

FIFTH SUPPLEMENTAL TRUST INDENTURE

among

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

TREASURER OF THE STATE OF CALIFORNIA, as TRUSTEE

and

U.S. BANK NATIONAL ASSOCIATION, as CO-TRUSTEE

authorizing

POWER SUPPLY REVENUE BONDS
SERIES 2008H

Dated as of March 1, 2008

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FIFTH SUPPLEMENTAL TRUST INDENTURE

authorizing

POWER SUPPLY REVENUE BONDS, SERIES 2008H

This FIFTH SUPPLEMENTAL TRUST INDENTURE (the "Fifth Supplemental Indenture") is dated as of March 1, 2008, among the STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES (the "Department"), existing pursuant to Article 1 (commencing with Section 120) of Chapter 2 of Division 1 of the California Water Code, the TREASURER OF THE STATE OF CALIFORNIA, as Trustee (the "Trustee") and U.S. BANK NATIONAL ASSOCIATION, as Co-Trustee (the "Co-Trustee").

In consideration of the mutual agreements contained in this Fifth Supplemental Indenture and other good and valuable consideration, the receipt of which is hereby acknowledged, the Department, the Trustee and the Co-Trustee agree as set forth herein.

ARTICLE I

DEFINITIONS AND STATUTORY AUTHORITY

1.01. **Supplemental Indenture; Department.** This Fifth Supplemental Indenture supplements the Trust Indenture dated as of October 1, 2002, as amended by the Second Supplemental Trust Indenture dated as of November 1, 2002, among the Department, the Trustee and the Co-Trustee (as the same may be further amended, the "Master Indenture" and, collectively with this Fifth Supplemental Indenture, the "Indenture"), and is entered into pursuant to and in accordance with Article VIII of the Master Indenture and the Act.

1.02. **Definitions.** (a) Except as set forth in subsection (b) of this Section, all terms which are defined in Section 101 of the Master Indenture shall have the same meanings for purposes of this Fifth Supplemental Indenture.

(b) In this Fifth Supplemental Indenture:

"**FSA**" means Financial Security Assurance Inc., a stock insurance corporation, or any successor thereto or assignee thereof.

"**FSA Insured Bonds**" means the Series 2008H Bonds indicated in Section 2.04(a) hereof.

"**Beneficial Owner**" means, for any Series 2008H Bond which is held by a Securities Depository or its nominee, the beneficial owner of such Bond as reflected in the records of such Securities Depository.

"**Code**" means the Internal Revenue Code of 1986 (Title 26 of the United States Code) and any applicable regulations thereunder, as amended.

“**DTC**” means The Depository Trust Company, New York, New York, or its successors.

“**Escrow Agent**” means the Co-Trustee acting as Escrow Agent under the Escrow Agreement.

“**Escrow Agreement**” means the Escrow Agreement dated as of March 1, 2008, by and among the Department, the Treasurer of the State of California, as Trustee, and U.S. Bank National Association, as Co-Trustee and as escrow agent under such agreement.

“**Policy**” or “**Policies**” means the insurance policy or policies issued by FSA, as specified in Section 3.01 hereof, guaranteeing the scheduled payment when due of principal of and interest on the Series 2008H Insured Bonds.

“**Record Date**” has the meaning given to such term in Section 2.04(e) hereof.

“**Refunded Bonds**” means the Department’s Power Supply Revenue Bonds, Series 2002C-2, Series 2002C-3, Series 2002D-1, Series 2002D-2, Series 2002D-3, Series 2002D-4, Series 2002D-5 and Series 2005G-10 maturing in the years and in the refunded amounts shown in Appendix C hereto.

“**Securities Depository**” means DTC as the Securities Depository appointed pursuant to Section 2.04(g) hereof, or any substitute Securities Depository, or any successor to DTC or any substitute Securities Depository.

“**Series 2008H Bonds**” means the Power Supply Revenue Bonds, Series 2008H, authorized by Section 2.01 hereof.

ARTICLE II

AUTHORIZATION AND DETAILS OF SERIES 2008H BONDS

2.01. **Principal Amount, Designation and Series.** Pursuant to the provisions of the Master Indenture, one Series of Bonds entitled to the benefit, protection and security of such provisions is hereby authorized in the aggregate principal amount of \$1,006,510,000 and with the following designation: Power Supply Revenue Bonds, Series 2008H.

2.02. **Purposes.** The purposes for which the Series 2008H Bonds are issued are, together with other moneys available therefor, to pay Costs of the Department incurred in connection with the issuance of the Series 2008H Bonds, the execution and delivery of the related Financing Documents and Enhancement Facility and the defeasance and redemption of the Refunded Bonds as provided by Section 2.03 hereof.

2.03. **Application of Proceeds of Series 2008H Bonds and Other Available Moneys.** Proceeds of the Series 2008H Bonds and other available moneys shall be applied as follows:

(i) The amount of \$1,036,566,796.15, derived from proceeds of the Series 2008H Bonds, shall be deposited with the Escrow Agent and applied in accordance with the terms of the Escrow Agreement.

(ii) The amount of \$2,247,920.53 from the Bond Charge Payment Account (the "Accrued Debt Service") and the amount of \$19,199,829.39 from the Debt Service Reserve Account (the "Released Reserves") shall be transferred to the Escrow Agent and applied in accordance with the Escrow Agreement.

(iii) The balance of the proceeds of the Series 2008H Bonds shall be deposited in the Operating Account, or otherwise if directed by an Authorized Officer, to pay Costs of the Department incurred in connection with the issuance of the Refunding Bonds, the execution and delivery of the related Financing Documents and Enhancement Facility and the defeasance and redemption of the Refunded Bonds not provided for above.

2.04. **Details of Series 2008H Bonds.** (a) Date, Maturities and Interest. The Series 2008H Bonds shall be dated and shall bear interest from March 20, 2008, and shall mature on the dates and in the principal amounts, and bear interest payable semi-annually on each May 1 and November 1 commencing November 1, 2008, as follows:

<u>Maturity (May 1)</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2017 [†]	\$ 15,540,000	3.750%
2017 [†]	20,740,000	4.000
2017 [†]	21,560,000	4.500
2017 [†]	122,735,000	5.000
2017	75,000,000	5.000
2018 [†]	24,855,000	4.000
2021 [†]	22,310,000	4.250
2021 [†]	101,235,000	5.000
2021	167,995,000	5.000
2022 [†]	46,960,000	4.375
2022 [†]	137,580,000	5.000
2022	250,000,000	5.000

[†] Insured by Financial Security Assurance Inc.

(b) Denominations and Numbering. The Series 2008H Bonds shall be issued in the form of fully registered Bonds in the denomination of \$5,000 or any integral multiple of \$5,000. Unless an Authorized Officer shall otherwise direct, the Series 2008H Bonds shall be numbered consecutively from one upward, and shall bear a prefix indicating the Series designation.

(c) Optional Redemption. Series 2008H Bonds are subject to redemption prior to their respective maturities at the option of the Department, on any date on and after May 1, 2018, as a whole or in part in such order of maturity and interest rate as may be

designated by the Department, at a Redemption Price equal to the principal amount of the Series 2008H Bonds to be redeemed, as set forth below, plus accrued interest to the Redemption Date.

(d) Payment of Principal and Interest. Principal and Redemption Price of each Series 2008H Bond shall be payable at the office of the Paying Agent designated for such purpose, upon presentation and surrender of such Series 2008H Bond.

The Registrar shall indicate on the Series 2008H Bonds the date of their authentication as provided in Section 2.05 hereof. Interest on the Series 2008H Bonds shall be payable from the interest payment date next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is an interest payment date, in which case from such date if interest has been paid to such date; provided, however, that interest shall be payable on the Series 2008H Bonds from March 20, 2008, if the date of authentication is prior to the first interest payment date therefor. Interest on the Series 2008H Bonds shall be payable on the interest payment dates therefor to the registered Owner as of the close of business on the fifteenth (15) day (whether or not a Business Day) next preceding the respective interest payment date (the "Record Date"), such interest to be paid by the Paying Agent by check mailed to the registered Owner at such Owner's address as it appears on the books of registry required to be kept by the Department at the office of the Registrar pursuant to the Indenture or by wire transfer of immediately available funds to the account specified by the Owner of at least \$1,000,000 aggregate principal amount of Series 2008H Bonds in a written direction received by the Paying Agent at its office designated for such purpose on or prior to the applicable Record Date; provided, however, that upon redemption of any Series 2008H Bond, the accrued interest payable upon redemption shall be payable at the office of the Paying Agent designated for such purpose, upon presentation and surrender of such Series 2008H Bond, unless the redemption date is an interest payment date, in which event the interest on such Series 2008H Bond so redeemed shall be paid by the Paying Agent as aforesaid. Any such direction shall remain in effect until revoked or revised by such Owner by an instrument in writing delivered to the Paying Agent.

The principal or Redemption Price of and interest on the Series 2008H Bonds shall also be payable at any other place which may be provided for such payment by the appointment of any other paying agent or paying agents as permitted by the Master Indenture.

The foregoing provisions of this subsection (d) shall be subject to the provisions of subsection (f) of this Section.

The principal of and premium, if any, and interest on the Series 2008H Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts.

Interest on overdue principal of and, to the extent lawful, on overdue premium and interest on the Series 2008H Bonds will be payable at the respective rates on such Series 2008H Bonds. Payment of defaulted interest will be made to the Owners of record on the fifth (5th) day (or if such day is not a Business Day, then the next preceding Business Day) immediately preceding the payment thereof.

(e) Registrar and Paying Agent. The Trustee is hereby appointed as the initial Registrar and initial Paying Agent for the Series 2008H Bonds. The Department may appoint additional or different Paying Agents and a different Registrar for the Series 2008H Bonds as provided in the Master Indenture and, if so, references herein to the Paying Agent and Registrar shall be deemed also to include such additional Paying Agents or Registrar, as the case may be.

(f) Securities Depository. The Series 2008H Bonds when initially issued shall be registered in the name of Cede & Co., as nominee of DTC, in the form of one or more fully registered Bonds for each maturity of the Series 2008H Bonds. DTC is hereby appointed initial Securities Depository for the Series 2008H Bonds, subject to the provisions of subsection (g) of this Section. So long as DTC or its nominee, as Securities Depository, is the registered owner of Series 2008H Bonds, individual purchases of beneficial ownership interests in such Series 2008H Bonds may be made only in book-entry form by or through DTC participants, and purchasers of such beneficial ownership interest in Series 2008H Bonds will not receive physical delivery of bond certificates representing the beneficial ownership interests purchased.

So long as DTC or its nominee, as Securities Depository, is the registered owner of Series 2008H Bonds, payments of principal of and premium, if any, and interest on such Series 2008H Bonds will be made by wire transfer to DTC or its nominee, or otherwise as may be agreed upon by the Department, the Trustee, the Paying Agent and DTC. Transfers of principal, premium, if any, and interest payments to DTC participants will be the responsibility of DTC. Transfers of such payments to Beneficial Owners of Series 2008H Bonds by DTC participants will be the responsibility of such participants and other nominees of such Beneficial Owners.

So long as DTC or its nominee, as Securities Depository, is the registered owner of Series 2008H Bonds, the Department shall send, or cause the Registrar to send, or take timely action to permit the Registrar to send, to DTC notice of redemption of such Series 2008H Bonds and any other notice required to be given to registered owners of Series 2008H Bonds pursuant to the Indenture, in the manner and at the times prescribed by the Indenture, except as may be agreed upon by the Department, the Registrar, the Trustee (if applicable) and DTC.

Neither the Department nor any Fiduciary shall have any responsibility or obligation to the DTC participants, Beneficial Owners or other nominees of such Beneficial Owners for (1) sending transaction statements; (2) maintaining, supervising or reviewing, or the accuracy of, any records maintained by DTC or any DTC participant or other nominees of such Beneficial Owners; (3) payment or the timeliness of payment by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owner, of any amount due in respect of the principal of or redemption premium, if any, or interest on Series 2008H Bonds; (4) delivery or timely delivery by DTC to any DTC participant, or by any DTC participant or other nominees of Beneficial Owners to any Beneficial Owners, of any notice (including notice of redemption) or other communication which is required or permitted under the terms of the Indenture to be given to holders or owners of Series 2008H Bonds; (5) the selection of the Beneficial Owners to receive payment in the event of any partial redemption of Series 2008H Bonds; or (6) any action taken by DTC or its nominee as the registered owner of the Series 2008H Bonds.

Notwithstanding any other provisions of this Fifth Supplemental Indenture to the contrary, the Department, the Trustee, the Co-Trustee, the Registrar and any Paying Agent shall be entitled to treat and consider the person in whose name each Series 2008H Bond is registered in the books of registry as the absolute owner of such Bond for the purpose of payment of principal, Redemption Price, and interest with respect to such Bond, for the purpose of giving notices of redemption and other matters with respect to such Bond, for the purpose of registering transfers with respect to such Bond, and for all other purposes whatsoever. The Paying Agent shall pay all principal and Redemption Price of and interest on the Series 2008H Bonds only to or upon the order of the respective Owners, as shown in the books of registry as provided in this Fifth Supplemental Indenture, or their respective attorneys duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the Department's obligations with respect to payment of principal and Redemption Price and interest on the Series 2008H Bonds to the extent of the sum or sums so paid.

Notwithstanding any other provisions of this Fifth Supplemental Indenture to the contrary, so long as any Series 2008H Bond is registered in the name of Cede & Co., as nominee of DTC, procedures with respect to the transfer of ownership of, redemption of, and payment of principal and Redemption Price of, premium, if any, and interest on such Series 2008H Bond, shall be in accordance with arrangements among DTC, the Department, the Paying Agent and, if applicable, the Trustee.

Payments by the DTC participants to Beneficial Owners will be governed by standing instructions and customary practices, as is now the case with municipal securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such DTC participant and not of DTC, the Trustee, the Registrar, the Paying Agent or the Department, subject to any statutory and regulatory requirements as may be in effect from time to time.

The Department may establish a record date for purposes of notification of and consents from participants of DTC in connection with any amendment or proposed amendment of the Indenture or otherwise.

Provisions similar to those contained in this subsection (f) may be made by the Department in connection with the appointment by the Department of a substitute Securities Depository, or in the event of a successor to any Securities Depository.

Authorized Officers are hereby authorized to enter into such representations and agreements as they deem necessary and appropriate in furtherance of the provisions of this subsection (f).

(g) Replacement Bonds. The Department shall issue Series 2008H Bond certificates (the "Replacement Bonds") directly to the Beneficial Owners of the Series 2008H Bonds, or their nominees, in the event that DTC or any subsequent Securities Depository determines to discontinue providing its services with respect to such Series 2008H Bonds, at any time by giving notice to the Department, and the Department fails to appoint another qualified Securities Depository to replace DTC or such subsequent Securities Depository. In addition, the Department also shall issue Replacement Bonds directly to the Beneficial Owners of the

Series 2008H Bonds, or their nominees, in the event the Department discontinues use of any Securities Depository, and does not designate a replacement Securities Depository, at any time upon determination by the Department, in its sole discretion and without the consent of any other person, that Beneficial Owners of the Series 2008H Bonds shall be able to obtain certificated Series 2008H Bonds.

(h) Notices. In connection with any notice of redemption provided in accordance with Section 405 of the Master Indenture and this Fifth Supplemental Indenture, notice of such redemption shall also be sent by the Trustee by first class mail, overnight delivery service or other secure overnight means, postage prepaid, to each Rating Agency and to at least two (2) of the national Information Services (described below) that disseminate securities redemption notices, in each case not later than the mailing of notice required by the Indenture.

Information Services include: Financial Information Incorporated "Called Bond Service," 1 Cragwood Road, 2nd Floor, South Plainfield, New Jersey 07080, Attention: Editor; J. J. Kenny Information Services, "Called Bond Service," Standard & Poor's J.J. Kenny, 55 Water Street, 45th Floor, New York, New York 10041-0003; Mergent, 60 Madison Avenue, 6th Floor, New York, New York 10010, Attention: Municipal News Reports; and Standard and Poor's Ratings Group "Called Bond Record," 55 Water Street, New York, New York 10041; or, 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 called bonds, or any other such services as the Department may designate in writing to the Trustee and the Registrar.

2.05. Form of Series 2008H Bonds and Registrar's Certificate of Authentication. Subject to the provisions of the Master Indenture, the form of the Series 2008H Bonds, form of assignment, and the Registrar's Certificate of Authentication shall be in substantially the form set forth in **Appendix A** hereto, with necessary or appropriate variations, omissions and insertions as are incidental to their series, numbers, denominations, maturities, interest rate or rates, registration provisions, redemption provisions, status of interest to owners thereof for federal income tax purposes, and other details thereof and of their form or as are otherwise permitted or required by law or by the Indenture, including this Fifth Supplemental Indenture. Any portion of the text of any Series 2008H Bond may be set forth on the reverse thereof, with an appropriate reference thereto on the face of such Bond. Series 2008H Bonds may be typewritten, printed, engraved, lithographed or otherwise reproduced.

ARTICLE III

ENHANCEMENT FACILITY

3.01. Bond Insurance. (a) FSA has committed to issue a Policy guaranteeing the scheduled payment of principal of and interest on the FSA Insured Bonds, as provided in such Policy. Such commitment is referred to herein as the "Commitment".

(b) The Policy constitutes an Enhancement Facility, and payments by the Department under the Commitment constitute Bond Related Costs, under the Indenture.

(c) In order to comply with the conditions precedent to FSA's commitment to issue the Policy under the Commitment, the provisions of **Appendix B** hereto shall be in effect with respect to the FSA Insured Bonds, and shall be binding upon the Owners of such Bonds, the Trustee, the Department, the Co-Trustee and the Paying Agent.

(d) Any of the foregoing provisions in this Section 3.01 or in **Appendix B** hereto may be waived by FSA, or amended by agreement between FSA and the Department and, if applicable, the Trustee, the Co-Trustee or the Paying Agent, without notice to or consent of any Owner of any Bonds, except to the extent provided by **Appendix B**.

ARTICLE IV

MISCELLANEOUS

4.01. **Tax Covenant.** (a) The Department shall not take or omit to take any action which would cause interest on any Series 2008H Bond to be included in the gross income of any Owner thereof for Federal income tax purposes by reason of subsection (b) of Section 103 of the Code. Without limiting the generality of the foregoing, no part of the proceeds of the Series 2008H Bonds or any other funds of the Department shall be used directly or indirectly to acquire any securities or obligations the acquisition of which would cause any Series 2008H Bond to be an "arbitrage bond" as defined in Section 148 of the Code and to be subject to treatment under subsection (b)(2) of Section 103 of the Code as an obligation not described in subsection (a) of said section. The Department shall pay to the United States any amounts that are necessary for the purpose of compliance with the provisions of Section 148 of the Code. The provisions of this subsection (a) shall survive the defeasance and payment of the Series 2008H Bonds.

(b) Notwithstanding any other provision of the Indenture to the contrary, upon the Department's failure to observe, or refusal to comply with, the above covenant in paragraph (a), the Owners, or the Trustee acting on their behalf, shall be entitled only to the right of specific performance of such covenant, to the extent permitted under Article X of the Indenture, and shall not be entitled to any of the other rights and remedies provided under Article X of the Master Indenture.

4.02. **Certain Findings and Determinations.** The Trustees hereby find and determine:

(a) The Master Indenture has not been amended, supplemented, or repealed since the adoption thereof except by the First Supplemental Trust Indenture dated as of October 1, 2002, the Second Supplemental Trust Indenture dated as of November 1, 2002, the Third Supplemental Trust Indenture dated as of October 1, 2002, the Fourth Supplemental Trust Indenture dated as of December 1, 2005, and this Fifth Supplemental Indenture. This Fifth Supplemental Indenture supplements the Master Indenture as heretofore supplemented, constitutes and is a "Supplemental Indenture" within the meaning of such quoted term as defined and used in the Master Indenture, and is adopted under and pursuant to the Master Indenture.

(b) The Series 2008H Bonds constitute and are “Bonds” within the meaning of the quoted word as defined and used in the Indenture.

(c) The Trust Estate is not encumbered by any lien or charge thereon or pledge thereof, other than the lien and charge thereon and pledge thereof securing the existing Outstanding Notes and the related Credit and Security Agreement.

(d) There does not exist an “Event of Default” within the meaning of such quoted term as defined in Section 1001 of the Indenture, nor does there exist any condition which, after the giving of notice or the passage of time, or both, would constitute such an “Event of Default.”

4.03. **Authorized Officers; Further Authority.** The Authorized Officers are hereby authorized to execute and deliver such documents and certifications as may be necessary to give effect to this Fifth Supplemental Indenture and the transactions contemplated hereby.

4.04. **Effective Date.** This Fifth Supplemental Indenture shall be fully effective in accordance with its terms upon its execution and delivery by the Department, the Trustee and the Co-Trustee.

4.05. **Determination of Department.** This Fifth Supplemental Indenture shall constitute a written determination of the Department under and pursuant to the Act.

[Signature Page Follows]

State of California Department of Water Resources
Power Supply Revenue Bonds \$1,006,510,000 Series 2008H

IN WITNESS WHEREOF, the parties have caused this Fifth Supplemental Indenture to be duly executed, all as of the date first above written.

CALIFORNIA DEPARTMENT OF WATER
RESOURCES

By: _____


Director

TREASURER OF THE STATE OF
CALIFORNIA, as Trustee

By: _____

Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as Co-Trustee

By: _____

Name:
Title:

[Signature Page of Fifth Supplemental Indenture]

**State of California Department of Water Resources
Power Supply Revenue Bonds \$1,006,510,000 Series 2008H**

IN WITNESS WHEREOF, the parties have caused this Fifth Supplemental Indenture to be duly executed, all as of the date first above written.

CALIFORNIA DEPARTMENT OF WATER
RESOURCES

By: _____
Lester A. Snow
Director

TREASURER OF THE STATE OF
CALIFORNIA, as Trustee

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as Co-Trustee

By: _____
Name:
Title:

[Signature Page of Fifth Supplemental Indenture]

State of California Department of Water Resources
Power Supply Revenue Bonds \$1,006,510,000 Series 2008H

IN WITNESS WHEREOF, the parties have caused this Fifth Supplemental Indenture to be duly executed, all as of the date first above written.

CALIFORNIA DEPARTMENT OF WATER
RESOURCES

By: _____
Lester A. Snow
Director

TREASURER OF THE STATE OF
CALIFORNIA, as Trustee

By: _____
Name:
Title:

U.S. BANK NATIONAL ASSOCIATION,
as Co-Trustee

By: _____
Name: Francine Rockett
Title: Vice President

[Signature Page of Fifth Supplemental Indenture]

APPENDIX A
Form of Series 2008H Bonds

[Until such time as the Series 2008H Bonds are no longer restricted to being registered in the registration books kept by the Department at the office of the Registrar in the name of a Securities Depository, each Series 2008H Bond shall contain or have endorsed thereon the following legends:

AS PROVIDED IN THE INDENTURE REFERRED TO HEREIN, UNTIL THE TERMINATION OF THE SYSTEM OF BOOK-ENTRY-ONLY TRANSFERS THROUGH THE DEPOSITORY TRUST COMPANY, NEW YORK, NEW YORK, (TOGETHER WITH ANY SUCCESSOR SECURITIES DEPOSITORY APPOINTED PURSUANT TO THE INDENTURE, "DTC"), AND NOTWITHSTANDING ANY OTHER PROVISION OF THE INDENTURE TO THE CONTRARY, A PORTION OF THE PRINCIPAL AMOUNT OF THIS BOND MAY BE PAID OR REDEEMED WITHOUT SURRENDER HEREOF TO THE PAYING AGENT. DTC OR A NOMINEE, TRANSFEREE OR ASSIGNEE OF DTC OF THIS BOND MAY NOT RELY UPON THE PRINCIPAL AMOUNT INDICATED HEREON AS THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID. THE PRINCIPAL AMOUNT HEREOF OUTSTANDING AND UNPAID SHALL FOR ALL PURPOSES BE THE AMOUNT DETERMINED IN THE MANNER PROVIDED IN THE INDENTURE.

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED OFFICER OF DTC (A) TO THE TRUSTEE OR OTHER REGISTRAR FOR REGISTRATION OF TRANSFER OR EXCHANGE OR (B) TO THE TRUSTEE OR OTHER PAYING AGENT FOR PAYMENT OF PRINCIPAL OR REDEMPTION PRICE, AND ANY BOND ISSUED IN REPLACEMENT HEREOF OR SUBSTITUTION HEREFOR IS REGISTERED IN THE NAME OF DTC OR ITS NOMINEE OR SUCH OTHER NAME AS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC AND ANY PAYMENT IS MADE TO DTC OR ITS NOMINEE, ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL BECAUSE ONLY THE REGISTERED OWNER HEREOF, CEDE & CO., AS NOMINEE OF DTC, HAS AN INTEREST HEREIN.]

No. 2008H - _____ \$ _____

STATE OF CALIFORNIA

DEPARTMENT OF WATER RESOURCES

Power Supply Revenue Bonds, Series 2008H

<u>Bond Date</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>CUSIP</u>
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May 1, _____

Registered Owner: CEDE & CO.

Principal Amount: _____ Dollars

The STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES (the "Department") acknowledges itself indebted to, and for value received hereby promises to pay, but solely from the Trust Estate and not otherwise, to the registered owner or registered assigns, the Principal Amount specified above on the Maturity Date specified above (subject to the right of prior redemption hereinafter mentioned) in any coin or currency of the United States of America which at the time of payment is legal tender for the payment of public and private debts, upon presentation and surrender at the office of the Paying Agent designated for such purpose, and to pay to the Registered Owner hereof interest on such Principal Amount in like coin or currency and at the rate of interest per annum specified above. Interest on this Bond shall be payable from the May 1 or November 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is a May 1 or November 1, in which case from such date if interest has been paid to such date; provided, however, that such interest shall be payable on this Bond from the Bond Date specified above if the date of authentication is prior to the first interest payment date therefor. Interest on this Bond shall be payable semi-annually on May 1 and November 1 in each year commencing November 1, 2008, in each case to the registered owner as of the close of business on the fifteenth day (whether or not a Business Day) of the calendar month next preceding the calendar month in which the interest payment date occurs (the "Record Date"), such interest to be paid by the Paying Agent by check mailed to the registered owner at such Owner's address as it appears on the books of registry required to be kept by the Department at the office of the Registrar pursuant to the Indenture or by wire transfer of immediately available funds to the account specified by the Owner of at least \$1,000,000 aggregate principal amount of Series 2008H Bonds hereafter referred to in a written direction received by the Paying Agent at its office designated for such purpose on or prior to the Record Date; provided, however, that upon redemption of this Bond, the accrued interest payable upon redemption shall be payable at the office of the Paying Agent designated for such purpose, upon presentation and surrender of this Bond, unless the redemption date is an interest payment date, in which event the interest on this Bond so redeemed shall be paid by the Paying Agent as aforesaid. Interest on overdue principal of and, to the extent lawful, on overdue premium and interest shall be paid as provided by the Fifth Supplemental Indenture hereafter referred to. If any payment on this Bond is due on a day other than a Business Day, payment will be made on the next Business Day, and no interest will accrue as a result.

This Bond is one of a duly authorized issue of bonds of the Department designated as its "Bonds" issued and to be issued in various series under and pursuant to Division 27 (commencing with Section 80000) of the California Water Code, as amended (the "Act"), and under and pursuant to a Trust Indenture dated as of October 1, 2002, as amended by a Second Supplemental Trust Indenture dated as of November 1, 2002 (the "Master Indenture"), among the Department, the Treasurer of the State of California, as Trustee (including its successors, the "Trustee"), and U.S. Bank National Association, as Co-Trustee (including its successors, the "Co-Trustee"), authorizing and securing the Department's Power Supply Revenue Bonds, and a Fifth Supplemental Trust Indenture dated as of March 1, 2008 (the "Fifth Supplemental Indenture") among the Department, the Trustee and the Co-Trustee. The Master Indenture and the Fifth Supplemental Indenture, as the same may be amended, are herein collectively called the "Indenture". Capitalized terms used herein and not otherwise defined herein shall have the meanings provided in the Indenture.

This Bond is one of a series of Bonds of various maturities designated as "Power Supply Revenue Bonds, Series 2008H" (the "Series 2008H Bonds") issued in the aggregate principal amount of \$1,006,510,000 under the Indenture. Copies of the Indenture are on file at the office of the Department and at the offices of the Trustee and Co-Trustee designated for such purpose. The Trustee is also the initial Registrar and initial Paying Agent for the Series 2008H Bonds. The Department may appoint additional or different Paying Agents and a different Registrar for the Series 2008H Bonds as provided in the Indenture and, if so, references herein to the Paying Agent and Registrar shall be deemed also to include such additional Paying Agents or Registrar, as the case may be.

The Bonds are payable as to principal, Redemption Price, and interest solely from and are equally and ratably secured solely by the Trust Estate, subject to the provisions of the Indenture permitting the application of such Trust Estate to the purposes and on the terms and conditions set forth in the Indenture, including, without limitation, the prior application of Power Charge Revenues to the payment of Operating Expenses, the prior application of Bond Charge Revenues to the payment of Priority Contract Costs, Outstanding Notes and related costs of the Department, and the application of Bond Charge Revenues to the payment of certain costs on a parity with the Bonds. The principal and Redemption Price of and interest on the Bonds shall not be payable from the general funds of the Department nor shall the Bonds constitute a legal or equitable pledge, charge, lien or encumbrance upon any of the property or upon any of the income, receipts or revenues of the Department, except the Trust Estate.

Reference is hereby made to the Indenture, and to all of the provisions of which any holder of this Series 2008H Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the pledge and covenants securing the Bonds, including this Series 2008H Bond; the Revenues and other moneys and securities constituting the Trust Estate pledged to the payment of the principal of and interest on the Bonds; the nature and extent and manner of enforcement of the pledge thereunder; the conditions upon which the Indenture may be amended or supplemented with or without the consent of the Owners of the Bonds; the rights and remedies of the Owner hereof with respect hereto and thereto, including the limitations therein contained upon the right of an Owner hereof to institute any suit, action or proceeding in equity or at law with respect hereto and thereto and, if this Bond is secured by an Enhancement Facility, limitations on the ability of an Owner to exercise approval or consent rights or take other action; the rights, duties and obligations of the Department, the Trustee and the Co-Trustee hereunder and thereunder; the terms and provisions upon which the pledges and covenants made therein may be discharged at or prior to the maturity or redemption of this Series 2008H Bond, and the Series 2008H Bond thereafter no longer be secured by the Indenture or be deemed to be Outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Trustee or Paying Agent sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

As provided in the Indenture, Bonds may be issued from time to time pursuant to Supplemental Indentures in one or more series, in various principal amounts, may mature at different times, may bear interest at different rates and may otherwise vary as provided in the Indenture. The aggregate principal amount of Bonds which may be issued under the Indenture is not limited except as provided in the Indenture, and all Bonds issued and to be issued under the

Indenture are and will be equally secured by the pledge and covenants made therein, except as otherwise expressly provided or permitted in the Indenture.

This Series 2008H Bond is transferable, as provided in the Indenture, only upon the books of registry of the Department kept for that purpose at the above-mentioned office of the Registrar by the Owner hereof in person, or by his attorney duly authorized in writing, upon surrender of the Bond together with a written instrument of transfer satisfactory to the Registrar duly executed by the Owner or his duly authorized attorney, and thereupon a new registered Series 2008H Bond or Bonds, and in the same aggregate principal amount, Series, maturity and interest rate shall be issued to the transferee in exchange therefor as provided in the Indenture, and upon payment of the charges therein prescribed. The Department and each Fiduciary may deem and treat the Person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment of, or on account of, the principal or Redemption Price hereof and interest due hereon and for all other purposes, and all such payments so made to any such registered owner or upon his order shall be valid and effectual to satisfy and discharge the liability upon such Bond to the extent of the sum or sums so paid, and neither the Department nor any Fiduciary shall be affected by any notice to the contrary.

Series 2008H Bonds are subject to redemption prior to their respective maturities at the option of the Department, on any date on or after May 1, 2018 as a whole or in part in such order of maturity and interest rate as may be designated by the Department, at a Redemption Price equal to the principal amount of the Series 2008H Bonds to be redeemed, plus accrued interest to the Redemption Date.

When the Registrar shall receive notice from the Department of its election to redeem Bonds pursuant to the Indenture, and when redemption of Bonds is required by the Indenture, the Registrar shall give notice, in the name of the Department, of the redemption of such Bonds, which notice shall specify the Series, maturities and, if any maturity shall include Bonds bearing different interest rates and all Bonds of such maturity are not being redeemed, interest rate of the Bonds to be redeemed, the Redemption Date and the place or places where amounts due upon such redemption will be payable and, if less than all of the Bonds of any like Series, maturity and interest rate are to be redeemed, the letters and numbers or other distinguishing marks of such Bonds so to be redeemed, and, in the case of Bonds to be redeemed in part only, such notice shall also specify the respective portions of the principal amount thereof to be redeemed, and, if applicable, that such notice is conditional and the conditions that must be satisfied. Such notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the Redemption Price thereof, or the Redemption Price of the specified portions of the principal thereof in the case of Bonds to be redeemed in part only, together with interest accrued to the Redemption Date, and that from and after such date interest thereon shall cease to accrue and be payable, unless, in the case of any conditional notice, such conditions are not satisfied or such notice is rescinded, and unless in other cases moneys sufficient for such redemption shall not have been deposited with the Paying Agent. Such notice shall be given by first class mail, postage prepaid, not less than 30 days nor more than 60 days before the redemption date, to the Owners of any Bonds or portions of Bonds which are to be redeemed, at their last addresses, if any, appearing upon the registry books. Failure so to mail any such notice to any particular Owner shall not affect the validity of the proceedings for the

redemption of Bonds not owned by such Owner and failure of any Owner to receive such notice shall not affect the validity of the proposed redemption of Bonds.

Any notice of optional redemption may state that it is conditional upon receipt by the Paying Agent of moneys sufficient to pay the Redemption Price of such Bonds or upon the satisfaction of any other condition, or that it may be rescinded upon the occurrence of any other event, and any conditional notice so given may be rescinded at any time before payment of such Redemption Price if any such condition so specified is not satisfied or if any such other event occurs. Notice of such rescission shall be given by the Registrar to affected Owners of Bonds, in the same manner as the conditional notice of redemption was given, as promptly as practicable upon the failure of such condition or the occurrence of such other event.

THE PRINCIPAL OF THE SERIES 2008H BONDS MAY NOT BE DECLARED DUE AND PAYABLE BEFORE THE MATURITY THEREOF AS A RESULT OF AN EVENT OF DEFAULT UNDER THE INDENTURE.

The Act provides that neither the person executing the determination to issue Bonds nor any person executing the Series 2008H Bonds shall be personally liable or be subject to any personal liability or accountability by reason of the issuance thereof.

Pursuant to Section 80200(e) of the California Water Code, the Department, as agent for the State of California, does hereby pledge to and agree with the holder of this Bond that while this Bond remains outstanding and not fully performed or discharged, the rights, powers, duties and existence of the Department and the California Public Utilities Commission shall not be diminished or impaired in any manner that will affect adversely the interests or rights of the holders of this Bond.

Neither the faith and credit nor the taxing power of the State of California or any political subdivision thereof is pledged to the payment of the principal of or interest on this Bond.

It is hereby certified and recited that all conditions, acts and things required by law and the Indenture to exist, to have happened and to have been performed precedent to and in the issuance of this Bond, exist, have happened and have been performed and that the issuance of the Series 2008H Bonds, together with all other indebtedness of the Department, is within every debt and other limit prescribed by the laws of the State of California.

This Bond shall not be entitled to any benefit under the Indenture or be valid or become obligatory for any purpose until this Bond shall have been authenticated by the execution by the Registrar of the Registrar's Certificate of Authentication hereon.

IN WITNESS WHEREOF, THE STATE OF CALIFORNIA DEPARTMENT OF WATER RESOURCES has caused this Bond to be signed in its name and on its behalf by the manual or facsimile signature of an Authorized Officer and attested by the facsimile signature of another Authorized Officer.

STATE OF CALIFORNIA
DEPARTMENT OF WATER RESOURCES

By: _____
Authorized Officer

Attest:

Authorized Officer

ASSIGNMENT

FOR VALUE RECEIVED, the undersigned hereby sells, assigns and transfers unto

Please insert Social Security or
Taxpayer Identification Number of Transferee

/ _____ /

(Please print or typewrite name and address, including zip code of Transferee)

the within Bond and all rights thereunder, and hereby irrevocably constitutes and appoints

attorney to register the transfer of the within Bond on the books kept for registration thereof,
with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

NOTICE: Signature(s) must be guaranteed by a member or participant of a signature program.	NOTICE: The signature above must correspond with the name of the Owner as it appears upon the front of this Bond in every particular, without alteration or enlargement or change whatsoever.
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AUTHENTICATION DATE:

Registrar's Certificate of Authentication

This Bond is one of the bonds, of the series designated therein, described in the within-mentioned Indenture.

TREASURER OF THE STATE OF CALIFORNIA
Registrar

By: _____
Authorized Officer

The following Statement of Insurance shall be attached to all Series 2008H Bonds secured by the bond insurance policy described therein:

STATEMENT OF INSURANCE

Financial Security Assurance Inc. (“Financial Security”), New York, New York, has delivered its municipal bond insurance policy with respect to the scheduled payments due of principal of and interest on the Bonds maturing (i) on May 1, 2017, bearing interest at a rate of 3.750% and initially bearing CUSIP Number 13066YMJ5, bearing interest at a rate of 4.000% and initially bearing CUSIP Number 13066YMH9, bearing interest at a rate of 4.500% and initially bearing CUSIP Number 13066YMK2, bearing interest at a rate of 5.000% and initially bearing CUSIP Number 13066YML0, (ii) on May 1, 2018, bearing interest at a rate of 4.000% and initially bearing CUSIP Number 13066YMN6, (ii) on May 1, 2021, bearing interest at a rate of 4.250% and initially bearing CUSIP Number 13066YMP1, and bearing interest at a rate of 5.000% and initially bearing CUSIP Number 13066YMQ9, and (iv) on May 1, 2022, bearing interest at a rate of 4.375% and initially bearing CUSIP Number 13066YMS5, and bearing interest at a rate of 5.000% and initially bearing CUSIP Number 13066YMT3 (the “Insured Bonds”) to the Treasurer of the State of California or its successor, as Trustee and Paying Agent for the Insured Bonds (the “Paying Agent”). Said Policy is on file and available for inspection at the principal office of the Paying Agent and a copy thereof may be obtained from Financial Security or the Paying Agent.

APPENDIX B
Municipal Bond Insurance Provisions

SPECIAL PROVISIONS RELATING TO FSA INSURANCE

Pursuant and subject to Section 3.01 of the Fifth Supplemental Indenture, the following provisions are hereby made applicable with respect to the Series 2008H Bonds insured by FSA (the "FSA Insured Bonds") pursuant to the Policy (the "FSA Policy") issued by FSA.

1. So long as the FSA Policy is in full force and effect and payment on the FSA Policy is not in default, then

(i) (a) FSA shall be deemed to be the sole Owner of the FSA Insured Bonds when the approval, consent or action of the Owners of such FSA Insured Bonds is required or may be exercised under the Indenture, except for purposes of the second sentence of Section 902 of the Master Indenture with respect to modifications and amendments only with the consent of particular Owners of Bonds, and (b) with respect to such modifications and amendments, the consent of FSA shall be required in addition to the consent of Owners of applicable FSA Insured Bonds, and

(ii) any amendment or modification of the Indenture, the Rate Agreement, the Servicing Arrangements or the Master Credit and Liquidity Agreement which would require the consent of the Owners of the Bonds under Section 902 of the Master Indenture shall also require the consent of FSA if such amendment or modification would have an adverse affect on the rights or interests of FSA.

Pursuant to Section 3.01(c) of the Fifth Supplemental Indenture, the provisions of clause (i) of the immediately preceding sentence requiring the consent of particular Owners of FSA Insured Bonds in addition to the consent of FSA may not be waived by FSA or amended by agreement between FSA and the Department and, if applicable, the Trustee, the Co-Trustee or the Paying Agent. No provision of this Fifth Supplemental Indenture expressly recognizing or granting rights in or to FSA may be amended without the prior written consent of FSA.

2. In the event that the principal, Sinking Fund Installments, if any, and Redemption Price, if applicable, and interest due on any FSA Insured Bonds shall be paid under the provisions of the FSA Policy, such FSA Insured Bonds shall continue to be Outstanding under the Indenture; all covenants, agreements and other obligations of the Department to the Owners of such FSA Insured Bonds shall continue to exist; and FSA shall be subrogated to the rights of such Owners.

3. FSA shall be a third party beneficiary of the Indenture.

4. In determining whether the Owners of FSA Insured Bonds will be adversely affected by any action taken pursuant to the terms of the Indenture, the Department, the Trustee and the Co-Trustee shall consider the effect on the Owners as if there were no FSA Policy.

5. The rights granted to FSA under the Indenture to request, consent to or direct any action are rights granted to FSA in consideration of the issuance of the FSA Policy. Any exercise by FSA of such rights is merely an exercise of FSA's contractual rights and shall not be construed or deemed to be taken for the benefit or on behalf of the Owners, nor does such action evidence any position of FSA, positive or negative; as to whether Owner consent is required in addition to consent of FSA.

6. Only (1) cash, (2) non-callable direct obligations of the United States of America ("Treasuries"), (3) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated, (4) pre-refunded municipal obligations rated "AAA" and "Aaa" by Standard & Poor's and Moody's, respectively, or (5) securities eligible for "AAA" defeasance under then existing criteria of Standard & Poor's or any combination thereof, shall be authorized to be used to effect defeasance of the FSA Insured Bonds unless FSA otherwise approves.

7. To accomplish legal defeasance of FSA Insured Bonds, the Department shall cause to be delivered (i) a report of an independent firm of nationally recognized certified public accountants or such other accountant as shall be acceptable to FSA ("Accountant") verifying the sufficiency of the escrow established to pay the FSA Insured Bonds in full on the maturity or redemption date ("Verification"), (ii) an escrow agreement (which shall be acceptable in form and substance to FSA), (iii) an opinion of nationally recognized bond counsel to the effect that the FSA Insured Bonds are no longer "Outstanding" under the Indenture and (iv) if there is a Trustee for the FSA Insured Bonds, a certification of discharge of the Trustee with respect to the FSA Insured Bonds; each Verification and defeasance opinion shall be acceptable in form and substance, and addressed, to the Department, the Trustee, the Co-Trustee and FSA. FSA shall be provided with final drafts of the above-referenced documentation not less than five business days prior to the funding of the escrow, or such shorter period as shall be acceptable to FSA. FSA Insured Bonds shall be deemed "Outstanding" under the Indenture unless and until they are in fact paid and retired or the above criteria are met and any additional requirements of Section 1101 of the Master Indenture have been satisfied.

8. Amounts paid by FSA under the Insurance Policy shall not cause the FSA Insured Bonds to be deemed paid for purposes of the Indenture and shall remain Outstanding and continue to be due and owing until paid by the Department in accordance with the Indenture. The Indenture shall not be discharged unless all amounts due or to become due to FSA have been paid in full or duly provided for.

9. Claims upon the FSA Policy and Payments by and to FSA. (a) If, on the third Business Day prior to the related scheduled interest payment date or principal payment date ("Payment Date") there is not on deposit with the Trustee, after making all transfers and deposits required under the Indenture, moneys sufficient to pay the principal of and interest on the FSA Insured Bonds due on such Payment Date, the Paying Agent shall give notice to FSA and to its designated agent (if any) ("FSA's Fiscal Agent") by telephone or telecopy of the amount of such deficiency by 2:00 p.m., New York City time, on such Business Day. If, on the second Business Day prior to the related Payment Date, there continues to be a deficiency in the amount available to pay the principal of and interest on the FSA Insured Bonds due on such Payment Date, the Paying Agent shall make a claim under the FSA Policy and give notice to FSA and FSA's Fiscal Agent (if any) by telephone of the amount of such deficiency, and the allocation of such deficiency between the amount required to pay interest on the FSA Insured Bonds and the amount required to pay principal of the FSA Insured Bonds, confirmed in writing to FSA and FSA's Fiscal Agent by 2:00 p.m., New York City time, on such second Business Day by filling in the form of Notice of Claim and Certificate delivered with the FSA Policy.

(b) In the event the claim to be made is for a mandatory Sinking Fund Installment Redemption, upon receipt of the moneys due, the Paying Agent shall cause the Registrar to authenticate and deliver to affected Owners who surrender their FSA Insured Bonds a new FSA Insured Bond or Bonds in an aggregate principal amount equal to the unredeemed portion of the FSA Insured Bond surrendered. The Department shall designate any portion of payment of principal on FSA Insured Bonds paid by FSA, whether by virtue of mandatory sinking fund redemption, maturity or other advancement of maturity, on its books kept at the office of the Registrar as a reduction in the principal amount of FSA Insured Bonds registered to the then current Owner, whether DTC or its nominee or otherwise, and the Registrar shall issue a replacement Bond to FSA, registered in the name of Financial Security Assurance Inc., in a principal amount equal to the amount of principal so paid (without regard to Authorized Denominations); provided that the Department's failure to so designate any payment or issue any replacement Bond shall have no effect on the amount of principal or interest payable by the Department on any Bond or the subrogation rights of FSA.

(c) The Trustee shall keep a complete and accurate record of all funds deposited by FSA into the Policy Payments Account (defined below) and the allocation of such funds to payment of interest on and principal paid in respect of any FSA Insured Bond. FSA shall have the right to inspect such records at reasonable times upon reasonable notice to the Paying Agent.

(d) Upon payment of a claim under the FSA Policy the Paying Agent shall establish a separate special purpose trust account for the benefit of Owners of FSA Insured Bonds referred to herein as the "FSA Policy Payments Account" and over which the Trustee shall have exclusive control and sole right of withdrawal. The Paying Agent shall receive any amount paid under the FSA Policy in trust on behalf of Owners of FSA Insured Bonds and shall deposit any such amount in the FSA Policy Payments Account and distribute such amount only for purposes of making the payments for which a claim was made. Such amounts shall be disbursed by the Paying Agent or the Paying Agent

shall cause such amounts to be disbursed, to Owners of FSA Insured Bonds in the same manner as principal and interest payments are to be made with respect to the FSA Insured Bonds under the sections hereof regarding payment of FSA Insured Bonds. It shall not be necessary for such payments to be made by checks or wire transfers separate from the check or wire transfer used to pay debt service with other funds available to make such payments.

(e) Funds held in the FSA Policy Payments Account shall not be invested by the Trustee and may not be applied to satisfy any costs, expenses or liabilities of the Trustee or Co-Trustee. Any funds remaining in the FSA Policy Payments Account following a Payment Date shall promptly be remitted to FSA.

(f) The obligations to FSA under this paragraph 9 shall survive discharge or termination of the Indenture.

10. FSA shall be entitled to pay principal or interest on the FSA Insured Bonds that shall become Due for Payment but shall be unpaid by reason of Nonpayment by the Department (as such terms are defined in the FSA Policy), whether or not FSA has received a Notice of Nonpayment (as such terms are defined in the FSA Policy) or a claim upon the FSA Policy.

11. The Department and the Trustee shall give notice to FSA of (i) the occurrence of any Event of Default under the Indenture and any event of default under the Master Credit and Liquidity Agreement within five Business Days of their actual knowledge thereof, (ii) the commencement of any proceeding by or against the Department under the United States Bankruptcy Code or any other insolvency laws, (iii) 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 FSA Insured Bonds and (iv) the resignation or removal of any of the Co-Trustee, the Paying Agent for FSA Insured Bonds or the Bond Registrar for FSA Insured Bonds, and the appointment of, and acceptance of such duties by, any successor thereto.

12. Any surety, insurance policy or similar surety instrument used in lieu of cash or investments in the Debt Service Reserve Account shall be from a provider rated in the second highest long term rating category or better (without regard to ratings modifiers) by a Rating Agency, and the Department shall replace any such surety, insurance policy or similar surety instrument if the provider's long term rating falls below such category.

13. The notice address of FSA is: Financial Security Assurance Inc., 31 W. 52nd Street, New York, New York 10019, Attention: Managing Director – Surveillance, Re: Policy No. 210096-N, Telephone: (212) 826-0100; Telecopier: (212) 339-3556. In each case in which notice or other communication refers to an Event of Default, then a copy of such notice or other communication shall also be sent to the attention of the General Counsel and shall be marked to indicate “URGENT MATERIAL ENCLOSED.”

APPENDIX C

REFUNDED BONDS

Series	Maturity Date (May 1)	Outstanding Principal Amount	Principal Amount to be Refunded
2002C-2	2022	\$200,000,000	\$200,000,000
2002C-3	2022	100,000,000	50,000,000
2002D-1	2022	100,000,000	100,000,000
2002D-2	2022	100,000,000	100,000,000
2002D-3	2022	100,000,000	100,000,000
2002D-4	2022	100,000,000	100,000,000
2002D-5	2022	100,000,000	100,000,000
2005G-10	2018	300,000,000	300,000,000