

AMENDED AND RESTATED INDENTURE

by and between

**TSASC, Inc.,
as Corporation**

and

**THE BANK OF NEW YORK MELLON,
as Trustee**

Dated as of December 1, 2016

**Amending and restating in its
entirety the Indenture dated
as of November 1, 1999,
as previously amended and restated
as of January 1, 2006, between
the Corporation and the Trustee**

TABLE OF CONTENTS

	Page
ARTICLE I INTRODUCTION AND DEFINITIONS.....	1
Section 1.01. This Indenture and the Parties.....	1
Section 1.02. Definitions and Interpretation	1
Section 1.03. No Liability on Bonds.....	14
ARTICLE II GRANT OF SECURITY INTEREST	14
Section 2.01. Security Interest and Pledge.....	14
Section 2.02. Defeasance	15
Section 2.03. Payment of Bonds; Satisfaction and Discharge of Indenture	16
ARTICLE III THE BONDS	16
Section 3.01. Bonds of the Corporation.....	16
Section 3.02. Serial Maturities.....	18
Section 3.03. Term Bond and Turbo Term Bond Maturities	18
Section 3.04. Transfer and Replacement of Bonds.....	18
Section 3.05. Securities Depositories.....	20
ARTICLE IV THE RESIDUAL CERTIFICATE	21
Section 4.01. Sources of Payment.....	21
Section 4.02. Delivery to SPE.....	21
ARTICLE V ACCOUNTS; FLOW OF FUNDS	21
Section 5.01. Establishment of Accounts	21
Section 5.02. Deposit of Collections and Unpledged TSRs; Application of Collections	22
Section 5.03. Rebate	26
Section 5.04. Redemption of the Bonds.....	27
Section 5.05. Investments	30
Section 5.06. Unclaimed Money.....	31
Section 5.07. Unpledged TSRs Subaccount	31
ARTICLE VI COVENANTS AND REPRESENTATIONS OF THE CORPORATION	31
Section 6.01. Contract; Obligations to Owners; Representations of the Corporation	31
Section 6.02. Operating Expenses	32

TABLE OF CONTENTS

(continued)

	Page
Section 6.03. Tax Covenants	32
Section 6.04. Accounts and Reports	32
Section 6.05. Covenants Relating to Security Interest in TSRs.....	33
Section 6.06. Affirmative Covenants.....	33
Section 6.07. Negative Covenants	34
Section 6.08. Amendments to Agreement	36
Section 6.09. Prior Notice	36
Section 6.10. Continuing Disclosure Undertaking	36
Section 6.11. Rating Application	36
ARTICLE VII THE CITY	37
Section 7.01. Pledged Tobacco Settlement Revenues; City Covenant.....	37
Section 7.02. No Indebtedness or Funds of City	38
ARTICLE VIII THE FIDUCIARIES	38
Section 8.01. Trustee's Organization, Authorization, Capacity, and Responsibility	38
Section 8.02. Rights and Duties of the Fiduciaries	39
Section 8.03. Paying Agents	41
Section 8.04. Registrar	41
Section 8.05. Resignation or Removal of the Trustee	41
Section 8.06. Successor Fiduciaries.....	41
Section 8.07. Costs of Issuance Account	42
Section 8.08. Reports by Trustee to Owners and Rating Agency.....	42
Section 8.09. Nonpetition Covenant	42
ARTICLE IX THE OWNERS	43
Section 9.01. Action by Owners	43
Section 9.02. Registered Owners	43
ARTICLE X DEFAULT AND REMEDIES.....	43
Section 10.01. Events of Default	43
Section 10.02. Remedies.....	44
Section 10.03. Remedies Cumulative	46

TABLE OF CONTENTS
(continued)

	Page
Section 10.04. Delay or Omission Not Waiver.....	46
Section 10.05. No Sale of Rights Under the Agreement	46
ARTICLE XI MISCELLANEOUS	46
Section 11.01. Supplements and Amendments to this Indenture.....	46
Section 11.02. Notices	47
Section 11.03. Beneficiaries	48
Section 11.04. Successors and Assigns.....	48
Section 11.05. Severability	48
Section 11.06. Legal Holidays	48
Section 11.07. Governing Law	49
Section 11.08. Limitation of Liability.....	49
Section 11.09. No Recourse to Corporation	49
Section 11.10. Signatures and Counterparts	49

ARTICLE I INTRODUCTION AND DEFINITIONS

Section 1.01. This Indenture and the Parties. This INDENTURE (this “Indenture”) is dated as of December 1, 2016, and amends and restates in its entirety the Indenture dated as of January 1, 2006, between TSASC, Inc. (the “Corporation”) and The Bank of New York Mellon, as successor Trustee to the United States Trust Company of New York (the “Trustee”).

This Indenture has provided for the Corporation’s issuance of the Residual Certificate to the SPE.

This Indenture provides for the following transactions by the Corporation:

- (a) the issuance of the Bonds, including specifically the Series 2017 Bonds;
- (b) the application of the net proceeds of the Series 2017 Bonds to the defeasance of the Refunded Bonds and the exchange of the Exchanged Bonds; and
- (c) the assignment and pledge to the Trustee in trust for the benefit and security of the Owners and, to the extent specified herein, of the holder of the Residual Certificate of the Pledged Tobacco Settlement Revenues, the Pledged Accounts and assets thereof to be received and held hereunder, the rights to receive the same, and the other rights assigned and pledged herein, to the extent specified in this Indenture.

In consideration of the mutual agreements contained in this Indenture and other good and valuable consideration, the receipt of which is hereby acknowledged, the Corporation and the Trustee agree as set forth herein for their own benefit and for the benefit of the Owners, as aforesaid.

Section 1.02. Definitions and Interpretation. In addition to terms defined elsewhere in this Indenture, the following words and terms as used in this Indenture shall have the following meanings unless the context or use clearly indicates another or different meaning or intent:

“Accounts” means the accounts established under the provisions of this Indenture.

“Act” means the Not-For-Profit Corporation Law of the State, as in effect from time to time.

“Additional Bonds” means Bonds (including Refunding Bonds), other than the Series 2017 Bonds and any Junior Bonds, issued pursuant to Section 3.01 hereof.

“Agreement” means the Purchase and Sale Agreement dated November 18, 1999 between the City and the Corporation, as amended or supplemented from time to time.

“Authorized Officer” means, (i) in the case of the Corporation, the Chairperson, the President, a Vice President, the Treasurer, an Assistant Treasurer, the Comptroller, the Assistant Comptroller, the Secretary, an Assistant Secretary, their successors in office, and any other

person authorized to act hereunder by appropriate Written Notice from an Authorized Officer of the Corporation to the Trustee, and (ii) in the case of the Trustee, any officer assigned to the Corporate Trust Office including any managing director, vice president, assistant vice president, assistant treasurer, assistant secretary or any other officer of the Trustee customarily performing functions similar to those performed by any of the above designated officers and having direct responsibility for the administration of this Indenture, and also, with respect to a particular matter, any other officer to whom such matter is referred because of such officer's knowledge of and familiarity with the particular subject.

"Board" means the Board of Directors of the Corporation.

"Bond Year" means, for so long as Bonds are Outstanding, the twelve-month period ending each May 31.

"Bonds" means the Series 2017 Bonds, any Additional Bonds and any Junior Bonds issued hereunder.

"Book-Entry System" means a book-entry system established and operated for the recording of the Owners of the Bonds pursuant to Section 3.05(a).

"Business Day" means any day other than a Saturday, a Sunday, a day on which banking institutions in New York, New York are required or authorized by law to be closed or a day on which the New York Stock Exchange is closed.

"City" means The City of New York.

"Code" means the Internal Revenue Code of 1986.

"Collateral" shall have the meaning ascribed thereto in Section 2.01 of this Indenture.

"Collections" means all funds collected with respect to Pledged TSRs.

"Collections Account" means the Account held by the Trustee pursuant to Section 5.01(a) of this Indenture.

"Consent Decree" means the "Consent Decree and Final Judgment", Index No. 400361/97, entered by the Supreme Court of the State, held in and for New York County, on December 23, 1998, as corrected.

"Corporate Trust Office" means the office of the Trustee at which the corporate trust business of the Trustee related hereto shall, at any particular time, be principally administered, which office is, at the date of this Indenture, located at 101 Barclay Street, New York, New York 10286.

"Corporation" means TSASC, Inc.

"Costs of Issuance" means any item of expense directly or indirectly payable or reimbursable by the Corporation and related to the authorization, sale, or issuance of Bonds and

the Residual Certificate, including, but not limited to, underwriting fees, auditors' or accountants' fees, municipal advisors' fees, printing costs, costs of reproducing documents, filing and recording fees, fees and expenses of fiduciaries, including the Trustee, legal fees and charges, professional consultants' fees, costs of credit ratings, fees and charges for execution, transportation, or safekeeping of Bonds and the Residual Certificate, governmental charges, initial charges to acquire liability insurance and other costs, charges, and fees in connection with the foregoing.

"Costs of Issuance Account" means the account held by the Trustee pursuant to Sections 5.01(l) and 8.07 of this Indenture.

"Counsel" means nationally recognized bond counsel or such other counsel as may be selected by the Corporation for a specific purpose hereunder.

"Debt Service Account(s)" means the Senior Debt Service Account and the Subordinate Debt Service Account.

"Defeasance Collateral" means money and the following:

(i) U.S. Treasury obligations (direct or fully guaranteed), which are not redeemable at the option of the issuer thereof;

(ii) (a) direct obligations, the timely payment of the principal and interest on which are unconditionally guaranteed by the United States government; or (b) senior notes, bonds, debentures, mortgages and other evidences of indebtedness, issued or guaranteed at the time of the investment by Fannie Mae, FHLMC, the Federal Farm Credit System, FHLB, the Federal Housing Administration, the Resolution Funding Corporation (REFCORP) or any other United States government sponsored agency; provided, that the above-listed investments are not redeemable at the option of the issuer thereof and which shall be rated at the time of the investment no lower than investments defined under clause (i) by S&P;

(iii) any depositary receipt issued by an Eligible Bank as custodian with respect to any Defeasance Collateral which is specified in clause (i) above and held by such Eligible Bank for the account of the holder of such depositary receipt, or with respect to any specific payment of principal of or interest on any such Defeasance Collateral which is so specified and held, provided, that (except as required by law) such custodian is not authorized to make any deduction from the amount payable to the holder of such depositary receipt from any amount received by the custodian in respect of the Defeasance Collateral or the specific payment of principal or interest evidenced by such depositary receipt but only if such receipts are rated at the time of the investment no lower than investments defined under clause (i) by S&P; or

(iv) any certificate of deposit, including certificates of deposit issued by the Trustee or by a Paying Agent, secured by obligations specified in clause (i) above of a market value equal at all times to the amount of the deposit, which shall be rated at the time of the investment no lower than investments defined under clause (i) by S&P.

“Defeased Bonds” means Bonds that remain in the hands of their Owners but are no longer deemed Outstanding because they have been defeased in accordance with the provisions of Section 2.02 of this Indenture.

“Deposit Date” means the date of actual receipt by the Trustee of any Collections relating to the Pledged TSRs.

“Depository” means DTC and any substitute for or successor to such depository that shall, at the request of the Corporation, maintain a Book-Entry System with respect to the Bonds.

“Depository Nominee” means the Depository or the nominee of the Depository in whose name the Bonds are registered during the continuation with such Depository of participation in its Book Entry System.

“Distribution Date” means each June 1 and December 1, commencing on June 1, 2017.

“DTC” means The Depository Trust Company, a limited-purpose trust company organized under the laws of the State of New York, and includes any nominee of DTC in whose name any Bonds are then registered.

“DTC Letter” means the Corporation’s Blanket Letter of Representations to DTC dated November 18, 1999.

“Eligible Bank” means any (i) bank or trust company organized under the laws of any state of the United States of America (including the Trustee and any of its affiliates), (ii) national banking association, (iii) savings bank or savings and loan association chartered or organized under the laws of any state of the United States of America or the laws of the United States of America, or (iv) federal branch or agency established pursuant to the International Banking Act of 1978 or any successor provisions of law, or domestic branch or agency of a foreign bank which branch or agency is duly licensed or authorized to do business under the laws of any state or territory of the United States of America.

“Eligible Investments” means, with respect only to the Pledged Accounts:

- (i) Defeasance Collateral;
- (ii) direct obligations of, or obligations guaranteed as to timely payment of principal and interest by, FHLMC, Fannie Mae, FHLB, the Federal Farm Credit System or the Federal Housing Administration;
- (iii) demand and time deposits in or certificates of deposit of, or bankers’ acceptances issued by, any bank or trust company, savings and loan association, or savings bank, payable on demand or on a specified date no more than three months after the date of issuance thereof, if such deposits or instruments are rated “A-1” by S&P;
- (iv) certificates, notes, warrants, bonds, obligations, or other evidences of indebtedness of a state, a public authority or a political subdivision thereof, rated by S&P in one of its three highest rating categories;

(v) commercial or finance company paper (including both non-interest-bearing discount obligations and interest bearing obligations payable on demand or on a specified date not more than 270 days after the date of issuance thereof) that is rated “A-1” by S&P;

(vi) repurchase obligations with respect to any security described in clauses (i), (ii), or (iii) above entered into with a primary dealer, depository institution, or trust company (acting as principal) rated “A-1” by S&P (if payable on demand or on a specified date no more than three months after the date of issuance thereof), or rated in one of the two highest long-term rating categories by S&P, or collateralized by securities described in clauses (i), (ii), or (iii) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated “BBB” or higher by S&P; provided, that (1) a specific written agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a member of the Federal Deposit Insurance Corporation that has combined surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation, and (4) the fair market value of the collateral securities in relation to the amount of the obligation, including principal and interest, is equal to at least 102% or, if greater, the amount then required by S&P in order that the ratings then assigned by S&P to the Bonds will not be lowered, suspended or withdrawn;

(vii) securities bearing interest or sold at a discount (payable on demand or on a specified date no more than three months after the date of issuance thereof) that are issued by any corporation incorporated under the laws of the United States of America or any state thereof and rated “A-1” by S&P; provided, that securities issued by any such corporation will not be Eligible Investments to the extent that investment therein would cause the then outstanding principal amount of securities issued by such corporation that are then held to exceed 20% of the aggregate principal amount of all Eligible Investments then held;

(viii) units of taxable or tax-exempt money market funds which funds are regulated investment companies and are rated by S&P in one of its three highest rating categories, including if so rated any such fund which the Trustee or an affiliate of the Trustee serves as an investment advisor, administrator, shareholder, servicing agent and/or custodian or sub-custodian, notwithstanding that (x) the Trustee or an affiliate of the Trustee charges and collects fees and expenses (not exceeding current income) from such funds for services rendered, (y) the Trustee charges and collects fees and expenses for services rendered pursuant to the Indenture, and (z) services performed for such funds and pursuant to the Indenture may converge at any time (the Corporation specifically authorizes the Trustee or an affiliate of the Trustee to charge and collect all fees and expenses from such funds for services rendered to such funds, in addition to any fees and expenses the Trustee may charge and collect for services rendered pursuant to the Indenture);

(ix) any investment agreements or guaranteed investment contracts collateralized by securities described in clauses (i), (ii), or (iii) above with any registered broker/dealer or with any domestic commercial bank whose long-term debt obligations are rated “BBB” or higher by S&P; provided, that (1) a specific written agreement governs the transaction, (2) the securities are held, free and clear of any lien, by the Trustee or an independent third party acting solely as agent for the Trustee, and such third party is (a) a Federal Reserve Bank, or (b) a member of the Federal Deposit Insurance Corporation that has combined surplus and undivided profits of not less than \$25 million, and the Trustee shall have received written confirmation from such third party that it holds such securities, free and clear of any lien, as agent for the Trustee, (3) the agreement has a term of thirty days or less, or the Trustee will value the collateral securities no less frequently than monthly and will liquidate the collateral securities if any deficiency in the required collateral percentage is not restored within five Business Days of such valuation, and (4) the fair market value of the collateral securities in relation to the amount of the obligation, including principal and interest, is equal to at least 102% or, if greater, the amount then required by S&P in order that the ratings then assigned by S&P to the Bonds will not be lowered, suspended or withdrawn; and

(x) other obligations or securities that are non-callable and that do not adversely affect the then-existing rating of any Bonds;

provided, that no Eligible Investment may (a) except for Defeasance Collateral, evidence the right to receive only interest with respect to the obligations underlying such instrument, or (b) be purchased at a price greater than par if such instrument may be prepaid or called at a price less than its purchase price prior to its stated maturity and provided further that funds managed or offered by the Trustee or funds for which the Trustee, its affiliates or subsidiaries, provide investment advisory or other management services may qualify as “Eligible Investments” if such funds otherwise satisfy the requirements of any of the clauses set forth above.

Any investment in Eligible Investments described above may be made in the form of an entry made on the records of the issuer of such Eligible Investments.

“Escrow Agent” shall have the meaning ascribed thereto in the MSA.

“Event of Default” means an event specified in Section 10.01 of this Indenture.

“Exchanged Bonds” means \$175,000,000 outstanding principal amount of the Series 2006-1 Bonds maturing on June 1, 2034 and \$275,000,000 outstanding principal amount of the Series 2006-1 Bonds maturing on June 1, 2042.

“Extraordinary Payments” has the meaning given to such term in Section 5.04(k) of this Indenture.

“Fannie Mae” means the Federal National Mortgage Association.

“FHLB” means any Federal Home Loan Bank.

“FHLMC” means the Federal Home Loan Mortgage Corporation.

“Fiduciary” means the Trustee, each Paying Agent and the Registrar.

“Fiscal Year” means the 12-month period ending each June 30, or such other 12-month period as the Board may determine from time to time to be the Corporation’s fiscal year. In the event that the Board changes the Corporation’s Fiscal Year, the Corporation shall deliver an Officer’s Certificate to the Trustee stating such change.

“Fully Paid” has the meaning given to such term in Section 2.03 of this Indenture.

“Indenture” means this Amended and Restated Indenture, as originally executed and as it may be further amended or supplemented from time to time in accordance with the terms hereof.

“Indirect Participant” means a broker-dealer, bank or other financial institution that holds Bonds through a Participant.

“Junior Bonds” shall have the meaning set forth therefor in Section 3.01(c).

“Liquidity Reserve Account(s)” means the Senior Liquidity Reserve Account and the Subordinate Liquidity Reserve Account.

“Liquidity Reserve Requirement(s)” means the Senior Liquidity Reserve Requirement and the Subordinate Liquidity Reserve Requirement.

“Local Law” means Local Law No. 31 of the City, enacted June 7, 1999.

“Lump Sum Payment” means a payment from a Participating Manufacturer that results in, or is due to, a release of that Participating Manufacturer from all or a portion of its future payment obligations under the MSA. The term “Lump Sum Payment” does not include any payments that are Total Lump Sum Payments, any non-scheduled prepayments other than a Lump Sum Payment or any payments made with respect to prior payment obligations.

“Lump Sum Redemption Account” means the Account held by the Trustee pursuant to Section 5.01(j) of this Indenture.

“Majority in Interest” means the Owners of a majority of the Outstanding Bonds eligible to act on a matter, measured by face value at maturity or, if capital appreciation Bonds are issued, the accreted value of such capital appreciation Bonds.

“Master Settlement Agreement” or “MSA” means the MSA identified in the Consent Decree, including the related Escrow Agreement.

“Maturity Date” means, with respect to any Bond, the final date on which all remaining principal of such Bond is due and payable.

“Officer’s Certificate” means a certificate signed by an Authorized Officer of the Corporation.

“Operating Account” means the Account held by the Trustee pursuant to Section 5.01(b) of this Indenture.

“Operating Cap” means (a) (i) in the Fiscal Year ending June 30, 2017, \$250,000, (ii) in the Fiscal Year ending June 30, 2018, \$500,000 and (iii) in each following Fiscal Year, the Operating Cap for the prior Fiscal Year inflated by the greater of 3% or the percentage increase in the CPI for all Urban Consumers as published by the Bureau of Labor Statistics for the prior year, plus (b) in each Fiscal Year, Tax Obligations specified in an Officer’s Certificate.

“Operating Expenses” means the reasonable operating expenses of the Corporation (including, without limitation, the cost of preparation of accounting and other reports, costs of maintenance of the ratings on the Bonds, insurance premiums, deductibles and retention payments, and costs of meetings or other required activities of the Corporation), legal fees and expenses of the Corporation, its members, directors, officers and employees, fees and expenses incurred for professional consultants and fiduciaries (including, but not limited to, computation of the amount of Tax Obligations and related computations), the fees, expenses, and disbursements of the Trustee, including the fees and expenses of counsel to the Trustee, costs incurred in order to preserve the tax-exempt status of any Tax-Exempt Bonds, the costs related to the Corporation’s or the Trustee’s enforcement rights with respect to this Indenture, the Agreement or the Bonds, all costs in connection with Section 6.11, and all Operating Expenses so identified in this Indenture. The term “Operating Expenses” does not include the Costs of Issuance to the extent paid with Bond proceeds.

“Opinion of Counsel” means a written opinion of Counsel.

“Outstanding,” when used as of any particular time with respect to any Bonds, means all Bonds issued under this Indenture, excluding: (i) Bonds that have been exchanged or replaced, delivered to the Trustee for credit against a principal payment or for cancellation, or purchased by the Corporation or the Trustee; (ii) Bonds that have been paid; (iii) Bonds that have become due and for the payment of which money has been duly provided; (iv) Bonds, the payment of which shall have been provided for pursuant to Section 2.02 or which are Fully Paid pursuant to Section 2.03 of this Indenture; and (v) for purposes of any consent or other action to be taken by the Owners of a Majority in Interest or specified percentage of Bonds hereunder, Bonds held by or for the account of the Corporation, or any Person controlling, controlled by, or under common control with the Corporation. For the purposes of this definition, “control,” when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise, and the terms “controlling” and “controlled” have meanings correlative to the foregoing.

“Owners” and similar terms mean the registered owners of the Bonds from time to time as shown on the books of the Trustee. Unless and until Bonds have been issued to Owners other than the Depository, all references to “Owners” of the Bonds are qualified by reference to Section 3.05 of this Indenture.

“Participant” means a broker-dealer, bank or other financial institution for which the Depository holds Bonds as a security depository.

“Participating Manufacturer” has the meaning given to such term in the Master Settlement Agreement.

“Paying Agent” means each Paying Agent designated from time to time pursuant to Section 8.03 of this Indenture.

“Person” means any individual, corporation, estate, partnership, joint venture, association, joint stock company, limited liability company, trust, unincorporated organization, government or any agency or political subdivision thereof, or any other entity of any type.

“Pledged Accounts” means the Collections Account (except to the extent that money therein is allocable to the Unpledged TSRs Subaccount, the Operating Account or the Rebate Account), the Debt Service Accounts, the Liquidity Reserve Accounts, the Subordinate Extraordinary Payment Account, the Lump Sum Redemption Account and the Turbo Redemption Account. The term “Pledged Accounts” shall also include all subaccounts contained in the named accounts (other than the Unpledged TSRs Subaccount in the Collections Account).

“Pledged Tobacco Settlement Revenues” or “Pledged TSRs” means, as of any date, the right, title and interest of the Corporation in and to 37.40% of the Tobacco Assets as of such date.

“Pro Rata” means, for an allocation of available amounts to any payment of interest or principal to be made under this Indenture, the application of a fraction to such available amounts (a) the numerator of which is equal to the amount due to the respective Owners to whom such payment is owing, and (b) the denominator of which is equal to the total amount due to all Owners to whom such payment is owing; provided, that only with respect to any payment of principal to be made Pro Rata under this Indenture, such payment shall be made Pro Rata to the extent possible, and then any remaining balance of such payment of principal shall be allocated by lot, in each case in applicable authorized denominations.

“Projected Turbo Redemption” means, for a series of Bonds, each respective Turbo Redemption projected to be made pursuant to Section 5.04(e) of this Indenture, as such projections are set forth on the Projected Turbo Schedule.

“Projected Turbo Schedule” means for a series of Bonds that includes Turbo Term Bonds, the schedule of projected Outstanding balances of such Turbo Term Bonds set forth in the related Series Supplement or in an exhibit thereto.

“Rating Agency” means S&P, or if S&P shall no longer have a rating in effect for any of the Bonds, each nationally recognized securities rating service (if any) that does have a rating in effect for the Bonds at the request of the Corporation.

“Rating Application Event of Default” has the meaning given to such term in Section 10.01(c) of this Indenture.

“Rating Confirmation” means written evidence that no rating that has been requested by the Corporation and is then in effect with respect to the Bonds from the Rating Agency will be

withdrawn, reduced, or suspended solely as a result of an action to be taken hereunder, which determination must be made without giving effect to the rating conferred by or attributable to any credit enhancement then in effect with respect to such Bond.

“Rebate Account” means the Account, if any, established and maintained by the Trustee pursuant to Sections 5.01(k) and 5.03 of this Indenture.

“Rebate Requirement” shall have the meaning ascribed thereto in the Tax Certificate.

“Record Date” means the 15th day of the calendar month immediately preceding the calendar month in which a Distribution Date occurs. The Corporation or the Trustee may in its discretion establish special record dates for the determination of the Owners for various purposes hereof, including giving consent or direction to the Trustee.

“Refunded Bonds” means the outstanding Series 2006-1 Bonds other than the Exchanged Bonds.

“Refunding Bonds” means Additional Bonds issued pursuant to Section 3.01 for the purposes of refunding any Outstanding Bonds.

“Registrar” means an agent designated by the Corporation to maintain the registration books for the Bonds.

“Residual Certificate” means the Residual Certificate issued at the time of delivery of the Corporation’s Tobacco Flexible Amortization Bonds, Series 1999-1.

“S&P” means Standard & Poor’s Global Ratings. In the event that Standard & Poor’s Global Ratings does not have a rating in effect for any of the Bonds, all references to S&P in the definitions of the terms Defeasance Collateral and Eligible Investments will be deemed to mean any nationally recognized securities rating service(s) designated by the Corporation in an Officer’s Certificate delivered to the Trustee.

“Senior Bonds” means the Series 2017A Bonds and any Additional Bonds secured on parity with the Series 2017A Bonds.

“Senior Debt Service Account” means the Account held by the Trustee pursuant to Section 5.01(c) of this Indenture.

“Senior Liquidity Reserve Account” means the Account held by the Trustee pursuant to Section 5.01(d) of this Indenture.

“Senior Liquidity Reserve Requirement” means, for as long as any Senior Bonds are Outstanding, an amount equal to \$48,000,000, and otherwise \$0.

“Senior Payment Default” means a failure to pay when due any principal or interest on any Senior Bonds, including any failure to pay when due any Serial Maturity, Sinking Fund Installment or Term Bond Maturity with respect to any Senior Bonds.

“Serial Bonds” means those Bonds so identified in a Series Supplement.

“Serial Maturity” means the principal of Serial Bonds due in any year as set forth in a Series Supplement.

“Series 2006-1 Bonds” means the Corporation’s Tobacco Settlement Asset-Backed Bonds, Series 2006-1 originally issued in the amount of \$1,353,510,000, of which \$1,144,525,000 are outstanding on the Series 2017 Closing Date.

“Series 2017 Bonds” means the Series 2017A Bonds and the Series 2017B Bonds.

“Series 2017 Closing Date” means January 19, 2017.

“Series 2017 Supplement” means the Series Supplement authorizing the Series 2017 Bonds.

“Series 2017A Bonds” means the Corporation’s \$613,370,000 Tobacco Settlement Bonds, Fiscal 2017 Series A (Senior), issued pursuant to this Indenture.

“Series 2017B Bonds” means the Corporation’s \$489,700,000 Tobacco Settlement Bonds, Fiscal 2017 Series B (Subordinate), issued pursuant to this Indenture.

“Series Supplement” means the Series 2017 Supplement and any other Supplemental Indenture providing for the issuance of a series of Additional Bonds (including Refunding Bonds) or Junior Bonds in accordance with Section 3.01.

“Sinking Fund Installment” means each respective mandatory principal payment to be made on Term Bonds scheduled to be made from Collections pursuant to Section 5.02(d)(ii) of this Indenture, as such schedule is set forth in a Series Supplement.

“SPE” means TSASC Tobacco Settlement Trust, a Delaware statutory trust.

“State” means the State of New York.

“Subordinate Bonds” means the Series 2017B Bonds and any Additional Bonds secured on parity with the Series 2017B Bonds.

“Subordinate Debt Service Account” means the Account held by the Trustee pursuant to Section 5.01(f) of this Indenture.

“Subordinate Extraordinary Payment Account” means the Account held by the Trustee pursuant to Section 5.01(e) of this Indenture.

“Subordinate Liquidity Reserve Account” means the Account held by the Trustee pursuant to Section 5.01(g) of this Indenture.

“Subordinate Liquidity Reserve Requirement” means, for as long as any Subordinate Bonds are Outstanding, an amount equal to \$40,300,000, and otherwise \$0.

“Subordinate Payment Default” means a failure to pay when due any principal or interest on any Subordinate Bonds, including any failure to pay when due any Turbo Term Bond Maturity with respect to any Subordinate Bonds that are Turbo Term Bonds. Failure to make Turbo Redemptions with respect to any Turbo Term Bonds (including the Series 2017B Bonds that are Turbo Term Bonds) will not constitute a Subordinate Payment Default or any other Event of Default to the extent that such failure results from the insufficiency of Turbo Available Collections.

“Supplemental Indenture” means a Series Supplement or other supplement hereto or amendment hereof executed and delivered in accordance with the terms hereof. Any provision that may be included in a Series Supplement or a Supplemental Indenture is also eligible for inclusion in the other, subject to the provisions hereof.

“Surplus Account” means the Account held by the Trustee pursuant to Section 5.01(i) of this Indenture.

“Taxable Bonds” means all Bonds other than Tax-Exempt Bonds.

“Tax-Exempt Bonds” means all Bonds so identified in any Series Supplement.

“Tax Certificate” means the Tax Certificates executed by the Corporation and certain other parties at the time of issuance of the Series 2017 Bonds and each subsequent series of Tax-Exempt Bonds, as originally executed and as it may be amended or supplemented from time to time in accordance with the terms thereof.

“Tax Obligations” means the Rebate Requirement and any penalties, fines, or other payments required to be made to the United States of America under the arbitrage or rebate provisions of the Code.

“Term Bond Maturity” means the principal payment required to be made upon the final maturity of any Term Bond, as set forth in a Series Supplement.

“Term Bonds” means those Bonds so identified in a Series Supplement.

“Tobacco Assets” has the meaning given to such term in the Agreement and includes Lump Sum Payments and Total Lump Sum Payments.

“Total Lump Sum Payment” means a final payment under the MSA from all of the Participating Manufacturers that results in, or is due to, a release of all of the Participating Manufacturers from all of their future payment obligations under the MSA.

“Trustee” means The Bank of New York Mellon, acting in its capacity as trustee under this Indenture, or its successor, as provided in this Indenture.

“Trustee’s Certificate” means a certificate signed by an Authorized Officer of the Trustee.

“Turbo Available Collections” has the meaning given to such term in Section 5.02(d)(xi) of this Indenture.

“Turbo Redemption Account” means the Account held by the Trustee pursuant to Section 5.01(h) of this Indenture.

“Turbo Redemptions” means the redemption of the Turbo Term Bonds from Turbo Available Collections in the Turbo Redemption Account pursuant to Section 5.04(e) of this Indenture.

“Turbo Term Bonds” means the Term Bonds so identified in a Series Supplement.

“Turbo Term Bond Maturity” means the principal payment required to be made upon the final maturity of any Turbo Term Bond, as set forth in a Series Supplement.

“Unpledged TSRs” means Tobacco Assets which are not Pledged TSRs.

“Unpledged TSRs Subaccount” means the subaccount in the Collections Account held by the Trustee pursuant to Section 5.01(a) of this Indenture.

“Unrated Series 2017B Bonds” means the Series 2017B Bonds so identified in the Series 2017 Supplement.

“Written Notice,” “written notice” or “notice in writing” means notice in writing which may be delivered by hand or first class mail, overnight delivery, electronically or by facsimile transmission.

(a) Articles and Sections referred to by number shall mean the corresponding Articles and Sections of this Indenture.

(b) Words of the masculine gender shall mean and include correlative words of the feminine and neuter genders and words importing the singular number shall mean and include the plural number and vice versa.

(c) The terms “hereby,” “hereof,” “herein,” “hereunder” and any similar terms, as used in this Indenture, refer to this Indenture; and the term “date hereof” means on, the term “hereafter” means after, and the term “heretofore” means before, the date of execution and delivery of this Indenture.

(d) The word “including” means “including without limitation.”

(e) The word “or” is used in its inclusive sense.

(f) Any reference in this Indenture to “principal” means as of any date, with respect to any Bond issued as a capital appreciation bond, the accreted value of such Bond as of such date, and unless otherwise provided herein does not include Turbo Redemptions.

(g) Any headings preceding the texts of the several Articles and Sections of this Indenture and any table of contents shall be solely for convenience of reference, and shall not constitute a part of this Indenture, nor shall they affect its meaning, construction or effect.

(h) As used in this Indenture and in any certificate or other document made or delivered pursuant hereto, accounting terms not defined in this Indenture or in any such certificate or other document, and accounting terms partly defined in this Indenture or in any such certificate or other document to the extent not defined, shall have the respective meanings given to them under generally accepted accounting principles. To the extent that the definitions of accounting terms in this Indenture or in any such certificate or other document are inconsistent with the meanings of such terms under generally accepted accounting principles, the definitions contained in this Indenture or in any such certificate or other document shall control.

(i) Terms used herein that are defined in the New York Uniform Commercial Code and not otherwise defined herein shall have the meanings set forth in the New York Uniform Commercial Code, unless the context requires otherwise.

Section 1.03. No Liability on Bonds. (a) Neither the members, directors or officers of the Corporation, the Board, the members of the Board, nor any person executing Bonds or other obligations of the Corporation shall be liable personally thereon or be subject to any personal liability or accountability solely by reason of the issuance thereof.

(b) The Bonds and other obligations of the Corporation shall not be a debt of either the State or the City, and neither the State nor the City shall be liable thereon, nor shall they be payable out of any funds other than those of the Corporation; and the Bonds shall contain on the face thereof a statement to such effect.

ARTICLE II

GRANT OF SECURITY INTEREST

Section 2.01. Security Interest and Pledge. In order to secure payment of the Bonds and the Residual Certificate, the Corporation hereby pledges to the Trustee, and grants to the Trustee a first priority perfected security interest in, all of the Corporation's right, title, and interest, whether now owned or hereafter acquired, in, to, and under: (i) the Pledged Tobacco Settlement Revenues; (ii) the Pledged Accounts, all money, instruments, general intangibles, investment property, or other property credited to or on deposit in the Pledged Accounts, and all investment earnings on amounts on deposit in or credited to the Pledged Accounts; (iii) the enforcement of the covenants of the City contained in Article IV of the Agreement; (iv) all present and future claims, demands, causes, and things in action in respect of any or all of the foregoing and all payments on or under and all proceeds of every kind and nature whatsoever in respect of any or all of the foregoing, including all proceeds of the conversion, voluntary or involuntary, into cash or other liquid property, all cash proceeds, accounts, general intangibles, notes, drafts, acceptances, chattel paper, checks, deposit accounts, insurance proceeds, condemnation awards, rights to payment of any and every kind, and other forms of obligations and receivables, instruments, general intangibles and other property that at any time constitute all or part of or are included in the proceeds of any of the foregoing; and (v) all proceeds of the foregoing. The property described in the preceding sentence is referred to herein as the

“Collateral.” “Collateral” does not include Unpledged TSRs and does not include: (i) the rights of the Corporation pursuant to provisions for consent or other action by the Corporation, notice to the Corporation, indemnity or the filing of documents with the Corporation, or otherwise for its benefit and not for that of the Beneficiaries, (ii) Section 5.02 of the Agreement or (iii) any right or power reserved to the Corporation pursuant to the Act, the Local Law or other law. This Section does not preclude the Corporation’s enforcement of its rights under and pursuant to the Agreement for the benefit of the Owners as provided herein. The Corporation will implement, protect and defend this assignment and pledge by all appropriate legal action, the cost thereof to be an Operating Expense. The Corporation covenants and agrees that it will implement, protect, and defend the security interest and pledge made in this Section 2.01 by all appropriate action for the benefit of the Owners.

Section 2.02. Defeasance. (a) *Total Defeasance.* When (i) there is held, by or for the account of the Trustee, Defeasance Collateral in such principal amounts, bearing interest at such fixed rates and with such maturities, including any applicable redemption premiums, as will provide sufficient funds to pay, or to redeem in accordance with Section 5.04 of this Indenture, all obligations to Owners in whole (to be verified by a nationally recognized firm of independent verification agents), (ii) any required notice of redemption shall have been duly given in accordance with this Indenture or irrevocable instructions to give notice shall have been given to the Trustee, (iii) all the rights hereunder of the Fiduciaries have been provided for, and (iv) the Trustee shall have received an opinion of Counsel to the effect that such defeasance will not adversely affect the exclusion of interest on any Bond from gross income for federal income tax purposes, then upon Written Notice from the Corporation to the Trustee, such Owners shall cease to be entitled to any benefit or security under this Indenture except the right to receive payment of the funds so held and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien hereof, the security interests created by this Indenture (except in such funds and investments) shall terminate, and the Corporation, after providing for all Operating Expenses, and the Trustee shall execute and deliver such instruments as may be necessary to discharge the Trustee’s lien and security interests created hereunder and to make the Pledged TSRs and other Collateral payable to the order of the registered owner of the Residual Certificate. Upon such defeasance, the funds and investments required to pay or redeem the Bonds shall be irrevocably set aside for that purpose, subject, however, to Section 5.06 of this Indenture, and money held for defeasance shall be invested only as provided above in this section and applied by the Trustee and other Paying Agents, if any, to the retirement of the Bonds. Any funds or property held by the Trustee and not required for payment or redemption of the Bonds shall be distributed to the registered owner of the Residual Certificate.

(b) *Partial Defeasance.* Subject to the requirements of Section 6.03 of this Indenture, the Corporation may create a defeasance escrow for the retirement and defeasance of any Bonds subject to and in accordance with Section 2.02(a) hereof, except that the obligations to all Owners need not be satisfied in whole and the lien and security interest of the Trustee hereunder for the benefit of the Bonds which have not been defeased shall not terminate. Thereafter, the Owners of such Defeased Bonds shall cease to be entitled to any benefit or security under this Indenture except the right to receive payment of the funds held in such defeasance escrow and other rights which by their nature cannot be satisfied prior to or simultaneously with termination of the lien of this Indenture.

Section 2.03. Payment of Bonds; Satisfaction and Discharge of Indenture. (a)

Whenever all Bonds issued hereunder have been Fully Paid and the requirements of Section 2.03(c) have been met, then, upon the request of an Authorized Officer of the Corporation, this Indenture and the lien, rights, and interests created hereby shall cease, determine, and become null and void, and the Trustee shall execute and deliver a termination statement and such instruments of satisfaction and discharge as may be necessary and pay, assign, transfer, and deliver all cash and securities then held by it hereunder to the registered owner of the Residual Certificate.

(b) A Bond shall be deemed “Fully Paid” only if:

(A) such Bond has been canceled by the Trustee or delivered to the Trustee for cancellation, including but not limited to under the circumstances described in Section 3.04 of this Indenture; or

(B) such Bond shall have matured or been called for redemption and, on such maturity date or redemption date, money for the payment of the principal of, redemption premium, if any, and interest on such Bond is held by the Trustee in trust for the benefit of the person entitled thereto; or

(C) such Bond is alleged to have been lost, stolen, destroyed, partially destroyed, or defaced and has been replaced as provided in Section 3.04(b) of this Indenture; or

(D) such Bond has been defeased as provided in subsection (a) of Section 2.02 of this Indenture (whether as part of a defeasance of all or less than all of the Bonds).

(c) Prior to any satisfaction and discharge of this Indenture, the Corporation shall provide funds to satisfy all Operating Expenses, and the Corporation and the Trustee shall execute and deliver such instruments as may be necessary to transfer all right, title and interest in, to and under the Pledged TSRs and the Collateral to the registered owner of the Residual Certificate.

**ARTICLE III
THE BONDS**

Section 3.01. Bonds of the Corporation. (a) By Series Supplements complying with this Indenture, the Corporation may authorize, issue, sell and deliver the Series 2017 Bonds and one or more series of Additional Bonds, including Refunding Bonds, or Junior Bonds from time to time in such principal amounts as the Corporation shall determine. The Bonds of each series shall bear such dates, mature at such times, be subject to such terms of payment, bear interest at such rates, be in such form and denomination, carry such registration privileges, be executed in such manner, and be payable in such medium of payment, at such place and subject to such terms of redemption, as the Corporation may provide herein and in the related Series Supplement. The proceeds of each series of Bonds shall be applied as provided in the related Series Supplement.

(b) (i) Refunding Bonds may be issued to refund all Bonds in whole (including the funding of defeasance escrows and deposits to Accounts in connection with such issuance).

(ii) Additional Bonds may be issued for any purpose at the discretion of the Corporation, including Refunding Bonds issued to refund Bonds in part (including the funding of defeasance escrows and deposits to Accounts in connection with such issuance), but only if upon the issuance of such Additional Bonds: (A) no Event of Default shall have occurred and is continuing with respect to (x) if such Additional Bonds proposed to be issued are Senior Bonds, the Senior Bonds then Outstanding or (y) if such Additional Bonds proposed to be issued are Subordinate Bonds, the Subordinate Bonds then Outstanding; (B) the expected weighted average life of each Turbo Term Bond that will remain Outstanding after the date of issuance of the Additional Bonds as computed by the Corporation on the basis of new projections on the date of issuance of the Additional Bonds will not exceed (x) the remaining expected weighted average life of each such Turbo Term Bond as computed by the Corporation on the basis of new projections assuming that no such Additional Bonds are issued plus (y) one year; and (C) a Rating Confirmation is received for any Bonds which are then rated by a Rating Agency that will remain Outstanding after the date of issuance of the Additional Bonds.

(c) One or more Series of Bonds (the “Junior Bonds”) may be issued for any lawful purpose if there is no payment permitted for such Bonds until all previously issued Bonds are Fully Paid. Junior Bonds may be issued without satisfying the requirements of Section 3.01(b)(ii) of this Indenture.

(d) The Bonds shall be executed in the name of the Corporation by the manual or facsimile signature of an Authorized Officer of the Corporation, and attested by the manual or facsimile signature of another Authorized Officer of the Corporation. The authenticating certificate of the Trustee shall be manually signed. Obligations executed as set forth above shall be valid and binding obligations when duly delivered, notwithstanding the fact that before the delivery thereof the persons executing the same shall have ceased holding such office or others may have been designated to perform such functions.

(e) The Corporation may from time to time request the authentication and delivery of a series of Bonds by providing to the Trustee (at or prior to such authentication and delivery) the following: (i) copies of the applicable Series Supplement; (ii) in the case of Additional Bonds (including Refunding Bonds), an Officer’s Certificate showing compliance with Section 3.01(b) or 3.01(c); (iii) an Opinion of Counsel (A) as to the due execution and delivery by the Corporation of this Indenture and each relevant Supplemental Indenture, (B) to the effect that the Bonds being issued are valid and binding obligations of the Corporation payable from the sources specified in the Indenture, (C) to the effect that the Indenture creates a security interest in the Collateral (including, without limitation, the Pledged TSRs as amended), and (D) in the case of Refunding Bonds, to the effect that the issuance of such Refunding Bonds will not adversely affect the exclusion from gross income for federal income tax purposes of interest on Tax-Exempt Bonds theretofore issued; (iv) such other documents as may be required by the applicable Series Supplement; and (v) an Officer’s Certificate to the effect that the applicable conditions to the issuance of Bonds set forth herein and in each applicable Series Supplement have been met, and requesting the Trustee’s authentication of the series of Bonds.

(f) The principal of, redemption premium, if any, and the interest on the Bonds shall be payable in lawful currency of the United States.

(g) The proceeds of the Bonds shall be applied as set forth in the applicable Series Supplement.

While the Book-Entry System is in effect with respect to any Bonds, notwithstanding any other provisions set forth herein, payments of principal of, redemption premium, if any, and interest on the Bonds shall be made to the Depository Nominee, by wire transfer in immediately available funds to the account specified by the Depository without the necessity of the presentation and surrender of the Bonds. Without notice to or the consent of the Owners, the Paying Agent, with the consent of the Corporation and the Depository, may agree in writing to make payments of principal of, redemption premium, if any, and interest in a manner different from that set out herein. In such event, the Paying Agent shall make payments with respect to the Bonds in the manner determined in the preceding sentence.

Upon the discontinuance of the maintenance of the Bonds under a Book-Entry System, the principal of, redemption premium, if any, and the interest on the Bonds shall be payable at the principal office of the Paying Agent upon presentation and surrender of the Bonds. Payments of interest on the Bonds will be mailed on each Distribution Date to the persons in whose names the Bonds are registered at the close of business on the Record Date next preceding such Distribution Date; provided, any Owner of a Bond or Bonds in an aggregate principal amount of not less than \$1,000,000 may, by prior written instructions filed with the Paying Agent (which instructions shall remain in effect until revoked by subsequent written instructions), instruct that interest payments for any period be made by wire transfer to an account in the continental United States or other means acceptable to the Paying Agent.

Section 3.02. Serial Maturities. The Serial Bonds shall mature in the years and in the principal amounts specified in the applicable Series Supplement.

Section 3.03. Term Bond and Turbo Term Bond Maturities. The Term Bonds (including all Turbo Term Bonds) shall mature in the years and in the principal amounts specified in the applicable Series Supplement.

Section 3.04. Transfer and Replacement of Bonds. (a) *Transfer.* A registered Bond shall be transferable upon presentation to the Registrar with a written transfer of title of the registered owner. Such transfer shall be dated, and signed by such registered owner, or its legal representative, and shall be signature guaranteed by a guarantor institution participating in a guarantee program acceptable to the Registrar. The name of the transferee shall be entered in the books kept by the Registrar and:

(i) the transferee shall be provided with a new Bond of substantially the same form and tenor as the Bond presented;

(ii) the new Bond shall be signed and attested by the manual or facsimile signatures of Authorized Officers of the Corporation;

(iii) the new Bond shall be executed as of the date of the Bond presented and shall be authenticated as of the date of delivery of the new Bond;

(iv) the Bond presented shall be cancelled and destroyed and a certificate of destruction shall be filed with the Corporation;

(v) no interest shall be paid on a Bond issued in registered form until the name of the payee has been inserted therein and such Bond has been registered as provided herein;

(vi) the principal of, redemption premium, if any, and interest on a Bond which has been registered shall be payable only to the registered owner, or its legal representatives, successors, or transferees;

(vii) the transferee shall pay a charge sufficient to reimburse the Registrar for any tax, fee, or other governmental charge required to be paid with respect to such registration; and

(viii) the Registrar shall not be obliged to make any transfer of the Bonds (i) during the 15 calendar days preceding the date of sending notice, or the first publication of notice, of any proposed redemption of the Bonds, or (ii) with respect to any particular Bond, after such Bond has been called for redemption.

(b) *Replacement.* The Corporation and the Registrar may issue a new Bond to replace one lost, stolen, destroyed, partially destroyed, or defaced, in accordance with the following:

(i) If the Bond is claimed to be lost, stolen or destroyed, the owner shall furnish:

(A) proof of ownership;

(B) proof of loss, theft or destruction;

(C) payment of the cost of preparing, issuing, mailing, shipping, and insuring the new Bond; and

(D) security or indemnity in a form acceptable to the Corporation and Registrar.

(ii) If the Bond is defaced or partially destroyed, the owner shall surrender such Bond and pay the cost of preparing and issuing the new Bond.

(iii) The new Bond shall be of substantially the same form and tenor as the one originally issued, and shall be signed and attested by the manual or facsimile signatures of Authorized Officers of the Corporation. The new Bond shall be authenticated in the manner provided herein. If the Bond is issued in the place of one claimed to be lost, stolen or destroyed, it shall in addition state upon

the back thereof that it is issued in the place of such Bond claimed to have been lost, stolen or destroyed, and, where applicable, that adequate security or indemnity for its payment in full at maturity is filed with the Registrar. The Registrar shall make an appropriate entry in its records of any new Bond issued pursuant to this section.

Section 3.05. Securities Depositories. (a) *Immobilized Bonds.* The Bonds shall initially be issued pursuant to a Book-Entry System administered by the Depository with no physical distribution of bond certificates to be made except as provided in Section 3.05(b) of this Indenture.

So long as a Book-Entry System is being used, one or more typewritten certificates for each maturity of Bonds as required by the Depository, in the aggregate principal amount of such maturity and registered in the name of the Depository Nominee, will be issued and required to be deposited with the Depository (or a Fiduciary as custodian for the Depository) and held in its custody. The Book-Entry System will be maintained by the Depository, the Participants and the Indirect Participants and will evidence beneficial ownership of the Bonds in authorized denominations, with transfers of ownership effected on the records of the Depository, the Participants, and the Indirect Participants pursuant to rules and procedures established by the Depository, the Participants and the Indirect Participants.

Transfer of principal and interest payments or notices to Participants and Indirect Participants will be the responsibility of the Depository, and transfer of principal and interest payments or notices to Owners will be the responsibility of the Participants and the Indirect Participants. No other party will be responsible or liable for such transfers of payments or notices or for maintaining, supervising or reviewing such records maintained by the Depository, the Participants, or the Indirect Participants.

DTC is hereby appointed as the Depository. The Corporation may at any time provide for the replacement of the Depository with another qualified depository. If any depository is replaced as the depository for the Bonds with another qualified Depository, the Registrar will issue to the successor Depository replacement Bonds, registered in the name of the successor Depository Nominee.

Each Depository and the Participants, and the Indirect Participants, and the Owners of the Bonds, by their acceptance of the Bonds, agree that neither the Corporation nor any Fiduciary shall have any liability for the failure of any Depository to perform its obligation to any Participant, any Indirect Participant, or any Owner of any Bonds, nor shall the Corporation or any Fiduciary be liable for the failure of any Participant, Indirect Participant, or other nominee of any Owner of any Bonds to perform any obligation that such Participant, Indirect Participant, or other nominee may incur to any Owner of the Bonds.

A Fiduciary may rely upon the information provided by the Depository with respect to the identity of, and any other information relating to, any Participants, and may accept communications made by a Participant on behalf of an Owner.

(b) *Discontinuance of Book-Entry System.* Upon the discontinuance of the maintenance of the Bonds under a Book-Entry System, the Registrar will issue Bonds in authorized denominations directly to the Participants or, to the extent requested by any Participant, to the Owners of Bonds as further described below. In such event, the Registrar shall make provisions to notify the Participants, the Indirect Participants and the Owners of the Bonds, by mailing an appropriate notice to the Depository, or by other means deemed appropriate by the Registrar in its discretion, that Bonds will be directly issued to the Participants or, to the extent requested by any such Participant, to the Indirect Participants or the Owners of the Bonds as of a date set forth in such notice, which shall be a date at least ten calendar days after the date of mailing of such notice (or such fewer number of days as shall be acceptable to the Depository).

In the event that Bonds are to be issued to Participants, Indirect Participants, or Owners of the Bonds, the Registrar, at the expense of the Corporation, shall promptly have prepared Bonds in certificated form in authorized denominations registered in the names of the Participants as shown on the records of the Depository provided to the Registrar or, to the extent requested by any Participant, in the names of the Indirect Participants or Owners of Bonds shown on the records of such Participants provided to the Registrar, as of the date set forth in the notice described above. Neither the Corporation nor the Trustee shall be liable for any delay in delivery of such instructions and may conclusively rely on, and shall be fully protected in relying on, such instructions.

(c) *Trustee as Corporation's Agent for DTC Letter.* The Trustee shall comply with the requirements of the DTC Letter applicable to it.

ARTICLE IV THE RESIDUAL CERTIFICATE

Section 4.01. Sources of Payment. Subject to the provisions of this Indenture for the benefit of the Owners and the payment of the Bonds and Fiduciaries, all Collections received after all Bonds are Fully Paid and all Unpledged TSRs regardless of when received shall be deposited, into the Unpledged TSRs Subaccount and paid to the registered owner of the Residual Certificate as provided in Section 5.07.

Section 4.02. Delivery to SPE. The Residual Certificate has been delivered to, and registered on the books of the Corporation in the name of, the SPE in exchange for the beneficial interest in the SPE.

ARTICLE V ACCOUNTS; FLOW OF FUNDS

Section 5.01. Establishment of Accounts. The Trustee shall establish, hold and maintain the following segregated trust accounts in the Corporation's name:

(a) the Collections Account, and within the Collections Account the Unpledged TSRs Subaccount;

(b) the Operating Account;

- (c) the Senior Debt Service Account;
- (d) the Senior Liquidity Reserve Account;
- (e) the Subordinate Extraordinary Payment Account;
- (f) the Subordinate Debt Service Account;
- (g) the Subordinate Liquidity Reserve Account;
- (h) the Turbo Redemption Account;
- (i) the Surplus Account;
- (j) the Lump Sum Redemption Account;
- (k) the Rebate Account; and
- (l) the Costs of Issuance Account.

Except with respect to the Operating Account, the institution acting as Trustee shall comply with instructions originated by the Trustee directing disposition of the funds in the Accounts, and will comply with entitlement orders originated by the Trustee with respect to the Accounts and the security entitlements credited thereto, without, in any case, further consent by the Corporation or any other Person.

Section 5.02. Deposit of Collections and Unpledged TSRs; Application of Collections. (a) The Trustee shall deposit all Collections and Unpledged TSRs in the Collections Account promptly upon receipt. All Collections that have been identified by an Officer's Certificate as consisting of Lump Sum Payments or Total Lump Sum Payments received by the Trustee shall be promptly (and, in any event, no later than the Business Day immediately preceding the next following Distribution Date) transferred to the Lump Sum Redemption Account and applied as described in Section 5.02(g) or (h), as applicable, in accordance with the instructions received by the Trustee pursuant to an Officer's Certificate. Upon receipt of any amount constituting Unpledged TSRs (as confirmed in writing to the Trustee in an Officer's Certificate), the Trustee shall promptly deposit such amount to the Unpledged TSRs Subaccount and then promptly remit such amount to the registered owner of the Residual Certificate as provided in Section 5.07.

(b) At any time after making all transfers pursuant to Section 5.02(a) but no later than five Business Days prior to each Distribution Date, the Trustee shall withdraw Collections on deposit in the Collections Account, including any investment earnings thereon, and transfer to the Operating Account the amounts specified by an Officer's Certificate delivered in order to pay (x) the Operating Expenses in the then current Fiscal Year to the extent that the amount thereof does not exceed, together with amounts previously drawn from the Collections Account for such purpose, the Operating Cap for the then current Fiscal Year, (y) the Operating Expenses for the next succeeding Fiscal Year to the extent that the amount thereof does not exceed the Operating Cap for such Fiscal Year and (z) the Tax Obligations.

(c) No later than three Business Days prior to each Distribution Date, the Trustee shall apply amounts in the various Accounts as follows:

(i) from the Senior Liquidity Reserve Account to the Collections Account, any amount in excess of the Senior Liquidity Reserve Requirement pursuant to Sections 5.05(b) and (c); and

(ii) unless a Subordinate Payment Default has occurred, from the Subordinate Liquidity Reserve Account to the Subordinate Debt Service Account, any amount in excess of the Subordinate Liquidity Reserve Requirement pursuant to Sections 5.05(b) and (c).

(d) After making the transfers pursuant to Section 5.02(c) above and no later than two Business Days prior to each Distribution Date, the Trustee shall withdraw the Collections on deposit in the Collections Account, including any investment earnings thereon, and transfer such amounts as follows:

(i) to the Senior Debt Service Account, an amount sufficient to cause the amount therein to equal unpaid interest due on the Outstanding Senior Bonds on the next Distribution Date;

(ii) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (without regard to amounts on deposit therein pursuant to clause (i) above) to equal the principal of Outstanding Senior Bonds due on or prior to the next Distribution Date;

(iii) to the Senior Debt Service Account, an amount sufficient to cause the amount therein (without regard to amounts on deposit therein pursuant to clauses (i) and (ii) above), together with any additional amounts in excess of the Senior Liquidity Reserve Requirement required to be transferred or anticipated to be transferred (as determined by an Officer's Certificate) from the Senior Liquidity Reserve Account to the Collections Account pursuant to Section 5.02(c)(i), to equal interest due on Outstanding Senior Bonds on the second succeeding Distribution Date;

(iv) to the Senior Liquidity Reserve Account, an amount sufficient to cause the amount therein to equal the Senior Liquidity Reserve Requirement;

(v) if a Subordinate Payment Default has occurred, to the Subordinate Extraordinary Payment Account all amounts remaining in the Collection Account up to the amount required to fully retire all of the Outstanding Subordinate Bonds, including all interest and principal thereon;

(vi) to the Subordinate Debt Service Account, an amount sufficient to cause the amount therein to equal interest due on Outstanding Subordinate Bonds on the next Distribution Date;

(vii) to the Subordinate Debt Service Account, an amount sufficient to cause the amount therein (without regard to amounts on deposit therein pursuant to clause (vi) above), to equal the principal of Outstanding Subordinate Bonds due on or prior to the next Distribution Date;

(viii) to the Subordinate Debt Service Account, an amount sufficient to cause the amount therein (without regard to amounts on deposit therein pursuant to clauses (vi) and (vii) above), together with any additional amounts in excess of the Subordinate Liquidity Reserve Requirement required to be transferred or anticipated to be transferred (as determined by an Officer's Certificate) from the Subordinate Liquidity Reserve Account pursuant to Section 5.02(c)(ii), to equal interest due on Outstanding Subordinate Bonds on the second succeeding Distribution Date;

(ix) to the Subordinate Liquidity Reserve Account, an amount sufficient to cause the amount therein to equal the Subordinate Liquidity Reserve Requirement;

(x) to the Operating Account, the amount, if any, necessary to make the amount therein equal to the amount specified by the Officer's Certificate most recently delivered in order to pay, for the current or next succeeding Fiscal Year, Operating Expenses in excess of the Operating Cap up to a maximum of \$150,000 for any Fiscal Year;

(xi) to the Turbo Redemption Account, all amounts remaining in the Collections Account up to the amount necessary to redeem all then Outstanding Subordinate Bonds that are Turbo Term Bonds (such amounts, "Turbo Available Collections"); and

(xii) to the Surplus Account, all amounts remaining in the Collections Account which may then be applied pursuant to an Officer's Certificate to redeem Senior Bonds or make open market purchases of Senior Bonds pursuant to Section 5.04(g), to the extent that Senior Bonds are then Outstanding, or otherwise pursuant to the Residual Certificate.

(e) On each Distribution Date, the Trustee shall apply amounts in the various Accounts in the following order of priority:

(i) from the Senior Debt Service Account and the Senior Liquidity Reserve Account, in that order, to pay interest on the Outstanding Senior Bonds due on such Distribution Date;

(ii) from the Senior Debt Service Account and the Senior Liquidity Reserve Account, in that order, to pay principal of Outstanding Senior Bonds due on or prior to such Distribution Date in chronological order of the date on which such principal is due and Pro Rata within such a principal due date;

(iii) if a Subordinate Payment Default has occurred, from the Subordinate Extraordinary Payment Account, the Subordinate Debt Service Account, the Turbo Redemption Account and the Subordinate Liquidity Reserve Account, if any, to pay Extraordinary Payments pursuant to Section 5.04(k);

(iv) from the Subordinate Debt Service Account and the Subordinate Liquidity Reserve Account, in that order, to pay interest on the Outstanding Subordinate Bonds due on such Distribution Date;

(v) from the Subordinate Debt Service Account and the Subordinate Liquidity Reserve Account, in that order, to pay principal of Outstanding Subordinate Bonds due on such Distribution Date in chronological order of the date on which such principal is due and Pro Rata within such a principal due date; and

(vi) from the Turbo Redemption Account, to make Turbo Redemption Payments on Subordinate Turbo Term Bonds in accordance with Section 5.04(e).

(f) (i) Upon the occurrence of any Senior Payment Default, all Pledged TSRs (after payment of Trustee fees and other Operating Expenses up to the Operating Cap) will be applied solely to funding the Senior Debt Service Account, and replenishing the Senior Liquidity Reserve Account, until all payments of interest on, Sinking Fund Installments on, and maturing principal of the Senior Bonds are current and all such Accounts fully funded as contemplated by Section 5.02(c), (d) and (e) above, after which any remaining Pledged TSRs may be applied to payment of amounts due on any Outstanding Subordinate Bonds.

(ii) Upon the occurrence of any Subordinate Payment Default and continuing on each succeeding Distribution Date commencing with the Distribution Date following such Subordinate Payment Default, the Trustee shall apply all funds in the Subordinate Extraordinary Payment Account, the Subordinate Debt Service Account (if any), the Subordinate Liquidity Reserve Account (if any) and the Turbo Redemption Account (if any) to make Extraordinary Payments.

(g) Upon the receipt of a sum that has been identified by an Officer's Certificate as a Lump Sum Payment, on the next Distribution Date following such receipt, the Trustee shall transfer all proceeds of such Lump Sum Payment to the Lump Sum Redemption Account to pay, in the following order: (i) past due interest on the Senior Bonds, Pro Rata, (ii) accrued and unpaid interest on the Senior Bonds, Pro Rata, (iii) principal of the Senior Bonds without premium, in chronological order of the date on which such principal is due and Pro Rata within such a principal due date, (iv) past due interest on the Subordinate Bonds, Pro Rata, (v) accrued and unpaid interest on the Subordinate Bonds, Pro Rata and (vi) principal of the Subordinate Bonds without premium, in chronological order of the date on which such principal is due and Pro Rata within such a principal due date.

(h) Upon the receipt of a sum that has been identified by an Officer's Certificate as a Total Lump Sum Payment, the Trustee shall transfer all proceeds of such Total Lump Sum Payment to the Lump Sum Redemption Account to pay, in the following order: (i)

past due interest on the Senior Bonds, Pro Rata, (ii) accrued and unpaid interest on the Senior Bonds, Pro Rata, (iii) principal of the Senior Bonds without premium, in chronological order of the date on which such principal is due and Pro Rata within such a principal due date, (iv) past due interest on the Subordinate Bonds, Pro Rata, (v) accrued and unpaid interest on the Subordinate Bonds, Pro Rata and (vi) principal of the Subordinate Bonds without premium, Pro Rata, irrespective of any principal due date.

(i) After making all deposits and payments set forth above, and provided that there are no Outstanding Bonds, the Trustee shall deliver any amounts remaining in a Fund or Account to the Unpledged TSRs Subaccount as provided in Section 5.07.

(j) Funds in the Operating Account shall be applied by the Trustee at any time, in accordance with directions in an Officer's Certificate, to pay Operating Expenses or to fund an account of the Corporation which will also be free and clear of the lien of this Indenture for purposes of paying such Operating Expenses.

Section 5.03. Rebate. The Trustee shall establish and maintain when required an account separate from any other account established and maintained hereunder designated as the Rebate Account. Subject to the transfer provisions provided in paragraph (d) below, all money at any time deposited in the Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined, computed, and provided to the Trustee in accordance with the Tax Certificate), for payment to the federal government of the United States of America. Neither the Corporation nor any Owners shall have any rights in or claim to such money. Unless the Corporation delivers an opinion of Counsel to the effect that another use is not inconsistent with the Corporation's covenants contained in Section 6.03 of this Indenture, all amounts deposited into or on deposit in the Rebate Account shall be governed by this Section, by Section 6.03 hereof, and by the Tax Certificate. The Trustee shall be deemed conclusively to have complied with such provisions if it follows such written directions of the Corporation, including supplying all necessary information specified in the Tax Certificate but solely to the extent the Trustee possesses such information in the manner provided in the Tax Certificate, and shall have no liability or responsibility to enforce compliance by the Corporation with the terms of the Tax Certificate.

(a) The Trustee shall withdraw from the Operating Account and transfer to the Rebate Account at the times and in the amounts specified in an Officer's Certificate an amount sufficient to cause the balance in the Rebate Account to equal the Rebate Requirement. Computations of the Rebate Requirement shall be furnished by or on behalf of the Corporation in accordance with the Tax Certificate. The Trustee shall supply upon request to the Corporation all necessary information in the manner provided in the Tax Certificate to the extent such information is reasonably available to the Trustee.

(b) The Trustee shall have no obligation to rebate any amounts required to be rebated pursuant to this Section other than from moneys held in the Rebate Account created under this Indenture.

(c) The Trustee shall invest all amounts held in the Rebate Account in Eligible Investments as directed by an Officer's Certificate, subject to the restrictions set forth in

the Tax Certificate. Moneys shall not be transferred from the Rebate Account except as provided in paragraph (d) below. The Trustee shall not be liable for any consequences arising from such investment.

(d) When so directed by an Officer's Certificate, the Trustee shall remit part or all of the balances in the Rebate Account to the United States, as so directed. In addition, the Trustee shall deposit money into or transfer money out of the Rebate Account from or into such Accounts as directed by an Officer's Certificate; provided, that only moneys in excess of the Rebate Requirement may be transferred out of the Rebate Account to such other accounts or funds or to anyone other than the United States in satisfaction of the arbitrage rebate obligation. Any funds remaining in the Rebate Account not expected to be needed to pay any future Rebate Requirement (as represented in an Officer's Certificate) after each five-year remittance to the United States, redemption and payment of all of the Bonds, and payment and satisfaction of any Rebate Requirement, or provision made therefor satisfactory to the Trustee, shall be withdrawn and transferred to such Accounts as directed by such Officer's Certificate.

(e) Notwithstanding any other provision of this Indenture, the obligation to remit the Rebate Requirement to the United States and to comply with all other requirements of this Section, Section 6.03 hereof, and the Tax Certificate shall survive the defeasance or payment in full of the Bonds.

Section 5.04. Redemption of the Bonds. (a) *Generally.* When Bonds are called for redemption, the accrued interest thereon shall be due on the redemption date. With respect to any optional redemptions pursuant to subsection (h) of this Section 5.04, the Corporation shall deposit with the Trustee on or prior to the redemption date a sufficient sum to pay principal of, redemption premium, if any, and accrued interest on, the Bonds to be redeemed on such redemption date. If notice of redemption has been duly given as herein provided and money for the payment of the redemption price of the Bonds called for redemption is held by the Trustee, then on the redemption date designated in such notice, Bonds so called for redemption shall become due and payable, and from and after the date so designated, interest on such Bonds shall cease to accrue, and the Owners of such Bonds shall have no rights in respect thereof except to receive payment of the redemption price thereof.

(b) *Notice of Redemption.* Except as otherwise provided in a Series Supplement, when a Bond is to be redeemed prior to its stated maturity date, the Trustee shall give notice to the Owner thereof and as required by Section 6.09 of this Indenture in the name of the Corporation, which notice shall identify the Bond to be redeemed, state the date fixed for redemption, and state that such Bond will be redeemed at the Corporate Trust Office of the Trustee or a Paying Agent. The notice shall further state that on such date there shall become due and payable upon each Bond to be redeemed the redemption price thereof, together with interest accrued to the redemption date, and that from and after such date, interest thereon shall cease to accrue. The Trustee shall give at least 15 days notice (or such shorter period if then permitted by DTC) by mail, or otherwise transmit the redemption notice in accordance with any appropriate provisions hereof, to the registered owners of any Bonds which are to be redeemed, at their addresses shown on the registration books of the Corporation. Such notice may be waived by any Owners holding Bonds to be redeemed. Failure by a particular Owner to receive notice, or any defect in the notice to such Owner, shall not affect the redemption of any other

Bond. Any notice of redemption given pursuant to this Indenture may be rescinded by Written Notice to the Trustee by the Corporation no later than 5 days prior to the date specified for redemption. The Trustee shall give notice of such rescission as soon thereafter as practicable in the same manner and to the same persons, as notice of such redemption was given as described in this subsection (b). In making the determination as to how much money will be available in the Turbo Redemption Account on any Distribution Date for the purpose of giving notice of redemption under this subsection (b), the Trustee shall take into account investment earnings which it reasonably expects to be available for application pursuant to Section 5.02 hereof.

(c) *Mandatory Redemption from Lump Sum Payments and Total Lump Sum Payments.* The Bonds shall be redeemed in whole or in part prior to their stated maturity, following notice of such redemption in accordance with Section 5.04(b) hereof, at the principal amount thereof being redeemed, without premium, (i) on any Distribution Date from Lump Sum Payments on deposit in the Lump Sum Redemption Account and (ii) on the earliest practicable Business Day from Total Lump Sum Payments on deposit in the Lump Sum Redemption Account.

(d) *Sinking Fund Installments.* The Term Bonds shall be redeemed in whole or in part prior to their stated maturity on any Distribution Date, following notice of such redemption in accordance with Section 5.04(b) hereof, in accordance with the schedule of Sinking Fund Installments set forth in the applicable Series Supplement. Sinking Fund Installments shall be credited as described in subsection (f) of this Section 5.04. If less than all of the Term Bonds are to be redeemed pursuant to this subsection, the Owners of the Term Bonds shall be paid in accordance with subsection (i) of this Section 5.04.

(e) *Turbo Redemptions.* The Turbo Term Bonds shall be redeemed in whole or in part prior to their stated maturity from Turbo Available Collections on deposit in the Turbo Redemption Account on any Distribution Date, following notice of such redemption in accordance with Section 5.04(b) hereof, at the principal amount thereof, without premium. Turbo Redemptions shall be credited as described in subsection (f) of this Section 5.04. If less than all of the Turbo Term Bonds are to be redeemed pursuant to this subsection, the Owners of such Turbo Term Bonds shall be paid in accordance with subsection (i) of this Section 5.04.

(f) *Effect of Redemptions on Sinking Fund Installments and Turbo Term Bond Maturities.* For all purposes of this Indenture, including without limitation calculating the deposits required by Sections 5.02(d)(ii) and (iii) hereof, calculating the payments required by Section 5.02(e)(ii) hereof, and determining whether an Event of Default has occurred pursuant to Section 10.01 hereof, all redemptions made hereunder from Collections shall be credited as follows:

(i) the amount of any Turbo Redemptions shall be credited against Turbo Term Bond Maturities for the Turbo Term Bonds in the order of priority and within a priority in the chronological order set forth in the applicable Series Supplement;

(ii) the amount of any Sinking Fund Installments made hereunder shall be credited as follows against Term Bond Maturities for the Term Bonds in the

order of priority and within a priority in the chronological order set forth in the applicable Series Supplement; provided, however, that Sinking Fund Installments scheduled for the same date shall be credited Pro Rata regardless of the maturity date of the related Term Bond Maturity; and

(iii) the amount of any optional redemption of Term Bonds in part shall be credited against any Sinking Fund Installment as directed by the Corporation.

(g) *Limitation on Open Market Purchases.* Moneys in any Pledged Account shall not be used to make open market purchases of Turbo Term Bonds. Moneys in the Surplus Account may be used to make open market purchases of Senior Bonds at a price no greater than 100% of the principal amount thereof plus interest accrued to the date of settlement. Any Senior Bonds so purchased shall be delivered to the Trustee for cancellation.

(h) *Optional Redemption.* The Bonds shall be subject to optional redemption as set forth in the applicable Series Supplement.

All redemptions made pursuant to this subsection (h) shall be credited as described in subsection (f) of this Section 5.04. If less than all of the Bonds of any maturity or Sinking Fund Installment, as applicable, are to be redeemed pursuant to this subsection, the Owners of the Bonds of such maturity or Sinking Fund Installment shall be paid in accordance with subsection (i) of this Section 5.04.

(i) *Selection by Trustee.* If less than all of the Bonds of a maturity or Sinking Fund Installment, as applicable, are to be redeemed pursuant to subsections (d), (e) or (h) of this Section 5.04, the Owners of the Bonds within such maturity or Sinking Fund Installment shall be paid on such basis as the Trustee shall deem fair and appropriate, including by lot, and the Trustee may provide for the selection for redemption of portions (equal to any authorized denominations) of the principal of Bonds of a denomination larger than the minimum authorized denomination.

(j) *Clean-Up Call.*

(i) The Senior Bonds are subject to optional redemption in whole at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed plus interest accrued to the redemption date at any time that the available amounts on deposit in the Pledged Accounts allocable to the Senior Bonds exceed the aggregate principal amount of, and accrued interest on, all Outstanding Senior Bonds.

(ii) The Subordinate Bonds are subject to mandatory redemption in whole at a redemption price equal to one hundred percent (100%) of the principal amount being redeemed plus interest accrued to the redemption date at any time that the available amounts on deposit in the Pledged Accounts allocable to the Subordinate Bonds exceed the aggregate principal amount of, and accrued interest on, all Outstanding Subordinate Bonds.

(k) *Extraordinary Payments of Subordinate Bonds.* Upon the occurrence of any Subordinate Payment Default and continuing on each succeeding Distribution Date commencing with the Distribution Date following the Subordinate Payment Default, the Trustee shall apply all funds in the Subordinate Debt Service Account, the Subordinate Liquidity Reserve Account and the Turbo Redemption Account to pay (or prepay) with respect to the Subordinate Bonds, Pro Rata, without regard to their order of maturity, in the following order: (i) past due interest on the Subordinate Bonds, (ii) accrued and unpaid interest on the Subordinate Bonds, and (iii) principal of the Subordinate Bonds without premium (“Extraordinary Payments”).

Section 5.05. Investments. (a) *Generally.* Pending its use under this Indenture, money in the Accounts held by the Trustee may be invested in Eligible Investments and shall be so invested pursuant to an Officer’s Certificate. Such Officer’s Certificate shall specify that Eligible Investments shall mature or be redeemable at the option of the Corporation on or before the fifth Business Day immediately preceding each next succeeding Distribution Date, except in the case of the Liquidity Reserve Accounts to the extent that other Eligible Investments timely mature or are so redeemable in an amount sufficient to make payments in respect of interest, Serial Maturities, Sinking Fund Installments, Term Bond Maturities and Turbo Term Bond Maturities pursuant to the terms of Section 5.02(e) in respect to the Series of Bonds to which such Eligible Investments relate. Absent such Officer’s Certificate, the Trustee shall invest in Eligible Investments listed in clause (viii) of the definition thereof. Investments and any income realized therefrom shall be held by the Trustee in the respective Accounts and shall be sold or redeemed to the extent necessary to make payments or transfers from each Account. In the absence of negligence or bad faith on its part, the Trustee will not be liable for any losses on investments made at the direction of the Corporation.

(b) *Liquidity Reserve Accounts.* No later than May 15 and November 15 of each year commencing May 15, 2017, the Trustee shall value the money and investments in each Liquidity Reserve Account according to the methods set forth in this Section 5.05. Any amounts in the Senior Liquidity Reserve Account in excess of, or anticipated (as shown in an Officer’s Certificate) to be in excess of, the Senior Liquidity Reserve Requirement shall be applied as provided in Section 5.02(c)(i) of this Indenture and any amounts in the Subordinate Liquidity Reserve Account in excess of, or anticipated (as shown in an Officer’s Certificate) to be in excess of, the Subordinate Liquidity Reserve Requirement shall be applied as provided in Section 5.02(c)(ii) of this Indenture. If after receipt of any Pledged TSRs, the Trustee determines that a withdrawal from a Liquidity Reserve Account will be required on June 1 or December 1 of any year, the Trustee shall as soon as practicable notify the provider under any forward purchase agreement relating to the applicable Liquidity Reserve Account of the estimated amount of the withdrawal and the projected date of the withdrawal. In no event shall such notice be given later than ten (10) Business Days prior to the Business Day next preceding June 1 of such year.

(c) *Valuation.* In computing the amount in any Account, the value of Eligible Investments shall be determined as of no later than the fifth Business Day prior to each Distribution Date and as otherwise required under this Indenture. Except as otherwise specifically provided in this Indenture, all Eligible Investments shall be valued at fair market value based on accepted industry standards by accepted industry providers, which shall include, but are not limited to, pricing services provided by Financial Times Interactive Data Corporation.

(d) *Undivided Interests and Interfund Transfers.* The Trustee may hold undivided interests in Eligible Investments for more than one Account (for which they are eligible, but not including the Rebate Account) and may make interfund transfers in kind.

(e) *Notice of Uninvested Funds.* The Trustee shall promptly notify the Corporation of any funds that become uninvested under this Indenture and shall request the Corporation to provide applicable instructions as to how to invest such funds.

Section 5.06. Unclaimed Money. Except as may otherwise be required by applicable law, in case any money deposited with the Trustee or a Paying Agent for the payment of the principal of, or interest or premium, if any, on any Bond remains unclaimed for two years after such principal, interest, or premium has become due and payable, the Fiduciary may and upon receipt of a written request of the Corporation shall pay over to the Corporation the amount so deposited and thereupon the Fiduciary shall be released from all liability hereunder with respect to the payment of principal, interest, or premium and the Owner of such Bond shall be entitled (subject to any applicable statute of limitations) to look only to the Corporation as an unsecured creditor for the payment thereof.

Section 5.07. Unpledged TSRs Subaccount. The Unpledged TSRs Subaccount shall contain any funds previously deposited in accounts established under this Indenture and held by the Trustee that are not used for the defeasance of the Refunded Bonds or the Exchange of the Exchanged Bonds or the funding of the Liquidity Reserve Accounts, any Collections after all Bonds are Fully Paid, and any Unpledged TSRs. The Unpledged TSRs Subaccount shall be held by the Corporation and is not pledged to the Trustee for the benefit of the Owners. All amounts held in the Unpledged TSRs Subaccount shall be transferred to the registered owner of the Residual Certificate.

ARTICLE VI COVENANTS AND REPRESENTATIONS OF THE CORPORATION

Section 6.01. Contract; Obligations to Owners; Representations of the Corporation.

(a) In consideration of the purchase and acceptance of any or all of the Bonds by those who shall hold the same from time to time, the provisions of this Indenture shall be a part of the contract of the Corporation with the Owners. The pledge and grant of a security interest made in this Indenture and the covenants herein set forth to be performed by the Corporation shall be for the equal benefit, protection, and security of the Owners. All of the Bonds shall be of equal rank without preference, priority, or distinction of any thereof over any other except as expressly provided pursuant hereto.

(b) The Corporation covenants to pay when due all sums payable on the Bonds, but only from the Collateral and subject to the limitations set forth in Section 1.03 of this Indenture. The obligation of the Corporation to pay principal, interest, and redemption premium, if any, to the Owners shall be absolute and unconditional, shall be binding and enforceable in all circumstances whatsoever, and shall not be subject to setoff, recoupment, or counterclaim.

(c) The Corporation represents and warrants that (i) it is duly authorized under the Act and the Local Law to issue the Bonds, and to execute, deliver, and perform the

terms of this Indenture; (ii) all action on its part required for or relating to the issuance of the Bonds and the execution and delivery of this Indenture has been duly taken; (iii) the Bonds, upon the issuance and authentication thereof, and this Indenture, upon the execution and delivery hereof, shall be valid and enforceable obligations of the Corporation in accordance with their terms; (iv) it has not heretofore conveyed, assigned, pledged, granted a security interest in, or otherwise disposed of the Collateral, except with regard to the Series 2006-1 Bonds; and (v) the execution, delivery, and performance of this Indenture and the issuance of the Bonds are not in contravention of law or any agreement, instrument, indenture, or other undertaking to which it is a party or by which it is bound and no other approval, consent, or notice from any governmental agency is required on the part of the Corporation in connection with the issuance of the Bonds.

(d) The Pledged TSRs and other Collateral are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created hereby, and all corporate action on the part of the Corporation to that end has been duly and validly taken. The Bonds and the provisions hereof are and will be the valid and binding obligations of the Corporation in accordance with their terms.

(e) For so long as any Bond is outstanding the Corporation will file, continue, and amend all such financing statements as may be necessary to establish and maintain the perfection and priority of the lien and security interest granted hereunder in the Collateral.

Section 6.02. Operating Expenses. The Corporation shall pay its Operating Expenses to the parties entitled thereto, to the extent that funds are available therefor.

Section 6.03. Tax Covenants. (a) The Corporation shall at all times do and perform all acts and things permitted by law and this Indenture which are necessary in order to assure that interest paid on the Tax-Exempt Bonds will be excluded from gross income for federal income tax purposes and shall take no action that would result in such interest not being excluded from gross income for federal income tax purposes. Without limiting the generality of the foregoing, the Corporation agrees that it will comply with the provisions of the Tax Certificate. This covenant shall survive defeasance or redemption of the Tax-Exempt Bonds.

(b) The property of the Corporation is irrevocably dedicated to charitable purposes. No part of the income or earnings of the Corporation shall inure to the benefit or profit of, nor shall any distribution of its property or assets be made to, any member, director or officer of the Corporation, or private person, corporate or individual, or to any other private interest, except that the Corporation may repay loans made to it and may repay contributions (other than dues) made to it to the extent that any such contribution may not be allowable as a deduction in computing taxable income under the Code.

(c) The Corporation shall not attempt to influence legislation by propaganda or otherwise, or participate in or intervene, directly or indirectly, in any political campaign on behalf of or in opposition to any candidate for public office.

Section 6.04. Accounts and Reports. The Corporation shall instruct the Trustee to keep books of account in which complete and accurate entries shall be made of its transactions relating to all funds and accounts hereunder, which books shall at all reasonable times be subject

to the inspection of the Owners of an aggregate of not less than 25% in principal amount of Bonds then Outstanding or their representatives duly authorized in writing.

Section 6.05. Covenants Relating to Security Interest in TSRs.

(a) The Corporation has not sold, transferred, assigned, pledged, granted a security interest in, set over or otherwise conveyed any right, title or interest of any kind whatsoever in all or any portion of the Pledged TSRs (except in connection with the Series 2006-1 Bonds), nor has the Corporation created or permitted the creation of, any lien thereon, other than the lien of this Indenture.

(b) This Indenture creates a valid and continuing security interest (as defined in the applicable UCC) in the Pledged TSRs in favor of the Trustee, which security interest is prior to all other liens, and is enforceable as such against creditors of and purchasers from the Corporation

(c) The Pledged TSRs constitute “accounts” or “general intangibles” within the meaning of the applicable UCC.

(d) The Corporation has caused or will have caused, within ten days, the filing of all appropriate financing statements in the proper filing office in the appropriate jurisdictions under applicable law in order to perfect the security interest in the Pledged TSRs granted to the Trustee hereunder.

(e) The Corporation has not authorized the filing of and is not aware of any financing statements against the Corporation that include a description of collateral covering the Pledged TSRs other than any financing statement relating to the security interest granted to the Trustee hereunder and other than the financing statement in connection with the Series 2006-1 Bonds, which has been terminated. The Corporation is not aware of any judgment or tax lien filings against the Corporation.

(f) The Corporation has received all consents and approvals required by the terms of the Pledged TSRs to the grant of security interest in the Pledged TSRs hereunder to the Trustee.

Section 6.06. Affirmative Covenants. (a) *Maintenance of Existence.* The Corporation shall keep in full effect its corporate existence and all of its rights and powers.

(b) *Protection of Collateral.* The Corporation shall from time to time authorize, execute or authenticate, deliver and file all financing statements, continuation statements, amendments to financing statements, documents and instruments, and will take such other action, as is necessary or advisable to maintain or preserve the lien and security interest (and the perfection and priority thereof) of this Indenture; to perfect or protect the validity of any grant made or to be made by this Indenture; to preserve and defend title to the Collateral and the rights of the Trustee in the Collateral against the claims of all Persons and parties, including the challenge by any party to the validity or enforceability of this Indenture, the Consent Decree or the Agreement; to enforce the Agreement; to pay any and all taxes levied or assessed upon all or any part of the Collateral; or to carry out more effectively the purposes of this Indenture.

(c) *Performance of Obligations.* The Corporation shall diligently pursue any and all actions to enforce its rights in the Collateral and under each instrument or agreement included therein, and shall not take any action and will use its best efforts not to permit any action to be taken by others that would release any Person from any of such Person's covenants or obligations under any such instrument or agreement or that would result in the amendment, hypothecation, subordination, termination, or discharge of, or impair the validity or effectiveness of, any such instrument or agreement, except, in each case, as expressly provided in this Indenture, the Agreement or the Consent Decree.

(d) *Notice of Events of Default.* The Corporation shall give the Trustee and the Rating Agency prompt Written Notice of each Event of Default that is known to the Corporation.

(e) *Other.* The Corporation shall:

(i) conduct its own business in its own name and not in the name of any other Person;

(ii) observe all formalities as a distinct entity;

(iii) operate its business and activities such that it does not engage in any business or activity of any kind, or enter into any transaction or indenture, mortgage, instrument, agreement, contract, lease, or other undertaking, other than the transactions contemplated and authorized by this Indenture, and does not create, incur, guarantee, assume, or suffer to exist any indebtedness or other liabilities, whether direct or contingent, other than (A) as a result of the endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business, (B) the incurrence of obligations under this Indenture, and (C) the incurrence of operating expenses in the ordinary course of business of the type otherwise contemplated by this Indenture;

(iv) maintain its books and records separate from those of any other Person and maintain its assets readily identifiable as its own assets rather than assets of any other Person; and

(v) prepare financial statements separate from those of any other Person.

Section 6.07. Negative Covenants. (a) *Sale of Assets.* Except as expressly permitted by this Indenture, the Corporation shall not sell, transfer, exchange, or otherwise dispose of any of its properties or assets, other than Unpledged TSRs or other properties or assets that are not subject to the lien of this Indenture.

(b) *Termination.* The Corporation shall not terminate its existence or engage in any action that would result in the termination of the Corporation.

(c) *Limitation of Liens.* The Corporation shall not (i) permit the validity or effectiveness of this Indenture to be impaired, or permit the security interest created by this

Indenture to be amended, hypothecated, subordinated, terminated, or discharged, or permit any Person to be released from any covenants or obligations with respect to the Bonds under this Indenture except as may be expressly permitted hereby, (ii) permit any lien, charge, excise, claim, security interest, mortgage, or other encumbrance (other than the security interest created by this Indenture) to be created on or extend to or otherwise arise upon or burden the Collateral or any part thereof or any interest therein or the proceeds thereof or (iii) permit the security interest created by this Indenture not to constitute a valid first priority security interest in the Collateral. Nothing herein shall limit the Corporation's ability to issue Junior Bonds.

(d) *Payments Restricted.* The Corporation shall not, directly or indirectly, make distributions from the Collections Account except in accordance with this Indenture.

(e) *No Setoff.* The Corporation will not claim any credit on, or make any deductions from the principal of or premium, if any, or interest due in respect of, the Bonds or assert any claim against any present or former Owner by reason of the payment of taxes levied or assessed upon any part of the Collateral.

(f) *Limitations on Consolidation, Merger, Sales of Assets, etc.* Except as otherwise provided in this Indenture, the Corporation will not consolidate or merge with or into any other person, or convey or transfer all or substantially all of its properties or assets, or be succeeded by any other person, unless:

(i) the person surviving such consolidation or merger (if other than the Corporation), or such transferee, or such successor, as applicable, is organized and existing by virtue of or under the laws of the United States or any state and expressly assumes the due and punctual payment of the principal of and premium, if any, and interest on all Bonds and the performance or observance of every agreement and covenant of the Corporation in this Indenture;

(ii) immediately after giving effect to such transaction, no Event of Default has occurred and is continuing under this Indenture;

(iii) the Corporation has received a Rating Confirmation;

(iv) the Corporation has received an opinion of Counsel to the effect that such transaction will not have material adverse tax consequences to the Corporation and will not adversely affect the exclusion of interest on any Tax-Exempt Bond from gross income for federal income tax purposes;

(v) any action as is necessary to maintain the security interest created by this Indenture has been taken; and

(vi) the Corporation has delivered to the Trustee an Officer's Certificate and an opinion of Counsel to the effect that such transaction complies with this Indenture and that all conditions precedent to such transaction have been complied with.

(g) *No Other Business.* The Corporation shall not engage in any business other than refunding the Refunded Bonds, exchanging the Exchanged Bonds, issuing the Bonds and financing, purchasing, owning and managing the Collateral in the manner contemplated by this Indenture and activities incidental thereto.

(h) *Guarantees, Loan, Advances and Other Liabilities.* Except as otherwise contemplated by this Indenture and the Agreement, the Corporation shall not make any loan or advance of credit to, or guarantee (directly or indirectly or by an instrument having the effect or assuring another's payment or performance on any obligation or capability of so doing or otherwise), endorse or otherwise become contingently liable, directly or indirectly, in connection with the obligations, stock or dividends of, or own, purchase, repurchase or acquire (or agree contingently to do so) any stock, obligations, assets or securities of, or any other interest in, or make any capital contribution to, any other person.

(i) *Directors.* The Corporation shall not amend its charter or by-laws to eliminate the requirement of two directors who are independent of the City.

Section 6.08. Amendments to Agreement. The Agreement may be amended only pursuant to Section 5.01 thereof.

Section 6.09. Prior Notice. The Trustee shall give each Rating Agency 15 days prior Written Notice of any amendment to this Indenture or the defeasance or redemption of Bonds.

Section 6.10. Continuing Disclosure Undertaking. The Corporation shall comply with any continuing disclosure undertaking entered into with respect to any Bonds pursuant to Rule 15c2-12 of the Securities and Exchange Commission. Notwithstanding anything herein to the contrary, the sole remedy for any failure by the Corporation to comply with any such continuing disclosure undertaking shall be specific performance pursuant to such continuing disclosure undertaking.

Section 6.11. Rating Application. (a) Not later than June 1 of each year commencing June 1, 2018, until the Corporation applies for an investment grade rating for the Unrated Series 2017B Bonds pursuant to paragraph (b) below, the Corporation shall request an investment banking firm or financial advisory firm selected by the Corporation in its sole discretion to determine whether or not the Unrated Series 2017B Bonds would qualify for an investment grade rating by a Rating Agency. The Corporation shall make such request once each year until such investment banking firm or financial advisory firm determines that the Unrated Series 2017B Bonds would qualify for an investment grade rating. The Corporation may conclusively rely on any determination of such investment banking firm or financial advisory firm.

(b) If such investment banking firm or financial advisory firm determines that the Unrated Series 2017B Bonds would qualify for an investment grade rating, the Corporation shall apply to the Rating Agency for such a rating for the Unrated Series 2017B Bonds within 15 days after receipt by the Corporation of notice of such determination. If such investment banking firm or financial advisory firm determines that the Unrated Series 2017B Bonds would not qualify for an investment grade rating, the Corporation shall have no further obligations at

such time in connection therewith (other than pursuant to paragraph (d) below) and the Corporation shall make a request pursuant to paragraph (a) above the following year.

(c) Regardless of whether an investment grade rating for the Unrated Series 2017B Bonds is received from the Rating Agency, after making the application pursuant to paragraph (b) above, the Corporation shall not be required to make any further request or application and shall have no further obligation of any kind under this Section 6.11 (other than (i) to pursue such rating application with reasonable diligence in corresponding with, and providing requested information to, the Rating Agency and (ii) pursuant to paragraph (d) below).

(d) All costs in connection with this Section 6.11, including but not limited to expenses and fees of the Rating Agency in connection with applying for and obtaining an investment grade rating for the Unrated Series 2017B Bonds, shall constitute Operating Expenses and shall be payable as such by the Corporation.

ARTICLE VII THE CITY

Section 7.01. Pledged Tobacco Settlement Revenues; City Covenant. (a) The City has provided through the Agreement for the Corporation's ownership and receipt of the Pledged Tobacco Settlement Revenues. The Corporation acknowledges that the MSA, the Consent Decree, the Local Law and the Agreement (other than Section 5.02 of the Agreement) constitute important security provisions of the Bonds and waives any right to assert any claim to the contrary and agrees that it shall neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by the City, the State or any other person, of, any such claim to the contrary.

(b) By acknowledging that the MSA, the Consent Decree, the Local Law and the Agreement (other than Section 5.02 of the Agreement) constitute important security provisions of the Bonds, the Corporation also acknowledges that, in the event of any failure or refusal by the City or the State to comply with their agreements included in the MSA, the Consent Decree, the Local Law and the Agreement, the Owners of the Bonds may have suffered monetary damages, the extent of the remedy for which may be, to the fullest extent permitted by applicable federal and State law, determined, in addition to any other remedy available at law or in equity, in the course of any action taken pursuant hereto; and the Corporation hereby waives any right to assert any claim to the contrary and agrees that it shall neither in any manner directly or indirectly assert, nor in any manner directly or indirectly support the assertion by the City, the State or any other person of, any claim to the effect that no such monetary damages have been suffered.

(c) The Corporation includes herein the City's pledge and agreement with the Owners of the Outstanding Bonds that the City will not limit or alter the rights of the Corporation to fulfill the terms of its agreements with such Owners, or in any way impair the rights and remedies of such Owners or the security for such Bonds until such Bonds, together with the interest thereon and all costs and expenses in connection with any action or proceeding by or on behalf of such Owners, are fully paid and discharged.

Section 7.02. No Indebtedness or Funds of City. This Indenture does not create indebtedness of the City for any purpose, including any constitutional or statutory limitations. The Corporation's revenues are not funds of the City.

ARTICLE VIII THE FIDUCIARIES

Section 8.01. Trustee's Organization, Authorization, Capacity, and Responsibility.

(a) The Trustee represents and warrants that it is duly organized and validly existing under the laws of the jurisdiction of its organization, having the authority to execute the trusts and perform its obligations hereunder, including the capacity to exercise the powers and duties of the Trustee hereunder, and that by proper corporate action it has duly authorized the execution and delivery of this Indenture.

(b) The duties and responsibilities of the Trustee shall be as provided by law and as set forth herein. Notwithstanding the foregoing, no provision of this Indenture 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 any of its rights or powers, unless it receives indemnity satisfactory to it against any loss, liability, or expense; but the Trustee shall perform its duties under Article V of this Indenture and, subject to Section 8.02 of this Indenture, make the payments and distributions required by this Indenture without requiring that any indemnity be provided to it. Whether or not therein expressly so provided, every provision of this Indenture relating to the conduct or affecting the liability of or affording protection to the Trustee shall be subject to the provisions of this Article.

(c) As Trustee hereunder:

(i) the Trustee may conclusively rely and shall be fully protected in acting or refraining from acting upon any Officer's Certificate, opinion of counsel (or both), resolution, certificate, statement, instrument, opinion, report, notice, request, direction, consent, order, bond, debenture, note, other evidence of indebtedness, or other paper or document believed by it to be genuine and to have been signed or presented by the proper person or persons. The Trustee need not investigate any fact or matter stated in the document, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit;

(ii) before the Trustee acts or refrains from acting, it may require an Officer's Certificate and/or an opinion of counsel. The Trustee shall not be liable for any action it takes or omits to take in good faith in reliance on such certificate or opinion. Whenever in the administration of the trusts of this Indenture the Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering or omitting to take any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may, in the absence of negligence or bad faith on the part of the Trustee, be deemed to be conclusively proved and established by an Officer's Certificate delivered to the

Trustee, and such certificate, in the absence of negligence or bad faith on the part of the Trustee, shall be full warrant to the Trustee for any action taken, suffered or omitted to be taken by it under the provisions of this Indenture upon the faith thereof;

(iii) any request, direction, order, or demand of the Corporation mentioned herein shall be sufficiently evidenced by an Officer's Certificate (unless other evidence in respect thereof be herein specifically prescribed); and any Corporation resolution may be evidenced to the Trustee by a copy thereof certified by the secretary or an assistant secretary of the Corporation;

(iv) prior to the occurrence of an Event of Default hereunder and after the curing or waiving of all Events of Default, the Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, certificate, Officer's Certificate, opinion of Counsel, resolution, statement, instrument, opinion, report, notice, request, consent, order, approval, appraisal, bond, debenture, note, coupon, security, or other paper or document unless requested in writing so to do by a Majority in Interest of the Bonds affected and then Outstanding, and if the payment within a reasonable time to the Trustee of the costs, expenses, or liabilities likely to be incurred by it in the making of such investigation is, in the opinion of the Trustee, not reasonably assured to the Trustee by the security afforded to it by the terms of this Indenture, the Trustee may require indemnity satisfactory to it against such expenses or liabilities as a condition to proceeding; and

(v) prior to an Event of Default or after a cure or waiver of an Event of Default, the Trustee undertakes to perform only such duties as are specifically set forth in this Indenture, and no implied covenants or obligations may be read into this Indenture against the Trustee and during all other times the Trustee shall use the same degree of care and skill in the exercise of the rights and powers vested in it by this Indenture as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Section 8.02. Rights and Duties of the Fiduciaries. (a) All money and investments received by the Fiduciaries under this Indenture shall be held in trust, in a segregated trust account in the trust department of such Fiduciary, not commingled with any other funds, and applied solely pursuant to the provisions hereof.

(b) The Fiduciaries shall keep proper accounts of their transactions hereunder (separate from its other accounts), which shall be open to inspection on reasonable notice by the Corporation and its representatives duly authorized in writing.

(c) The Fiduciaries shall not be required to monitor the financial condition of the Corporation and, unless otherwise expressly provided, shall not have any responsibility with respect to reports, notices, certificates, or other documents filed with them hereunder, except to make them available for inspection by the Owners.

(d) Each Fiduciary shall be entitled to the advice of counsel (who may be counsel for any party) and shall not be liable for any action taken in good faith in reliance on such advice. Each Fiduciary may rely conclusively on any notice, certificate, or other document furnished to it under this Indenture and reasonably believed by it to be genuine. A Fiduciary shall not be liable for any error in judgment, action taken or omitted to be taken by it in good faith and reasonably believed by it to be within the discretion or power conferred upon it, or taken by it pursuant to any direction or instruction by which it is governed under this Indenture or omitted to be taken by it by reason of the lack of direction or instruction required for such action. When any payment or consent or other action by a Fiduciary is called for by this Indenture, the Fiduciary may defer such action pending receipt of such evidence, if any, as it may reasonably require in support thereof; except that the Trustee shall make the payments and distributions required by this Indenture without requiring that any further evidence be provided to it. A permissive right or power to act shall not be construed as a requirement to act.

(e) No recourse shall be had for any claim based on this Indenture or the Bonds against any director, officer, agent, or employee of any Fiduciary unless such claim is based upon the gross negligence or willful misconduct of such person.

(f) Nothing in this Indenture shall obligate any Fiduciary to pay any debt or meet any financial obligations to any Person in relation to the Bonds except from money received for such purposes under the provisions hereof or from the exercise of the Trustee's rights hereunder.

(g) The Fiduciaries may be or become the owner of or trade in the Bonds and transact business generally with the Corporation and related entities with the same rights as if they were not the Fiduciaries.

(h) The Fiduciaries shall not be required to furnish any bond or surety.

(i) Nothing herein shall relieve any Fiduciary of responsibility for its negligence, bad faith or willful misconduct.

(j) The Corporation shall, as and only as an Operating Expense, indemnify and save each Fiduciary and each Trustee (as defined in the Amended and Restated Declaration and Agreement of Trust, dated as of January 1, 2006, as supplemented or amended, by and among the Corporation, Wilmington Trust Company, as Delaware Trustee, and the individual Trustees) harmless against any expenses and liabilities (including reasonable legal fees and expenses) that it may incur in the exercise of its duties hereunder and that are not due to its negligence or bad faith, provided that indemnification with respect to a Trustee which is a natural person shall be limited only to the extent such expense or liability is a result of the willful misconduct of such Trustee. This paragraph (j) shall survive the discharge of the Indenture or the earlier resignation or removal of such Fiduciary or Trustee.

(k) Any fees, expenses, reimbursements or other charges which any Fiduciary may be entitled to receive from the Corporation hereunder, if not otherwise paid, shall be a first lien upon (but only upon) any funds held hereunder by the Trustee for payment of Operating Expenses.

Section 8.03. Paying Agents. The Corporation designates the Trustee as Paying Agent. The Corporation may appoint additional Paying Agents, generally or for specific purposes, may discharge a Paying Agent from time to time and may appoint a successor, in each case with Written Notice to the Rating Agency. The Corporation shall designate a successor if the Trustee ceases to serve as Paying Agent. Each successor Paying Agent shall be a bank or trust company eligible under the laws of the State, and shall have a capital and surplus of not less than \$50,000,000 and be registered as a transfer agent with the Securities and Exchange Commission. The Corporation shall give notice of the appointment of a successor to the Trustee as Paying Agent in writing to each Owner shown on the books of the Trustee. A Paying Agent may but need not be the same Person as the Trustee.

Section 8.04. Registrar. The Corporation designates the Trustee as Registrar. The Corporation shall designate a successor if the Trustee ceases to serve as Registrar and provide Written Notice to the Rating Agency. Any successor Registrar shall be a bank or trust company eligible under the laws of the State, and shall have a capital and surplus of not less than \$50,000,000 and be a registered as a transfer agent with the Securities and Exchange Commission. The Corporation shall give notice of the appointment of a successor to the Trustee as Registrar in writing to each Owner shown on the registration books. The Registrar may but need not be the same Person as the Trustee. The Registrar shall act as transfer agent in accordance with Section 3.04.

Section 8.05. Resignation or Removal of the Trustee. The Trustee may resign on not less than 30 days Written Notice to the Corporation, the Owners, and the Rating Agency. The Trustee will promptly certify to the Corporation that it has given Written Notice to all Owners and such certificate will be conclusive evidence that such notice was given as required hereby. The Trustee shall provide notice to the Corporation within two (2) Business Days of any changes in its ratings by the Rating Agency and shall be removed if rated below investment grade by the Rating Agency and each successor Trustee shall have an investment grade rating from the Rating Agency. The Trustee may be removed by Written Notice from the Corporation (if not in default) or a Majority in Interest of the Outstanding Bonds to the Trustee and the Corporation. Such resignation or removal shall not take effect until a successor has been appointed and has accepted the duties of Trustee.

Section 8.06. Successor Fiduciaries. (a) Any corporation or association which succeeds to the related corporate trust business of a Fiduciary as a whole or substantially as a whole, whether by sale, merger, consolidation, or otherwise, shall thereby become vested with all the property, rights, powers, and duties thereof under this Indenture, without any further act or conveyance.

(b) In case a Fiduciary resigns or is removed or becomes incapable of acting, or becomes bankrupt or insolvent, or if a receiver, liquidator, or conservator of a Fiduciary or of its property is appointed, or if a public officer takes charge or control of a Fiduciary, or of its property or affairs, then such Fiduciary shall with due care terminate its activities hereunder and a successor may, or in the case of the Trustee shall, be appointed by the Corporation. The Corporation shall notify the Owners and the Rating Agency of the appointment of a successor Trustee in writing within 20 days from the appointment. The Corporation will promptly certify to the successor Trustee that it has given such notice to all Owners and such certificate will be

conclusive evidence that such notice was given as required hereby. If no appointment of a successor Trustee is made within 45 days after the giving of Written Notice in accordance with Section 8.05 or after the occurrence of any other event requiring or authorizing such appointment, the outgoing Trustee or any Owner may apply to any court of competent jurisdiction for the appointment of such a successor, and such court may thereupon, after such notice, if any, as such court may deem proper, appoint such successor. Any successor Trustee appointed under this section shall be a bank or trust company eligible under the laws of the State and shall have a capital and surplus of not less than \$50,000,000. Any such successor Trustee shall notify the Corporation of its acceptance of the appointment and, upon giving such notice, shall become Trustee, vested with all the property, rights, powers, and duties of the Trustee hereunder, without any further act or conveyance. Such successor Trustee shall execute, deliver, record, and file such instruments as are required to confirm or perfect its succession hereunder and any predecessor Trustee shall from time to time execute, deliver, record, and file such instruments as the incumbent Trustee may reasonably require to confirm or perfect any succession hereunder.

Section 8.07. Costs of Issuance Account. The Trustee shall establish and maintain a Costs of Issuance Account, which shall be funded in accordance with the applicable Series Supplement. The Trustee shall disburse funds from the Costs of Issuance Account as directed by the Corporation. At such time as the Corporation notifies the Trustee that the Costs of Issuance have been fully paid, or at such time as no funds remain in the Costs of Issuance Account, the Trustee may close and terminate the Costs of Issuance Account. The funds remaining therein, if any, shall then be transferred to the Collections Account and applied as described in Section 5.02(c) of this Indenture. The Trustee is conclusively entitled to rely on all directions given by the Corporation with respect to the Costs of Issuance Account.

Section 8.08. Reports by Trustee to Owners and Rating Agency. The Trustee shall deliver to the Rating Agency, the Corporation, the owner of the Residual Certificate, and any Owner upon request, with respect to the Bonds, at least one Business Day prior to each Distribution Date therefor, a statement prepared by the Trustee with the assistance of the Corporation setting forth:

- (a) the Outstanding Bonds on such Distribution Date;
- (b) the amount of interest to be paid to Owners on such Distribution Date;
- (c) any Serial Maturity, Turbo Term Bond Maturity or Sinking Fund Installment due on or scheduled for such Distribution Date and the Turbo Redemptions to be made as of that Distribution Date;
- (d) the amount on deposit in each Account as of that Distribution Date; and
- (e) whether the amount on deposit in each Liquidity Reserve Account is sufficient to satisfy the applicable Liquidity Reserve Requirement as of such Distribution Date and, if not, the amount of the shortfall.

Section 8.09. Nonpetition Covenant. Notwithstanding any prior termination of this Indenture, no Fiduciary or Owner shall, prior to the date which is one year and one day after the

termination of this Indenture, acquiesce, petition, or otherwise invoke or cause the Corporation or the SPE to invoke the process of any court or government authority for the purpose of commencing or sustaining a case against the Corporation under any federal or state bankruptcy, insolvency, or similar law or appointing a receiver, liquidator, assignee, trustee, custodian, sequestrator, or other similar official of the Corporation or the SPE or any substantial part of its property, or ordering the winding up or liquidation of the affairs of the Corporation or the SPE.

ARTICLE IX THE OWNERS

Section 9.01. Action by Owners. Any request, authorization, direction, notice, consent, waiver, or other action provided by this Indenture to be given or taken by Owners may be contained in and evidenced by one or more writings of substantially the same tenor signed by the requisite number of Owners or their attorneys duly appointed in writing. Proof of the execution of any such instrument, or of an instrument appointing any such attorney, shall be sufficient for any purpose of this Indenture (except as otherwise herein expressly provided) if made in the following manner, but the Corporation or the Trustee may nevertheless in its discretion require further or other proof in cases where it deems the same desirable. The fact and date of the execution by any Owner or its attorney of such instrument may be proved by the certificate or signature guarantee by a guarantor institution participating in a guarantee program acceptable to the Trustee, or of any notary public or other officer authorized to take acknowledgements of deeds to be recorded in the jurisdiction in which such notary public or other officer purports to act, that the person signing such request or other instrument acknowledged to such notary public or other officer the execution thereof, or by an affidavit of a witness of such execution, duly sworn to before such notary public or other officer. The authority of the person or persons executing any such instrument on behalf of a corporate Owner may be established without further proof if such instrument is signed by a person purporting to be the president or a vice president of such corporation with a corporate seal affixed and attested by a person purporting to be its clerk or secretary or an assistant clerk or secretary. Any action of the Owner shall be irrevocable and bind all future record and beneficial owners thereof.

Section 9.02. Registered Owners. The enumeration in Section 3.05(a) of certain provisions applicable to DTC as Owner of immobilized Bonds shall not be construed in limitation of the rights of the Corporation and each Fiduciary to rely upon the registration books in all circumstances and to treat the registered owners of Bonds as the owners thereof for all purposes not otherwise specifically provided for by law or in this Indenture. Notwithstanding any other provisions hereof, any payment to the registered owner of a Bond shall satisfy the Corporation's obligations thereon to the extent of such payment.

ARTICLE X DEFAULT AND REMEDIES

Section 10.01. Events of Default. "Event of Default" in this Indenture means any one of the events set forth below:

- (a) a Senior Payment Default;

(b) a Subordinate Payment Default;

(c) failure of the Corporation to observe or perform any other covenant, condition, agreement, or provision contained in the Bonds or in this Indenture (other than contained in Section 6.10 of this Indenture), which breach is not remedied within 60 days after Written Notice, specifying such default and requiring the same to be remedied, shall have been given to the Corporation by the Trustee or by the Owners of at least 25% in principal amount of the Bonds then Outstanding (but only with respect to failure of the Corporation to observe or perform any covenant contained in Section 6.11 hereof (a “Rating Application Event of Default”), by the Owners of a Majority in Interest of the Unrated Series 2017B Bonds); provided, however, if the default be such that it cannot be corrected within the said 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation within said 60-day period and diligently pursued until the default is corrected; and

(d) failure of the City to observe or perform its covenant included in Section 7.01(c) hereof for the benefit of the Owners, which failure is not remedied within 60 days after Written Notice thereof is given by the Trustee to the City and the Corporation or by the Corporation to the Trustee and the City, if a majority of the Owners of the then Outstanding Bonds declares an Event of Default; provided, however, if the default be such that it cannot be corrected within the said 60-day period, it shall not constitute an Event of Default if corrective action is instituted by the Corporation or the City, as applicable, within said 60-day period and diligently pursued until the default is corrected.

Notwithstanding the foregoing, a Subordinate Payment Default (i) shall not cause any Senior Bonds to be deemed to be in default if the payment of all interest and principal then due on such Senior Bonds has been timely paid, and (ii) until no Senior Bonds shall remain Outstanding, shall not give rise to any of the remedies described in Section 10.02 hereof being available to cure any such nonpayment of Subordinate Bonds.

Section 10.02. Remedies.

(a) Remedies of the Trustee. If an Event of Default occurs:

(i) The Trustee may, and upon written request of the Owners of at least 25% in principal amount of the Bonds Outstanding (but only with respect to a Rating Application Event of Default, the Owners of a Majority in Interest of the Unrated Series 2017B Bonds) shall, in its own name by action or proceeding in accordance with law:

(A) enforce all rights of the Owners and require the Corporation or the City to carry out their respective agreements under the Bonds, this Indenture or the Agreement;

(B) sue upon such Bonds;

(C) require the Corporation to account as if it were the trustee of an express trust for such Owners; and

(D) enjoin any acts or things which may be unlawful or in violation of the rights of such Owners.

(ii) The Trustee shall, in addition to the other provisions of this Section 10.02, have and possess all of the powers necessary or appropriate for the exercise of any functions incident to the general representation of Owners in the enforcement and protection of their rights.

(iii) Upon an Event of Default under Section 10.01(a) or (b), or a failure to make any other payment required under this Indenture within 7 days after the same becomes due and payable, the Trustee shall give Written Notice thereof to the Corporation. The Trustee shall give notice under paragraph (c) or (d) of Section 10.01 when instructed to do so by the written direction of another Fiduciary or the Owners of at least 25% in principal amount of the Outstanding Bonds (but only with respect to a Rating Application Event of Default, another Fiduciary or the Owners of a Majority in Interest of the Unrated Series 2017B Bonds). Upon the occurrence of an Event of Default, the Trustee shall proceed under Section 10.02 for the benefit of the Owners in accordance with the written direction of a Majority in Interest of the Outstanding Bonds. The Trustee shall not be required to take any remedial action (other than the giving of notice) unless reasonable indemnity is furnished for any expense or liability to be incurred therein. Upon receipt of Written Notice, direction, and indemnity, and after making such investigation, if any, as it deems appropriate to verify the occurrence of any Event of Default of which it is notified as aforesaid, the Trustee shall promptly pursue the remedies provided by this Indenture or any such remedies (not contrary to any such direction) as it deems appropriate for the protection of the Owners, and shall act for the protection of the Owners with the same promptness and prudence as would be expected of a prudent person in the conduct of such person's own affairs.

(b) *Individual Remedies.* No one or more Owners shall by its or their action affect, disturb, or prejudice the pledge created by this Indenture, or enforce any right under this Indenture, except in the manner herein provided, and all proceedings at law or in equity to enforce any provision of this Indenture shall be instituted, had, and maintained in the manner provided herein and for the equal benefit of all Owners of the same class, but nothing in this Indenture shall affect or impair the right of any Owner to enforce payment of the principal of, premium, if any, or interest thereon at and after the same comes due pursuant to this Indenture, or the obligation of the Corporation to pay such principal, premium, if any, and interest on each of the Bonds to the respective Owners thereof at the time, place, from the source, and in the manner expressed herein and in the Bonds.

(c) *Venue.* The venue of every action, suit, or special proceeding against the Corporation shall be laid in federal or state courts located in The City and County of New York, New York, unless waived by the Corporation.

(d) *Waiver.* If the Trustee determines that any default has been cured before becoming an Event of Default and before the entry of any final judgment or decree with respect

to it, the Trustee may waive the default and its consequences, by Written Notice to the Corporation, and shall do so upon written instruction of the Owners of at least 25% in principal amount of the Outstanding Bonds (but only with respect to a default under Section 6.11 hereof, the Owners of a Majority in Interest of the Unrated Series 2017B Bonds).

Section 10.03. Remedies Cumulative. The rights and remedies under this Indenture shall be cumulative and shall not exclude any other rights and remedies allowed by law, provided there is no duplication of recovery. The failure to insist upon a strict performance of any of the obligations of the Corporation or to exercise any remedy for any violation thereof shall not be taken as a waiver for the future of the right to insist upon strict performance by the Corporation or of the right to exercise any remedy for the violation.

Section 10.04. Delay or Omission Not Waiver. No delay or omission of the Trustee or of any Owner to exercise any right or remedy accruing upon any Event of Default shall impair any such right or remedy or constitute a waiver of any such Event of Default or an acquiescence therein. Every right and remedy given hereby or by law to the Trustee or to the Owners may be exercised from time to time, and as often as may be deemed expedient, by the Trustee or by the Owners, as the case may be.

Section 10.05. No Sale of Rights Under the Agreement. Neither the Trustee nor the Owners shall have the right to sell or foreclose on the Tobacco Assets or the rights of the Corporation under the Agreement.

ARTICLE XI MISCELLANEOUS

Section 11.01. Supplements and Amendments to this Indenture. (a) This Indenture may be supplemented or amended in writing by the Corporation and the Trustee, to (i) provide for earlier or greater deposits into the Debt Service Account, (ii) subject any property to the security interest created hereby, (iii) add to the covenants and agreements of the Corporation or surrender or limit any right or power of the Corporation, (iv) identify particular Bonds for purposes not inconsistent herewith, including credit or liquidity support, remarketing, qualification for sale under the securities laws of any state or other jurisdiction of the United States and defeasance, (v) cure any ambiguity or defect, (vi) protect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes, or the exemption from registration of the Bonds under the Securities Act of 1933, as amended, or of this Indenture under the Trust Indenture Act of 1939, as amended, (vii) make any other changes to this Indenture if such change is accompanied by a Rating Confirmation, (viii) provide for the issuance of the Series 2017 Bonds, Additional Bonds (including Refunding Bonds) and Junior Bonds in compliance with Section 3.01 hereof; or (ix) adopt amendments that do not take effect unless and until such amendment is consented to by such Owners in accordance with the further provisions hereof.

(b) Except as provided in the foregoing paragraph (a), this Indenture may be amended:

(i) only with Written Notice to the Rating Agency and the written consent of (A) if the Senior Bonds are affected thereby, a Majority in Interest of the Senior Bonds to be Outstanding at the effective date thereof and affected thereby and (B) if the Subordinate Bonds are affected thereby, a Majority in Interest of the Subordinate Bonds to be Outstanding at the effective date thereof; but

(ii) only with the unanimous written consent of the affected Owners for any of the following purposes: (A) to extend the maturity of any Bond, (B) to reduce the principal amount, applicable premium, or interest rate of any Bond, (C) to make any Bond redeemable other than in accordance with its terms, (D) to create a preference or priority of any Bond over any other Bond of the same class or (E) to reduce the percentage of the Bonds required to be represented by the Owners giving their consent to any amendment.

(c) Any amendment of this Indenture shall be accompanied by an opinion of Counsel to the effect that the amendment is permitted by this Indenture and does not adversely affect the exclusion of interest on the Tax-Exempt Bonds from gross income for federal income tax purposes.

(d) When the Corporation determines that the requisite number of consents have been obtained for an amendment hereto, it shall file a certificate to that effect in its records and give notice to the Trustee and the Owners. The Trustee will promptly certify to the Corporation that it has given such notice to all Owners and such certificate will be conclusive evidence that such notice was given in the manner required hereby. It shall not be necessary for the consent of Owners pursuant to this Section to approve the particular form of any proposed amendment, but it shall be sufficient if such consent shall approve the substance thereof.

Section 11.02. Notices. Unless otherwise expressly provided, all notices to the Corporation, the Trustee or the Rating Agency shall be in writing and shall be deemed sufficiently given if sent by registered or certified mail, postage prepaid, or delivered during business hours as follows:

(a) to the Corporation at:

TSASC, Inc.
255 Greenwich Street, Seventh Floor
New York, New York 10007
Attention: Secretary
Phone: (212) 788-5882

(b) to the Trustee at:

The Bank of New York Mellon
101 Barclay Street
New York, New York 10286
Attention: Corporate Trust Department
Phone: (212) 815-4575
Facsimile: (212) 815-3455

(c) to S&P at:

Standard & Poor's Global Ratings
Structured Finance Group
55 Water Street, 40th floor
New York, NY 10041
Attention: Evan Liu
Phone: (212) 438-1681
Facsimile: (212) 438-0122

or, as to all of the foregoing, to such other address as the addressee shall have indicated by prior Written Notice to the one giving notice. All notices to an Owner shall be in writing and (without limitation) shall be deemed sufficiently given if sent by mail, postage prepaid, to the Owner at the address shown on the registration books. An Owner may direct the registrar to change such Owner's address as shown on the registration books by Written Notice to the registrar.

Any such communication also may be transmitted to the appropriate party by telephone and shall be deemed given or made at the time of such transmission if, and only if, such transmission of notice shall be confirmed by Written Notice as specified above.

Notice hereunder may be waived prospectively or retrospectively by the Person entitled to the notice, but no waiver shall affect any notice requirement as to other Persons.

Section 11.03. Beneficiaries. This Indenture is not intended for the benefit of and shall not be construed to create rights in parties other than the Corporation and the Trustee, the Owners and the owner of the Residual Certificate to the extent specified herein.

Section 11.04. Successors and Assigns. All covenants and agreements in this Indenture and the Bonds by the Corporation shall bind its successors and assigns, whether so expressed or not. All agreements of the Trustee in this Indenture shall bind its successors.

Section 11.05. Severability. In case any provision in this Indenture or in the Bonds shall be invalid, illegal, or unenforceable, the validity, legality, and enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

Section 11.06. Legal Holidays. In any case where the date on which any payment is due shall not be a Business Day, then (notwithstanding any other provision of the Bonds or this Indenture) payment need not be made on such date, but may be made on the next succeeding

Business Day with the same force and effect as if made on the date on which nominally due, and no interest shall accrue for the period from and after any such nominal date.

Section 11.07. Governing Law. This Indenture shall be construed in accordance with the laws of the State, without reference to its conflict of law provisions, and the obligations, rights and remedies of the parties hereunder shall be determined in accordance with such laws.

Section 11.08. Limitation of Liability. No member, director, officer, or employee of the Corporation shall be individually or personally liable for the payment of the interest on or principal of or the redemption price, if any, on the Bonds.

Section 11.09. No Recourse to Corporation. Except as expressly provided in this Indenture and the Bonds, Owners shall have no recourse against the Corporation, but shall look only to the Collateral, with respect to any amounts due to the Owners hereunder.

Section 11.10. Signatures and Counterparts. This Indenture and each Supplemental Indenture may be executed and delivered in any number of counterparts, each of which shall be deemed to be an original, but such counterparts together shall constitute one and the same instrument.

[SIGNATURE PAGE FOLLOWS]

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

TSASC, INC.

By:

Name: Alan L. Anders

Title: President

(SEAL)

ATTEST:

Name: Prescott D. Ulrey
Title: Secretary

**THE BANK OF NEW YORK MELLON,
as Trustee**

By:

Name: David J. O'Brien

Title: Vice President

[SIGNATURE PAGE OF INDENTURE]

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

TSASC, INC.

By: _____
Name: Alan L. Anders
Title: President

(SEAL)

ATTEST:

Name: Prescott D. Ulrey
Title: Secretary

**THE BANK OF NEW YORK MELLON,
as Trustee**

By: _____
Name: David J. O'Brien
Title: Vice President

[SIGNATURE PAGE OF INDENTURE]