Nine United States Dollars (U.S. $47,625,989) (the *"Original Stated Amount"*) to pay principal of and accrued interest with

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respect to, or the purchase price of, the Certificates in accordance with the terms hereof (said U.S. $47,625,989 having been calculated to be equal to Forty Six Million Seven Hundred Sixty Five Thousand United States Dollars (U.S. $46,765,000), the outstanding principal amount of the Certificates, plus Eight Hundred Sixty Thousand Nine Hundred Eighty Nine United States Dollars (U.S. $860,989) (the *"Interest Component"*), which is 56 days' accrued interest with respect to said principal amount of the Certificates at the rate of twelve percent (12%) per annum calculated on a 365 days basis (the "*Cap Interest Rate"*)).

This credit is available to you against presentation of the following documents (the *"Payment Documents"*) presented to JPMorgan Chase Bank, N.A. (the *"Bank"*) as described below:

A certificate (with all blanks appropriately completed) (i) in the form attached as Annex C hereto to pay accrued interest with respect to the Certificates (an *"Interest Drawing"*), (ii) in the form attached as Annex D hereto to pay the principal amount of and accrued interest with respect to the Certificates in respect of any payment of the principal of the Certificates (including payments of principal at maturity and upon redemption) (a *"Principal Drawing"*), provided that in the event the date of payment coincides with an Interest Payment Date (as defined in the Trust Agreement), the Principal Drawing shall not include any accrued interest with respect to the Certificates (which interest is payable pursuant to an Interest Drawing), or (iii) in the form attached as Annex E hereto to pay the purchase price of Certificates which have not been remarketed or which are not required to be remarketed (a *"Liquidity Drawing"*), provided that in the event the purchase date coincides with an Interest Payment Date, the Liquidity Drawing shall not include any accrued interest with respect to the Certificates (which interest is payable pursuant to an Interest Drawing), each certificate to state therein that it is given by your duly authorized representative and dated the date such certificate is presented hereunder. No drawings shall be made under this Letter of Credit for Liquidity Provider Certificates (as defined in the Trust Agreement) or Certificates registered in the name of the Applicant.

All drawings shall be made by presentation of each Payment Document by facsimile (at facsimile number (312) 954-6163 or alternately to (312) 954-3140), Attention: Standby Service Unit, without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing.

We agree to honor and pay the amount of any Interest Drawing, Principal Drawing or Liquidity Drawing if presented in compliance with all of the terms of this Letter of Credit. If such drawing, other than a Liquidity Drawing, is presented at or prior to 5:00 P.M., Eastern time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 1:00 P.M., Eastern time, on the following Business Day. If any such drawing, other than a Liquidity Drawing, is presented after 5:00 P.M.,

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JPMorgan Chase Bank, N.A.
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131 South Dearborn
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SWIFT: CHASUS33
Telex: ITT420120 CMBUI

Eastern time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 1:00 P.M., Eastern time, on the second following Business Day. If a Liquidity Drawing is presented at or prior to 12:30 P.M., Eastern Time, on a Business Day, payment shall be made to the account number or address designated by you of the amount specified, in immediately available funds, by 2:30 P.M., Eastern time, on the same Business Day. If a Liquidity Drawing is presented after 12:30 P.M., Eastern time, payment shall be made to the account number and at such bank designated by you of the amount specified, in immediately available funds, by 2:30 P.M., Eastern time, on the following Business Day. Payments made hereunder shall be made by wire transfer to you or by deposit into your account with us in accordance with the instructions specified by you in the drawing certificate relating to a particular drawing hereunder. *"Business Day"* means any day other than (i) a Saturday or Sunday, (ii) a day on which banking institutions in the city or cities in which the principal corporate trust office of the Trustee (as defined in the Trust Agreement) or the Trustee is located or banking institutions in New York, New York are authorized or required by law to close, (iii) in the case of the Bank, a day on which banking institutions in the city in which the office of the Bank at which drawings under the Letter of Credit are to be presented is located are authorized or required by law to close or (iv) any day on which the New York Stock Exchange is closed.

The Available Amount (as hereinafter defined) will be reduced automatically by the amount of any drawing hereunder; *provided, however,* that the amount of any Interest Drawing hereunder that is not accompanied by a Principal Drawing or Liquidity Drawing shall be automatically reinstated immediately on the fifth day after demand for payment is honored by us unless you receive a Default Notice (which may include delivery by telecopier, telex, prepaid telegram or other telecommunication) on or before the close of business on such date. After payment by us of a Liquidity Drawing, the obligation of the Bank to honor drawings under this Letter of Credit will be automatically reduced by an amount equal to the Original Purchase Price (as defined below) of any Certificates (or portions thereof) purchased pursuant to said drawing. In addition, prior to the Conversion Date, in the event of the remarketing of the Certificates (or portions thereof) previously purchased with the proceeds of a Liquidity Drawing, our obligation to honor drawings hereunder shall be automatically reinstated concurrently upon receipt by the Bank, or the Trustee on the Bank's behalf, of an amount equal to the Original Purchase Price of such Certificates (or portion thereof) plus accrued interest thereon as required under the Reimbursement Agreement as specified in a certificate in the form of Annex I hereto; the amount of such reinstatement shall be equal to the Original Purchase Price of such Certificates (or portions thereof). *"Original Purchase Price"* shall mean the principal amount of any Certificate purchased with the proceeds of a Liquidity Drawing plus the amount of accrued interest with respect to such Certificate paid with the proceeds of a Liquidity Drawing (and not pursuant to an Interest Drawing) upon such purchase.

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131 South Dearborn
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SWIFT: CHASUS33
Telex: ITT420120 CMBUI

Letter of Credit No. CPCS-923992 Date: July 14, 2011

Upon receipt by us of a certificate of the Trustee in the form of Annex F hereto, the Available Amount to be drawn hereunder will automatically and permanently be reduced by the amount specified in such certificate. Such reduction shall be effective as of the next Business Day following the date of delivery of such certificate. Upon any permanent reduction of the Available Amount to be drawn under this Letter of Credit, as provided herein, we will deliver to you an amendment to this Letter of Credit substantially in the form of Annex J hereto to reflect any such reduction. The *"Available Amount"* shall mean the Original Stated Amount (i) less the amount of all prior reductions pursuant to Interest Drawings, Principal Drawings or Liquidity Drawings, (ii) less the amount of any reduction thereof pursuant to a certificate in the form of Annex F hereto, (iii) plus the amount of all reinstatements as above provided.

Prior to the Termination Date, we may extend the Stated Expiration Date from time to time at the request of the Applicant by delivering to you an amendment to this Letter of Credit in the form of Annex H hereto designating the date to which the Stated Expiration Date is being extended. Each such extension of the Stated Expiration Date shall become effective on the Business Day following delivery of such notice to you and thereafter all references in this Letter of Credit to the Stated Expiration Date shall be deemed to be references to the date designated as such in such notice. Any date to which the Stated Expiration Date has been extended as herein provided may be extended in a like manner.

Upon the Termination Date this Letter of Credit shall automatically terminate and be delivered to the Bank for cancellation. Failure to deliver said Letter of Credit will have no effect on the Termination Date, and the Letter of Credit will still be considered terminated.

This Letter of Credit is transferable to any transferee who has succeeded you as Trustee under the Trust Agreement, and may be successively transferred. Any transfer request must be affected by presenting to us the attached form of Annex G signed by the transferor and the transferee together with the original Letter of Credit. Upon our endorsement of such transfer, the transferee instead of the transferor shall, without necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; *provided* that, in such case, any certificates of the Trustee to be provided hereunder shall be signed by one who states therein that he is a duly authorized officer or agent of the transferee.

Communications with respect to this Letter of Credit shall be addressed to us at JPMorgan Chase Bank, N.A., 131 South Dearborn, 5th Floor, Mail Code IL1-0236, Chicago, Il 60603-5506, Attention: Standby Letter of Credit Unit, specifically referring to the number of this Letter of Credit. For telephone assistance, please contact the Standby Client Service Unit at 1-800-634-1969, select Option 1, and have this Letter of Credit number available.

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JPMorgan Chase Bank, N.A.
Global Trade Services
131 South Dearborn
Mail Code IL1-0236
Chicago, IL 60603-5506
Tel: (800) 634-1969 Fax: (312) 954-0203
SWIFT: CHASUS33
Telex: ITT420120 CMBUI

Letter of Credit No. CPCS-923992 Date: July 14, 2011

Except as expressly stated herein, this Letter of Credit is governed by, and construed in accordance with the International Standby Practices, ICC Publication No. 590 (the "ISP98"). As to matters not governed by the ISP98, this Letter of Credit shall be governed by and construed in accordance with the laws of the State of New York, including without limitation the Uniform Commercial Code as in effect in the State of New York, without regard to principals of conflict of laws.

All payments made by us hereunder shall be made from our funds and not with the funds of any other Person.

(Signature Page Follows)

JPMorganChase

JPMorgan Chase Bank, N.A.
Global Trade Services
131 South Dearborn
Mail Code IL1-0236
Chicago, IL 60603-5506
Tel: (800) 634-1969 Fax: (312) 954-0203
SWIFT: CHASUS33
Telex: ITT420120 CMBUI

Letter of Credit No. CPCS-923992 Date: July 14, 2011

This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document whatsoever except the attached annexes.

Very truly yours,

JPMORGAN CHASE BANK, N.A.

By: _____
Name: Sampath Jebamony
Title: Vice President

ANNEX A
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. CPCS-923992

NOTICE OF CONVERSION DATE

[Date]

JPMorgan Chase Bank, N.A.
131 South Dearborn
5th Floor, Mail Code IL1-0236
Chicago, IL 60603-5506

Attn: Standby Letter of Credit Unit

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. CPCS-923992 dated July 14, 2011 (the *"Letter of Credit"*), which has been established by you for the account of the City of Modesto, in favor of the Trustee.

The undersigned hereby certifies and confirms that the Conversion Date of all of the Certificates to an interest rate other than a Daily Rate (as defined in the Trust Agreement) or a Weekly Rate (as defined in the Trust Agreement) has occurred on [insert date], and, accordingly, said Letter of Credit shall terminate 5 days after such Conversion Date in accordance with its terms.

All defined terms used herein which are not otherwise defined herein shall have the same meaning as in the Letter of Credit.

The Bank of New York Mellon Company,
N.A., as Trustee

By: _____
[Title of Authorized
Representative]

ANNEX B
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. CPCS-923992

NOTICE OF TERMINATION

[Date]

JPMorgan Chase Bank, N.A.
131 South Dearborn
5th Floor, Mail Code IL1-0236
Chicago, IL 60603-5506

Attn: Standby Letter of Credit Unit

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. CPCS-923992 dated July 14, 2011 (the *"Letter of Credit"*), which has been established by you for the account of the City of Modesto, in favor of the Trustee.

The undersigned hereby certifies and confirms that (i) no Certificates (as defined in the Letter of Credit) remain outstanding within the meaning of the Trust Agreement, (ii) all drawings required to be made under the Trust Agreement and available under the Letter of Credit have been made and honored, or (iii) a substitute letter of credit has been issued to replace the Letter of Credit pursuant to the Trust Agreement, and, accordingly, the Letter of Credit shall be terminated in accordance with its terms.

All defined terms used herein which are not otherwise defined shall have the same meaning as in the Letter of Credit.

The Bank of New York Mellon Company,
N.A., as Trustee

By _____
[Title of Authorized
Representative]

ANNEX C
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. CPCS-923992

INTEREST DRAWING CERTIFICATE

JPMorgan Chase Bank, N.A.
(facsimile number (312) 954-6163
alternately to (312) 954-3140)

Attn: Standby Letter of Credit Unit

The undersigned individual, a duly authorized representative of The Bank of New York Mellon Company, N.A., as Trustee (the *"Beneficiary"*), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. CPCS-923992 dated July 14, 2011 (the *"Letter of Credit"*), issued by JPMORGAN CHASE BANK, N.A. (the *"Bank"*) in favor of the Beneficiary; (ii) those certain Certificates (as defined in the Letter of Credit); and (iii) that certain Trust Agreement (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee (as defined in the Letter of Credit) under the Trust Agreement.

2. The Beneficiary is entitled to make this drawing in the amount of U.S. $_____ under the Letter of Credit pursuant to the Trust Agreement with respect to the payment of interest due with respect to all Certificates outstanding on the Interest Payment Date (as defined in the Trust Agreement) occurring on [insert applicable date], other than Liquidity Provider Certificates (as defined in the Trust Agreement) and Certificates registered in the name of the Applicant (as defined in the Letter of Credit).

3. The amount of the drawing is equal to the amount required to be drawn by the Trustee pursuant to the Trust Agreement.

4. The amount of the drawing made by this Certificate was computed in compliance with the terms of the Trust Agreement and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

(Signature Page Follows)

IN WITNESS WHEREOF, this Certificate has been executed this ____ day of _____, 201_.

The Bank of New York Mellon Company, N.A., as Trustee

By _____
[Title of Authorized Representative]

ANNEX D
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. CPCS-923992

PRINCIPAL DRAWING CERTIFICATE

JPMorgan Chase Bank, N.A.
(facsimile number (312) 954-6163
alternately to (312) 954-3140)

Attn: Standby Letter of Credit Unit

The undersigned individual, a duly authorized representative of The Bank of New York Mellon Company, N.A., as Trustee (the *"Beneficiary"*), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. CPCS-923992 dated July 14, 2011 (the *"Letter of Credit"*), issued by JPMORGAN CHASE BANK, N.A. (the *"Bank"*) in favor of the Beneficiary; (ii) those certain Certificates (as defined in the Letter of Credit); and (iii) that certain Trust Agreement (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee (as defined in the Letter of Credit) under the Trust Agreement.

2. The Beneficiary is entitled to make this drawing in the amount of U.S. $_____ under the Letter of Credit pursuant to the Trust Agreement.

3. (a) The amount of this drawing is equal to (i) the principal amount of Certificates to be paid (whether at maturity or by redemption) pursuant to the Trust Agreement on [insert applicable date] (the *"Principal Date"*), other than Liquidity Provider Certificates (as defined in the Trust Agreement) and Certificates registered in the name of the Applicant (as defined in the Letter of Credit), plus (ii) interest with respect to such Certificates accrued from the immediately preceding Interest Payment Date (as defined in the Trust Agreement) to the Principal Date, provided that in the event the Principal Date coincides with an Interest Payment Date this drawing does not include any accrued interest with respect to such Certificates.

(b) Of the amount stated in paragraph 2 above:

(i) U.S. $_____ is demanded in respect of the principal amount of the Certificates referred to in subparagraph (a) above; and

(ii) U.S. $_____ is demanded in respect of accrued interest with respect to such Certificates.

4. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

5. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Trust Agreement and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

6. Upon payment of the amount drawn hereunder, the Bank is hereby directed to permanently reduce the Available Amount by U.S. $[insert amount of reduction] and the Available Amount shall thereupon equal U.S. $[insert new Available Amount]. The Available Amount has been reduced by an amount equal to the principal of Certificates paid with this drawing and an amount equal to 56 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit).

7. Of the amount of the reduction stated in paragraph 6 above:

(i) U.S. $_____ is attributable to the principal amount of Certificates redeemed or paid at maturity; and

(ii) U.S. $_____ is attributable to interest with respect to such Certificates (*i.e.*, 56 days' interest thereon at the Cap Interest Rate).

8. The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.

9. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Certificates outstanding (to the extent such Certificates are not Liquidity Provider Certificates (as defined in the Trust Agreement) or Certificates registered in the name of the Applicant (as defined in the Letter of Credit) plus 56 days' interest thereon at the Cap Interest Rate.

*10. Upon application of the proceeds drawn hereunder, no Certificates will remain Outstanding (as defined in the Trust Agreement).

---

* To be included in certificate only if no Certificates will remain Outstanding after application of the proceeds of the Principal Drawing.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, _____.

The Bank of New York Mellon Company, N.A., as Trustee

By _____
[Title of Authorized Representative]

ANNEX E
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. CPCS-923992

LIQUIDITY DRAWING CERTIFICATE

JPMorgan Chase Bank, N.A.
(facsimile number (312) 954-6163
alternately to (312) 954-3140)

Attn: Standby Letter of Credit Unit

The undersigned individual, a duly authorized representative of The Bank of New York Mellon Company, N.A., as Trustee (the *"Beneficiary"*), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. CPCS-923992 dated July 14, 2011 (the *"Letter of Credit"*), issued by JPMORGAN CHASE BANK, N.A. (the *"Bank"*) in favor of the Beneficiary; (ii) those certain Certificates (as defined in the Letter of Credit); and (iii) that certain Trust Agreement (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Trust Agreement.

2. The Beneficiary is entitled to make this drawing under the Letter of Credit in the amount of U.S. $_____ with respect to the payment of the purchase price of Certificates tendered for purchase in accordance with the Trust Agreement and to be purchased on [insert applicable date] (the *"Purchase Date"*) which Certificates have not been remarketed as provided in the Trust Agreement or the purchase price of which has not been received by the Trustee (as defined in the Letter of Credit) on said Purchase Date.

3. (a) The amount of the drawing is equal to (i) the principal amount of Certificates to be purchased pursuant to the Trust Agreement on the Purchase Date, other than Liquidity Provider Certificates (as defined in the Trust Agreement) and Certificates registered in the name of the Applicant (as defined in the Letter of Credit), plus (ii) interest with respect to such Certificates accrued from the immediately preceding Interest Payment Date (as defined in the Trust Agreement) (or if none, the date of issuance of the Certificates) to the Purchase Date, provided that in the event the Purchase Date coincides with an Interest Payment Date this drawing does not include any accrued interest with respect to such Certificates.

(b) Of the amount stated in paragraph (2) above:

(i) U.S. $_____ is demanded in respect of the principal portion of the purchase price of the Certificates referred to in subparagraph (2) above; and

(ii) U.S. $_____ is demanded in respect of payment of the interest portion of the purchase price of such Certificates.

4. The amount of the drawing made by this Certificate was computed in compliance with the terms and conditions of the Trust Agreement and, when added to the amount of any other drawing under the Letter of Credit made simultaneously herewith, does not exceed the Available Amount (as defined in the Letter of Credit).

5. The Beneficiary will register or cause to be registered in the name of the Bank, upon payment of the amount drawn hereunder, Certificates (or beneficial interests therein) in the principal amount of the Certificates being purchased with the amounts drawn hereunder in accordance with the requirements of the Custodian Agreement dated as of July 1, 2011, among The Bank of New York Mellon Company, N.A. (as custodian), the Applicant (as defined in the Letter of Credit) and the Bank.

6. Payment by the Bank pursuant to this drawing shall be made to _____, ABA Number _____, Account Number _____, Attention: _____, Re: _____.

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, _____.

The Bank of New York Mellon Company, N.A., as Trustee

By _____
[Title of Authorized Representative]

ANNEX F
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. CPCS-923992

REDUCTION CERTIFICATE

JPMorgan Chase Bank, N.A.
131 South Dearborn
5th Floor, Mail Code IL1-0236
Chicago, IL 60603-5506

Attn: Standby Letter of Credit Unit

The undersigned individual, a duly authorized representative of The Bank of New York Mellon Company, N.A., as Trustee (the *"Beneficiary"*), hereby CERTIFIES on behalf of the Beneficiary as follows with respect to (i) that certain Irrevocable Transferable Letter of Credit No. CPCS-923992 dated July 14, 2011 (the *"Letter of Credit"*), issued by JPMORGAN CHASE BANK, N.A. (the *"Bank"*) in favor of the Beneficiary; (ii) those certain Certificates (as defined in the Letter of Credit); and (iii) that certain Trust Agreement (as defined in the Letter of Credit):

1. The Beneficiary is the Trustee under the Trust Agreement.

2. Upon receipt by the Bank of this Certificate, the Available Amount (as defined in the Letter of Credit) shall be permanently reduced by U.S.$_____ and the Available Amount shall thereupon equal U.S. $_____. U.S. $_____ of the new Available Amount is attributable to interest.

3. The amount of the reduction in the Available Amount has been computed in accordance with the provisions of the Letter of Credit.

4. Following the reduction, the Available Amount shall be at least equal to the aggregate principal amount of the Certificates outstanding, other than Liquidity Provider Certificates (as defined in the Trust Agreement) and Certificates registered in the name of the Applicant (as defined in the Letter of Credit) plus 56 days' interest thereon at the Cap Interest Rate (as defined in the Letter of Credit).

IN WITNESS WHEREOF, this Certificate has been executed this _____ day of _____, ____.

The Bank of New York Mellon Company,
N.A., as Trustee

By _____
[Title of Authorized
Representative]

ANNEX G
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. CPCS-923992

REQUEST FOR TRANSFER

JPMorgan Chase Bank, N.A.
131 South Dearborn
5th Floor, Mail Code IL1-0236
Chicago, IL 60603-5506

Date: _____

Attn: Standby Letter of Credit Unit

Re: JPMorgan Chase Bank, N.A. Irrevocable Standby Letter of Credit No. CPCS-923992

We, the undersigned "Transferor", hereby irrevocably transfer all of our rights to draw under the above referenced Letter of Credit ("Credit") in its entirety to:

NAME OF TRANSFEREE

_____

(Print Name and complete address of the Transferee) "Transferee"

ADDRESS OF TRANSFEREE

_____

_____

CITY, STATE/COUNTRY ZIP

_____

In accordance with ISP98, Rule 6, regarding transfer of drawing rights, all rights of the undersigned Transferor in the Credit are transferred to the Transferee, who shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the undersigned Transferor.

The original Credit, including amendments to this date, is attached and the undersigned Transferor requests that you endorse an acknowledgment of this transfer on the reverse thereof. The undersigned Transferor requests that you notify the Transferee of this Credit in such form and manner as you deem appropriate, and the terms and conditions of the Credit as transferred. The undersigned Transferor acknowledges that you incur no obligation hereunder and that the transfer shall not be effective until you have expressly consented to the transfer by notice to the Transferee.

If you agree to these instructions, please advise the Transferee of the terms and conditions of this transferred Credit and these instructions.

Payment of transfer fee of U.S $3,000 is for the account of the Applicant who agrees to pay you on demand any expense or cost you may incur in connection with the transfer. Receipt of such shall not constitute consent by you to the transfer.

Transferor represents and warrants that (a) the Transferee is the Transferor's successor trustee under the Trust Agreement, (b) the enclosed Credit is original and complete, and (c) there is no outstanding demand or request for payment or transfer under the Credit affecting the rights to be transferred.

The Effective Date shall be the date hereafter on which Transferring Bank effects the requested transfer by acknowledging this request and giving notice thereof to Transferee.

WE WAIVE ANY RIGHT TO TRIAL BY JURY THAT WE MAY HAVE IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING OUT OF THIS TRANSFER.

This Request is made subject to ISP98 and is subject to and shall be governed by the laws of the State of New York, without regard to principles of conflict of laws.

(Signature Page Follows)

Sincerely yours,

_____
(Print Name of Transferor)

_____
(Transferor's Authorized Signature)

_____
(Print Authorized Signers Name and Title)

_____
(Telephone Number/Fax Number)

SIGNATURE GUARANTEED
Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement.

_____
(Print Name of Bank)

_____
(Address of Bank)

_____
(City, State, Zip Code)

_____
(Print Name and Title of Authorized Signer)

_____
(Authorized Signature)

_____
(Telephone Number)

_____
(Date)

Acknowledged:

_____
(Print Name of Transferee)

_____
(Transferee's Authorized Signature)

_____
(Print Authorized Signers Name and Title)

_____
(Telephone Number/Fax Number)

SIGNATURE GUARANTEED
Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement.

_____
(Print Name of Bank)

_____
(Address of Bank)

_____
(City, State, Zip Code)

_____
(Print Name and Title of Authorized Signer)

_____
(Authorized Signature)

_____
(Telephone Number)

_____
(Date)

Acknowledged as of _____, 201_:

JPMorgan Chase Bank, N.A.

By: _____
Name:
Title:

ANNEX H
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
NO. CPCS-923992

NOTICE OF EXTENSION AMENDMENT

_____, _____

The Bank of New York Mellon Company, N.A.
555 Kearney Street, Suite 600
San Francisco, California 94108

Attention: Corporate Trust Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. CPCS-923992 dated July 14, 2011 (the *"Letter of Credit"*), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Reimbursement Agreement dated as of July 1, 2011, between the City of Modesto and us, the Stated Expiration Date (as defined in the Letter of Credit) has been extended to _____, _____.

This letter shall be attached to the Letter of Credit and made a part thereof.

JPMorgan Chase Bank, N.A.

By: _____
Name:
Title:

ANNEX I
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
No. CPCS-923992

REINSTATEMENT CERTIFICATE

JPMorgan Chase Bank, N.A.
(facsimile number (312) 954-6163
alternately to (312) 954-3140)

Attn: Standby Letter of Credit Unit

The undersigned hereby certifies to JPMorgan Chase Bank, N.A. (the "Bank"), with reference to Irrevocable Letter of Credit No. CPCS-923992 dated July 14, 2011 (the "Letter of Credit") issued by the Bank in favor of the Trustee, that:

1. The undersigned is the Trustee under the Trust Agreement.

2. The Trustee has previously made a Liquidity Draw under the Letter of Credit on _____ in the amount of U.S. $_____ (representing U.S. $_____ of principal and U.S. $_____ of interest) with respect to the purchase price of Certificates which are Liquidity Provider Certificates (as defined in the Trust Agreement).

3. The Bank of New York Mellon Company, N.A., as Trustee and custodian under the Custodian Agreement, dated as of July 1, 2011, among The Bank of New York Mellon Company, N.A., the Applicant (as defined in the Letter of Credit) and the Bank has received proceeds from the sale of remarketed Liquidity Provider Certificates originally purchased with the proceeds of the above described Liquidity Drawing and as of the date hereof holds U.S. $_____ (representing U.S. $_____ of principal and U.S. $_____ of interest) with respect to the sale of such Liquidity Provider Certificates.

4. In accordance with the terms of the Letter of Credit, the Available Amount (as defined in the Letter of Credit) is hereby automatically reinstated to the extent of the lesser of (i) the proceeds of such remarketed Liquidity Provider Certificates (as described in paragraph 3 above), or (ii) the amount of the Liquidity Drawing described above, all in accordance with the terms of the Letter of Credit and this notice.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Certificate this ____ day of _____, _____.

The Bank of New York Mellon Company,
N.A., as Trustee

By _____
[Title of Authorized
Representative]

ANNEX J
TO
JPMORGAN CHASE BANK, N.A.
LETTER OF CREDIT
No. CPCS-923992

NOTICE OF REDUCTION AMENDMENT

[Date]

The Bank of New York Mellon Company, N.A.
555 Kearney Street, Suite 600
San Francisco, California 94108

Attention: Corporate Trust Department

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferable Letter of Credit No. CPCS-923992 dated July 14, 2011 (the "Letter of Credit"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit, the Available Amount (as defined in the Letter of Credit) has been reduced to U.S. $_____, of which U.S. $_____ is attributable to principal and U.S. $_____ is attributable to interest.

This letter shall be attached to the Letter of Credit and made a part thereof.

JPMorgan Chase Bank, N.A.

By: _____
Name:
Title:

JPMORGAN CHASE & CO.

CERTIFICATE OF
JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

I, Eva Loeffler, DO HEREBY CERTIFY that I am a duly elected and qualified Assistant Secretary of JPMorgan Chase Bank, National Association, a national banking association duly organized and existing under the laws of the United States of America (the "Bank") and that set forth below is a true and correct copy of resolutions duly adopted by the directors of the Bank pursuant to a unanimous written consent, effective as of March 29, 2010. I further certify that said resolutions, at the date hereof, are still in full force and effect.

RESOLVED that loan agreements, contracts, indentures, mortgages, deeds, releases, conveyances, assignments, transfers, certificates, certifications, declarations, leases, discharges, satisfactions, settlements, petitions, schedules, accounts, affidavits, bonds, undertakings, guarantees, proxies, requisitions, demands, proofs of debt, claims, records, notes signifying indebtedness of JPMorgan Chase Bank, N.A. (the "Bank"), and any other contracts, instruments or documents in connection with the conduct of the business of the Bank, whether or not specified in the resolutions of the Bank's Board of Directors (the "Board") may be signed, executed, acknowledged, verified, delivered or accepted on behalf of the Bank by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, a Vice Chairman of the Board, a Vice Chairman, any member of the Operating Committee or Executive Committee, any Executive Vice President, the Chief Financial Officer, the General Counsel, the Treasurer, the Controller, the Chief Risk Officer, the Secretary, any Senior Vice President, any Managing Director, any Executive Director, any Vice President, or any other officer having a functional title or official status which is at least equivalent to any of the foregoing, and the seal of the Bank may be affixed to any thereof and attested by the Secretary, any Vice President or any Assistant Secretary; provided, however, that any guarantees, comfort letters or other letters of support issued by the Bank in respect of obligations of any of the Bank's affiliates or subsidiaries ("Support Documents") may be executed only where consistent with such resolutions of the Board dated March 29, 2010, as amended, relating to the provision of Bank guarantees and other support issued by the Bank in respect of obligations of its subsidiaries and affiliates;

RESOLVED that powers of attorney may be executed on behalf of the Bank by the Chairman of the Board, the Chief Executive Officer, the President, the Chief Operating Officer, a Vice Chairman of the Board, a Vice Chairman, any member of the Operating Committee or Executive Committee, any Executive Vice President, the Chief Financial Officer, the General Counsel, the Treasurer, the Controller, the Chief Risk Officer, the Secretary, any Senior Vice President, any Managing Director or any other officer having a functional title or official status which is at least equivalent to any of the foregoing; provided, however, that such powers of attorney may not provide authority for signing Support Documents except as where consistent with such resolutions of the Board dated March 29, 2010, as amended, relating to the provision of Bank guarantees and other support issued by the Bank in respect of obligations of its subsidiaries and affiliates.

I DO HEREBY FURTHER CERTIFY that **SAMPATH JEBAMONY** is Vice President of JPMorgan Chase Bank, National Association and is empowered to act in conformity with the above resolutions.

WITNESS my hand and the seal of JPMorgan Chase Bank, National Association as of this 14th day of July, 2011.

Eva Loeffler
Eva Loeffler
Assistant Secretary

(Corporate Seal)

City of Modesto
2008A Water Certificates of Participation
Standby Certificate Purchase Agreement
Distribution List as of June 7, 2023

Issuer	
City of Modesto 1010 10th Street Modesto, CA 95354	**DeAnna Christensen, Finance Director** Phone: 209.577.5387 Email: dachristensen@modestogov.com **Calogero Maniscalco, Senior Financial Analyst** Phone: 209.577.5219 Email: cmaniscalco@modestogov.com **Maria Garnica, Accounting Manager** Phone: 209.577.5249 Email: mgarnica@modestogov.com **Stephanie Downs, City Attorney Office - Meyers Nave** Email: sdowns@meyersnave.com
Bond and Disclosure Counsel	
Norton Rose Fulbright US LLP 555 California Street, Suite 3300 San Francisco, CA 94104	**Eric D. Tashman, Partner** Phone: 628.231.6803 E-mail: eric.tashman@nortonrosefulbright.com **Stepan A. Haytayan, Senior Counsel** Phone: 213.892.9236 E-mail: stepan.haytayan@nortonrosefulbright.com
Municipal Advisor	
PFM Financial Advisors LLC 44 Montgomery Street, 3rd Floor San Francisco, CA 94104	**Sarah Hollenbeck, Managing Director** Phone: 415.982.5544, ext. 7260 E-mail: hollenbecks@pfm.com **Nick Jones, Senior Managing Consultant** Phone: 415.982.5544, ext. 7245 E-mail: jonesni@pfm.com **Catherine Go, Analyst** Phone: 415.393.7232 E-mail: goc@pfm.com

Facility Provider	
Bank of the West 180 Montgomery Street San Francisco, CA 94104	**Daniel Campbell, Vice President, Relationship Manager** Phone: 916.552.4423 E-mail: daniel.campbell@botw.com **Ted Neu, Managing Director** Phone: 212.748.9879 E-mail: ted.neu@botw.com
Bank Counsel	
Hawkins Delafield & Wood LLP 333 South Grand Avenue Los Angeles, CA 90071	**Melanie Murakami, Partner** Phone: 213.236.9063 E-mail: mmurakami@hawkins.com
2008 Water COPs Remarketing Agent	
PNC Capital Markets LLC 10250 Constellation Blvd 15th FL Los Angeles, CA 90067	**Samantha Funk, Managing Director** E-mail: samantha.funk@pnc.com **An Tran, Managing Director** Phone: 717.341.5876 E-mail: an.tran@pnc.com **Mary Kate Rogan, Director** E-mail: marykate.rogan@pnc.com **Jake Rich, Analyst** E-mail: jacob.rich@pnc.com
Remarketing Agent Counsel	
Nixon Peabody 300 South Grand Avenue, Suite 4100 Los Angeles, CA 90071	**Jade Turner-Bond, Partner** Phone: 213.629.6141 E-mail: jturnerbond@nixonpeabody.com **David Song, Associate** Phone: 213.629.6010 E-mail: dsong@nixonpeabody.com
Prior LOC Provider and Remarketing Agent	
J.P. Morgan 383 Madison Avenue, 3rd Floor (NY1-M165) New York, NY 10179	**James G. Millard, Executive Director** Phone: 212.270.2198 E-mail: james.g.millard@jpmorgan.com **Noah Schimanski** E-mail: noah.schimanski@jpmorgan.com **Selina Au Yang** E-mail: Selina.Au.Yang@jpmorgan.com

	Peter McCarthy, Remarketing E-mail: Peter.McCarthy@jpmorgan.com
Trustee	
Bank of New York Mellon Trust Company 400 South Hope Street, 4th Floor Los Angeles, CA 90071	**Mevelyn Hill** E-mail: Mevelyn.Hill@bnymellon.com **Fanny Chen** E-mail: fanny.chen@bnymellon.com **Rhea Ricard** Phone: 213.630.6476 E-mail: rhea.ricard@bnymellon.com
Rating Agencies	
S&P Global Ratings 55 Water St. New York, NY 10041	**Manash Mazumdar** Phone: 212.438.2882 E-mail: manash.mazumdar@spglobal.com **Alexander Gombach** E-mail: alexander.gombach@spglobal.com
Moody's Investors Service 7 World Trade Center 250 Greenwich Street New York, NY 10007	**Jacek (Jack) Stolarz, AVP-Analyst** Phone: 212.553.1923 E-mail: jacek.stolarz@moodys.com

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City of Modesto, California
$47,625,000
Water Refunding Revenue Certificates of Participation
2008 Series A
CUSIP: 607804AC5

To:	Working Group
From:	PFM Financial Advisors LLC
Date:	June 7th, 2023
Subject:	Closing Wire Transfer Memorandum

GENERAL INFORMATION:

Original Dated / Delivery: May 30, 2008
Mandatory Tender Date: June 8, 2023

TRUSTEE AND TENDER AGENT PAYMENTS:

On June 8, 2023, The Bank of New York Mellon Trust Company, N.A. ("BNY"), as Trustee, will draw upon the existing JPMorgan Chase Bank, N.A. Letter of Credit for the Water Refunding Revenue Certificates of Participation 2008 Series A (the "COPs") in an amount equal to the interest accrued on the COPs during the Accrued Interest Period specified below, which amount when added to the remarketing proceeds to be provided by PNC Capital Markets LLC ("PNC") shall be sufficient to pay the required mandatory tender purchase price as provided below.

Series	Outstanding Principal	Accrued Interest(1)	Mandatory Tender Purchase Price
2008 Series A	$42,390,000.00	$16,259.18	$42,406,259.18

(1) Accrued Interest Period: June 1, 2023 to but excluding June 8, 2023

REMARKETING AGENT PAYMENTS:

On June 8, 2023, following the mandatory tender of the COPs, PNC shall remarket the Bonds with liquidity support provided by a new BMO Harris Bank N.A. ("BMO") Standby Certificate Purchase Agreement.

On June 8, 2023, PNC will wire remarketing proceeds (principal) totaling $42,390,000.00 in Federal Funds to BNY, as Trustee, as follows:

Bank: The Bank of New York Mellon
ABA# 021000018
FBO: BNY Mellon
Account #: 4371408400
Type: IMMS
Loan Account: MODESTO2008A