



STAFF REPORT

DATE: OCTOBER 16, 2012

TO: HONORABLE MAYOR AND CITY COUNCIL
COLTON PUBLIC FINANCING AUTHORITY CHAIR AND BOARD MEMBERS

FROM: ROD FOSTER, CITY MANAGER / EXECUTIVE DIRECTOR *R.F.*

PREPARED BY: BONNIE JOHNSON, MANAGEMENT SERVICES DIRECTOR *BJ*

SUBJECT: ISSUANCE OF ELECTRIC REFUNDING BONDS BY THE COLTON CITY COUNCIL, APPROVAL OF FINANCING AND LEGAL DOCUMENTS, AND RELATED ACTIONS

RECOMMENDED ACTION

1. It is recommended that the City Council adopt Resolution No. R-70-12 approving the issuance of not to exceed \$35,000,000 aggregate principal amount of bonds by the Colton Public Financing Authority, approving an Installment Purchase Agreement, a Continuing Disclosure Agreement and a Bond Purchase Contract, authorizing the delivery of a Preliminary Official Statement, authorizing the execution and delivery of an Official Statement, and authorizing certain actions in connection therewith.
2. It is recommended that the Colton Public Financing Authority adopt Resolution No. CPFA 2012-02 approving the issuance of not to exceed \$35,000,00 aggregate principal amount of bonds by the Colton Public Financing Authority, approving an Installment Purchase Agreement, a Continuing Disclosure Agreement and a Bond Purchase Contract, authorizing the delivery of a Preliminary Official Statement, authorizing the execution and delivery of an Official Statement, and authorizing certain actions in connection therewith.

GOAL STATEMENT

The proposed action will support the City's goal of fiscal stewardship of the City of Colton.

BACKGROUND

The Colton Public Financing Authority issued its \$47,620,000 Revenue Bonds in September of 2002 (the "2002 Bonds"), for the purpose of funding the acquisition, construction, and installation of a nominally rated 43 megawatt gas-fired simple cycle combustion turbine for the City's Electric System. The 2002 Bonds, which are currently outstanding in the amount of

\$35,670,000, have interest rates in the range of 4.00% to 4.75%. The 2002 Bonds can be called on any date.

ISSUES/ANALYSIS

Based on current historically low interest rates, the Financing Authority may refinance the 2002 Bonds with a new refunding bond issue (the "2012 Bonds"), which will result in a debt service savings of approximately \$4 million over the remaining term of the existing 2002 Bonds. The existing debt will not be extended, as the proposed 2012 Bonds will have the same termination date (April 1, 2028) as the existing 2002 Bonds.

The proposed 2012 Bonds are estimated to have interest yields in the range of .60% to 3.70%. The final interest rate structure will be determined when the 2012 Bonds are priced and sold, which is expected to occur by the end of October. The closing and distribution of proceeds to the refunding escrow will occur by the first week of November.

A credit package has been sent to Moody's Investors Service for their review, and it is anticipated that the 2012 Bonds will receive an investment grade bond rating from Moody's. The 2012 Bonds will be secured by a pledge of Facilities Revenues and a pledge of all monies in the Purchase Payment Account and the Reserve Account pursuant to the 2012 Trust Indenture.

The financing and legal documents necessary for the issuance of the 2012 Bonds are summarized below:

1. Preliminary Official Statement – this is the offering document that will be presented to potential investors in the 2012 Bonds, which contains information about the City and the Electric System, as well as a summary of the terms and payment obligations for the 2012 Bonds.
2. Indenture of Trust - this document defines the payment terms and conditions of the 2012 Bonds, and establishes the funds and accounts that will be held by the Trustee on behalf of the City, including the Debt Service Reserve Account.
3. Bond Purchase Contract - this document provides the terms and conditions by which the Underwriter, Stone & Youngberg, will purchase the 2012 Bonds. By selling the Bonds on a negotiated basis to the Underwriter, the City will save an estimated \$10,000 of expenses that would otherwise be spent for costs associated with an advertised public sale of the Bonds.
4. Continuing Disclosure Agreement - the Disclosure Agreement defines the City's obligation to provide annual updates of information related to the City and the Electric System revenues, for the benefit of the Bondholders and other interested parties, pursuant to federal regulations.

5. Escrow Agreement – this Agreement will provide for the repayment of the 2002 Bonds from the net proceeds of the 2012 Bonds.
6. Installment Purchase Agreement – Pursuant to the Installment Purchase Agreement, the City will make installment payments to the Authority to secure the repayment of the 2012 Bonds. The source of the installment payments to be made by the City will be the revenues from the City’s Electric System.
7. Continuing Disclosure Compliance Procedures – It is recommended that the attached procedures be implemented to help the Issuer comply with Rule 152c-12 and therefore remain in compliance with the requirements established in item 4 above. This action would designate the Management Services Director or her/his designee as the Responsible Officer.
8. Policies and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds – It is recommended that the attached policies and guidelines (the “*Policies and Guidelines*”) of the City of Colton (including any of its related entities, the “*Issuer*”) regarding compliance with certain federal tax requirements applicable to the Issuer’s bonds and other obligations be adopted.

FISCAL IMPACTS

The proposed 2012 Bonds will provide a debt service savings of approximately \$4 million over the remaining term of the bonds (to April 1, 2028). Annual debt service payments on the 2012 Bonds will be approximately \$2,960,000 per year, which is approximately \$250,000 less per year than the current annual payments of \$3,210,000 per year. The source of the payments on the 2012 Bonds will be the revenues from the City’s Electric System, in the form of installment payments to be made by the City to the Public Financing Authority. The final interest rate structure for the 2012 Bonds will be determined when the 2012 Bonds are priced in the bond market, which is expected to occur by the end of October.

ALTERNATIVES

1. Provide alternative direction to staff.

ATTACHMENTS

1. Resolution No. R-70-12 Approving the issuance of the 2012 Bonds by the Colton City Council
2. Resolution No. 2012-02 Approving the issuance of the 2012 Bonds by the Colton Public Financing Authority.
3. Preliminary Official Statement

Staff Report to the Mayor and City Council and CPFA Board

Subject: Electric Refunding Bonds

Date: October 16, 2012

Page 4

4. Indenture of Trust
5. Bond Purchase Contract
6. Continuing Disclosure Agreement
7. Escrow Agreement
8. Installment Purchase Agreement
9. Continuing Disclosure Compliance Procedures
10. Post-Issuance Compliance Policy

Attachment 1

Resolution No. R-70-12

CITY OF COLTON RESOLUTION NO. R-70-12

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COLTON, CALIFORNIA APPROVING THE ISSUANCE OF NOT TO EXCEED \$35,000,000 AGGREGATE PRINCIPAL AMOUNT OF BONDS BY THE COLTON PUBLIC FINANCING AUTHORITY, APPROVING AN INSTALLMENT PURCHASE AGREEMENT, A CONTINUING DISCLOSURE AGREEMENT AND A BOND PURCHASE CONTRACT, AUTHORIZING THE DELIVERY OF A PRELIMINARY OFFICIAL STATEMENT, AUTHORIZING THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT, AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City of Colton (the "City") and the Redevelopment Agency for the City of Colton have heretofore entered into a Joint Exercise of Powers Agreement establishing the Colton Public Financing Authority (the "Authority") for the purpose, among others, of issuing the Authority's bonds to finance public capital improvements of the City; and

WHEREAS, it has been proposed that the Authority assist the City in the refinancing of the acquisition, construction and installation of the Agua Mansa Power Plant (the "Facilities"); and

WHEREAS, the City has heretofore executed and delivered an Installment Sale Agreement, dated as of August 1, 2002 (the "2002 Installment Sale Agreement"), by and between the City and the Authority, pursuant to which the City is obligated to make installment payments in the aggregate principal amount of \$47,620,000, of which \$35,670,000 principal amount is currently outstanding and unpaid; and

WHEREAS, in connection with the 2002 Installment Sale Agreement, the City, pursuant to Resolution No. R-77-02 adopted by the City Council on July 2, 2002, authorized and approved the issuance of the Authority's \$47,620,000 Revenue Bonds, 2002 Series (Electric Generation Facility Project) (the "Prior Bonds"); and

WHEREAS, it has been proposed that the Authority acquire the Facilities and that the City purchase the Facilities from the Authority pursuant to an Installment Purchase Agreement, by and between the City and the Authority (the "Installment Purchase Agreement"), the proposed form of which is attached hereto, pursuant to which the City will agree to make certain purchase payments (collectively, the "Purchase Payments") with such series designation as the Mayor, the City Manager, the Assistant City Manager, the Treasurer, the Management Services Director or the Electric Utility Director (each, an "Authorized Officer") shall determine in connection with the Facilities and the redemption of the Prior Bonds in connection therewith; and

WHEREAS, the Authority and the City have determined that it would be in the best interests of the Authority, the City and the citizens of the City to authorize, pursuant to an Indenture of Trust (the "Indenture"), the proposed form of which is attached hereto, for the purpose of raising funds necessary to refinance the Facilities and redeem the Prior Bonds, the issuance of revenue bonds by the Authority (the "Bonds") in the aggregate principal amount of

not to exceed \$35,000,000 under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), which Bonds will be sold on a negotiated basis pursuant to a Bond Purchase Contract (the "Bond Purchase Contract"), the proposed form of which is attached hereto;

NOW, THEREFORE, the City Council of the City of Colton, California, DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Installment Purchase Agreement; Continuing Disclosure Agreement.

The City Council hereby approves the Installment Purchase Agreement and the Continuing Disclosure Agreement, by and between the City and a dissemination agent as selected by the City (the "Continuing Disclosure Agreement"), in the forms presented to the City Council, together with such additions thereto and changes therein as are approved in accordance with Section 5 hereof, such approval to be conclusively evidenced by the execution and delivery thereof by the City with respect to the Installment Purchase Agreement and the Continuing Disclosure Agreement. Each Authorized Officer is hereby authorized to execute, and the City Clerk is hereby authorized to attest such execution of, the final form of the Installment Purchase Agreement and the Continuing Disclosure Agreement for and in the name and on behalf of the City. The City hereby authorizes the delivery and performance of the Installment Purchase Agreement and the Continuing Disclosure Agreement.

Section 2. Issuance of Bonds by the Authority; Bond Purchase Contract. The City Council hereby approves the issuance of the Bonds by the Authority in accordance with the terms and provisions of the Indenture (as executed and delivered hereafter). The City Council hereby also approves the sale of the Bonds pursuant to the terms and provisions in the Bond Purchase Contract, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority. The true interest cost of the Bonds shall not exceed (4.50%), and the Underwriter's discount or fee (excluding any original issue discount) shall not exceed (0.90%) of the original principal amount of the Bonds.

Section 3. Preliminary Official Statement. Each of the Authorized Officers is hereby authorized to approve a Preliminary Official Statement relating to the Bonds, such approval to be conclusively evidenced by the delivery thereof (the "Preliminary Official Statement"), and the City Council hereby approves the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds. The Authorized Officers are each authorized to deem the Preliminary Official Statement to be final within the meaning of Rule 15c2-12 (the "Rule") of the U.S. Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended, subject to the completion of those items permitted by such Rule.

Section 4. Official Statement. Each of the Authorized Officers is hereby authorized to approve an Official Statement relating to the Bonds, such approval to be conclusively evidenced by the execution and delivery thereof (the "Official Statement"), and the City Council hereby approves the use of the Official Statement in connection with the offering and sale of the Bonds. The City Council hereby further approves the use of any supplement or amendment to the final Official Statement which is necessary or advisable so that the final Official Statement does not include any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein not misleading. Each of the Authorized Officers is hereby authorized to execute a final form of the Official Statement, as it may be modified, supplemented or amended by such additions thereto and changes therein as are consistent with

this Resolution and the limits prescribed herein and recommended or approved by Bond Counsel to the Authority and approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Official Statement shall be executed in the name and on behalf of the City by the Treasurer and the Electric Utility Director or any other Authorized Officers.

Section 5. Additions and Changes. The agreements approved in this Resolution shall, when executed and delivered, contain such additions and changes (including, without limitation, additions and changes relating to the issuance of a municipal bond insurance policy and/or surety bond for the reserve account and such additions and changes as may be requested by rating agencies providing ratings on the Bonds) as shall have been approved by an Authorized Officer. Each Authorized Officer is hereby authorized to determine, in connection with the execution and delivery of the agreements approved herein, the following with respect to the Bonds:

(a) the aggregate principal amount of the Bonds, which shall not exceed \$35,000,000; and

(b) the final Purchase Payment under the Installment Purchase Agreement, which shall be due and payable not later than April 1, 2028.

Section 6. Security. The Bonds shall be secured by the Facilities Revenues which consist of Purchase Payments. The Purchase Payments and all other payments with respect to Subordinate Qualified Obligations (as defined in the Installment Purchase Agreement) shall be secured by a pledge, charge and lien upon the moneys in the Subordinate Qualified Obligations Subaccount of the Surplus Revenue Account of the Electric System Revenue Fund (as such terms are defined in the Installment Purchase Agreement) and shall be paid from moneys in the Subordinate Qualified Obligations Subaccount unless otherwise paid from other sources of legally available funds. The Purchase Payments and all other payments with respect to Subordinate Qualified Obligations shall be equally secured by moneys in the Subordinate Qualified Obligations Subaccount.

Section 7. Investments. In connection with, or incidental to, the issuance of the Bonds by the Authority, or the acquisition or carrying out of any investment or program of investment, each of the Treasurer and the Management Services Director and each other officer of the City responsible for the Bonds or such investment or program of investment may enter into any contracts, including, without limitation, contracts commonly known as interest rate swap agreements, contracts to exchange cash flows or a series of payments, municipal bond warrants, custodial receipts, contracts relating to the establishment of a reserve account, or investment contracts which the Treasurer, the Management Services Director or such other officer, as applicable, determines to be necessary or appropriate to place the Bonds or such investment or program of investment, in whole or in part, on the interest rate or other basis determined by the Treasurer, the Management Services Director or such other officer, as appropriate, or to eliminate or reduce any potential difference between the amounts paid as interest or a discount in the amount received as interest or other investment income in connection with the Bonds or such investment or program of investment, as applicable.

Any such contracts and arrangements shall be entered into with the parties selected by the means, and contain the payment, security, default, remedy and other terms and conditions, determined by the Treasurer, the Management Services Director or other officers (in consultation

with the Treasurer or Management Services Director) executing such contracts, after giving due consideration to the creditworthiness of the counterparties, where applicable, including any rating by a nationally-recognized rating agency or other criteria as may be appropriate. The City Council hereby determines that the contracts authorized hereby are designed to reduce the amount or duration of payment, rate, spread or similar risk when used in combination with the issuance of the Bonds and to enhance the relationship between risk and return with respect to the investment or program of investment in connection with, or incidental to, the contract or arrangement which is entered into.

Section 8. Post-Issuance Compliance Policies and Guidelines; Continuing Disclosure Compliance Procedures. The City Council hereby approves the Policies and Guidelines Regarding Post-Issuance Compliance with Federal Tax Requirements Applicable to Tax-Exempt Bonds and the Continuing Disclosure Compliance Procedures in the forms presented to the City Council with such additions thereto and changes therein as are approved by an Authorized Officer.

Section 9. Other Actions. The Authorized Officers and the other officers and officials of the City and their authorized representatives are hereby authorized and directed, for and in the name of the City, to do any and all things and to take all actions, including the publication of any notices necessary or desirable in connection with the sale of the Bonds, the procurement of municipal bond insurance (including the execution and delivery of any agreement in connection therewith) and (if desired) reserve account surety bond, and the execution and delivery of any and all certificates, requisitions, agreements, notices, consents and other documents which they, or any of them, may deem necessary or advisable in order to consummate the sale and issuance of the Bonds or any of the transactions or actions contemplated by or to carry out the purposes of the Preliminary Official Statement, the Official Statement, the Installment Purchase Agreement, the Bond Purchase Contract, the Continuing Disclosure Agreement, and this Resolution, and such actions previously taken by the Authorized Officers and such other officers, officials and representatives are hereby ratified and confirmed.

Section 10. Effective Date. This Resolution shall take effect immediately upon its adoption.

THIS RESOLUTION is passed, approved and adopted by the City Council of the City of Colton at a regular meeting on this 16th day of October 2012.

SARAH S. ZAMORA
MAYOR OF THE CITY OF COLTON

Attest:

EILEEN C. GOMEZ
CITY CLERK OF THE CITY OF COLTON

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO) ss.
CITY OF COLTON)

I, Eileen Gomez, City Clerk of the City of Colton, California, DO HEREBY CERTIFY that the foregoing Resolution No. R-70-12 was introduced and duly adopted at a regular meeting provided by law of the City Council of the City of Colton held on the 16th day of October 2012, by the following vote of the members thereof:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

AND I FURTHER certify that the Mayor of the City of Colton signed said Resolution on said date.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the City of Colton.

EILEEN C. GOMEZ
CITY CLERK OF THE CITY OF COLTON

(SEAL)

I, Eileen Gomez, City Clerk of the City of Colton, do hereby certify that the foregoing is the original Resolution No. R-70-12 duly passed and adopted by the City Council of the City of Colton on October 16, 2012.

EILEEN C. GOMEZ
CITY CLERK OF THE CITY OF COLTON

Attachment 2

Resolution No. CPFA 2012-02

RESOLUTION NO. CPFA 2012-02

RESOLUTION OF THE BOARD OF DIRECTORS OF THE COLTON PUBLIC FINANCING AUTHORITY APPROVING THE ISSUANCE OF NOT TO EXCEED \$35,000,000 AGGREGATE PRINCIPAL AMOUNT OF BONDS, APPROVING AN INSTALLMENT PURCHASE AGREEMENT, AN ESCROW AGREEMENT, AN INDENTURE OF TRUST AND A BOND PURCHASE CONTRACT, AUTHORIZING THE DELIVERY OF A PRELIMINARY OFFICIAL STATEMENT, AUTHORIZING THE EXECUTION AND DELIVERY OF AN OFFICIAL STATEMENT, AND AUTHORIZING CERTAIN ACTIONS IN CONNECTION THEREWITH

WHEREAS, the City of Colton (the "City") and the Redevelopment Agency for the City of Colton have heretofore entered into a Joint Exercise of Powers Agreement establishing the Colton Public Financing Authority (the "Authority") for the purpose, among others, of issuing the Authority's bonds to finance public capital improvements of the City; and

WHEREAS, it has been proposed that the Authority assist the City in the refinancing of the acquisition, construction and installation of the Agua Mansa Power Plant (the "Facilities"); and

WHEREAS, the City has heretofore executed and delivered an Installment Sale Agreement, dated as of August 1, 2002 (the "2002 Installment Sale Agreement"), by and between the City and the Authority, pursuant to which the City is obligated to make installment payments in the aggregate principal amount of \$47,620,000, of which \$35,670,000 principal amount is currently outstanding and unpaid; and

WHEREAS, in connection with the 2002 Installment Sale Agreement, the Authority, pursuant to Resolution No. CPFA-2002-3 adopted by the Board of Directors of the Colton Public Financing Authority on July 2, 2002, authorized and approved the issuance of the Authority's \$47,620,000 Revenue Bonds, 2002 Series (Electric Generation Facility Project) (the "Prior Bonds"); and

WHEREAS, it has been proposed that the Authority acquire the Facilities and that the City purchase the Facilities from the Authority pursuant to an Installment Purchase Agreement, by and between the City and the Authority (the "Installment Purchase Agreement"), the proposed form of which is attached hereto, pursuant to which the City will agree to make certain purchase payments (the "Purchase Payments") with such series designation as the Mayor, the City Manager, the Assistant City Manager, the Auditor and Treasurer, the Management Services Director or the Electric Utility Director shall determine in connection with the Facilities and the redemption of the Prior Bonds in connection therewith; and

WHEREAS, the Authority and the City have determined that it would be in the best interests of the Authority, the City and the citizens of the City to authorize, pursuant an Indenture of Trust (the "Indenture"), the proposed form of which is attached hereto, for the purpose of raising funds necessary to refinance the Facilities and redeem the Prior Bonds, the issuance of revenue bonds by the Authority (the "Bonds") in the aggregate principal amount of

not to exceed \$35,000,000 under the provisions of Article 4 (commencing with Section 6584) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), which Bonds will be sold on a negotiated basis pursuant to a Bond Purchase Contract (the "Bond Purchase Contract"), the proposed form of which is attached hereto; and

WHEREAS, the Authority has determined that it is in the best interests of the Authority to approve the documents mentioned above and authorize and approve the transactions contemplated thereby;

NOW, THEREFORE, the Board of Directors of the Colton Public Financing Authority, DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. Installment Purchase Agreement; Indenture. The Board hereby approves the Installment Purchase Agreement and the Indenture in the forms presented to the Board, together with such additions thereto and changes therein as are approved in accordance with this Resolution, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority. Each of the Chairperson, the Vice Chairperson, the Executive Director or the Auditor and Treasurer (each, an "Authorized Officer") is hereby authorized to execute, and the Secretary is hereby authorized to attest such execution of, the final form of the Installment Purchase Agreement and the Indenture for and in the name and on behalf of the Authority. The Authority hereby authorizes the delivery and performance of the Installment Purchase Agreement and the Indenture.

Section 2. Issuance of Bonds; Bond Purchase Contract. The Board hereby approves the issuance of the Bonds in accordance with the terms and provisions of the Indenture (as executed and delivered). Each of the Chairperson and the Vice Chairperson is authorized to execute the Bonds manually or by facsimile signature, and the City Clerk is hereby authorized to attest such signature by manual or facsimile signature. The Board hereby approves the sale of the Bonds pursuant to the terms and provisions in the Bond Purchase Contract in the form presented to the Board, together with such additions thereto and changes therein as are approved in accordance herewith, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority. The true interest cost of the Bonds shall not exceed (4.50%), and the Underwriter's discount or fee (excluding any original issue discount) shall not exceed (0.90%) of the original principal amount the Bonds.

Section 3. Escrow Agreement. The Board hereby approves the Escrow Agreement, by and between the Authority and Union Bank, N.A., as escrow agent (the "Escrow Agreement") in the form presented to the Board, together with such additions thereto and changes therein as are approved in accordance herewith, such approval to be conclusively evidenced by the execution and delivery thereof by the Authority.

Section 4. Preliminary Official Statement. Each of the Authorized Officers is hereby authorized to approve a Preliminary Official Statement relating to the Bonds, such approval to be conclusively evidenced by the delivery thereof (the "Preliminary Official Statement"), and the Board hereby approves the use of the Preliminary Official Statement in connection with the offering and sale of the Bonds. The Authorized Officers are each authorized to deem the Preliminary Official Statement to be final within the meaning of Rule 15c2-12 (the "Rule") of

the U.S. Securities and Exchange Commission promulgated under the Securities Exchange Act of 1934, as amended, subject to the completion of those items permitted by such Rule.

Section 5. Official Statement. Each of the Authorized Officers is hereby authorized to approve an Official Statement relating to the Bonds, such approval to be conclusively evidenced by the execution and delivery thereof (the "Official Statement"), and the Board hereby approves the use of the Official Statement in connection with the offering and sale of the Bonds. The Board hereby further approves the use of any supplement or amendment to the final Official Statement which is necessary or advisable so that the final Official Statement does not include any untrue statement of a material fact and does not omit to state a material fact necessary to make the statements therein not misleading. Each of the Authorized Officers is hereby authorized to execute a final form of the Official Statement, as it may be modified, supplemented or amended by such additions thereto and changes therein as are consistent with this Resolution and the limits prescribed herein and recommended or approved by Bond Counsel to the Authority and approved by an Authorized Officer, such approval to be conclusively evidenced by the execution and delivery thereof. The Official Statement shall be executed in the name and on behalf of the Authority by an Authorized Officer.

Section 6. Additions and Changes. The agreements approved in this Resolution shall, when executed and delivered, contain such additions and changes (including, without limitation, additions and changes relating to the issuance of a municipal bond insurance policy and/or surety bond for the reserve account, and such additions and changes as may be requested by rating agencies providing ratings on the Bonds) as shall have been approved by an Authorized Officer. Each Authorized Officer is hereby authorized to determine, in connection with the execution and delivery of the agreements approved herein, the following with respect to the Bonds:

(a) the aggregate principal amount of the Bonds, which shall not exceed \$35,000,000; and

(b) the final Purchase Payment under the Installment Purchase Agreement, which shall be due and payable not later than April 1, 2028.

Section 7. Security. The Bonds shall be secured by the Facilities Revenues which consist of the Purchase Payments. The Purchase Payments and all other payments with respect to Subordinate Qualified Obligations (as defined in the Installment Purchase Agreement) shall be secured by a pledge, charge and lien upon the moneys in the Subordinate Qualified Obligations Subaccount of the Surplus Revenue Account of the Electric System Revenue Fund (as such terms are defined in the Installment Purchase Agreement) and shall be paid from moneys in the Subordinate Qualified Obligations Subaccount unless otherwise paid from other sources of legally available funds. Purchase Payments and all other payments with respect to Subordinate Qualified Obligations shall be equally secured by moneys in the Subordinate Qualified Obligations Subaccount.

Section 8. Other Actions. The Authorized Officers and the other officers and officials of the Authority and their authorized representatives are hereby authorized and directed, for and in the name of the Authority, to do any and all things and to take all actions, including the publication of any notices necessary or desirable in connection with the sale of the Bonds, the

procurement of municipal bond insurance (including the execution and delivery of any agreement in connection therewith) and (if desired) reserve account surety bond, and the execution and delivery of any and all certificates, requisitions, agreements (including investment agreements), notices, consents and other documents which they, or any of them, may deem necessary or advisable in order to consummate the sale and issuance of the Bonds or any of the transactions or actions contemplated by or to carry out the purposes of the Preliminary Official Statement, the Official Statement, the Installment Purchase Agreement, the Indenture, the Bond Purchase Contract, the Escrow Agreement, and this Resolution, and such actions previously taken by the Authorized Officers and such other officers, officials and representatives are hereby ratified and confirmed.

Section 9. Effective Date. This Resolution shall take effect immediately upon its adoption.

THIS RESOLUTION is passed, approved and adopted by the Board of Directors of the Colton Public Financing Authority on this 16th day of October 2012.

SARAH S. ZAMORA
CHAIRPERSON OF THE COLTON PUBLIC
FINANCING AUTHORITY

Attest:

EILEEN C. GOMEZ
SECRETARY OF THE COLTON PUBLIC
FINANCING AUTHORITY

STATE OF CALIFORNIA)
COUNTY OF SAN BERNARDINO) ss.
CITY OF COLTON)

I, Eileen Gomez, Secretary of the Colton Public Financing Authority, DO HEREBY CERTIFY that the foregoing Resolution No. CPFA 2012-02 was introduced and duly adopted at a regular meeting provided by law of the Board of Directors of the Colton Public Financing Authority held on the 16th day of October 2012, by the following vote of the members thereof:

AYES: BOARD MEMBERS:

NOES: BOARD MEMBERS:

ABSENT: BOARD MEMBERS:

AND I FURTHER certify that the Chairperson of the Colton Public Financing Authority signed said Resolution on said date.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Colton Public Financing Authority.

EILEEN C. GOMEZ
SECRETARY OF THE COLTON PUBLIC
FINANCING AUTHORITY

(SEAL)

I, Eileen Gomez, Secretary of the Colton Public Financing Authority, do hereby certify that the foregoing is the original Resolution No. CPFA 2012-02 duly passed and adopted by the Board of Directors of the Colton Public Financing Authority on October 16, 2012.

SECRETARY OF THE COLTON PUBLIC
FINANCING AUTHORITY

Attachment 3

Preliminary Official Statement

INSTALLMENT PURCHASE AGREEMENT

BY AND BETWEEN

COLTON PUBLIC FINANCING AUTHORITY,
AS SELLER

AND

THE CITY OF COLTON,
AS PURCHASER

DATED AS OF NOVEMBER 1, 2012

\$ _____
Colton Public Finance Authority
Electric Revenue Refunding Bonds, 2012 Series A

TABLE OF CONTENTS

Page

ARTICLE I
DEFINITIONS AND EXHIBITS

SECTION 1.1. Definitions..... 2
SECTION 1.2. Content of Statements and Opinions..... 5
SECTION 1.3. Exhibits 6

ARTICLE II
REPRESENTATIONS AND WARRANTIES

SECTION 2.1. Representations and Warranties of the City..... 6
SECTION 2.2. Representations and Warranties of the Authority..... 7

ARTICLE III
PURCHASE AND SALE OF THE FACILITIES; AGENT; FUND AND ACCOUNTS; FLOW
OF GROSS REVENUES; SECURITY

SECTION 3.1. Purchase and Sale of the Facilities..... 9
SECTION 3.2. Purchase Payment Account..... 9
SECTION 3.3. Reserve Account 9
SECTION 3.4. Fund and Accounts 10
SECTION 3.5. Flow of Gross Revenues 10
SECTION 3.6. Security for the 2012 Purchase Payments..... 12

ARTICLE IV
RESERVED

ARTICLE V
EFFECTIVE DATE OF THIS AGREEMENT; DURATION; PAYMENT PROVISIONS;
LIABILITY

SECTION 5.1. Effective Date of this Installment Purchase Agreement; Duration..... 12
SECTION 5.2. Purchase Price; 2012 Purchase Payments..... 12
SECTION 5.3. 2012 Additional Purchase Payments 14
SECTION 5.4. Source for City Payments 15
SECTION 5.5. Obligations of the City Unconditional; Net Contract; Obligations of
Authority Unconditional 15
SECTION 5.6. Prepayment of 2012 Purchase Payments 17
SECTION 5.7. Termination of Installment Purchase Agreement 17
SECTION 5.8. City's Liability 18

TABLE OF CONTENTS
(continued)

Page

ARTICLE VI
PARTICULAR COVENANTS

SECTION 6.1.	Limitation on Encumbrances; Against Sale.....	18
SECTION 6.2.	Accounting Records.....	18
SECTION 6.3.	Rates and Charges.....	18
SECTION 6.4.	Tax Covenants	18
SECTION 6.5.	Limits on Senior Debt, Additional Bonds and Obligations	23
SECTION 6.6.	Limitations on Actions Relating to Ordinance No. 0-09-02.....	24
SECTION 6.7.	Continuing Disclosure	25

ARTICLE VII
MAINTENANCE AND INSURANCE

SECTION 7.1.	Maintenance and Operation of the Electric System.....	25
SECTION 7.2.	Insurance	25

ARTICLE VIII
NON-LIABILITY OF AUTHORITY; EXPENSES, INDEMNIFICATION

SECTION 8.1.	Non-Liability of Authority.....	26
SECTION 8.2.	Expenses	26
SECTION 8.3.	Indemnification.....	26
SECTION 8.4.	Survive Termination. Notwithstanding Section 5.7 hereof, the provisions of this Article shall survive payment in full of the 2012 Purchase Payments and the 2012 Bonds, the expiration or termination of the Indenture, the termination of this Installment Purchase Agreement and the removal or resignation of the Trustee.....	27

ARTICLE IX
DEFAULTS AND REMEDIES

SECTION 9.1.	Events of Default	27
SECTION 9.2.	Remedies on Default.....	28
SECTION 9.3.	Remedies Not Exclusive; No Waiver of Rights	28
SECTION 9.4.	Expenses on Default	29
SECTION 9.5.	Notice of Default.....	29

ARTICLE X
MISCELLANEOUS

SECTION 10.1.	Further Assurances.....	29
SECTION 10.2.	Notices	29

TABLE OF CONTENTS
(continued)

	Page
SECTION 10.3. Governing Law	29
SECTION 10.4. Binding Effect.....	30
SECTION 10.5. Severability of Invalid Provisions.....	30
SECTION 10.6. Article and Section Headings and References	30
SECTION 10.7. Amendments	30
SECTION 10.8. Disclaimer of Warranties	30
SECTION 10.9. Claims; Warranties, etc.....	30
SECTION 10.10. Waiver of Personal Liability.....	31
SECTION 10.11. Execution of Counterparts	31
SECTION 10.12. Assignment	31
EXHIBIT A – DESCRIPTION OF FACILITIES	
EXHIBIT B – SCHEDULE OF PURCHASE PAYMENTS	

INSTALLMENT PURCHASE AGREEMENT

THIS INSTALLMENT PURCHASE AGREEMENT, dated as of November 1, 2012 (this "Installment Purchase Agreement"), by and between the COLTON PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), as seller, and the CITY OF COLTON, a municipal corporation existing under the laws of the State of California (the "City"), as purchaser.

WITNESSETH:

WHEREAS, the Authority is authorized, among other things, to finance and refinance the acquisition of Public Capital Improvements necessary or convenient for the operation of the City; and

WHEREAS, the City has the power, among other things, to purchase property and to enter into contracts; and

WHEREAS, the Authority desires to assist the City in refinancing the acquisition, construction and installation of the Facilities as described herein; and

WHEREAS, the City Council of the City has adopted Ordinance No. 0-09-02 (the "Ordinance") continuing an Electric System Revenue Fund and accounts therein and providing for the flow of funds from the Electric System Revenue Fund; and

WHEREAS, the City has heretofore executed and delivered an Installment Sale Agreement, dated as of August 1, 2002 (the "2002 Installment Sale Agreement"), by and between the City and the Authority, pursuant to which the City is obligated to make installment payments in the aggregate principal amount of \$47,620,000, of which \$35,670,000 principal amount is currently outstanding and unpaid; and

WHEREAS, in connection with the 2002 Installment Sale Agreement, the City, pursuant to Resolution No. R-77-02 adopted by the City Council on July 2, 2002, authorized and approved the issuance of the Authority's \$47,620,000 Revenue Bonds, 2002 Series (Electric Generation Facility Project) (the "Prior Bonds"); and

WHEREAS, for the purpose of redeeming the City's outstanding obligations under the 2002 Installment Sale Agreement relating to the Prior Bonds, the Authority will purchase from the City the Facilities and sell the Facilities to the City and the City will be obligated to make 2012 Purchase Payments and perform the other covenants contained herein; and

WHEREAS, the City will make 2012 Purchase Payments to the Authority (or its assignee) and 2012 Additional Purchase Payments pursuant to this Installment Purchase Agreement; and

WHEREAS, the Authority will establish a trust pursuant to the Indenture and will issue bonds secured by the 2012 Purchase Payments to be made by the City pursuant to this Installment Purchase Agreement; and

WHEREAS, the Authority will transfer in trust and assign to the Trustee all of the right, title and interest of the Authority in and to the 2012 Purchase Payments and all rights to enforce the payment of the 2012 Purchase Payments under this Installment Purchase Agreement; and

WHEREAS, the City and the Authority have duly authorized the execution and delivery of this Installment Purchase Agreement;

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants contained herein, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto mutually agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

SECTION 1.1. Definitions. The following terms shall, for all purposes of this Installment Purchase Agreement, have the respective meanings ascribed to them. Words in the singular shall include the plural and words in the plural shall include the singular where the context so requires. All capitalized terms used herein which are defined in the Indenture and not defined herein shall have the meanings specified in the Indenture.

“Accountant” shall mean any independent certified public accountant or firm of such accountants retained by the City.

“Additional Bond” shall mean any revenue bond, revenue note, warrant or other evidence of indebtedness issued, incurred or delivered for the financing or refinancing of extensions of, additions to, repairs and replacements to, renewals of, and improvements of, the Electric System, designated by the City at the delivery thereof as payable from moneys in the Qualified Obligations Subaccount, to the extent the payments under such revenue bond, revenue note, warrant or other evidence of indebtedness are payable from moneys in the Qualified Obligations Subaccount. “Additional Bond” shall not include any Obligation or 2012 Bond.

“Additional Purchase Payments” shall mean (a) the 2012 Additional Purchase Payments and (b) all other payments similar in nature to the 2012 Additional Purchase Payments which are required to be made by the City pursuant to any Qualified Obligation.

“City Council” shall mean the City Council of the City.

“Continuing Disclosure Agreement” shall mean the Continuing Disclosure Agreement, dated as of November 1, 2012, by and between the City and the Trustee.

“Delivery Date” shall mean the date on which the 2012 Bonds are delivered by the Trustee pursuant to the Indenture to the original purchaser or purchasers thereof.

“Electric System” shall mean the entire electric system of the City, including the Facilities and all improvements later constructed or acquired.

“Event of Default” shall have the meaning given to such term in Section 9.1 hereof.

“Facilities” shall mean the improvements and facilities described in Exhibit A attached hereto, as such Exhibit A may be revised from time to time in accordance with Section 4.1(a) hereof.

“Fiscal Year” shall mean the twelve-month fiscal period of the City and the Authority which commences on July 1 in every year and ends on June 30 of the succeeding year, or any other twelve-month, or fifty-two week, period hereafter selected and designated as the official fiscal year period of the City and/or the Authority.

“Gross Revenues” shall mean (a) all rates, fees and charges for providing electric service to Persons and real property and all other fees, rents and charges and other income derived by the City from the ownership, operation, use or services of the Electric System, plus (b) for purposes of complying with Section 6.3 hereof, any amounts transferred from the Surplus Revenue Account to pay Qualified Obligation Service (in the case of clause “(i)” in Section 6.3) or to make other payments required to be made by the City (in the case of clause “(ii)” in Section 6.3), and excluding (c) any amounts reimbursed to the City by the United States of America pursuant to a future program similar to previously enacted Section 54AA of the Code.

“Indenture” shall mean the Indenture of Trust, dated as of November 1, 2012, by and between the Authority and the Trustee, authorizing the issuance of the 2012 Bonds, as originally executed or as it may from time to time be supplemented, modified or amended.

“Joint Exercise of Powers Agreement” shall mean the Joint Exercise of Powers Agreement, dated May 16, 1989, by and between the Redevelopment Agency for the City of Colton and the City, as it may be supplemented, modified or amended from time to time.

“Maintenance and Operation Expenses” shall mean the reasonable and necessary current expenses of maintaining, repairing and operating the Electric System, including City administrative expenses directly attributable to Electric System functions, but excluding depreciation, interest, amortization and interfund transfers from the Electric System Surplus Revenue Account to the City’s general fund (including transfers described in clause (6) of subsection 3.5(ii) hereof) or any other fund or account of the City, all computed in accordance with sound accounting principles and consistent with accounting practices of the City.

“Maximum Annual Qualified Obligation Service” shall mean, as of any date, the maximum amount of Qualified Obligation Service payable in the then current or in any subsequent Fiscal Year.

“Net Revenues” shall mean the Gross Revenues less the Maintenance and Operation Expenses.

“Obligation” shall mean any contract, instrument or other agreement for the purchase, acquisition or lease of facilities, properties, structures or equipment for the Electric System, designated by the City at the delivery thereof as payable from moneys in the Qualified Obligations Subaccount, to the extent the payments under such contract, instrument or other agreement are payable from moneys in the Qualified Obligations Subaccount, and the final payments under which are due more than one year following the incurrence thereof. “Obligation” includes the 2007 Bonds and the 2012 Bonds, but shall not include any Additional Bond.

“Person” shall mean an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Payment Date” shall mean every April 1, commencing on April 1, 20__.

“Prior Bonds” shall mean the \$47,620,000 Colton Public Financing Authority Revenue Bonds, 2002 Series (Electric Generation Facility Project).

“Public Capital Improvement” shall have the meaning given to such term in Section 6585(g) of the Government Code of the State of California, including as hereafter amended.

“Purchase Price” shall mean the amount to be paid by the City to the Authority for the Facilities refinanced by the 2012 Bonds (as determined by the Electric Utility Director of the City) as specified in Section 5.2 hereof.

“Qualified Obligation Service” shall mean, with respect to any period, the amount of principal and interest or other payments accrued or to accrue in such period with respect to all outstanding Qualified Obligations (excluding the amount of proceeds of Qualified Obligations held in any fund or account for the payment of Qualified Obligation Service accrued or to accrue during such period). For purposes of accrual under this definition, all payments with respect to Qualified Obligations due in a calendar month shall be deemed due on the first day of such calendar month. Provided that, if interest on any Qualified Obligations is reasonably anticipated to be reimbursed to the City by the United States of America pursuant to a future program similar to previously enacted Section 54AA of the Code, then interest payments with respect to such Qualified Obligations shall be reduced by the amount of such interest reasonably anticipated to be paid or reimbursed by the United States of America.

“Qualified Obligations” shall mean, without duplication (i) 2012 Purchase Payments and (ii) Additional Bonds and Obligations which at the time of delivery thereof satisfy the applicable covenant set forth in Section 6.5 hereof.

“Statement,” “Request,” “Requisition” or “Order” of the Authority or the City shall mean, respectively, a written statement, request, requisition or order signed in the name of

the Authority or the City by an Authorized Authority Representative or Authorized City Representative, as the case may be. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by Section 1.2 hereof, each such instrument shall include the statements provided for in Section 1.2 hereof.

“Surplus Revenue Account” shall mean the Account by that name described in Section 3.5 hereof.

“Tax Certificate” shall mean the Tax Certificate as to Arbitrage and the Provisions of sections 141-150 of the Internal Revenue Code of 1986, as amended or supplemented from time to time, executed and delivered by the City and the Authority on the Delivery Date.

“Treasurer” shall mean the Treasurer of the City.

“Trustee” shall mean Union Bank, N.A., a national banking association, organized and existing under the laws of the United States of America, having its principal corporate trust office in Los Angeles, California, or its successor, as trustee under the Indenture, and any co-trustee appointed under the Indenture.

“2007 Bonds” shall mean the \$15,620,000 Colton Public Finance Authority Revenue Refunding Bonds, 2007 Series A.

“2012 Additional Purchase Payments” shall mean the payments so designated and required to be made by the City pursuant to Section 5.3 hereof.

“2012 Bonds” shall mean the \$ _____ aggregate principal amount of revenue Bonds designated “Colton Public Financing Authority Electric Revenue Refunding Bonds, 2012 Series A.”

“2012 Purchase Payments” shall mean the payments so designated and required to be made by the City pursuant to Section 5.2 hereof.

SECTION 1.2. Content of Statements and Opinions. Every statement or opinion provided for in this Installment Purchase Agreement with respect to compliance with any provision hereof shall include (a) a statement that the person making or giving such statement or opinion has read such provision and the definitions herein or in the Indenture relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion is based; (c) a statement (i) that, in the opinion of such person, such person has made or caused to be made such examination or investigation as is necessary to enable such person to express an informed opinion with respect to the subject matter or (ii) that such person has made or caused to be made such person’s examination or investigation with respect to the subject matter in accordance with specified professional standards; and (d) a statement as to whether, in the opinion of such person, such provision has been complied with.

Any such statement or opinion made or given by an officer of the Authority or the City may be based, insofar as it relates to legal, accounting, City or Authority matters, upon a statement or opinion of or representation by counsel or an Accountant, unless such officer knows, or in the exercise of reasonable care should have known, that the statement, opinion or representation with respect to the matters upon which such statement or statements may be based, as aforesaid, is erroneous. Any such statement or opinion made or given by counsel or an Accountant may be based, insofar as it relates to factual matters (with respect to which information is in the possession of the Authority or the City, as the case may be) upon a statement or opinion of or representation by an officer of the Authority or the City, unless such counsel or Accountant knows, or in the exercise of reasonable care should have known, that the statement or opinion or representation with respect to the matters upon which such person's statement or opinion or representation may be based, as aforesaid, is erroneous. The same officer of the Authority or the City, or the same counsel or Accountant, as the case may be, need not certify to all of the matters required to be certified under any provision of this Installment Purchase Agreement, but different officers, counsel or Accountants may certify to different matters, respectively.

SECTION 1.3. Exhibits. The following Exhibits are attached to and by this reference made a part of this Installment Purchase Agreement:

Exhibit A: Description of the Facilities; and

Exhibit B: Schedule of 2012 Purchase Payments.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

SECTION 2.1. Representations and Warranties of the City. The City makes the following representations and warranties to the Authority as of the date of the execution and delivery of this Installment Purchase Agreement and as of the Delivery Date (such representations and warranties to remain operative and in full force and effect regardless of delivery of the 2012 Bonds or any investigations by or on behalf of the Authority or the results thereof):

(i) The City is a municipal corporation duly organized and existing, has full legal right, power and authority to enter into this Installment Purchase Agreement and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and by proper action has duly authorized the execution and delivery of this Installment Purchase Agreement.

(ii) The officers of the City executing this Installment Purchase Agreement are duly and properly in office and fully authorized to execute the same.

(iii) This Installment Purchase Agreement has been duly authorized, executed and delivered by the City, and constitutes a legal, valid and binding agreement of the City enforceable against the City in accordance with its terms.

(iv) The execution and delivery of this Installment Purchase Agreement, the consummation of the transactions herein contemplated and the fulfillment of or compliance with the terms and conditions hereof, will not in any material respect conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both) under, any indenture, mortgage, deed of trust, agreement, lease, contract or other agreement or instrument to which the City is a party or by which it or its properties are otherwise subject or bound, or any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any trust agreement, mortgage, deed of trust, loan agreement, installment sale agreement, lease, contract or other agreement to which the City is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the City, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Installment Purchase Agreement, or the financial condition, assets, properties or operations of the City, including the Electric System.

(v) No consent or approval of any trustee or holder of any indebtedness of the City or any other Person, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Installment Purchase Agreement, or the consummation of any transaction herein contemplated, or the fulfillment of or compliance with the terms and conditions hereof, except as have been obtained or made and as are in full force and effect and except such other permits as the City or the Authority contemplates obtaining in due course.

(vi) There are no easements, encumbrances or interests with respect to the Facilities which prohibit or materially impair the execution, delivery and performance of this Installment Purchase Agreement or the acquisition, construction, installation or use of the Facilities.

SECTION 2.2. Representations and Warranties of the Authority. The Authority makes the following representations and warranties to the City as of the date of the execution and delivery of this Installment Purchase Agreement and as of the Delivery Date (such representations and warranties to remain operative and in full force and effect regardless of delivery of the 2012 Bonds or investigations by or on behalf of the City or the results thereof):

(i) The Authority is a joint powers authority duly organized and existing under and pursuant to the laws of the State of California, has full legal

right, power and authority to enter into this Installment Purchase Agreement and the Indenture and to carry out and consummate all transactions contemplated by this Installment Purchase Agreement and the Indenture, and by proper action has duly authorized the execution and delivery of this Installment Purchase Agreement and the Indenture.

(ii) The officers of the Authority executing this Installment Purchase Agreement and the Indenture are duly and properly in office and fully authorized to execute the same.

(iii) Each of this Installment Purchase Agreement and the Indenture has been duly authorized, executed and delivered by the Authority, and each constitutes a legal, valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms.

(iv) The execution and delivery of this Installment Purchase Agreement and the Indenture, the consummation of the transactions herein and therein contemplated and the fulfillment of or compliance with the terms and conditions hereof and thereof, will not in any material respect conflict with or constitute a violation or breach of or default (with due notice or the passage of time or both), under the Joint Exercise of Powers Agreement or any indenture, mortgage, deed of trust, agreement, lease, contract or other agreement or instrument to which the Authority is a party or by which it or its properties are otherwise subject or bound, or any applicable law or administrative rule or regulation, or any applicable court or administrative decree or order, or any trust agreement, mortgage, deed of trust, loan agreement, installment sale agreement, lease, contract or other agreement to which the Authority is a party or by which it or its properties are otherwise subject or bound, or result in the creation or imposition of any lien, charge or encumbrance of any nature whatsoever upon any of the property or assets of the Authority, which conflict, violation, breach, default, lien, charge or encumbrance might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Installment Purchase Agreement or the Indenture, or the financial condition, assets, properties or operations of the Authority.

(v) No consent or approval of any trustee or holder of any indebtedness of the Authority or any other Person, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority is necessary in connection with the execution and delivery of this Installment Purchase Agreement or the Indenture, or the consummation of any transaction herein or therein contemplated, or the fulfillment of or compliance with the terms and conditions hereof or thereof, except as have been obtained or made and as are in full force and effect and except such other permits as the Authority or the City contemplates obtaining in due course.

(vi) There are no easements, encumbrances or interests with respect to the Facilities which prohibit or materially impair the execution, delivery and performance of this Installment Purchase Agreement or the Indenture or the acquisition, construction, installation or use of the Facilities.

(vii) The Authority has determined that (i) it is necessary and proper for the Authority to assist the City in financing the Facilities in the manner provided for in this Installment Purchase Agreement in order to provide, among other things, electric facilities for the City, and (ii) this Installment Purchase Agreement, the Indenture and the transactions contemplated hereby and thereby are just and reasonable as to the Authority.

ARTICLE III

PURCHASE AND SALE OF THE FACILITIES; AGENT; FUND AND ACCOUNTS; FLOW OF GROSS REVENUES; SECURITY

SECTION 3.1. Purchase and Sale of the Facilities.

(a) As a condition of the Authority's assistance in refinancing the Facilities and obtaining the moneys necessary to redeem the Prior Bonds, the City hereby agrees to sell the Facilities to the Authority. As consideration for the City's agreement to make 2012 Purchase Payments, the Authority hereby agrees to sell the Facilities to the City, and the City agrees to simultaneously purchase and hereby purchases, from the Authority, the Facilities at the Purchase Price (payable in installments) specified in Section 5.2 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement and the Bond Law. The Authority hereby transfers and assigns to the City all of the Authority's right, title and interest to the Facilities.

(b) From time to time, at the request of the City, the Authority shall promptly deliver to the City any instruments necessary to confirm the rights of the City to the Facilities.

SECTION 3.2. Purchase Payment Account. The Authority shall create, or cause to be created, under the Indenture, a Purchase Payment Account. The Authority shall cause the Trustee to make deposits to and payments from the Purchase Payment Account in accordance with the terms of this Installment Purchase Agreement and the Indenture.

SECTION 3.3. Reserve Account. The Authority shall create, or cause to be created, under the Indenture, a Reserve Account, to be held by the Trustee, into which it shall deposit or cause to be deposited on the Delivery Date, the amount specified in the Indenture equal to the Reserve Requirement. The Authority shall cause the Trustee to make deposits to and payments from the Reserve Account in accordance with the terms of this Installment Purchase Agreement and the Indenture.

SECTION 3.4. Fund and Accounts.

(a) The Treasurer shall continue to maintain the following fund and accounts, each of which shall be held by the Treasurer separate and apart from all other funds and accounts held by the Treasurer:

Electric System Revenue Fund and the following accounts therein:

- (i) Electric System Revenue Account (the "Revenue Account");
- (ii) Electric System Maintenance and Operation Account (the "M & O Account"); and
- (iii) Electric System Surplus Revenue Account (the "Surplus Revenue Account"), and the Treasurer shall create a separate subaccount therein designated as the Qualified Obligations Subaccount (the "Qualified Obligations Subaccount"), which subaccount shall be the same account named and described as the "Subordinate Qualified Obligations Subaccount" in the Ordinance and the Installment Purchase Agreement, dated as of July 1, 2007, by and between the Authority and the City, executed in connection with the issuance of the 2007 Bonds.

(b) The Treasurer shall maintain the Electric System Revenue Fund and the accounts therein for so long as any of the Qualified Obligations remain Outstanding.

SECTION 3.5. Flow of Gross Revenues. The Treasurer shall deposit the Gross Revenues of the Electric System, as received, in the Revenue Account into a bank account separate and apart from other accounts of the City that draws an appropriate interest rate. On or before the twentieth day of each calendar month, the Treasurer shall withdraw the entire amount on deposit in the Revenue Account and shall allocate and deposit such amount in the indicated priority to the following accounts:

(i) First, there shall be transferred to the M & O Account an amount sufficient for the payment of Maintenance and Operation Expenses for the following month;

(ii) Second, all moneys remaining in the Revenue Account after the above described transfer has been made shall be transferred to the Surplus Revenue Account. Moneys in the Surplus Revenue Account at any time shall be used in the following order of priority:

- (1) for transfer to the Qualified Obligations Subaccount within the Surplus Revenue Account the amount of Qualified Obligation Service necessary to be deposited (assuming equal monthly deposits) such that all Qualified Obligations may be made as scheduled (to the extent not already transferred to such Subaccount in such month or not otherwise on deposit

in such Subaccount) or if less, the entire amount of moneys in the Surplus Revenue Account;

(2) for the payment of all Additional Purchase Payments that have accrued or have been incurred or that are then due and payable;

(3) for the payment of all debt service or similar payments that have accrued or have been incurred or that are then due and payable on any bond, note, warrant, evidence of indebtedness, contract, instrument or other agreement which is payable from Gross Revenues of the Electric System on a basis that is subordinate and junior to the payment of the Qualified Obligations;

(4) for the payment of all additional installment payments, additional purchase payments and other similar payments that have accrued or have been incurred or that are then due and payable with respect to any such bond, note, warrant, evidence of indebtedness, contract, instrument or other agreement referred to in clause (3) of this subsection 3.5(ii);

(5) for transfer to any fund or account under any trust agreement, indenture of trust or similar agreement relating to the 2012 Bonds or any other Qualified Obligations to the extent of the deficiency in any such fund or account;

(6) for transfer to the City's general fund, on a monthly basis, in an amount set by the City Council, but not greater than, one-twelfth (1/12th) of ten percent (10%) of the Electric System's Gross Revenues of the preceding Fiscal Year (less (i) the costs and expenses relating to sales of electricity for resale during such Fiscal Year, (ii) contributions in aid of construction during such Fiscal Year and (iii) the public benefit charge collected pursuant to Assembly Bill 1890) or all available moneys in the Surplus Revenue Account if less than such amount;

(7) for transfer to the City's general fund (which additional transfers shall be considered to be a loan, subject to such terms and conditions of repayment as the City Council may establish), provided, however, that before such additional transfer may be made (i) no deficiency shall exist with respect to the amounts required to be on deposit in the Surplus Revenue Account as provided in clauses (1) through (5) of this subsection 3.5(ii), and (ii) the Net Revenues of the Electric System, as shown on the books of the City for each of the last two (2) completed Fiscal Years, (as shown by an audit certificate or opinion of an Accountant), shall have amounted to at least 1.25 times the sum of the Maximum Annual Qualified Obligation Service on all Qualified Obligations to be outstanding immediately subsequent to such additional

transfer; provided, however, that for the purpose of applying the restriction in this subsection (7), the following may be added to Net Revenues: an allowance for earnings arising from any increase in charges made for service from the Electric System which has become effective prior to said additional transfer but which, during all or any part of said last two (2) completed Fiscal Years, was not in effect, in an amount equal to ninety-five percent (95%) of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of said last two (2) completed Fiscal Years, as shown by the audit certificate or opinion of an Accountant; and

(8) for any lawful purpose of the Electric System (excluding any further loans to the City).

SECTION 3.6. Security for the 2012 Purchase Payments. The City is obligated to make 2012 Purchase Payments and all other payments with respect to Qualified Obligations solely from the moneys in the Qualified Obligations Subaccount of the Surplus Revenue Account. Notwithstanding the foregoing, the 2012 Purchase Payments shall be paid from proceeds of the sale of the 2012 Bonds deposited in the Purchase Payment Account, in the amounts and at the times set forth in the Indenture, and other moneys transferred to or deposited in the Purchase Payment Account pursuant to the Indenture. 2012 Purchase Payments and all other payments with respect to Qualified Obligations shall be equally secured by a pledge, charge and lien upon the moneys in the Qualified Obligations Subaccount without priority for number or date of issuance or incurrence of such Qualified Obligations. The moneys in the Qualified Obligations Subaccount shall be held in trust by the Treasurer for the benefit of the Owners of the 2012 Bonds and the owners of any other Qualified Obligation.

ARTICLE IV

RESERVED

ARTICLE V

EFFECTIVE DATE OF THIS AGREEMENT; DURATION; PAYMENT PROVISIONS; LIABILITY

SECTION 5.1. Effective Date of this Installment Purchase Agreement; Duration. This Agreement shall become effective upon its execution and delivery, and shall expire on such date as shall be determined in accordance with Section 5.7 hereof.

SECTION 5.2. Purchase Price; 2012 Purchase Payments.

(a) The City agrees to pay the Purchase Price for the Facilities by making installment payments, referred to herein as "2012 Purchase Payments," in the respective amounts and at the times shown in Exhibit B hereto, which the City agrees to pay to the Trustee, as assignee of the Authority, for deposit in the Purchase Payment Account held by the Trustee and

which, in the aggregate, shall be in an amount sufficient for the payment in full of all obligations to the Owners of the 2012 Bonds from time to time Outstanding under the Indenture, including (i) the total Interest Components due and payable with respect to the 2012 Purchase Payments, (ii) the total Principal Components of such 2012 Purchase Payments and (iii) the redemption premiums, if any, that shall be payable on the redemption of 2012 Bonds prior to their stated payment date; less the aggregate amount of other funds available for such payment as provided in the Indenture.

The Purchase Price is payable over a period ending on April 1, 2028, subject to prepayment as provided in this Agreement. The Authority shall have the right, at the direction of the City, to satisfy all or any part of any mandatory redemption obligation or any 2012 Purchase Payment in connection with 2012 Bonds by crediting at their principal amount Outstanding 2012 Bonds purchased or optionally redeemed and delivered by the Authority to the Trustee (not less than forty-five (45) days in advance of the date on which such mandatory redemption obligation or 2012 Purchase Payment is due). The Trustee shall credit the 2012 Purchase Payments with an amount equal to the principal amount of the 2012 Bonds so delivered to the Trustee, and the Authority, in compliance with the Indenture, shall provide the Trustee and the City with a revised Exhibit B hereto.

(b) On or before the 25th day of each month, the City shall pay from the Qualified Obligations Subaccount to the Trustee for deposit in the Purchase Payment Account an amount equal to one-sixth of the Interest Component of the 2012 Purchase Payment (as shown in Exhibit B hereto) due on the next succeeding April 1 or October 1, and an amount equal to one-twelfth of the Principal Component of the 2012 Purchase Payment (as shown in Exhibit B hereto) due on the next succeeding April 1; provided, however, that for the first Interest Component payment due after the issuance of the 2012 Bonds, the monthly sum paid shall equal the first Interest Component payment which shall become due and payable divided by the number of months remaining in such period and that for the first Principal Component payment due after the issuance of the 2012 Bonds, the monthly sum paid shall equal the first Principal Component payment which shall become due and payable divided by the number of months remaining in said period. Notwithstanding the foregoing, any amount required to be so paid for any month to pay a portion of the Interest Component shall be reduced by the amount, if any, available for such purpose as provided in Exhibit C to the Indenture.

(c) Each 2012 Purchase Payment hereunder shall be paid by the City in immediately available funds on the due date in lawful money of the United States of America to the Trustee at its Corporate Trust Office, and held, invested, disbursed and applied as provided in the Indenture. If City fails to make any of the payments required by paragraph (a) of this Section 5.2, the installment so in default shall continue as an obligation of the City payable from Net Revenues in accordance with Section 3.5 hereof, until the amount in default shall have been fully paid with interest thereon at a rate of interest equal to the highest rate of interest applicable to any then unpaid 2012 Bond. In the event that seven (7) days prior to an Interest Payment Date there are insufficient moneys in the Qualified Obligations Subaccount and the Purchase Payment Account to pay the amounts required by paragraph (a) of this Section 5.2 on the due date thereof, the City shall notify the Trustee not later than five (5) days prior to the Interest Payment Date

thereof that the amount available in the Qualified Obligations Subaccount and the Purchase Payment Account is less than the amount required on the following Interest Payment Date.

For purposes of determining the amount to be deposited into the Qualified Obligations Subaccount with respect to the 2012 Bonds in any month, (i) each Principal Component of 2012 Purchase Payments shall accrue ratably over the twelve (12) months immediately preceding the Principal Payment Date on which such Principal Component is due and (ii) each Interest Component of 2012 Purchase Payments shall accrue ratably over the six (6) months immediately preceding the Interest Payment Date on which such Interest Component is due.

SECTION 5.3. 2012 Additional Purchase Payments.

(a) In addition to 2012 Purchase Payments, the City shall also pay to the Authority, the Trustee or to the United States Treasury Department, as the case may be, "2012 Additional Purchase Payments," as follows:

(i) All taxes and assessments of any type or character charged to the Authority or to the Trustee affecting the amount available to the Authority or the Trustee from payments to be received hereunder or in any way arising due to the transactions contemplated hereby (including taxes, service charges, and assessments and other governmental charges lawfully assessed or levied by any public agency or governmental authority of whatsoever character having power to levy taxes or assessments) but excluding franchise taxes based upon the capital and/or income of the Trustee and taxes based upon or measured by the net income of the Trustee; provided, however, that the City shall have the right to protest in good faith any such taxes or assessments and to require the Authority or the Trustee, at the City's expense, to protest and contest any such taxes or assessments levied upon them and the City shall have the right to withhold payment of any such taxes or assessments pending disposition of any such protest or contest unless such withholding, protest or contest could, in the reasonable opinion of the Authority, adversely affect the rights or interests of the Authority or the Trustee;

(ii) Any taxes which may be imposed on the sale, resale, use, possession or ownership of the Facilities pursuant to this Installment Purchase Agreement;

(iii) All compensation of the Trustee and any amounts due in connection with indemnification of the Trustee in accordance with Section 6.06 of the Indenture, as and when the same become due and payable;

(iv) The reasonable fees and expenses of such accountants, consultants, attorneys and other experts as may be engaged by the Authority or the Trustee to prepare audits, financial statements, reports, opinions or provide such other services required under this Installment Purchase Agreement or the Indenture;

(v) The reasonable costs and expenses of the Authority as provided herein in connection with this Installment Purchase Agreement, the 2012 Bonds or the Indenture, including any and all expenses incurred in connection with the issuance, sale and delivery of the 2012 Bonds or in connection with any litigation which may at any time be instituted involving this Installment Purchase Agreement, the 2012 Bonds, the Indenture or any of the other documents contemplated hereby or thereby; and

(vi) Any amount required to be paid to the United States Treasury Department pursuant to Section 6.4 hereof.

(b) Such 2012 Additional Purchase Payments to the Authority or the Trustee shall be billed to the City by the Authority or the Trustee, as the case may be, from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee, for one or more of the above items. After such a demand, amounts so billed shall be paid by the City within thirty (30) days after receipt of the bill by the City.

SECTION 5.4. Source for City Payments.

(a) The City shall be obligated to make 2012 Purchase Payments hereunder solely from moneys in the Qualified Obligations Subaccount.

(b) Notwithstanding Section 5.4(a) hereof, 2012 Purchase Payments shall not be made from moneys in the Qualified Obligations Subaccount to the extent of (i) the proceeds of the sale of the 2012 Bonds deposited in the Purchase Payment Account, in the amounts, and at the times set forth in Exhibit C to the Indenture or (ii) other moneys transferred to or deposited in, the Purchase Payment Account pursuant to Section 4.03 of the Indenture.

(c) The City shall be obligated to make 2012 Additional Purchase Payments hereunder solely from moneys in the Surplus Revenue Account as provided in Section 3.5.

Subject to the foregoing provisions of this Section 5.4, nothing herein shall preclude the City from making 2012 Purchase Payments and 2012 Additional Purchase Payments from other lawfully available moneys of the City.

SECTION 5.5. Obligations of the City Unconditional; Net Contract; Obligations of Authority Unconditional.

(a) Subject to Section 5.4 hereof, the obligations of the City to make the 2012 Purchase Payments and 2012 Additional Purchase Payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any 2012 Purchase Payments or 2012 Additional Purchase Payments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of

or damage to the Facilities, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or regulations of any governmental authority, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Purchase Agreement or the Indenture.

This Installment Purchase Agreement shall be deemed and construed to be a “net contract,” and the City shall pay absolutely net the 2012 Purchase Payments, 2012 Additional Purchase Payments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that the City might otherwise have against the Authority or the Trustee or any other party or parties.

The Authority and the City understand, agree and intend that the obligation of the City to make 2012 Purchase Payments and to pay 2012 Additional Purchase Payments hereunder shall not in any way be construed to be a debt of the City, the Authority or the State of California, or any political subdivision thereof, in contravention of or within the meaning of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, the Authority or the State of California, or any political subdivision thereof, nor shall anything contained herein constitute a pledge of the faith and credit of the Authority, the City or the State of California, or any other political subdivision thereof, or of general revenues, funds or moneys of the City or the Authority or an obligation of the City or the Authority for which the City or the Authority is obligated to levy or pledge any form of taxation or for which the City or the Authority has levied or pledged any form of taxation.

(b) The City covenants to take such action as may be necessary to include and maintain the 2012 Purchase Payments and 2012 Additional Purchase Payments due hereunder in its budget for the appropriate Fiscal Year or pursuant to a separate resolution of the City Council and further shall make the necessary appropriations for the payment of all such 2012 Purchase Payments and 2012 Additional Purchase Payments required herein. The covenants on the part of the City contained in this subsection (b) shall be deemed to be and shall be construed to be ministerial duties and it shall be the ministerial duty of each and every public official of the City to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the City to carry out and perform such covenants.

(c) The obligation of the Authority to perform and observe the agreements on its part contained herein shall be absolute and unconditional and, until such time as all of the 2012 Purchase Payments shall have been fully paid (or provision for the payment of Outstanding 2012 Bonds shall have been made in accordance with Section 9.03 of the Indenture), the Authority (i) will perform and observe all of its agreements contained in this Installment Purchase Agreement and (ii) will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Facilities, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Purchase Agreement.

Nothing contained in this Section 5.5(c) shall be construed to release the City from the performance of any of the agreements on its part herein contained, and in the event the City should fail to perform any such agreement, the Authority may institute such action against the City as the Authority may deem necessary to compel performance or recover its damages for nonperformance so long as such action shall not violate the agreements of the Authority contained in the first paragraph of this Section 5.5(c).

SECTION 5.6. Prepayment of 2012 Purchase Payments. 2012 Purchase Payments are subject to prepayment as provided in this Section 5.6. All prepayments of 2012 Purchase Payments shall be made in immediately available funds on the date of prepayment.

(a) **Optional Prepayment.** The City shall have the option to prepay remaining Principal Components of 2012 Purchase Payments in whole at any time or in part on any Purchase Payment Date (in the principal amount of \$5,000, or any integral multiple thereof), by depositing with the Trustee the prepayment price with respect thereto on or before the date of prepayment. The City shall give the Trustee written notice of its intention to exercise its option to prepay not more than ninety (90) and not less than forty-five (45) days in advance of the date of such prepayment.

(b) **Effect of Prepayment.** In the event that the City prepays the 2012 Purchase Payments in whole, the amount paid shall be applied to the redemption in full of the principal of and interest on the 2012 Bonds in accordance with the Indenture. In the event that the City prepays the 2012 Purchase Payments in part, such prepayment shall be applied to the prepayment of the 2012 Purchase Payments as follows: (i) the City shall designate which Principal Components are being prepaid, and to what extent, and the Principal Component of each remaining 2012 Purchase Payment shall be reduced accordingly, in each case in integral multiples of \$5,000 corresponding to the principal amount of 2012 Bonds redeemed pursuant to Section 2.02(a) of the Indenture; and (ii) the Interest Component of each remaining 2012 Purchase Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the 2012 Bonds thereby redeemed pursuant to the Indenture.

Principal Components and Interest Components of the 2012 Purchase Payments shall be payable by the Authority to the Trustee, as assignee of the Authority under the Indenture, in immediately available funds which constitute lawful money of the United States of America. Payment of such Principal Components and Interest Components shall be secured, and amounts for the payment thereof shall be deposited with the Trustee at the times, as set forth in Sections 3.9 and 5.2 herein.

SECTION 5.7. Termination of Installment Purchase Agreement. Except as otherwise specifically provided herein, including Section 8.4 hereof, this Installment Purchase Agreement shall terminate upon the earlier of the following events:

(i) the payment or prepayment by the City of all remaining 2012 Purchase Payments as provided in Section 5.2 hereof and all other amounts to be paid by the City hereunder (including any 2012 Additional Purchase Payments which are then due or will become due) and the retirement of all 2012 Bonds; or

(ii) all 2012 Bonds have been paid, or deemed paid, in accordance with Section 9.03 of the Indenture.

SECTION 5.8. City's Liability. As between the Authority and the City, the City assumes liability for all risks of loss during the acquisition, construction and installation of each item of the Facilities.

ARTICLE VI

PARTICULAR COVENANTS

SECTION 6.1. Limitation on Encumbrances; Against Sale. The City covenants and agrees that it will not create, assume or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (including the charge upon property purchased under conditional sales or other title retention agreements) upon the Electric System which impairs the ability of the City to comply with its covenant set forth in Section 6.3 hereof. The City covenants that the Facilities shall not be sold, leased or disposed of as a whole or substantially as a whole if such sale, lease or disposal would impair the ability of the City to comply with its covenant set forth in Section 6.3 hereof.

SECTION 6.2. Accounting Records. The City covenants and agrees at all times to keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Electric System. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

SECTION 6.3. Rates and Charges. The City shall prescribe, revise and collect such charges for the services and facilities of the Electric System so that, in each Fiscal Year, the Net Revenues shall at least equal the sum of:

(i) 1.25 times the amount of Qualified Obligation Service with respect to such Fiscal Year; and

(ii) 1.00 times all other payments required to be made from Gross Revenues in such Fiscal Year.

SECTION 6.4. Tax Covenants.

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

“**Computation Date**” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Gross Proceeds” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the 2012 Bonds.

“Investment” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Nonpurpose Investment” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the 2012 Bonds are invested and that is not acquired to carry out the governmental purposes of the 2012 Bonds.

“Original Facilities” means any property the acquisition, construction or improvement of which was financed directly or indirectly with Gross Proceeds of the Original Issue.

“Original Issue” refers to the Authority’s Revenue Bonds, 2002 Series (Electric Generation Facility Project).

“Prior Issue” shall refer to the Prior Bonds (but in the case of any of the foregoing executed and delivered for multiple purposes, only to the portion thereof allocable pursuant to section 1.148-9(h)(4) of the Tax Regulations to other than refunding purposes).

“Proceeds,” with respect to an issue of governmental obligations, has the meaning set forth in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds, but not replacement proceeds).

“Rebate Amount” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“Tax Regulations” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“Yield” of (i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations, and (ii) the 2012 Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. Each of the Authority and the City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) or any of the Original Facilities in a manner that if made or omitted, respectively, would cause the interest on any of the 2012 Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the City receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any 2012 Bond, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any 2012 Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, each of the Authority and the City shall at all times prior to the payment and cancellation of the last of the 2012 Bonds to be paid and canceled:

(1) require that one or more state or local governmental agencies exclusively own, operate and possess all of the Original Facilities that are to be financed or refinanced directly or indirectly with Gross Proceeds of the 2012 Bonds, and not use or permit the use of the Original Facilities (including through contractual arrangements with terms different than those applicable to the general public or otherwise) or any property acquired, constructed or improved with such Gross Proceeds or the Gross Proceeds of the Prior Issue in any activity carried on by a Nongovernmental Person that would create private business use described in section 141(b)(1) of the Code; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity in respect of the use by any Nongovernmental Person of Gross Proceeds of the 2012 Bonds or of the Prior Issue, or any of the Original Facilities, other than taxes of general application within the jurisdiction of the Authority or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

Without limitation of the foregoing, the City covenants that: (i) it will not transfer any direct or indirect ownership interest in the Facilities, and will not lease any portion of the Facilities to, any nongovernmental person; (ii) it will not enter into any arrangement for the provision by any nongovernmental person of services relating to any function of the Facilities, unless such arrangement is of a type that does not create or enhance a private business use relationship between such nongovernmental person or entity and the Facilities; and (iii) it will not enter into any contract for the sale of output from the Facilities to any nongovernmental person other than (a) a contract that is a retail requirements contract (containing no contractual term that obligates the purchaser to make payments that are not contingent on the output requirements of the purchaser or that obligates the purchaser to have output requirements), (b) a contract having a term and creating rights in respect of the output of the Facilities for a period of not longer than one year and providing for compensation that is at fair market value or is based on generally applicable and uniformly applied rates or (c) a contract that otherwise is of a type that does not create or enhance a private business use relationship between such nongovernmental purchaser and the Facilities.

(d) No Private Loan. Except as would not cause any 2012 Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, each of the Authority and the City has not used, and shall not use Gross Proceeds of the 2012 Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to a such person or entity in a transaction that creates a debt for federal income tax purposes; (ii) capacity in or service from such property is committed to such

person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan. For purposes of this covenant, each of the City and the Authority will treat any transaction constituting a loan of Gross Proceeds of any of the Original Issues or the Prior Issue as resulting in a loan of Gross Proceeds of the 2012 Bonds.

(e) No Financing of Nongovernmental Output Property. Except as would not cause any 2012 Bond to be a “private activity bond”, no portion of the Gross Proceeds will be used (directly or indirectly) for the acquisition of any interest in any Nongovernmental Output Property. As set forth above, for purposes of the preceding sentence, the City will treat proceeds of the 2012 Bonds as used ratably for the same purposes as were the proceeds of the Prior Issues and the Original Issue.

(f) Not to Invest at Higher Yield. Except as would not cause any 2012 Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, each of the Authority and the City shall not at any time prior to the final maturity of the 2012 Bonds, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the 2012 Bonds within the meaning of said section 148.

(g) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, each of the Authority and the City shall not omit to take any action that would cause any 2012 Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(h) Information Report. The City shall cooperate in the timely filing by the Authority of any information required by section 149(e) of the Code with respect to the 2012 Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(i) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) Each of the Authority and the City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last 2012 Bond is discharged. However, to the extent permitted by law, each of the Authority and the City may commingle Gross Proceeds of 2012 Bonds with its other moneys, provided that the City separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the City shall calculate or cause to be calculated the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The City shall promptly provide to the Authority a copy of such calculation, and each of the Authority and the City shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the 2012 Bonds until six years after the final Computation Date.

(3) In order to assure the excludability of the interest on the 2012 Bonds from the gross income of the owners thereof for federal income tax purposes, the City shall pay, or shall provide monies to the Authority sufficient to pay (and the Authority shall then deposit in the Rebate Fund and cause the Trustee to pay), to the United States the amount that when added to the future value of previous rebate payments made for the 2012 Bonds equals (i) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such a date. In all cases, such Rebate payments shall be made by the Authority, or the City on behalf of the Authority, at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority (or by the City if then permitted under applicable law).

(4) Each of the City and the Authority shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(j) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, neither the Authority nor the City shall (or shall permit any person to), at any time prior to the final maturity of the 2012 Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield on the 2012 Bonds not been relevant to either party.

(k) 2012 Bonds Not Hedge Bonds.

(i) Each of the Authority and the City represents that none of the 2012 Bonds, the Original Issues, or the Prior Issue are nor will become "hedge bonds" within the meaning of section 149(g) of the Code.

(ii) Without limitation of the foregoing, with respect to each of the Original Issues, (i)(A) on each date of issuance of an Original Issue each of the City and the Authority reasonably expected (based upon its own knowledge and upon representations made by other governmental persons upon the issuance of those obligations) that within the three-year period commencing on such date no less than 85% of the spendable proceeds of such Original Issue would be expended for the governmental purposes thereof, and (B) each of the City and the Authority believes and represents that at no time was more than 50% of the proceeds of such Original Issue been invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more, and with respect to the application of Proceeds of the 2012 Bonds other than for refunding purposes, (ii)(A) each of the City and the Authority will not issue the 2012 Bonds unless on the date of the issuance of the 2012 Bonds it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of such spendable proceeds of the 2012 Bonds will be expended for the governmental purpose of the 2012 Bonds and (B) at no time will more than 50% of such spendable proceeds of the 2012 Bonds be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(l) Elections. Each of the City and the Authority hereby directs and authorizes any Authorized Authority Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2012 Bonds, in the Tax Certificate relating to the 2012 Bonds or similar or other appropriate certificate, form or document.

(m) Weighted Average Maturity of the 2012 Bonds. Each of the City and the Authority represents that the weighted average maturity of the 2012 Bonds is not in excess of one-hundred twenty percent (120%) of the average remaining economic life of the Original Facilities, determined in accordance with the provisions of section 147(b) of the Code and within the meaning of section 1313(a)(1)(B)(i) of the Tax Reform Act of 1986 and section 1.148-1(c)(4)(B) of the Treasury Regulations.

SECTION 6.5. Limits on Senior Debt, Additional Bonds and Obligations.

(a) Except as otherwise provided in this Section 6.5(a), after the Delivery Date, as long as any 2012 Bond is Outstanding, the City shall not issue or incur any bond, note, warrant, evidence of indebtedness, contract, instrument or other agreement payable from Gross Revenues of the Electric System the payment of which is prior and senior to the payment of the Qualified Obligations.

(b) No Additional Bonds or Obligations (including Additional Bonds or Obligations issued or incurred to refund outstanding Qualified Obligations) shall be issued, incurred or delivered unless, at the delivery thereof, the Net Revenues, calculated on sound accounting principles, as shown by the books of the City for any period of 12 consecutive months during the 18 months immediately prior to the delivery of such Additional Bonds or Obligations (as shown by an audit certificate or opinion of an Accountant), plus, at the option of

the City, the allowances for earnings hereinafter set forth in subparagraph (d) of this Section 6.5, shall have amounted to at least 1.25 times the Maximum Annual Qualified Obligation Service on all Qualified Obligations to be outstanding immediately subsequent to the delivery of such Additional Bonds or Obligations.

(c) Subparagraph (b) of this Section 6.5 notwithstanding, Additional Bonds or Obligations also may be issued to refund outstanding Qualified Obligations, including the 2012 Bonds, through the issuance or incurrence of other Qualified Obligations, if, after giving effect to the application of the proceeds thereof, the total Qualified Obligation Service on all Qualified Obligations outstanding immediately following the issuance or incurrence of such refunding obligations will not be increased in any Fiscal Year up to and including the Fiscal Year of the final maturity of the Qualified Obligations to be refunded.

(d) The following allowances may be added to the Net Revenues of the Electric System for the purpose of applying the restrictions contained in Sections 6.5(a) and (b):

(i) an allowance for earnings arising from any increase in the charges made for service from the Electric System that has become effective prior to the delivery of such Additional Bonds or Obligations but that, during all or any part of said last 18 consecutive months, was not in effect, in an amount equal to 95% of the amount by which the Net Revenues would have been increased if such increase in charges had been in effect during the whole of the applicable 12 consecutive month period, as shown by the audit certificate or opinion of an Accountant; and

(ii) an allowance for earnings arising from any improvements to the Electric System under construction on the date of delivery of such Additional Bonds or Obligations but that, during all or any part of the applicable 18 month period referred to in this Section 6.5, were not complete, in an amount equal to 75% of the amount by which the Net Revenues would have been increased if such improvements had been completed during the whole of the applicable 12 consecutive month period referred to this Section 6.5, as shown by the certificate or opinion of a nationally-recognized independent consultant (or firm of consultants) retained by the City and experienced in electric utility matters.

(e) The City further covenants that the Net Revenues shall not be mortgaged, encumbered, sold, leased, pledged, any charge placed thereon, or disposed of or used except as authorized by the terms of this Installment Purchase Agreement.

SECTION 6.6. Limitations on Actions Relating to Ordinance No. 0-09-02. The City shall not repeal, amend, alter or modify, in whole or in part, or suspend the period of time during which it is in effect, Ordinance No. 0-09-02 in any way that would materially adversely affect the rights of the Owners of the 2012 Bonds.

SECTION 6.7. Continuing Disclosure. The City covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement.

Notwithstanding any other provision of this Installment Sale Agreement, failure of the City to comply with the Continuing Disclosure Agreement shall not constitute an Event of Default; provided, however, the Trustee, which shall be entitled to adequate indemnification may (or at the request of any Participating Underwriter (as defined in the Continuing Disclosure Agreement) shall), or any Owner or Beneficial Owner (as defined in the Continuing Disclosure Agreement) may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the City to comply with its obligations under this Section 6.7. The sole remedy under the Continuing Disclosure Agreement in the event of any failure of the City to comply with the Continuing Disclosure Agreement shall be an action to compel performance, and no Person or entity shall be entitled to recover monetary damages under the Continuing Disclosure Agreement.

ARTICLE VII

MAINTENANCE AND INSURANCE

SECTION 7.1. Maintenance and Operation of the Electric System. The City covenants and agrees that it will operate and maintain the Electric System in accordance with all governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the City. The City further covenants and agrees that it will maintain and operate the Electric System and all engines, boilers, pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that shall be placed in any building or structure now or hereafter at any time constituting part of the Electric System in good repair, working order and condition, and that it will from time to time make or cause to be made all necessary and proper replacements, repairs, renewals and improvements thereto.

SECTION 7.2. Insurance. The City covenants that it shall at all times maintain with responsible insurers all such insurance on the Electric System as is customarily maintained by similar utilities systems with respect to works and properties of like character against accident to, loss of or damage to such works or properties and against loss of revenues. If any useful part of the Electric System (as determined by the Electric Utility Director of the City) shall be damaged or destroyed, such part shall be restored to use. The money collected from insurance against accident, loss or damage shall be used for repairing or rebuilding the lost, damaged or destroyed works and properties, and to the extent not so applied, shall be applied to the retirement of outstanding Qualified Obligations and for such purpose paid into the appropriate funds or accounts. The money collected from any loss of revenues insurance shall be deposited in the Revenue Account.

The City shall also maintain with responsible insurers worker's compensation insurance and insurance against public liability and property damage to the extent reasonably necessary and obtainable.

Notwithstanding the foregoing, the City may provide any insurance required by this Section 7.2 through a self-insurance program or it may provide such insurance as part of any blanket coverage maintained by the City.

Annually, on or before April 1, the City shall provide a certificate to the Trustee that it is in compliance with the requirements of this Section 7.2.

ARTICLE VIII

NON-LIABILITY OF AUTHORITY; EXPENSES, INDEMNIFICATION

SECTION 8.1. Non-Liability of Authority. Other than as set forth herein or in the Indenture, the Authority shall not be obligated to pay 2012 Purchase Payments or the principal and premium, if any, and interest on the 2012 Bonds. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal, premium, if any, or interest on the 2012 Bonds.

The City hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal, premium, if any, and interest on the 2012 Bonds as the same shall become due (whether by maturity, redemption or otherwise), then upon notice from the Trustee, the City shall, subject to Section 5.4 hereof, pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium, if any, or interest, including, but not limited to, any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the City, the Authority or any third party.

The City, the Trustee and/or the Owners shall have no right to compel the Authority to pay Principal Components or Interest Components of 2012 Purchase Payments or premiums, if any.

SECTION 8.2. Expenses. The City covenants and agrees, to the extent provided in Section 8.3 hereof, to pay and to indemnify, defend and hold harmless the Authority and the Trustee against all costs and charges, including reasonable fees of attorneys, accountants, consultants and other experts, incurred in good faith or arising out of or in connection with this Installment Purchase Agreement, the Facilities, the 2012 Bonds or the Indenture.

SECTION 8.3. Indemnification. Except as otherwise expressly provided in this Installment Purchase Contract, the City agrees, to the extent permitted by law, to indemnify, defend and hold harmless the Authority and the Trustee and their respective directors, officers, employees and agents (each an "Indemnified Party") from and against any and all losses, claims, damages, liabilities or expenses, of every conceivable kind, character and nature whatsoever (which is not a result of its negligence or willful misconduct), including, but not limited to, losses, claims, damages, liabilities or expenses arising out of, resulting from or in any way connected with (a) the Facilities or the condition, use, possession, conduct or management of, or work done in or about, or from the acquisition, construction and installation of, the Facilities or any part thereof; (b) the issuance of any 2012 Bonds and the carrying out of any of the transactions contemplated by this Installment Purchase Agreement or the Indenture; or (c) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of the 2012 Bonds. The City further agrees, to the extent

permitted by law, to pay or to reimburse the Indemnified Parties for all reasonable costs, reasonable attorneys fees, liabilities or reasonable expenses (which is not a result of any such Indemnified Party's negligence or willful misconduct) incurred in connection with investigating, defending against or otherwise in connection with any such losses, claims, damages, liabilities, expenses or actions. Notwithstanding the foregoing, the City shall not hold harmless, defend or indemnify any Indemnified Party for any losses, expenses or liabilities which are caused by the Indemnified Party's negligence or willful misconduct.

SECTION 8.4. Survive Termination. Notwithstanding Section 5.7 hereof, the provisions of this Article shall survive payment in full of the 2012 Purchase Payments and the 2012 Bonds, the expiration or termination of the Indenture, the termination of this Installment Purchase Agreement and the removal or resignation of the Trustee.

ARTICLE IX

DEFAULTS AND REMEDIES

SECTION 9.1. Events of Default. Each of the following events shall be an "Event of Default":

(a) If the City shall fail to pay in full any 2012 Purchase Payment pursuant to Section 5.2(a) hereof, 2012 Additional Purchase Payment or other payment relating to the 2012 Bonds required to be paid hereunder at the time and in the manner specified herein;

(b) If the City shall fail to observe or perform any covenant, condition, agreement or provision in this Installment Purchase Agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section 9.1, or shall breach any warranty by the City herein contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the City by the Authority or the Trustee; except that, if the City notifies the Trustee in writing that in its reasonable opinion such failure or breach can be remedied but not within such sixty (60) day period and if the City has taken all action reasonably possible to remedy such failure or breach within such sixty (60) day period, such failure or breach shall not become an Event of Default for so long as the City shall diligently proceed to remedy it in accordance with and subject to any directions or limitations of time established by the Authority or the Trustee, as the case may be;

(c) If the City files a petition in voluntary bankruptcy, for the composition of its affairs or for its corporate reorganization under any state or federal bankruptcy or insolvency law, or makes an assignment for the benefit of creditors, or admits in writing to its insolvency or inability to pay debts as they mature, or consents in writing to the appointment of a trustee or receiver for itself or for the whole or any substantial part of the Electric System;

(d) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the City an insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the City or of the whole or any substantial part of the Electric System, or approving a petition filed against the City seeking reorganization of the City under any applicable law or statute of the

United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

(e) If, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction shall assume custody or control of the City (including the Electric System), and such custody or control shall not be terminated within sixty (60) days from the date of assumption of such custody or control.

SECTION 9.2. Remedies on Default. If an Event of Default specified in Section 9.1 hereof shall occur, then, and in each and every case during the continuance of such Event of Default:

(i) The Trustee may take whatever action, at law or in equity, as may appear necessary or desirable to collect the 2012 Purchase Payments, 2012 Additional Purchase Payments and any other payments then due and, subject to the last paragraph of Section 9.3 hereof, thereafter to become due under this Installment Purchase Agreement or to enforce the performance and observance of any obligation, covenant, agreement or provision contained in this Installment Purchase Agreement; and

(ii) The Trustee may take whatever other legal action may appear necessary or desirable to enforce its rights and the rights of the Owners of the 2012 Bonds.

SECTION 9.3. Remedies Not Exclusive; No Waiver of Rights. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under this Installment Purchase Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Trustee to exercise any remedy, to the extent permitted by law, reserved to it or contained in this Installment Purchase Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given to the Authority hereunder shall also extend to the Trustee to the extent provided in the Indenture. The Trustee and the Owners of the 2012 Bonds shall be deemed third party beneficiaries of all covenants and conditions herein contained.

No delay in exercising or omitting to exercise any right or power accruing upon any default hereunder shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient. Notwithstanding any other provision of this Installment Purchase Agreement, in no event shall the remedy of acceleration be available to the Authority, the Trustee, any Owner or any other Person, and the Trustee is not empowered to sell the Facilities or any portion thereof and use the proceeds of such sale to make 2012 Purchase Payments, 2012 Additional Purchase Payments or other payments required to be made hereunder.

SECTION 9.4. Expenses on Default. In the event the City should default under any of the provisions of this Installment Purchase Agreement and the Trustee employs attorneys or incurs other expenses for the collection of the payments due hereunder or the enforcement of performance or observance of any obligation on the part of the defaulting party herein contained, the City agrees, subject to Section 5.4 and Section 8.3 hereof, that it will on demand therefor pay to the Trustee the reasonable fee of such attorneys and such other expenses so incurred by the Trustee.

SECTION 9.5. Notice of Default. The City agrees that, as soon as is practicable, and in any event within ten (10) days of the occurrence thereof, the City will furnish the Trustee notice of any event which is an Event of Default pursuant to Section 9.1 hereof which has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the City proposes to take with respect thereto.

ARTICLE X

MISCELLANEOUS

SECTION 10.1. Further Assurances. The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Installment Purchase Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

SECTION 10.2. Notices. All notices or communications herein required or permitted to be given shall be in writing and, if to the City, mailed or delivered to it as follows: Treasurer, City of Colton, 650 North La Cadena Drive, Colton, California 92324 and concurrently therewith, Electric Utility Director, City of Colton, 650 North La Cadena Drive, Colton, California 92324; and, if to the Authority, mailed or delivered to it as follows: Chairperson, Colton Public Financing Authority, 650 North La Cadena Drive, Colton, California 92324; and if to the Trustee, mailed or delivered to it as provided in the Indenture. A duplicate copy of each notice or communication given hereunder by either the Authority or the City to the other shall also be given to the Trustee. The Authority, the City, the Trustee may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates and other communications shall be sent.

SECTION 10.3. Governing Law. This Agreement shall be construed in accordance with and governed by the Constitution and laws of the State of California.

SECTION 10.4. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

SECTION 10.5. Severability of Invalid Provisions. If any one or more of the provisions contained in this Installment Purchase Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be

deemed severable from the remaining provisions contained in this Installment Purchase Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Installment Purchase Agreement, and this Installment Purchase Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The Authority and the City each hereby declares that it would have entered into this Installment Purchase Agreement and each and every other Section, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Installment Purchase Agreement may be held illegal, invalid or unenforceable.

SECTION 10.6. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Installment Purchase Agreement. All references herein to “Articles,” “Sections” and subsections are to the corresponding Articles, Sections or subsections of this Installment Purchase Agreement. The words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Installment Purchase Agreement as a whole and not to any particular Article, Section or subsection hereof, and words of the masculine gender shall mean and include words of the feminine and neuter genders.

SECTION 10.7. Amendments. This Installment Purchase Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the City and the Authority and the concurring written consent of the Trustee, given in accordance with the provisions of the Indenture. This Section 10.7 shall be subject to Section 5.09 of the Indenture.

SECTION 10.8. Disclaimer of Warranties. The Authority makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Facilities, or any portion thereof, or any other representation or warranty with respect to the Facilities or any portion thereof. In no event shall the Authority be liable for incidental, indirect, special or consequential damages in connection with this Installment Purchase Agreement or the existence, furnishing or functioning of the Facilities, or the City’s or the Authority’s or any other Person’s use of the Facilities, except such damages as may arise by reason of the Authority’s breach of this Installment Purchase Agreement.

SECTION 10.9. Claims; Warranties, etc. The Authority irrevocably appoints the City as its agent and attorney-in-fact, so long as the City shall not be in default hereunder, to assert from time to time whatever claims and rights, including warranties with respect to any portion of the Facilities, which the Authority may have against the manufacturer, supplier or contractor of such portion of the Facilities. As between the Authority and the City, the City’s sole remedy for the breach of any warranty, indemnification or representation shall be against the manufacturer, supplier or contractor of any portion of the Facilities, and not against the Authority, nor shall such matter have any effect whatsoever on the rights of the Authority with respect to this Installment Purchase Agreement, including the right to receive full and timely payments hereunder. The City expressly acknowledges that neither the Authority nor the Trustee makes,

or has made, any representation or warranty whatsoever as to the existence or availability of such warranties of the manufacturer, supplier or contractor with respect to any item or portion of the Facilities.

SECTION 10.10. Waiver of Personal Liability. No member, director, officer, agent or employee of the Authority or member, director, officer, agent or employee of the City shall be individually or personally liable for the payment of 2012 Purchase Payments or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Installment Purchase Agreement; but nothing herein contained shall relieve any such director, member, officer, agent or employee from the performance of any official duty provided by law or by this Installment Purchase Agreement.

SECTION 10.11. Execution of Counterparts. This Agreement may be executed in any number of counterparts, each of which shall for all purposes be deemed to be original and all of which shall together constitute but one and the same instrument.

SECTION 10.12. Assignment. Pursuant to Section 4.01 of the Indenture, the Authority has assigned as security for the performance of its obligations under the Bonds, its right, title and interest in this Installment Purchase Agreement (other than its rights under Sections 8.2, 8.3 and 9.4 hereof) to the Trustee, for the benefit of the Owners from time to time of the 2012 Bonds. The City hereby consents to such assignment. The City shall not assign its interests in this Installment Purchase Agreement without the prior written consent of the Authority and the Trustee.

IN WITNESS WHEREOF, the Authority and the City have caused this Installment Purchase Agreement to be executed in their respective names by their duly authorized representatives, all as of the date first above written.

THE CITY OF COLTON

By _____
Mayor

Attest:

By _____
City Clerk

COLTON PUBLIC FINANCING AUTHORITY

By _____
Chairperson

Attest:

By _____
Secretary

EXHIBIT A

DESCRIPTION OF THE FACILITIES

At the Delivery Date, the Facilities are to consist of the following:

The entire facilities of the Agua Mansa Power Plant including, but not limited to, a gas-fired simple cycle combustion turbine nominally rated at 43 MW at 100° Fahrenheit.

EXHIBIT B

SCHEDULE OF 2012 PURCHASE PAYMENTS

<u>Date</u>	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total</u>
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BOND PURCHASE CONTRACT

\$ _____ Colton Public Financing Authority
Electric Revenue Refunding Bonds, 2012 Series A

October __, 2012

Board of Directors Colton Public Financing Authority
Colton, California

Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the “Underwriter”) hereby offers to enter into this Bond Purchase Contract (the “Purchase Contract”) with the Colton Public Financing Authority (the “Authority”), which, upon the Authority’s acceptance of this offer and approval by the City of Colton (the “City”), will be binding upon the Authority and the Underwriter. This offer is made subject to written acceptance by the Authority and written approval by the City prior to 11 :59 P.M., California time, on the date hereof. If this offer is not so accepted, this offer will be subject to withdrawal by the Underwriter upon notice delivered to the Authority at any time prior to acceptance by the Authority. Upon acceptance, this Purchase Contract shall be in full force and effect in accordance with its terms and shall be binding upon the Authority and the Underwriter. All capitalized terms used herein and not otherwise defined herein shall have the respective meanings ascribed thereto in the Official Statement (as defined herein).

The Authority and the City acknowledge and agree that: (i) the purchase and sale of the Bonds (as defined herein) pursuant to this Purchase Contract is an arm’s-length commercial transaction among the City, the Authority and the Underwriter; (ii) in connection therewith and with the discussions, undertakings and procedures leading up to the consummation of such transaction, the Underwriter is and has been acting solely as a principal and is not acting as a Municipal Advisor (as defined in Section 15B of the Securities Exchange Act of 1934, as amended), financial advisor or fiduciary; (iii) the Underwriter has not assumed an advisory or fiduciary responsibility in favor of the Authority or the City with respect to the offering contemplated hereby or the discussions, undertakings and procedures leading thereto (irrespective of whether the Underwriter has provided other services or is currently providing other services to the Authority or the City on other matters); and (iv) the Authority and the City have consulted their own legal, financial and other advisors to the extent they have deemed appropriate

1. Purchase, Sale and Delivery of the Bonds.

(a) Subject to the terms and conditions, and in reliance upon the representations, warranties and agreements set forth herein, the Underwriter hereby agrees to purchase and the Authority agrees to sell and deliver to the Underwriter all (but not less than all) of the \$ _____ Colton Public Financing Authority Electric Revenue Refunding Bonds, 2012 Series A (the “Bonds”). The Bonds shall be dated the date of delivery thereof and shall mature on such dates and shall bear interest at such rates set forth in Schedule I attached hereto. Interest on the Bonds shall be payable semiannually on April 1 and October 1 of each year,

commencing _____ 1, 2012. The aggregate purchase price for the Bonds shall be \$_____ (consisting of the \$_____ aggregate principal amount of the Bonds [plus/minus] \$_____ of net original issue [premium/discount] and less \$_____ of Underwriter's discount).

(b) The Bonds shall be issued pursuant to the Marks-Roos Local Bond Pooling Act of 1985, consisting of Article 4, Chapter 5, Division 7, Title 1 of the Government Code of the State of California (commencing with Section 6584) (the "Bond Law"), and an Indenture of Trust, dated as of November 1, 2012 (the "Indenture"), by and between the Authority and Union Bank, N.A., as trustee (the "Trustee").

The Bonds shall be substantially in the form described in, and shall be issued and secured under the provisions of, the Indenture. The Bonds shall be secured by a pledge, charge and lien upon Facilities Revenues which consist primarily of purchase payments (the "2012 Purchase Payments") to be made by the City to the Authority pursuant to an Installment Purchase Agreement, dated as of November 1, 2012 (the "Installment Purchase Agreement"), by and between the City and the Authority.

The Bonds are being issued for the purpose of providing funds for (i) the redemption of the Authority's Revenue Bonds, 2002 Series (Electric Generation Facility Project) currently outstanding in the principal amount of \$35,670,000 (the "Refunded Bonds"), (ii) a deposit into the Reserve Account in an amount equal to the Reserve Requirement, and (iii) the payment of costs of issuance related to the Bonds.

The Authority and the City will cause a portion of the Bond proceeds to be deposited into an escrow fund for the Refunded Bonds created under an Escrow Agreement, dated as of November 1, 2012 (the "Escrow Agreement"), by and between the Authority and Union Bank, N.A., as Escrow Agent (the "Escrow Agent").

The City will undertake, pursuant to a Continuing Disclosure Agreement, dated as of November 1, 2012 (the "Continuing Disclosure Agreement"), by and between the City and _____, as Dissemination Agent, to provide certain annual financial information and operating data relating to the City and the Electric System and notices of the occurrence of certain enumerated events. A description of this undertaking is set forth in the Preliminary Official Statement (as defined herein) and will also be set forth in the Official Statement (as defined herein).

The Indenture, the Installment Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Agreement and this Purchase Contract are herein referred to as the "Financing Documents."

(c) At 8:00 o'clock A.M., California time, on _____, 2012, or at such other time or on such other date as mutually agreed upon by the Authority and the Underwriter (such time and date herein referred to as the "Closing Date"), the Authority will, subject to the terms and conditions hereof, sell and deliver, or cause to be delivered, the Bonds to the Underwriter, in definitive form, duly executed and authenticated, together with the other documents mentioned herein, and subject to the terms and conditions hereof, the Underwriter

will accept such delivery and pay the purchase price of the Bonds as set forth in subparagraph (a) above in immediately available funds (such delivery and payment being herein referred to as the "Closing") to the order of the Trustee. Sale, delivery and payment as aforesaid shall be made at the offices of Fulbright & Jaworski L.L.P. ("Bond Counsel"), 555 South Flower Street, 41st Floor, Los Angeles, California, or such other place as shall have been mutually agreed upon by the Authority and the Underwriter, except that the Bonds shall be delivered through the Trustee through the facilities of The Depository Trust Company ("DTC") in New York, New York, or at such other place as shall have been mutually agreed upon by the Authority and the Underwriter, in fully registered book-entry eligible form (which may be typewritten) and registered in the name of Cede & Co. as nominee of DTC.

(d) The Underwriter agrees to make a bona fide public offering of all of the Bonds at prices not in excess of the initial public offering prices or at yields not lower than the initial public offering yields set forth in the Official Statement. The Underwriter reserves the right to change such initial offering prices or yields from time to time after such offering as they shall deem necessary in connection with the marketing of the Bonds.

2. Use and Preparation of Official Statement. The Authority and the City hereby ratify, confirm and approve of the use and distribution by the Underwriter prior to the date hereof of an official statement in preliminary form dated October __, 2012 relating to the Bonds (which, together with all appendices thereto, is referred to herein as the "Preliminary Official Statement"). The Authority and the City have deemed final the Preliminary Official Statement as of its date for purposes of Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended ("Rule 15c2-12"), except for information permitted to be omitted therefrom by Rule 15c2-12. The Authority and the City hereby agree to deliver or cause to be delivered to the Underwriter, within seven (7) business days of the date hereof and at least in sufficient time to accompany any orders or confirmations that request payment from any customer, copies of the final official statement, dated the date hereof (which, together with all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements to such official statement as have been approved by the Authority, the City and the Underwriter is referred to herein as the "Official Statement") in sufficient quantity to enable the Underwriter to comply with the rules of the Municipal Securities Rulemaking Board and Rule 15c2-12. The Authority and the City hereby approve of the use and distribution by the Underwriter of the Official Statement in connection with the offer and sale of the Bonds. At the time of or prior to the Closing Date, the Underwriter shall file a copy of the Official Statement with the Municipal Securities Rulemaking Board. The Underwriter shall advise the Authority and the City of the date and repository of such filing.

3. Representations, Warranties and Agreements of the Authority. The Authority hereby represents, warrants and agrees with the Underwriter as follows:

(a) The Authority is, and will be on the Closing Date, a joint powers agency of the State of California organized and operating pursuant to the laws of the State of California with the full power and authority to issue the Bonds pursuant to the Act, to execute and deliver the Official Statement and to enter into the Financing Documents to which the Authority is a party;

(b) By all necessary official action of the Authority prior to or concurrently with the acceptance hereof, the Authority has duly approved the distribution of the Preliminary Official Statement and the execution, delivery and distribution of the Official Statement, and has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the Financing Documents to which the Authority is a party and the consummation by it of all other transactions contemplated by the Official Statement and the Financing Documents to which the Authority is a party;

(c) The Authority is not in breach of or default under any applicable constitutional provision, law or administrative regulation to which it is subject or any applicable judgment or decree or any loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or to which the Authority or any of its property or assets is otherwise subject, and no event has occurred and is continuing which with the passage of time or the giving of notice, or both, would constitute such a default or event of default in any material respect under any such instrument; and the issuance of the Bonds and the execution and delivery of the Official Statement and the Financing Documents to which the Authority is a party and compliance with the provisions on the Authority's part contained herein and therein, will not in any material respect conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Authority is a party or is otherwise subject, nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets of the Authority under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided in the Indenture or the Installment Purchase Agreement;

(d) There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending or, to the best knowledge of the Authority, threatened against the Authority affecting the corporate existence of the Authority or affecting or seeking to prohibit, restrain or enjoin the issuance, sale or delivery of the Bonds or contesting or affecting the execution and delivery of the Financing Documents to which the Authority is party or the Bonds or the lien or pledge or application of any moneys or security provided thereby, or in any way contesting or affecting the validity or enforceability of the Financing Documents to which the Authority is a party, the Bonds or the resolution of the Authority relating to the Bonds, or the compliance by the Authority with the covenants contained in the Financing Documents, or contesting in any way the completeness or accuracy of the Official Statement relating to the Bonds, or contesting the power of the Authority to execute and deliver the Financing Documents to which the Authority is a party or the Bonds, nor to the best of the Authority's knowledge, is there any basis therefore, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Financing Documents to which the Authority is a party or materially impair the investment quality or value of the Bonds;

(e) All authorizations, approvals, licenses, permits, consents and orders of any governmental authority, legislative body, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by,

the Authority of its obligations in connection with the issuance of the Bonds under the Indenture have been duly obtained, except for such approvals, consents and orders as may be required under the Blue Sky or securities laws of any state in connection with the offering and sale of the Bonds; and, except as described in or contemplated by the Official Statement, all authorizations, approvals, licenses, permits, consents and orders of any governmental authority, board, agency or commission having jurisdiction of the matter which are required for the due authorization by, or which would constitute a condition precedent to or the absence of which would materially adversely affect the due performance by, the Authority of its obligations under the Financing Documents to which the Authority is a party have been duly obtained;

(f) The Authority will furnish such information, execute such instruments and take such other action in cooperation with the Underwriter as the Underwriter may reasonably request in order (i) to qualify the Bonds for offer and sale under the Blue Sky or other securities laws and regulations of such states and other jurisdictions of the United States as the Underwriter may designate and (ii) to determine the eligibility of the Bonds for investment under the laws of such states and other jurisdictions, and will use its best efforts to continue such qualification in effect so long as required for distribution of the Bonds; provided, however, that in no event shall the Authority be required to take any action which would subject it to service of process in any jurisdiction in which it is not now so subject;

(g) As of the date thereof, the Preliminary Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not, except as revised by the Official Statement, contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(h) As of the date thereof and at all times subsequent thereto to and including the date which is 25 days following the End of the Underwriting Period (as such term is hereinafter defined) for the Bonds, the Official Statement (excluding information concerning DTC and the book-entry system as to which no representation is made) did not and will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading;

(i) If between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, an event occurs which might or would cause the information contained in the Official Statement (other than information concerning DTC or the book-entry system), as then supplemented or amended, to contain an untrue statement of a material fact or to omit to state a material fact required to be stated therein or necessary to make such information therein, in light of the circumstances under which it was presented, not misleading, the Authority will notify the Underwriter, and, if in the opinion of the Authority, the Underwriter or their respective counsel, such event requires the preparation and publication of a supplement or amendment to the Official Statement, the Authority will forthwith prepare and furnish to the Underwriter (at the expense of the Authority) a reasonable number of copies of an amendment of or supplement to the Official Statement (in form and substance satisfactory to the Underwriter) which will amend or supplement the Official Statement so that it will not contain an untrue statement of a material fact or omit to state a material fact necessary in order to make

the statements therein, in the light of the circumstances existing at the time the Official Statement is delivered to prospective purchasers, not misleading. For the purposes of this subsection, between the date hereof and the date which is 25 days after the End of the Underwriting Period for the Bonds, the Authority will furnish such information with respect to itself as the Underwriter may from time to time reasonably request;

(j) If the information contained in the Official Statement is amended or supplemented pursuant to paragraph (i) of this Section 3, at the time of each supplement or amendment thereto and (unless subsequently again supplemented or amended pursuant to such paragraph) at all times subsequent thereto up to and including the date which is 25 days after the End of the Underwriting Period for the Bonds, the portions of the Official Statement so supplemented or amended (other than information concerning DTC or the book-entry system) will not contain any untrue statement of a material fact or omit to state a material fact required to be stated therein or necessary to make such information therein, in the light of the circumstances under which it was presented, not misleading;

(k) After the Closing Date, the Authority will not participate in the issuance of any amendment of or supplement to the Official Statement to which, after being furnished with a copy, the Underwriter shall reasonably object in writing;

(l) As used herein and for the purposes of the foregoing, the term "End of the Underwriting Period" for the Bonds shall mean the earlier of (i) the Closing Date unless the Authority shall have been notified in writing to the contrary by the Underwriter on or prior to the Closing Date, or (ii) the date on which the End of the Underwriting Period for the Bonds has occurred under Rule 15c2-12; provided, however, that the Authority may treat as the End of the Underwriting Period for the Bonds the date specified as such in a notice from the Underwriter stating the date which is the End of the Underwriting Period;

(m) Any certificate signed by any authorized official of the Authority, and delivered to the Underwriter in connection with the delivery of the Bonds, shall be deemed a representation and warranty by the Authority to the Underwriter as to the statements made therein.

4. Conditions to the Obligations of the Underwriter. The Underwriter hereby enters into this Purchase Contract in reliance upon the representations and warranties of the Authority contained herein and the representations and warranties of the Authority and the City to be contained in the documents and instruments to be delivered on or prior to the Closing Date and upon the performance by the Authority and the City of their obligations both on and as of the date hereof and as of the Closing Date. Accordingly, the Underwriter's obligations under this Purchase Contract to purchase, to accept delivery of and to pay for the Bonds shall be subject, at the option of the Underwriter, to the accuracy in all material respects of the representations and warranties of the Authority and the City contained herein as of the date hereof and as of the Closing Date, to the accuracy in all material respects of the statements of the officers and other officials of the Authority and the City made in any certificate or other document furnished pursuant to the provisions hereof, to the performance by the Authority and the City of their obligations to be performed hereunder and under such documents and instruments at or prior to the Closing Date, and also shall be subject to the following additional conditions:

(a) The Underwriter shall receive, within seven (7) business days of the date hereof and at least in sufficient time to accompany any orders or confirmations that request payment from any customer, copies of the Official Statement (including all information previously permitted to have been omitted by Rule 15c2-12 and any amendments or supplements as have been approved by the Underwriter), in such quantity as the Underwriter shall have requested pursuant to Section 2 hereof;

(b) The representations and warranties of the Authority contained herein shall be true and correct on the date hereof and on the Closing Date, as if made on and at the Closing Date;

(c) As of the Closing Date, the Financing Documents shall have been duly authorized, executed and delivered by the respective parties thereto, and the Official Statement shall have been duly authorized, executed and delivered by the Authority, all in substantially the forms heretofore submitted to the Underwriter, with only such changes as shall have been agreed to in writing by the Underwriter, and such Financing Documents shall be in full force and effect and shall not have been amended, modified or supplemented and the Official Statement shall not have been supplemented or amended, except in any such case as may have been agreed to by the Underwriter; and there shall be in full force and effect such resolution or resolutions of the Board of Directors of the Authority and the City Council of the City as, in the opinion of Bond Counsel, shall be necessary or appropriate in connection with the transactions contemplated hereby;

(d) Between the date hereof and the Closing Date, the market price or marketability, at the initial public offering prices set forth in the Official Statement, of the Bonds shall not have been materially adversely affected, in the judgment of the Underwriter (evidenced by a written notice to the Authority terminating the obligation of the Underwriter to accept delivery of and make any payment for the Bonds), by reason of any of the following:

(i) an amendment to the Constitution of the United States or the State of California shall have been passed or legislation shall have been introduced in or enacted by the Congress of the United States or the legislature of any state having jurisdiction of the subject matter or legislation pending in the Congress of the United States shall have been amended or legislation shall have been recommended to the Congress of the United States or to any state having jurisdiction of the subject matter or otherwise endorsed for passage (by press release, other form of notice or otherwise) by the President of the United States, the Treasury Department of the United States, the Internal Revenue Service or the Chairman or ranking minority member of the Committee on Finance of the United States Senate or the Committee on Ways and Means of the United States House of Representatives, or legislation shall have been proposed for consideration by either such Committee by any member thereof or presented as an option for consideration by either such Committee by the staff of such Committee or by the staff of the Joint Committee on Taxation of the Congress of the United States, or legislation shall have been favorably reported for passage to either House of the Congress of the United States by a Committee of such House to which such legislation has been referred for consideration, or a decision shall have been rendered by a court of the United States or of the State of California or the Tax Court of the United States, or a ruling shall have been made or a regulation or temporary regulation shall have been proposed or made or any other release or announcement shall have been made by the Treasury Department of the United States, the Internal Revenue Service or

other federal or State of California authority, with respect to federal or State of California taxation upon revenues or other income of the general character to be derived by the Authority or upon interest received on obligations of the general character of the Bonds which may have the purpose or effect, directly or indirectly, of affecting the tax status of the Authority, its property or income, its securities (including the Bonds) or the interest thereon, or any tax exemption granted or authorized by State of California legislation or materially and adversely affecting the market for the Bonds or the market price generally of obligations of the general character of the Bonds;

(ii) legislation enacted, introduced in the Congress or recommended for passage by the President of the United States, or a decision rendered by a court established under Article III of the Constitution of the United States or by the Tax Court of the United States, or an order, ruling, regulation (final, temporary or proposed) or official statement issued or made by or on behalf of the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter shall have been made or issued to the effect that obligations of the general character of the Bonds, or the Bonds, including any or all underlying arrangements, are not exempt from registration under the Securities Act of 1933, as amended, or that the Indenture is not exempt from qualification under the Indenture Act of 1939, as amended;

(iii) any legislation, ordinance, rule or regulation shall be introduced in, or be enacted by any governmental body, department or agency of the State of California, or a decision by any court of competent jurisdiction within the State of California or any court of the United States of America shall be rendered which, in the reasonable opinion of the Underwriter, materially adversely affects the market price of the Bonds;

(iv) the escalation in military hostilities or declaration by the United States of a national emergency or war or other calamity or crisis;

(v) the declaration of a general banking moratorium by federal, New York or California authorities, or the general suspension of trading on any national securities exchange;

(vi) the imposition by the New York Stock Exchange or other national securities exchange, or any governmental authority, of any material restrictions not now in force with respect to the Bonds or obligations of the general character of the Bonds or securities generally, or the material increase of any such restrictions now in force, including those relating to the extension of credit by, or the charge to the net capital requirements of, the Underwriter;

(vii) an order, decree or injunction of any court of competent jurisdiction, or order, ruling, regulation or official statement by the Securities and Exchange Commission, or any other governmental agency having jurisdiction of the subject matter, issued or made to the effect that the issuance, offering or sale of obligations of the general character of the Bonds, or the issuance, offering or sale of the Bonds, including any or all underlying obligations, as contemplated hereby or by the Official Statement, is or would be in violation of the federal securities laws as amended and then in effect;

(viii) any litigation shall be instituted, pending or threatened to restrain or enjoin the issuance or sale of the Bonds or in any way contesting the validity of the Bonds, or the existence or powers of the Authority;

(ix) any event occurring, or information becoming known that, in the judgment of the Underwriter, makes untrue in any material respect any statement or information contained in the Official Statement or has the effect that the Official Statement contains any untrue statement of material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; or

(x) the withdrawal or downgrading of any rating of the Bonds by a national rating agency.

(e) At or prior to the Closing Date, the Underwriter shall have received the following documents, in each case satisfactory in form and substance to the Underwriter:

(i) The Official Statement and each supplement or amendment, if any, thereto, executed by the Authority and approved by the City;

(ii) Copies of each of the Financing Documents, each duly executed and delivered by the respective parties thereto;

(iii) The approving opinion of Bond Counsel, dated the Closing Date and addressed to the Authority, in substantially, the form attached to the Official Statement as Appendix E thereto;

(iv) The supplemental Opinion of Bond Counsel, dated the Closing Date and addressed to the Underwriter in substantially the form attached hereto as Exhibit A;

(v) The Opinion of Bond Counsel, dated the Closing Date and addressed to the Trustee and the Underwriter, to the effect that upon the issuance and delivery of the Bonds and the application of the proceeds thereof, in accordance with the Escrow Agreement, the Refunded Bonds will be deemed to have been paid within the meaning of the agreements pursuant to which they were issued and all obligations of the City with respect thereto shall be discharged;

(vi) The opinion of Fulbright & Jaworski L.L.P, as Disclosure Counsel, dated the Closing Date and addressed to the Authority and the Underwriter, to the effect that, based upon their participation in the preparation of the Official Statement as Disclosure Counsel and upon the information made available to them in the course of the foregoing, but without having undertaken to determine or verify independently or assuming any responsibility for the accuracy, completeness or fairness of the statements contained in the Official Statement (except to the extent expressly set forth in the opinion referred to in Section 4(e)(4) above), nothing has come to the attention of the personnel directly involved in rendering legal advice and assistance in connection with the preparation of the Official Statement that causes them to believe that the Official Statement as of its date or as of the Closing Date contained or contains any untrue statement of a material fact or omitted or omits to state a material fact necessary to make the

statements therein, in the light of the circumstances under which they were made, not misleading (except for the description of any litigation, any information relating to DTC, Cede & Co., the book-entry system, any financial statements, forecasts, projections, estimates, assumptions and expressions of opinions and the other financial and statistical data included therein, as to all of which they express no view);

(vii) The opinion of counsel to the Authority and the City, dated the Closing Date and addressed to the Underwriter, in substantially the form attached hereto as Exhibit B;

(viii) The opinion of counsel to the Trustee, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that (i) the Trustee has duly authorized, executed and delivered the Indenture and the Continuing Disclosure Agreement and duly authenticated and delivered the Bonds on the Closing Date; (ii) the Indenture and the Continuing Disclosure Agreement constitute the legally valid and binding obligations of the Trustee, enforceable against the Trustee in accordance with their terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity;

(ix) The opinion of counsel to the Escrow Agent, dated the Closing Date and addressed to the Authority, the City and the Underwriter, to the effect that (i) the Escrow Agent has duly authorized, executed and delivered the Escrow Agreement; and (ii) the Escrow Agreement constitutes a legally valid and binding obligation of the Escrow Agent, enforceable against the Escrow Agent in accordance with its terms, except that the enforceability thereof may be limited by applicable bankruptcy, insolvency, reorganization, moratorium and other laws in effect from time to time affecting the rights of creditors generally and except to the extent that the enforceability thereof may be limited by the application of general principles of equity;

(x) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the Authority to the effect that (i) the representations and warranties of the Authority contained in this Purchase Contract are true, complete and correct on and as of the Closing Date; (ii) there is no action, suit, proceeding, inquiry or investigation pending or, to the best knowledge of such official, threatened (a) to restrain or enjoin the execution and delivery of any of the Bonds, (b) in any way affecting the validity of the Bonds or the Financing Documents to which the Authority is a party or (c) in any way contesting the corporate existence or powers of the Authority to execute and deliver the Financing Documents to which the Authority is a party or the Bonds; and (iii) (a) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such amendment or supplement, and (b) there has not been any material adverse change in the operations or financial affairs of the electric system of the City of Colton since the date of the Official Statement;

(xi) A certificate or certificates, dated the Closing Date, signed by a duly authorized official of the City to the effect that (i) the representations and warranties of the

City contained in the Financing Documents to which the City is a party are true, complete and correct on and as of the Closing Date; (ii) there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court, government agency, public board or body, pending or, to the best knowledge of such official, threatened (a) to restrain or enjoin the execution and delivery of the Financing Documents to which the City is a party, (b) in any way contesting or affecting the validity of the Financing Documents to which the City is a party, (c) in any way contesting the power of the City to execute and deliver the Financing Documents to which the City is a party, or (d) seeking to prohibit, restrain or enjoin the collection of moneys from the City's electric system to repay the Bonds, or the compliance by the City of the covenants contained in the Financing Documents to which the City is a party, or questioning the authority of the City to fix, charge and collect rates for the sale of power and energy as provided in the Installment Purchase Agreement, nor to the best knowledge of such official, is there any basis for any such action, suit, proceeding, inquiry or investigation, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Bonds or the Financing Documents to which the City is a party or materially adversely impair the City's ability to perform its obligations the Financing Documents to which the City is a party; (iii) to the best of such official's knowledge and belief, after reasonable investigation, the Official Statement (excluding therefrom the information concerning DTC and the book-entry system included therein and Appendices F and G thereto), as of the date thereof and the Closing Date, contained an untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading; and (iv) (a) since the date of the Official Statement, no event has occurred which should have been set forth in an amendment or supplement to the Official Statement which has not been set forth in such amendment or supplement, and (b) there has not been any material adverse change in the operations or financial affairs of the electric system of the City of Colton since the date of the Official Statement;

(xii) A certificate, dated the Closing Date, signed by a duly authorized official of the Trustee, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Trustee is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Indenture and the Continuing Disclosure Agreement; (ii) the Trustee is duly authorized to enter into the Indenture and the Continuing Disclosure Agreement and to authenticate and deliver the Bonds to the Underwriter pursuant to the terms of the Indenture; (iii) the execution and delivery of the Indenture and the Continuing Disclosure Agreement and compliance with the provisions on the Trustee's part contained therein, and the authentication and delivery of the Bonds will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Trustee is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the Trustee pursuant to the lien created by the Indenture under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Indenture; and (iv) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental

agency, public board or body, served on, or, to the best knowledge of such officer, threatened against, the Trustee, affecting the existence of the Trustee or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Indenture against the Trustee, or contesting the power of the Trustee or its authority to enter into, adopt or perform its obligations under the Indenture, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Indenture against the Trustee or the authentication and delivery of the Bonds;

(xiii) A certificate, dated the Closing Date, signed by a duly authorized official of the Escrow Agent, satisfactory in form and substance to the Underwriter, to the effect that: (i) the Escrow Agent is a national banking association organized and existing under and by virtue of the laws of the United States of America, having the full power and being qualified to enter into and perform its duties under the Escrow Agreement; (ii) the Escrow Agent is duly authorized to enter into the Escrow Agreement; (iii) the execution and delivery of the Escrow Agreement and compliance with the provisions contained therein on the part of the Escrow Agent will not conflict with or constitute a breach of or default under any law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument to which the Escrow Agent is a party or is otherwise subject (except that no representation, warranty or agreement is made with respect to any federal or state securities or Blue Sky laws or regulations), nor will any such execution, delivery, adoption or compliance result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the properties or assets held by the respective Escrow Agent pursuant to the Escrow Agreement under the terms of any such law, administrative regulation, judgment, decree, loan agreement, indenture, bond, note, resolution, agreement or other instrument, except as provided by the Escrow Agreement; and (iv) there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, served on, or, to the best knowledge of such officer, threatened against, the Escrow Agent, affecting the existence of the Escrow Agent or the titles of its officers to their respective offices, or in any way contesting or affecting the validity or enforceability of the Escrow Agreement against the Escrow Agent, or contesting the power of the Escrow Agent or its authority to enter into, adopt or perform its obligations under the Escrow Agreement, wherein an unfavorable decision, ruling or finding would materially adversely affect the validity or enforceability of the Escrow Agreement against the Escrow Agent;

(xiv) A certified copy of the general resolution of the Trustee authorizing the execution and delivery of the Indenture and the Continuing Disclosure Agreement;

(xv) A certified copy of the general resolution of the Escrow Agent authorizing the execution and delivery of the Escrow Agreement;

(xvi) Certified copies of the resolution of the Authority authorizing the execution and delivery of the Financing Documents to which the Authority is a party and the Official Statement;

(xvii) Certified copies of the resolution of the City authorizing the execution and delivery of the Financing Documents to which the City is a party;

(xviii) Evidence satisfactory to the Underwriter that ratings on the Bonds described in the Official Statement are in full force and effect as of the Closing Date;

(xix) A copy of the most recent audited financial statements of the City included as Appendix B to the Official Statement;

(xx) Such additional legal opinions, certificates, proceedings, instruments, insurance policies or evidences thereof and other documents as the Underwriter, Underwriter's Counsel or Bond Counsel may reasonably request to evidence the truth and accuracy, as of the date hereof and as of the Closing Date, of the representations of the Authority herein and of the statements and information contained in the Official Statement, and the due performance or satisfaction by the Authority and the City on or prior to the Closing Date of all agreements then to be performed and all conditions then to be satisfied by the Authority and the City in connection with the transactions contemplated hereby and by the Official Statement and the Financing Documents.

If the Authority shall be unable to satisfy the conditions to the Underwriter's obligations contained in this Purchase Contract or if the Underwriter's obligations shall be terminated for any reason permitted herein, all obligations of the Underwriter hereunder may be terminated by the Underwriter at, or at any time prior to, the Closing Date by written notice to the Authority and neither the Underwriter nor the Authority shall have any further obligations hereunder. In the event that the Underwriter fails (other than for a reason permitted by this Purchase Contract) to accept and pay for the Bonds on the Closing Date, the amount of one percent (1 %) of the principal amount of the Bonds shall be paid by the Underwriter to the Authority as liquidated damages for such failure and for any and all defaults hereunder on the part of the Underwriter and the acceptance of such amount shall constitute a full release and discharge of all claims and rights of the Authority against the Underwriter.

5. Expenses.

(a) The Underwriter shall be under no obligation to pay, and the Authority or the City shall pay, any expenses incident to the performance of the Authority's obligations hereunder including, but not limited to: (i) the cost of preparation, printing and distribution of the Financing Documents, the Preliminary Official Statement, the Official Statement and any supplements or amendments thereto, including a reasonable number of certified or conformed copies thereof; (ii) the cost of preparation and printing of the Bonds; (iii) the fees and disbursements of Bond Counsel, Disclosure Counsel, and Financial Advisor; (iv) the fees and disbursements of any engineers, accountants and other experts, consultants or advisors retained by the Authority or the City; and (v) fees for bond ratings (which include fees of rating agencies and travel expenses of the Authority or the City).

(b) The Underwriter shall pay: (i) the cost of preparation of any Preliminary Blue Sky Survey; (ii) all advertising expenses and Blue Sky filing fees in connection with the public offering of the Bonds; (iii) fees, if any, payable to the California Debt and Investment Advisory Commission, the Municipal Securities Rulemaking Board, and the fees associated with obtaining CUSIP numbers for the Bonds in connection with the execution and delivery of the

Bonds; and (iv) all other expenses incurred by them in connection with the public offering of the Bonds not outlined in (a) above. [TABLE TO BE INSERTED]

6. Notices. Any notice or other communication to be given (i) to the Authority under this Purchase Contract may be given by delivering the same in writing to the Authority, 650 North La Cadena Drive, Colton, California 92324, Attention: Secretary, and (ii) to the Underwriter under this Purchase Contract may be given by delivering the same in writing to the Underwriter: Stifel, Nicolaus & Company, Incorporated dba Stone & Youngberg, a Division of Stifel Nicolaus, One Ferry Building, Suite 275, San Francisco, California 94111, Attention: Research Department.

7. Survival of Representations and Warranties. The Authority's representations, warranties and agreements contained in this Purchase Contract or made in any certificate delivered hereunder shall remain operative and in full force and effect, regardless of: (i) any investigations or statements made by or on behalf of the Underwriter; and (ii) delivery of and payment for the Bonds pursuant to this Purchase Contract.

8. Effectiveness and Counterpart Signatures. This Purchase Contract shall become effective and binding upon the respective parties hereto upon the execution of the acceptance hereof by duly authorized officers of the Authority and approval by duly authorized officers of the City and shall be valid and enforceable as of the time of such acceptance and approval. This Purchase Contract may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts shall together constitute but one and the same instrument.

9. Parties in Interest. This Purchase Contract is made solely for the benefit of the Authority, the City and the Underwriter (including the successors or assigns of the Underwriter) and no other person shall acquire or have any right hereunder or by virtue hereof.

10. Headings. The headings of the sections of this Purchase Contract are inserted for convenience only and shall not be deemed to be a part hereof.

11. Governing Law. This Purchase Contract shall be construed in accordance with the laws of the State of California.

If the foregoing is in accordance with your understanding of the Purchase Contract please sign and return to us the enclosed duplicate copies hereof, whereupon it will become a binding agreement among the Authority, the City and the Underwriter in accordance with its terms.

Very truly yours,

STIFEL NICOLAUS & CO., INCORPORATED
dba Stone & Youngberg, a Division of Stifel
Nicolaus

By: _____
Managing Director

Accepted:

This ___ day of October 2012

COLTON PUBLIC FINANCING AUTHORITY

By: _____
Chairperson

Time of execution: ____:____ Pacific time

Approved:

THE CITY OF COLTON

By: _____
Mayor

Time of execution: ____:____ Pacific time

Schedule I

\$ _____ Colton Public Financing Authority
Electric Revenue Refunding Bonds, 2012 Series A

Payment Date (April 1)	Principal Amount	Interest Rate	Yield
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EXHIBIT A

**FORM OF SUPPLEMENTAL OPINION OF
FULBRIGHT & JAWORSKI, L.L.P. BOND COUNSEL**

\$ _____
Colton Public Financing Authority
Electric Revenue Refunding Bonds, 2012 Series A

Ladies and Gentlemen:

This opinion is addressed to you, as the Underwriter, pursuant to Section 4(e)(4) of the Bond Purchase Contract, dated October __, 2012 (the "Purchase Contract"), by and between you and the Colton Public Financing Authority (the "Authority") and approved by the City of Colton (the "City"), providing for the purchase of \$ _____ aggregate principal amount of Colton Public Financing Authority Electric Revenue Refunding Bonds, 2012 Series A (the "2012 Bonds"). The 2012 Bonds are being issued pursuant to the Indenture of Trust, dated as of November 1, 2012 (the "Trust Indenture"), by and between the Authority and Union Bank, N.A., as trustee (the "Trustee"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture or, if not defined in the Indenture, in the Purchase Contract.

In addition to the opinions set forth in our final legal opinion (the "Bond Opinion") concerning the validity of the 2012 Bonds and certain other matters, dated the date hereof and addressed to the Authority (but which may be relied upon by you to the same extent as if such opinion were addressed to you), and based on and subject to the matters referred to in such Bond Opinion (which are hereby incorporated herein by reference), and in reliance thereon, as of the date hereof, we are of the following opinions or conclusions:

(i) The 2012 Bonds are not subject to the registration requirements of the Securities Act of 1933, as amended, and the Indenture is exempt from qualification pursuant to the Indenture Act of 1939, as amended.

(ii) The Purchase Contract has been duly executed and delivered by the Authority and (assuming due authorization, execution and delivery by and validity against the Underwriter) is a valid and binding agreement of the Authority enforceable against the Authority in accordance with its terms. The Continuing Disclosure Agreement has been executed by the City and (assuming due authorization, execution and delivery by and validity against the Trustee and the Dissemination Agent) is a valid and binding obligation of the City enforceable against the City in accordance with its terms. We call attention to the fact that the rights and obligations under the Purchase Contract and the Continuing Disclosure Agreement and their enforceability may be subject to bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public entities in the State of California. We express

no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the Purchase Contract or the Continuing Disclosure Agreement.

(iii) The statements contained in the Official Statement under the captions "INTRODUCTION," "DESCRIPTION OF THE 2012 BONDS," "SECURITY AND SOURCES OF PAYMENT FOR THE 2012 BONDS," "TAX MATTERS," "APPENDIX C - SUMMARY OF CERTAIN DOCUMENTS," "APPENDIX D - FORM OF CONTINUING DISCLOSURE AGREEMENT," and "APPENDIX E - FORM OF OPINION OF BOND COUNSEL," insofar as such statements purport to summarize certain provisions of the 2012 Bonds, the Indenture, the Installment Purchase Agreement, the Escrow Agreement, the Continuing Disclosure Agreement and our Bond Opinion, are accurate in all material respects.

This letter is delivered to you as Underwriter of the 2012 Bonds and is solely for your benefit as such Underwriter and is not to be used, circulated, quoted or otherwise referred to or relied upon for any other purpose or by any other person.

Respectfully submitted,

EXHIBIT B

FORM OF OPINION OF AUTHORITY COUNSEL AND CITY ATTORNEY

§ _____

Colton Public Financing Authority
Electric Revenue Refunding Bonds, 2012 Series A

Ladies and Gentlemen:

We have acted as legal counsel to the City of Colton, California (the "City") and the Colton Public Financing Authority (the "Authority") in connection with the issuance of the above-referenced Bonds (the "Bonds") by the Authority. In such capacity, we have examined the original, certified copies, or copies otherwise identified to our satisfaction as being true copies of such resolutions, documents, ordinances, certificates, and records as we have deemed relevant and necessary as the basis for the opinions set forth herein. Relying on such examination and applicable law, we are of the opinion that:

1. The Authority is a joint exercise of powers authority duly organized and validly existing under all applicable laws, with full legal right, power and authority to enter into and perform its obligations under the Installment Purchase Agreement, dated as of November 1, 2012 (the "Installment Purchase Agreement"), between the City and the Authority, the Indenture of Trust, dated as of November 1, 2012 (the "Indenture"), by and between the Authority and Union Bank, N.A., as trustee (the "Trustee"), the Bond Purchase Contract, dated October __, 2012 (the "Purchase Contract"), between the Authority and Stifel, Nicolaus & Company, Incorporated, dba Stone & Youngberg, a Division of Stifel Nicolaus (the "Underwriter"), and approved by the City of Colton (the "City"), and the Escrow Agreement, dated as of November 1, 2012 (the "Escrow Agreement"), by and between the Authority, and Union Bank, N.A., as escrow agent (collectively, the "Authority Documents"). The Authority has duly authorized, executed and delivered the Authority Documents and, assuming due authorization, execution and delivery by the other parties thereto (other than the City), each of the Authority Documents constitutes a legal, valid and binding obligation of the Authority enforceable against the Authority in accordance with its terms, except as the enforceability thereof may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors' rights or remedies.

2. The City is a municipal corporation organized and validly existing under all applicable laws, with full legal right, power and authority to enter into and perform its obligations under the Installment Purchase Agreement and the Continuing Disclosure Agreement, dated as of November 1, 2012 (the "Continuing Disclosure Agreement"), between the City and the Trustee (collectively, the "City Documents"). The City has duly approved the Purchase Contract, and has duly authorized, executed and delivered the City Documents and, assuming due authorization, execution and delivery by the other parties thereto (other than the Authority), each of the City Documents constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms, except as the enforceability thereof

may be limited by bankruptcy, moratorium, insolvency, equitable remedies and other laws affecting creditors' rights or remedies.

3. The Authority has duly and validly adopted Resolution No. __ approving the Authority Documents at a meeting duly called and held, and such Resolution is in full force and effect and has not been amended, modified or repealed since its adoption.

4. The City has duly and validly adopted Resolution No. __ approving the City Documents at a meeting duly called and held, and such Resolution is in full force and effect and has not been amended, modified or repealed since its adoption.

5. Ordinance No. 0-09-02 has been duly adopted by the City, and the Ordinance is in full force and effect and has not been amended, modified or repealed since its adoption.

6. There is no action, suit or proceeding before or by any court, government agency, public board or body pending or, to the best of our knowledge, threatened wherein an unfavorable decision, ruling or finding would (a) affect the creation, organization, existence or powers of the Authority or the City or the titles of their respective officers or officials to their respective offices, (b) in any way question or affect the validity or enforceability of any of the Authority Documents, the City Documents, or the Ordinances, (c) find illegal, invalid or unenforceable any of the Authority Documents, the City Documents, or the Ordinances or the transactions contemplated thereby, or any other agreement or instrument related to the issuance of the Bonds to which the Authority or the City is a party, (d) affect the issuance or delivery of any of the Bonds, the payment or collection of any revenues or charges of the City's electric system, the validity of the pledge of or lien on such revenues or charges for the benefit of the owners of the Bonds, the exclusion of interest on the Bonds from gross income, the powers of the Authority or the City, or the authority of the Authority to issue the Bonds or the consummation of any of the transactions contemplated by the Authority Documents, the City Documents, the Ordinances or the Bonds, (e) affect the power and authority of the City to establish, maintain and collect rates and charges for electric power and energy and other services, facilities and commodities sold, furnished or supplied through the facilities of the City's electric system, or (f) contest the completeness or accuracy of the Preliminary Official Statement relating to the Bonds, dated October __, 2012, or the Official Statement relating to the Bonds, dated October __, 2012 (the "Official Statement").

7. The execution and delivery of the Authority Documents and the City Documents and the other instruments contemplated by any of such documents, and compliance with the provisions thereof, do not conflict with or constitute a breach of or default under any applicable law or administrative rule or regulation of the State of California, the United States or any department or agency of either thereof, or any applicable court or administrative decree or order or any loan agreement, note, resolution, indenture, trust agreement, contract, agreement or other instrument to which the Authority or the City is subject or bound in a manner which would materially adversely affect the Authority's or the City's performance thereunder.

8. Any and all consents, authorizations, approvals and orders of or filings or registrations with any governmental authority, legislative body, board, agency or commission having jurisdiction which would constitute a condition precedent to, or the absence of which

would materially adversely affect, the performance by the Authority or the City of its obligations under the Authority Documents or the City Documents, respectively, have been obtained and are in full force and effect.

9. Although we have not verified and are not passing upon, and do not assume any responsibility for, the accuracy, completeness or fairness of the information contained in the Official Statement, nothing has come to our attention causing us to believe that the Official Statement (excluding therefrom the information relating to DTC, Cede & Co., the book-entry system, and any financial, engineering and statistical data; forecasts, projections, estimates, assumptions and expressions of opinions; and Appendices A and B; as to all of which we express no view), as of its date, or as of the date hereof, contained any untrue statement of a material fact or omitted to state a material fact required to be stated therein or necessary to make the statements therein, in light of the circumstances under which they were made, not misleading.

We are furnishing this opinion to you solely for your benefit. This opinion is rendered in connection with the transaction described herein, and may not be relied upon by you for any other purpose. This opinion shall not extend to, and may not be used, circulated, quoted, referred to, or relied upon by, any other person, firm, corporation or other entity without our prior written consent.

Very truly yours,

Attachment 4

Indenture of Trust

INDENTURE OF TRUST

BY AND BETWEEN THE

COLTON PUBLIC FINANCING AUTHORITY

AND

UNION BANK, N.A.,
AS TRUSTEE

DATED AS OF NOVEMBER 1, 2012

\$ _____
Colton Public Finance Authority
Electric Revenue Refunding Bonds, 2012 Series A

TABLE OF CONTENTS

Page

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2012 BONDS; EQUAL SECURITY

Section 1.01 Definitions..... 2

Section 1.02 Rules of Construction 10

Section 1.03 Authorization and Purpose of 2012 Bonds 10

Section 1.04 Equal Security..... 10

Section 1.05 Conditions Precedent Satisfied 10

Section 1.06 Exhibits 11

ARTICLE II

ISSUANCE OF THE 2012 BONDS

Section 2.01 Terms of the 2012 Bonds..... 11

Section 2.02 Redemption of 2012 Bonds 12

Section 2.03 Form of 2012 Bonds 15

Section 2.04 Execution of 2012 Bonds..... 15

Section 2.05 Transfer of 2012 Bonds 16

Section 2.06 Exchange of 2012 Bonds 16

Section 2.07 Registration Books..... 16

Section 2.08 2012 Bonds Mutilated, Lost, Destroyed or Stolen..... 16

Section 2.09 Temporary 2012 Bonds..... 17

Section 2.10 Cancellation of 2012 Bonds..... 17

Section 2.11 CUSIP 17

Section 2.12 Use of Depository 18

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF 2012 BONDS

Section 3.01 Issuance of 2012 Bonds 20

Section 3.02 Application of Proceeds of Sale of 2012 Bonds 20

Section 3.03 Validity of 2012 Bonds..... 20

ARTICLE IV

REVENUES; FLOW OF FUNDS

Section 4.01 Pledge of Revenues; Assignment of Rights..... 20

Section 4.02 Establishment of 2012 Facilities Trust Fund 21

Section 4.03 Purchase Payment Account..... 21

Section 4.04 Reserve Account 22

Section 4.05 Cost of Issuance Account..... 23

Section 4.06 Deposits of Money 23

Section 4.07 Investments 23

Section 4.08 Valuation and Disposition of Investments..... 25

TABLE OF CONTENTS - Continued

Page

ARTICLE V
COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 5.01	Punctual Payment.....	25
Section 5.02	Extension of Payment of 2012 Bonds.....	25
Section 5.03	Against Encumbrances.....	25
Section 5.04	Power to Issue 2012 Bonds and Make Pledge and Assignment.....	26
Section 5.05	Accounting Records and Financial Statements.....	26
Section 5.06	No Additional Parity Debt Payable from Facilities Revenues.....	26
Section 5.07	Tax Covenants	26
Section 5.08	Further Assurances.....	31
Section 5.09	Amendment of Installment Purchase Agreement	31
Section 5.10	Enforcement.....	31
Section 5.11	Installment Purchase Agreement	32

ARTICLE VI
THE TRUSTEE AND PAYING AGENT

Section 6.01	Duties, Immunities and Liabilities of Trustee.....	32
Section 6.02	Right of Trustee to Rely upon Documents, Etc	34
Section 6.03	Trustee Not Responsible for Recitals	34
Section 6.04	Right of Trustee to Acquire 2012 Bonds and Other Transactions with Authority	34
Section 6.05	Moneys Received by Trustee to be Held in Trust.....	34
Section 6.06	Compensation and Indemnification of Trustee.....	35
Section 6.07	Qualifications of Trustee.....	35
Section 6.08	Resignation and Removal of Trustee and Appointment of Successor Trustee.....	36
Section 6.09	Acceptance of Trust by Successor Trustee	37
Section 6.10	Merger or Consolidation of Trustee.....	37
Section 6.11	Obligations of Trustee.....	38
Section 6.12	Appointment of Co-Trustee	38
Section 6.13	Paying Agent for 2012 Bonds.....	39
Section 6.14	Resignation or Removal of Paying Agent; Appointment of Successor	39
Section 6.15	Agents	39

ARTICLE VII
MODIFICATION AND AMENDMENT OF THE INDENTURE

Section 7.01	Amendment Hereof.....	40
Section 7.02	Effect of Supplemental Indenture	41
Section 7.03	Endorsement or Replacement of 2012 Bonds After Amendment	42
Section 7.04	Amendment by Mutual Consent	42

TABLE OF CONTENTS - Continued

Page

**ARTICLE VIII
EVENTS OF DEFAULT AND REMEDIES**

Section 8.01	Events of Default	42
Section 8.02	Remedies Upon Event of Default	43
Section 8.03	Application of Facilities Revenues and Other Funds After Default	43
Section 8.04	Power of Trustee to Control Proceedings	44
Section 8.05	Appointment of Receivers	45
Section 8.06	Non-Waiver.....	45
Section 8.07	Rights and Remedies of 2012 Bond Owners	45
Section 8.08	Termination of Proceedings.....	46

**ARTICLE IX
MISCELLANEOUS**

Section 9.01	Limited Liability of Authority	46
Section 9.02	Benefits of Indenture Limited to Parties.....	47
Section 9.03	Discharge of Indenture.....	47
Section 9.04	Successor is Deemed Included in All References to Predecessor	47
Section 9.05	Content of Certificates	48
Section 9.06	Execution of Documents by 2012 Bond Owners.....	48
Section 9.07	Disqualified 2012 Bonds.....	49
Section 9.08	Determination of Percentage of 2012 Bond Owners	49
Section 9.09	Waiver of Personal Liability.....	49
Section 9.10	Partial Invalidity.....	49
Section 9.11	Destruction of Canceled 2012 Bonds	49
Section 9.12	Funds and Accounts	50
Section 9.13	Recording and Filing.....	50
Section 9.14	Payment on Business Days	50
Section 9.15	Notices	50
Section 9.16	Payments of 2012 Bonds; Unclaimed Moneys.....	51
Section 9.17	Governing Law	52
Section 9.18	Execution in Counterparts.....	52
Section 9.19	Consent of Parties	52
Section 9.20	Headings	52
EXHIBIT A	– FORM OF 2012 BONDS	A-1
EXHIBIT B	– FORM OF REQUISITION.....	B-1

INDENTURE OF TRUST

THIS INDENTURE OF TRUST, made and entered into as of November 1, 2012 (this "Indenture"), by and between the COLTON PUBLIC FINANCING AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (the "Authority"), and UNION BANK, N.A., a national banking association organized and existing under the laws of the United States of America, having a corporate trust office in Los Angeles, California (the "Trustee");

WITNESSETH:

WHEREAS, the Authority is a joint powers authority duly organized and existing under and pursuant to that certain Joint Exercise of Powers Agreement, dated May 16, 1989, by and between the City of Colton (the "City") and the Redevelopment Agency for the City, and under the provisions of Articles 1 through 4 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California (the "Act"), and is authorized pursuant to Article 4 of the Act (the "Bond Law") to borrow money for the purpose of financing the Authority's acquisition of public capital improvements of the City to provide financing for the City's public capital improvements; and

WHEREAS, the City has heretofore executed and delivered an Installment Sale Agreement, dated as of August 1, 2002 (the "2002 Installment Sale Agreement"), by and between the City and the Authority, pursuant to which the City is obligated to make installment payments in the aggregate principal amount of \$47,620,000, of which \$35,670,000 principal amount is currently outstanding and unpaid; and

WHEREAS, in connection with the 2002 Installment Sale Agreement, the City, pursuant to Resolution No. R-77-02 adopted by the City Council on July 2, 2002, authorized and approved the issuance of the Authority's \$47,620,000 Revenue Bonds, 2002 Series (Electric Generation Facility Project) (the "Prior Bonds"); and

WHEREAS, for the purpose of redeeming the City's outstanding obligations under the 2002 Installment Sale Agreement relating to the Prior Bonds, the Authority will purchase from the City the Facilities and sell the Facilities to the City and the City will be obligated to make 2012 Purchase Payments pursuant to the Installment Purchase Agreement (as defined herein); and

WHEREAS, simultaneously with the issuance of the 2012 Bonds, the Authority will establish an escrow fund with Union Bank, N.A. (the "Escrow Agent") to redeem the Prior Bonds; and

WHEREAS, the Authority will establish a trust pursuant to this Indenture and direct the Trustee to authenticate and deliver the 2012 Bonds; and

WHEREAS, to provide for the authentication and delivery of the 2012 Bonds, to establish and declare the terms and conditions upon which the 2012 Bonds are to be issued and to secure the payment of the principal thereof, premium (if any) and interest thereon, the Authority has authorized the execution and delivery of this Indenture; and

WHEREAS, the Authority has found and determined, and hereby affirms, that all acts and proceedings required by law to be necessary to make the 2012 Bonds, when executed by the Authority, authenticated and delivered by the Trustee and duly issued, the legal, valid and binding special obligations of the Authority, and to constitute this Indenture as a valid and binding agreement for the uses and purposes herein set forth in accordance with its terms, have been done and taken, and the execution and delivery of this Indenture have been in all respects duly authorized;

NOW, THEREFORE, THIS INDENTURE WITNESSETH, that to secure the payment of the principal of and interest and premium (if any) on all 2012 Bonds at any time issued and Outstanding under this Indenture, according to their tenor, and to secure the performance and observance of all the covenants and conditions therein and herein set forth, and to declare the terms and conditions upon and subject to which the 2012 Bonds are to be issued and received, and in consideration of the premises and of the mutual covenants herein contained and of the purchase and acceptance of the 2012 Bonds by the Owners thereof, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Authority does hereby covenant and agree with the Trustee, for the benefit of the respective Owners from time to time of the 2012 Bonds, as follows:

ARTICLE I

DEFINITIONS; AUTHORIZATION AND PURPOSE OF 2012 BONDS; EQUAL SECURITY

Section 1.01 Definitions. Unless the context otherwise requires, the terms defined in this Section 1.01 shall for all purposes of this Indenture and of any Supplemental Indenture and of the 2012 Bonds and of any certificate, opinion, request or other documents herein mentioned have the meanings herein specified. In addition, all terms defined in Section 1.1 of the Installment Purchase Agreement and not otherwise defined in this Section 1.01 shall have the respective meanings given such terms in the Installment Purchase Agreement.

“Act” means Article 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the Government Code of the State, as amended from time to time.

“Authorized Authority Representative” means the Chairperson, the Vice Chairperson, or the Executive Director of the Authority or any other person or persons designated by the Chairperson or the Board and authorized to act on behalf of the Authority by a Written Request signed by the Chairperson, the Vice Chairperson, or the Executive Director of the Authority or by a certified resolution adopted by the Board and delivered to the Trustee, except that in matters involving the investment of funds and related matters, the Treasurer of the Authority (or a designee authorized to act on behalf of the Authority by a Written Request signed by the Treasurer and delivered to the Trustee) shall act as the Authorized Authority Representative.

“Authorized City Representative” means the City Manager, the Finance Director, or the General Manager and any person or persons designated by the City Manager, the Finance Director, or the General Manager and authorized to act on behalf of the City by a Written Request signed by the City Manager, the Finance Director, or the General Manager and

delivered to the Trustee; except that in matters involving the investment of funds and related matters, the Treasurer of the City (or a designee authorized to act on behalf of the City by a Written Request signed by the Treasurer and delivered to the Trustee) shall act as the Authorized City Representative.

“Authorized Officer of the Trustee” means and includes the chairman of the board of directors, the president, every vice president, every assistant vice president, every trust officer and every officer and assistant officer duly authorized to act on behalf of the Trustee.

“Authority” means the Colton Public Financing Authority, a joint powers authority duly organized and existing under the Joint Exercise of Powers Agreement, dated May 16, 1989, by and between the City and the Redevelopment Agency for the City, and under the laws of the State.

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

“Bond Counsel” means (a) Fulbright & Jaworski L.L.P. or (b) any other attorney or firm of attorneys appointed by or acceptable to the City of nationally-recognized experience in the issuance of obligations the interest on which is excludable from gross income for federal income tax purposes under the Code.

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

“Bond Register” means the records of the Trustee for the registration and transfer of 2012 Bonds, as described in Section 2.07.

“Business Day” means a day of the year, other than a Saturday or Sunday, on which banks in New York, New York, Los Angeles, California and San Francisco, California, are not required or authorized to remain closed and on which The New York Stock Exchange is not closed.

“Certificate of the Authority” means a certificate in writing signed by the Chairperson, Vice Chairperson, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

“City” means the City of Colton, a municipal corporation organized and existing under the laws of the State.

“Code” means the Internal Revenue Code of 1986. Any reference to a provision of the Code shall include the applicable Tax Regulations with respect to such provision.

“Corporate Trust Office” means the corporate trust office of the Trustee at the address set forth in Section 9.15, and such office as the Trustee may designate in writing to the Authority from time to time as the place for transfer, exchange or payment of the 2012 Bonds.

“Costs of Issuance” means all costs or expenses paid or incurred in connection with the preparation, authorization, issuance, sale and delivery of the 2012 Bonds, including but not limited to all compensation, fees and expenses (including but not limited to fees and expenses for legal counsel) of the Authority and the Trustee, compensation to any financial consultants, engineering consultants or underwriters, legal fees and expenses, filing and recording costs, rating agency fees, bond insurer fees or premiums, costs of preparation and reproduction of documents, word processing costs, special counsel and other legal fees and expenses, accounting fees, expenses incurred by the City or the Authority in connection with qualification or registration, or determining the exemption from registration or qualification of the 2012 Bonds under the “Blue Sky” laws of any jurisdiction, fees payable to any other consultants or experts retained in connection with such preparation, authorization, issuance, sale and delivery, and costs of printing.

“Counsel” means an attorney at law, or firm of attorneys, of recognized standing and who are qualified to pass on the legality of the particular matter.

“Credit Facility” means an irrevocable and unconditional letter of credit, a surety bond, a standby purchase agreement, a line of credit or other similar credit or liquidity arrangement issued by a Qualified Bank to satisfy all or a portion of the Reserve Requirement.

“Delivery Date” means _____, 2012, being the date of delivery of the 2012 Bonds to the original purchasers thereof.

“Electric System” shall mean the entire electric system of the City, including the Facilities and all improvements later constructed or acquired.

“Escrow Agent” means Union Bank, N.A., its successors and assigns.

“Escrow Agreement” means the Escrow Agreement, dated as of November 1, 2012, by and between the Authority and the Escrow Agent.

“Escrow Fund” means that certain fund created and held by the Escrow Agent pursuant to the Escrow Agreement.

“Event of Default” means any of the events described in Section 8.01.

“Facilities” means the improvements and facilities, described in Exhibit A attached to the Installment Purchase Agreement, as said Exhibit A may be revised from time to time in accordance with the Installment Purchase Agreement.

“Facilities Revenues” means all amounts paid by the City pursuant to Section 5.2 or Section 5.6 of the Installment Purchase Agreement.

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

“Independent Accountant” means any certified public accountant or firm of certified public accountants appointed by the Authority or the City, and who, or each of whom

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

“Information Services” The term “Information Services” means the Electronic Municipal Market Access System (referred to as “EMMA”), a facility of the Municipal Securities Rulemaking Board, at www.emma.msrb.org; provided, however, in accordance with then current guidelines of the Securities and Exchange Commission, Information Services shall mean such other organizations providing information with respect to called bonds as the Authority may designate in a Certificate of the Authority delivered to the Trustee.

“Installment Purchase Agreement” means that certain Installment Purchase Agreement, dated as of November 1, 2012, by and between the City and the Authority, relating to the Facilities, as amended or supplemented from time to time.

“Interest Component” means any 2012 Purchase Payments, or portion thereof, that is designated and paid as interest pursuant to the terms of the Installment Purchase Agreement.

“Interest Payment Date” with respect to the Installment Purchase Agreement and the 2012 Bonds, means April 1 and October 1 in each year, beginning _____ 1, 20___, and continuing thereafter so long as any 2012 Bonds remain Outstanding.

“Moody’s” means Moody’s Investors Service, its successors and assigns.

“Outstanding,” when used as of any particular time with reference to 2012 Bonds, means (subject to the provisions of Section 9.07) all 2012 Bonds theretofore executed, issued and delivered by the Authority under this Indenture, except (a) 2012 Bonds theretofore canceled by the Trustee or surrendered to the Trustee for cancellation, (b) 2012 Bonds paid or deemed to have been paid within the meaning of Section 9.03, and (c) 2012 Bonds in lieu of or in substitution for which other 2012 Bonds shall have been executed, issued and delivered pursuant to this Indenture or any Supplemental Indenture.

“Owner,” when used with respect to any 2012 Bond, means the Person in whose name the ownership of such 2012 Bond shall be registered on the Registration Books, which may include Cede & Co., as nominee of The Depository Trust Company, New York, New York.

“Paying Agent” shall mean the Paying Agent as defined in Section 6.13 hereof.

“Permitted Investments” means any of the following which at the time of investment are determined by the Authority to be legal investments under the laws of the State of California: [ANY ADDITIONS/DELETIONS?]

A. Acceptable for all purposes, including defeasance investments in refunding escrow accounts.

(1) Cash (insured at all times by the Federal Deposit Insurance Corporation (FDIC)) or collateralized by Permitted Investments described in clause (A)(2) below,

(2) Obligations of, or obligations guaranteed as to principal and interest by, the United States of America or any agency or instrumentality thereof, when such obligations are backed by the full faith and credit of the United States of America including:

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

Any security used for defeasance must provide for the timely payment of principal and interest and cannot be callable or prepayable prior to maturity or earlier redemption of the rated debt (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date).

B. Acceptable for all purposes other than defeasance investments in refunding escrow accounts.

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

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

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

- Senior debt obligations issued by the Federal National Mortgage Association (FNMA) or Federal Home Loan Mortgage Corporation (FHLMC).
- Obligations of the Resolution Funding Corporation (REFCORP)
- Senior debt obligations of the Federal Home Loan Bank System

(3) U.S. dollar denominated deposit accounts, federal funds and bankers' acceptances with domestic commercial banks which have a rating on their short term certificates of deposit on the date of purchase of "P-1" by Moody's and "A-1" or "A-1+" by S&P and maturing not more than 360 calendar days after the date of purchase. (Ratings on holding companies are not considered as the rating of the bank);

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

(5) Investments in a money market fund rated “AAAm” or “AAAm-G” or better by S&P, including funds for which the Trustee or an affiliate of the Trustee provides investment advice or other services;

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

(A) which are rated, based on an irrevocable escrow account or fund (the “escrow”), in the highest rating category of Moody’s or S&P or any successors thereto; or

(B) (i) which are fully secured as to principal and interest and redemption premium, if any, by an escrow consisting only of cash or obligations described in paragraph A(2) above, which escrow may be applied only to the payment of such principal of and interest and redemption premium, if any, on such bonds or other obligations on the maturity date or dates thereof or the specified redemption date or dates pursuant to such irrevocable instructions, as appropriate, and (ii) which escrow is sufficient, as verified by a nationally recognized independent certified public accountant, to pay principal of and interest and redemption premium, if any, on the bonds or other obligations described in this paragraph on the maturity date or dates specified in the irrevocable instructions referred to above, as appropriate.

(7) Municipal Obligations rated “Aaa/AAA” or general obligations of States with a rating of “A2/A” or higher by both Moody’s and S&P;

(8) Investment agreements, guaranteed investment contracts, funding agreements, or any other form of corporate note which represents the unconditional obligation of one or more banks, insurance companies or other financial institutions, or are guaranteed by a financial institution which has an unsecured rating, or which agreement is itself rated, as of the date of execution thereof, in one of the two highest rating categories by two or more Rating Agencies;

(9) Investments in the Local Agency Investment Fund created pursuant to Section 16429.1 of the California Government Code; and

(10) Repurchase agreements with financial institutions or banks insured by the FDIC or Federal Savings and Loan Insurance Corporation (FSLIC), or any broker dealer with “retail customers” which falls under the jurisdiction of the Securities Investors Protection Corporation; provided, that: (a) the over-collateralization is at one hundred two percent (102%), computed weekly, consisting of such securities as described in this section, items (1) through (3); (b) a third party custodian, the Trustee or the Federal Reserve Bank shall have possession of such

obligations; (c) the Trustee shall have perfected a first priority security interest in such obligations; and (d) failure to maintain the requisite collateral percentage will require the Trustee to liquidate the collateral.

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

(1) For the purpose of determining the amount in any fund for account, all Permitted Investments credited to such fund shall be valued at fair market value. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers.

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

(3) As to any investment not specified above: the value thereof established by prior agreement among the Authority and the Trustee.

"Principal Component" means with respect to a 2012 Purchase Payments, the portion thereof that is designated and paid as principal pursuant to the terms of the Installment Purchase Agreement.

"Purchase Payment Dates" shall mean the dates on which the 2012 Purchase Payments are required to be made as provided in the Installment Purchase Agreement.

"Qualified Bank" means a state or national bank or trust company or savings and loan association or a foreign bank with a domestic branch or agency that is organized and in good standing under the laws of the United States of America or any state thereof or any foreign country, that has a capital and surplus of \$75,000,000 or more and that has a short term debt rating at the time of issuance of the Credit Facility of the highest ranking or of the highest letter and numerical rating as provided by Moody's or S&P.

"Record Date" for the 2012 Bonds means, with respect to any Interest Payment Date, the fifteenth (15th) calendar day of the month immediately preceding such Interest Payment Date, whether or not such day is a Business Day.

"Redemption Date" means the date fixed for an optional or mandatory redemption (if any), as the case may be, prior to maturity of the 2012 Bonds.

"Registration Books" means the records maintained by the Trustee pursuant to Section 2.07 for the registration and transfer of ownership of the 2012 Bonds.

"Request of the Authority" means a request in writing signed by the Chairperson, Executive Director, Secretary or Treasurer of the Authority, or by any other officer of the Authority duly authorized by the Board for that purpose, written notice of which shall be given to the Trustee.

"Reserve Account Policy" means a policy of insurance, surety bond or similar instrument issued by a municipal bond insurer, obligations insured by such insurer which have a

rating by Moody's and S&P which at the time of issuance is the highest rating then issued by Moody's and S&P, to satisfy all or a portion of the Reserve Requirement.

"Reserve Requirement" means, at any date of determination and as computed by the Authority at the direction of the City, for so long as any 2012 Bond remains Outstanding, the least of (a) an amount equal to the maximum amount of 2012 Purchase Payments due on any October 1 and the next succeeding April 1 with respect to then Outstanding 2012 Bonds, (b) an amount equal to 10% of the proceeds (within the meaning of Section 148 of the Code) of all 2012 Bonds, and (c) an amount equal to 125% of the average annual 2012 Purchase Payments due on any October 1 and the next succeeding April 1 with respect to then Outstanding 2012 Bonds; provided, however that such Reserve Requirement or a portion thereof may be provided by one or more Reserve Account Policies or Credit Facilities upon the filing by the Authority with the Trustee of written evidence that the use of such Reserve Account Policies or Credit Facilities to satisfy the Reserve Requirement or any portion thereof will not by itself result in the downgrading or withdrawal of any credit rating then in effect with respect to the 2012 Bonds. For purposes of determining the average annual 2012 Purchase Payments pursuant to clause (c) above, if any amount remains due on an October 1 or the next succeeding April 1, such year shall be treated as a full year. [LOWER REQUIREMENT?]

"S&P" means Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc., its successors and assigns.

"Series" means all 2012 Bonds designated by descriptive title or otherwise as a series and prepared and issued in a simultaneous transaction, and any 2012 Bonds thereafter prepared and issued in lieu of or in exchange or substitution for such 2012 Bonds, pursuant to the provisions of this Indenture, regardless of variations in interest rate, redemption or other provisions.

"State" means the State of California.

"Supplemental Indenture" means any indenture, agreement or other instrument hereafter duly executed by the Authority and the Trustee in accordance with the provisions of Section 7.01.

"Tax Certificate" shall mean the Tax Certificate as defined in Section 5.07 hereof.

"Tax Regulations" means temporary and permanent regulations promulgated under or with respect to section 103 and sections 141 through 150, inclusive, of the Code.

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

"Trustee" means Union Bank, N.A. and its successors and assigns, and any other corporation or association which may at any time be substituted in its place as provided in Article VI.

“Written Request” means a written instrument signed by an Authorized City Representative or an Authorized Authority Representative, as the case may be.

“2012 Bonds” means the \$_____ aggregate principal amount of Colton Public Financing Authority Electric Revenue Refunding Bonds, 2012 Series A, authorized by and at any time Outstanding pursuant to the Bond Law and this Indenture.

“2012 Purchase Payments” means the payments so designated in the Installment Purchase Agreement.

Section 1.02 Rules of Construction. All references in this Indenture to “Articles,” “Sections,” and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Indenture, and the words “herein,” “hereof,” “hereunder,” and other words of similar import refer to this Indenture as a whole and not to any particular Article, Section or subdivision hereof.

Section 1.03 Authorization and Purpose of 2012 Bonds. The Authority has reviewed all proceedings heretofore taken relative to the authorization of the 2012 Bonds and has found, as a result of such review, and hereby finds and determines that all things, conditions and acts required by law to exist, happen and be performed precedent to and in the issuance of the 2012 Bonds do exist, have happened and have been performed in due time, form and manner as required by law, and the Authority is now authorized under the Bond Law, and each and every requirement of law, to issue the 2012 Bonds in the manner and form provided in this Indenture. Accordingly, the Authority hereby authorizes the issuance of the 2012 Bonds pursuant to the Bond Law and this Indenture.

Section 1.04 Equal Security. In consideration of the acceptance of the 2012 Bonds by the Owners thereof, this Indenture shall be deemed to be and shall constitute a contract among the Authority, the Trustee and the Owners from time to time of the 2012 Bonds, and the covenants and agreements herein set forth to be performed on behalf of the Authority shall be for the equal and proportionate benefit, security and protection of all Owners of the 2012 Bonds without preference, priority or distinction as to security or otherwise of any of the 2012 Bonds over any of the others by reason of the number or date thereof or the time of sale, execution or delivery thereof, or otherwise for any cause whatsoever, except as expressly provided therein or herein.

Section 1.05 Conditions Precedent Satisfied. Each party hereto represents that all acts, conditions and things required of it by law to exist, happen and be performed by it precedent to and in connection with the execution and entering into of this Indenture have happened and have been performed in regular and due time, form and manner as required by law, and each party hereto represents that it is now duly empowered to execute and deliver this Indenture.

Section 1.06 Exhibits. The following Exhibits are attached to and by this reference made a part of this Indenture:

Exhibit A: Form of 2012 Bonds.

Exhibit B: Form of Requisition.

ARTICLE II

ISSUANCE OF THE 2012 BONDS

Section 2.01 Terms of the 2012 Bonds.

(a) Generally. The 2012 Bonds authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Indenture shall be designated the “Colton Public Financing Authority Electric Revenue Refunding Bonds, 2012 Series A and shall be issued in the original aggregate principal amount of _____ DOLLARS (\$_____).

(b) Terms of 2012 Bonds. The 2012 Bonds shall be issued as fully registered bonds without coupons in denominations of \$5,000 or any integral multiple thereof. No 2012 Bond shall have more than one maturity date. The 2012 Bonds shall be dated the date of their initial delivery and shall mature on April 1 in the year(s) and in the amount(s), and shall bear interest (calculated on the basis of a 360-day year of twelve 30-day months) at the rates, as follows:

Maturity Date (<u>April 1</u>)	Principal <u>Amount</u>	Interest Rate <u>Per Annum</u>
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Interest on the 2012 Bonds shall be payable on each Interest Payment Date to the Person whose name appears on the Registration Books as the Owner thereof as of the Record Date immediately preceding each such Interest Payment Date, such interest to be paid by check or draft of the Trustee mailed by first-class mail, postage prepaid, on each Interest Payment Date to the Owner at the address of such Owner as it appears on the Registration Books as of the preceding Record Date; provided, however, that at the written request of the Owner of at least \$1,000,000 in aggregate principal amount of Outstanding 2012 Bonds filed with the Trustee prior to any Record Date, interest on such 2012 Bonds shall be paid to such Owner on each succeeding Interest Payment Date by wire transfer of immediately available funds to an account in the continental United States designated in such written request. Any such written request shall remain in effect until rescinded in writing by such Owner. Principal of and premium (if any) on any 2012 Bond shall be paid upon presentation and surrender thereof, at maturity or the prior redemption thereof, at the Corporate Trust Office of the Trustee. The principal of and interest and premium (if any) on the 2012 Bonds shall be payable in lawful money of the United States of America.

Interest on a 2012 Bond shall accrue on overdue principal at the same rate borne by the particular 2012 Bond. Each 2012 Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof, unless (a) it is executed on an April 1 or October 1, in which event interest shall accrue from the date of execution thereof; (b) it is authenticated after a Record Date and on or before the following Interest Payment Date, in which event it shall bear interest from such Interest Payment Date; or (c) it is authenticated on or before _____ 15, 20__, in which event it shall bear interest from the date of initial delivery of the 2012 Bonds; provided, however, that if, as of the date of authentication of any 2012 Bond, interest thereon is in default, such 2012 Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment thereon or if no interest has been paid, from the date of initial delivery of the 2012 Bonds.

The Authority and the Trustee may treat the registered Owner of any 2012 Bond or 2012 Bonds as the absolute owner thereof for all purposes, and the Authority and the Trustee shall not be affected by any notice to the contrary.

Section 2.02 Redemption of 2012 Bonds.

(a) Optional Redemption. The 2012 Bonds maturing on or after April 1, 20__ are subject to redemption at the option of the Authority in whole or in part on any date in integral multiples of \$5,000, on and after April 1, 20__ at the redemption price of par and the accrued interest thereto on the date fixed for such redemption, from any source of funds, upon notice as provided herein.

(b) Mandatory Redemption.

The 2012 Term Bonds maturing on April 1, 20__, are subject to mandatory redemption, in part by lot, from mandatory sinking account payments on April 1 in each year commencing April 1, 20__ as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the 2012

Bonds have been redeemed pursuant to optional redemption described above, the total amount of mandatory sinking account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the 2012 Term Bonds so redeemed by reducing each such future mandatory sinking account payments on a pro rata basis so as to maintain level annual debt service payments (as nearly as practicable) in integral multiples of \$5,000 as shall be designated pursuant to written notice filed by the Financing Authority with the Trustee.

Mandatory Sinking Account Payments
2012 Term Bonds Maturing April 1, 20__

Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
	\$

*

*Maturity

The 2012 Term Bonds maturing on April 1, 20__, are subject to mandatory redemption, in part by lot, from mandatory sinking account payments on April 1 in each year commencing April 1, 20__, as set forth in the following schedule, at a redemption price equal to the principal amount thereof to be redeemed (without premium), together with interest accrued thereon to the date fixed for redemption; provided, however, that if some but not all of the 2012 Bonds have been redeemed pursuant to optional redemption described above, the total amount of mandatory sinking account payments to be made subsequent to such redemption shall be reduced in an amount equal to the principal amount of the 2012 Term Bonds so redeemed by reducing each such future mandatory sinking account payments on a pro rata basis so as to maintain level annual debt service payments (as nearly as practicable) in integral multiples of \$5,000 as shall be designated pursuant to written notice filed by the Financing Authority with the Trustee.

Mandatory Sinking Account Payments
2012 Term Bonds Maturing April 1, 20__

Redemption Date <u>(April 1)</u>	Principal <u>Amount</u>
	\$

*

*Maturity

(c) In lieu of such redemption, the Trustee may apply amounts in the Sinking Account to the purchase of 2012 Term Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Interest Account) as may be directed in writing by the Financing Authority, except that the purchase price (exclusive of accrued interest) may not exceed the redemption price then applicable to the 2012 Term Bonds, as set forth in a Written Request of the Financing Authority. The principal amount of any 2012 Term Bonds so purchased by the Financing Authority in any twelve-month period immediately preceding any April 1 in the table above will be credited toward and will reduce the principal amount of 2012 Term Bonds required to be redeemed on such April 1.

(d) Revised Schedule of 2012 Purchase Payments. Upon redemption pursuant to Section 2.02(a), the Authority, after consultation with the City, shall provide the Trustee and the City with a revised Exhibit B to the Installment Purchase Agreement which Exhibit B shall take into account such redemption.

(e) Notice of Redemption. The Trustee on behalf and at the expense of the Authority shall mail (by first-class mail) notice of any redemption to the respective Owners of any 2012 Bonds designated for redemption, at their respective addresses appearing on the Registration Books, and to the Information Services, at least thirty (30) but not more than sixty (60) days prior to the date fixed for redemption; provided, however, that neither failure to receive any such notice so mailed nor any defect therein shall affect the validity of the proceedings for the redemption of such 2012 Bonds or the cessation of the accrual of interest thereon. Such notice shall state the date of the notice, the Redemption Date, the redemption place and the redemption price and shall designate the CUSIP number, the 2012 Bond numbers (but only if less than all of the Outstanding 2012 Bonds are to be redeemed) and the maturity in the event of redemption of all of the 2012 Bonds of such maturity, and shall require that such 2012 Bonds be then surrendered at the Corporate Trust Office of the Trustee for redemption at the redemption price, giving notice also that further interest on such 2012 Bonds will not accrue from and after the Redemption Date. The Trustee shall not be responsible or liable for providing such notice unless it receives notice of such redemption from the Authority at least forty-five (45) days prior to the date fixed for redemption.

The Authority shall have the right to rescind any notice of optional redemption by written notice to the Trustee on or prior to the date fixed for redemption. Any notice of redemption shall be cancelled and annulled if for any reason funds are not or will not be available on the date fixed for redemption for the payment in full of the 2012 Bonds then called for redemption, and neither the lack of available funds nor such cancellation shall constitute an Event of Default hereunder. The Authority and the Trustee shall have no liability to the Owners or any other party related to or arising from such rescission of notice of redemption. The Trustee shall mail notice of such rescission of redemption in the same manner as the original notice of redemption was sent.

(f) Selection of 2012 Bonds for Redemption. Whenever provision is made in this Indenture for the redemption of less than all of the Outstanding 2012 Bonds, the Trustee shall select the 2012 Bonds to be redeemed to correspond to the Principal Components of 2012 Purchase Payments prepaid by the City in conformance with Section 5.6 of the Installment Purchase Agreement and by lot within a maturity; except, that, in the case of any redemption of

any 2012 Bond, or portion thereof, prior to its maturity, the Trustee shall first select those 2012 Bonds delivered to the Trustee by the Authority, and designated by the Authority as satisfying 2012 Purchase Payments, previously acquired by the Authority, in lieu of making such redemption, and then the Trustee shall select by lot within a maturity the other 2012 Bonds to be redeemed. Any selection of the 2012 Bonds by the Trustee shall be binding upon the Owners. For purposes of such selection, all 2012 Bonds shall be deemed to be comprised of separate \$5,000 portions and such portions shall be treated as separate 2012 Bonds which may be separately redeemed.

(g) Partial Redemption of 2012 Bonds. In the event only a portion of any 2012 Bond is called for redemption, then upon surrender of such 2012 Bond the Authority shall execute and the Trustee shall authenticate and deliver to the Owner thereof, at the expense of the Authority, a new 2012 Bond or 2012 Bonds of the same maturity date, of authorized denominations in an aggregate principal amount equal to the unredeemed portion of the 2012 Bond to be redeemed.

(h) Effect of Redemption. From and after the date fixed for redemption, if funds available for the payment of the principal of and interest (and premium, if any) on the 2012 Bonds so called for redemption shall have been duly provided, such 2012 Bonds so called shall cease to be entitled to any benefit under this Indenture other than the right to receive payment of the principal, interest accrued to the Redemption Date, and premium, if any, and no interest shall accrue thereon from and after the Redemption Date specified in such notice.

All 2012 Bonds redeemed in whole or in part pursuant to the provisions of this Article shall be canceled by the Trustee and destroyed, and the Trustee shall certify in writing as to their destruction.

Section 2.03 Form of 2012 Bonds. The 2012 Bonds, the form of Trustee's certificate of authentication, and the form of assignment to appear thereon, shall be in substantially the form set forth in Exhibit A attached hereto and by this reference incorporated herein, with necessary or appropriate variations, omissions and insertions as permitted or required by this Indenture.

Section 2.04 Execution of 2012 Bonds. The 2012 Bonds shall be signed in the name and on behalf of the Authority with the manual or facsimile signature of its Chairperson or Vice Chairperson and attested with the manual or facsimile signature of its Secretary or any Assistant Secretary duly appointed by the Board, and shall be delivered to the Trustee for authentication by it. In case any officer of the Authority who shall have signed any of the 2012 Bonds shall cease to be such officer before the 2012 Bonds so signed shall have been authenticated or delivered by the Trustee or issued by the Authority, such 2012 Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issue, shall be as binding upon the Authority as though the individual who signed the same had continued to be such officer of the Authority. In addition, any 2012 Bond may be signed on behalf of the Authority by any individual who on the actual date of the execution of such 2012 Bond shall be the proper officer although on the nominal date of such 2012 Bond such individual shall not have been such officer.

Only such of the 2012 Bonds as shall bear thereon a certificate of authentication in substantially the form set forth in Exhibit A executed by the Trustee shall be valid or obligatory for any purpose or entitled to the benefits of this Indenture, and such certificate of the Trustee shall be conclusive evidence that the 2012 Bonds so authenticated have been duly authenticated and delivered hereunder and are entitled to the benefits of this Indenture.

Section 2.05 Transfer of 2012 Bonds. Any 2012 Bond may, in accordance with its terms, be transferred, upon the Registration Books, by the Person in whose name it is registered, in person or by his or her attorney duly authorized in writing, upon surrender of such 2012 Bond for cancellation at the Corporate Trust Office of the Trustee, accompanied by delivery of a written instrument of transfer in a form approved by the Trustee, duly executed by the registered Owner or his or her duly authorized attorney and upon payment by the registered Owner of any charges the Trustee may make pursuant to this Indenture. Whenever any 2012 Bond or 2012 Bonds shall be surrendered for transfer, the Authority shall execute and the Trustee shall authenticate and deliver to the transferee a new 2012 Bond or 2012 Bonds of authorized denomination or denominations of like tenor, Series, maturity and aggregate principal amount. The Trustee shall not be required to transfer, pursuant to this Section, either (a) all 2012 Bonds during the 15 day period preceding the selection of 2012 Bonds for redemption or (b) any 2012 Bonds selected for redemption pursuant to Section 2.02.

Section 2.06 Exchange of 2012 Bonds. The 2012 Bonds may be exchanged upon surrender thereof at the Corporate Trust Office of the Trustee upon payment by the registered Owner of any charges the Trustee may make pursuant to this Indenture for an equal aggregate principal amount of 2012 Bonds of other authorized denominations and of the same tenor, Series and maturity. The Trustee shall not be required to exchange, pursuant to this Section, either (a) any 2012 Bonds during the 15 day period preceding the selection of 2012 Bonds for redemption or (b) any 2012 Bonds selected for redemption pursuant to Section 2.02.

Section 2.07 Registration Books. The Trustee will keep or cause to be kept at its Corporate Trust Office sufficient records for the ownership, registration, transfer and exchange of the 2012 Bonds, which shall at all reasonable times during regular business hours be open to inspection by the Authority, the City or its designated agent or any Owner or his or her agent duly authorized in writing with reasonable prior notice. Upon presentation for such purpose, the Trustee shall, under such reasonable regulations as it may prescribe, register or transfer or cause to be registered or transferred, on said records, 2012 Bonds as hereinbefore provided.

Section 2.08 2012 Bonds Mutilated, Lost, Destroyed or Stolen. If any 2012 Bond shall become mutilated, the Authority, at the expense of the Owner of said 2012 Bond, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2012 Bond of like series, tenor and authorized denomination in exchange and substitution for the 2012 Bond so mutilated, but only upon surrender to the Trustee at the Corporate Trust Office of the 2012 Bond so mutilated. Every mutilated 2012 Bond so surrendered to the Trustee shall be canceled by it and destroyed. If any 2012 Bond issued hereunder shall be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee and, if such evidence is satisfactory to the Trustee and indemnity satisfactory to the Trustee shall be given, the Authority, at the expense of the 2012 Owner, shall execute, and the Trustee shall thereupon authenticate and deliver, a new 2012 Bond of like series, tenor and authorized denomination in lieu of and in

substitution for the 2012 Bond so lost, destroyed or stolen (or if any such 2012 Bond shall have matured or shall have been called for redemption, instead of issuing a substitute 2012 Bond the Trustee may pay the same without surrender thereof upon receipt of indemnity satisfactory to the Trustee). The Trustee may require payment of a reasonable fee for each new 2012 Bond issued under this Section 2.08 and of the expenses which may be incurred by the Authority and the Trustee. Any 2012 Bond issued under the provisions of this Section 2.08 in lieu of any 2012 Bond alleged to be lost, destroyed or stolen shall constitute an original contractual obligation on the part of the Authority whether or not the 2012 Bond alleged to be lost, destroyed or stolen be at any time enforceable by anyone, and shall be equally and proportionately entitled to the benefits of this Indenture with all other 2012 Bonds secured by this Indenture.

Section 2.09 Temporary 2012 Bonds.

(a) Until definitive 2012 Bonds are prepared, the Authority may sign and may direct the Trustee to authenticate, in the same manner as is provided in this Article II, in lieu of definitive 2012 Bonds, one or more temporary 2012 Bonds substantially of the tenor of the definitive 2012 Bonds in lieu of which such temporary 2012 Bond or 2012 Bonds are issued, in denominations authorized hereunder, and with such omissions, insertions and variations as may be appropriate to temporary 2012 Bonds. At the expense of the Authority, the Authority shall prepare and execute and the Trustee shall authenticate and, upon the surrender of such temporary 2012 Bonds and the cancellation of such surrendered temporary 2012 Bonds, the Trustee shall without charge to the Owner thereof, in exchange therefor, deliver definitive 2012 Bonds, of the same principal amount, Series and maturity as the temporary 2012 Bonds surrendered. Until so exchanged, the temporary 2012 Bonds shall in all respects be entitled to the same benefits and security as definitive 2012 Bonds issued pursuant to this Indenture.

(b) If the Authority shall request the issuance of temporary 2012 Bonds in more than one denomination, the Owner of any temporary 2012 Bond or 2012 Bonds may, at his or her option, surrender the same to the Trustee in exchange for another temporary 2012 Bond or 2012 Bonds of like principal amount, Series and maturity of any other authorized denomination or denominations, and thereupon the Trustee shall issue, in exchange for the temporary 2012 Bond or 2012 Bonds so surrendered and upon payment of any taxes, fees and charges provided for herein, a temporary 2012 Bond or 2012 Bonds of like aggregate principal amount, Series and maturity in such other authorized denomination or denominations as shall be requested by such Owner.

(c) All temporary 2012 Bonds surrendered in exchange either for another temporary 2012 Bond or 2012 Bonds or for a definitive 2012 Bond or 2012 Bonds shall be forthwith canceled by the Trustee and destroyed, and the Trustee shall certify in writing as to their destruction.

Section 2.10 Cancellation of 2012 Bonds. All 2012 Bonds paid or redeemed, either at or before maturity, shall be delivered to the Trustee when such payment or redemption is made and such 2012 Bonds shall thereupon be promptly canceled and destroyed, and the Trustee shall certify in writing as to their destruction.

Section 2.11 CUSIP. The Trustee, the City and the Authority shall not be liable for any defect or inaccuracy in the CUSIP number that appears on any 2012 Bond or in

any redemption notice. The Trustee may, in its discretion, include in any redemption notice a statement to the effect that the CUSIP numbers on the 2012 Bonds have been assigned by an independent service and are included in such notice solely for the convenience of the Owners and that neither the Trustee, the City nor the Authority shall be liable for any inaccuracies in such numbers.

Section 2.12 Use of Depository. Notwithstanding any provision of this Indenture to the contrary:

(a) At the request of the original purchaser, the 2012 Bonds shall be initially issued and registered in the name of "Cede & Co.," as nominee of The Depository Trust Company, the depository designated by the original purchaser, and shall be evidenced by one 2012 Bond in a denomination corresponding to the total principal amount of each maturity of 2012 Bonds. Registered ownership of such 2012 Bonds, or any portions thereof, may not thereafter be transferred except:

(i) to any successor of The Depository Trust Company or its nominee, or of any substitute depository designated pursuant to paragraph (ii) of this subsection (a) ("substitute depository"); provided that any successor of The Depository Trust Company or substitute depository shall be qualified under any applicable laws to provide the service proposed to be provided by it;

(ii) to any substitute depository designated in a written request of the Authority, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it; or

(iii) to any Person as provided below, upon (A) the resignation of The Depository Trust Company or its successor (or any substitute depository or its successor) from its functions as depository or (B) a determination by the Authority that The Depository Trust Company or its successor is no longer able to carry out its functions as depository; provided that no substitute depository which is not objected to by the Authority and the Trustee can be obtained.

(b) In the case of any transfer pursuant to paragraph (i) or paragraph (ii) of subsection (a) of this Section 2.12, upon receipt of all Outstanding 2012 Bonds by the Trustee, together with a written request of the Authority to the Trustee, a single new 2012 Bond shall be issued for each maturity of such 2012 Bond then Outstanding, registered in the name of such successor or such substitute depository or their nominees, as the case may be, all as specified in such written request of the Authority. In the case of any transfer pursuant to paragraph (iii) of subsection (a) of this Section 2.12, upon receipt of all Outstanding 2012 Bonds by the Trustee together with a written request of the Authority, new 2012 Bonds shall be issued in such denominations and registered in the names of such persons as are requested in a written request of the Authority provided the Authority shall not be required to issue such new 2012 Bond

within a period less than sixty (60) days from the date of receipt of such a written request of the Authority.

(c) In the case of partial redemption of the principal of any 2012 Bond, The Depository Trust Company shall deliver the 2012 Bond to the Trustee for cancellation and re-registration to reflect the amounts of such reduction in principal.

(d) The Authority and the Trustee shall be entitled to treat the Person in whose name any 2012 Bond is registered as the absolute Owner thereof for all purposes of this Indenture and any applicable laws, notwithstanding any notice to the contrary received by the Trustee or the Authority; and the Authority and the Trustee shall have no responsibility for transmitting payments to, communication with, notifying or otherwise dealing with any beneficial owners of the 2012 Bonds. Neither the Authority nor the Trustee will have any responsibility or obligations, legal or otherwise, to the beneficial owners or to any other party including The Depository Trust Company or its successor (or substitute depository or its successor), except for the registered Owner of any 2012 Bond.

(e) So long as all Outstanding 2012 Bonds are registered in the name of Cede & Co. or its registered assign, the Authority and the Trustee shall reasonably cooperate with Cede & Co., as sole registered Owner, or its registered assign in effecting payment of the principal and redemption premium, if any, and interest on the 2012 Bonds by arranging for payment in such manner that funds for such payments are properly identified and are made immediately available on the date they are due. Upon any such payment to Cede & Co., or its registered assign, of principal or redemption premium, if any, or interest on an Outstanding 2012 Bond, all liability with respect to the amount so paid shall be satisfied.

(f) So long as all Outstanding 2012 Bonds are registered in the name of Cede & Co. or its registered assign (hereinafter, for purposes of this paragraph (f), the "Owner"):

(i) All notices and payments addressed to the Owner shall contain the 2012 Bonds' CUSIP numbers.

(ii) Notices to the Owner shall be forwarded in the manner and to the telephone numbers (in the case of notice by telecopy) and addresses as set forth in paragraphs 6 through 11 of the standard form letter of representations directed to The Depository Trust Company and executed by the Authority (the "Letter of Representations").

(g) Reference is hereby made to the Letter of Representations for certain actions by the Authority and the Trustee under specified circumstances.

ARTICLE III

DEPOSIT AND APPLICATION OF PROCEEDS OF 2012 BONDS

Section 3.01 Issuance of 2012 Bonds. The Authority is directed to prepare, and upon the execution and delivery of this Indenture, the Authority shall execute the 2012 Bonds, and the Authority shall deliver the 2012 Bonds to the Trustee for authentication and delivery to the original purchaser or purchasers thereof upon the Request of the Authority.

Section 3.02 Application of Proceeds of Sale of 2012 Bonds. To induce the City to enter into the Installment Purchase Agreement, and to insure that the Facilities will be available for use, the Authority is entering into this Indenture. Upon the receipt of payment for the 2012 Bonds on the Delivery Date, the Authority will cause the Trustee to apply the proceeds of sale of the 2012 Bonds in the amount of \$ _____ as follows:

- (a) transfer to the Escrow Agent for deposit into the Escrow Fund pursuant to the Escrow Agreement the amount of \$ _____; and
- (b) to the Costs of Issuance Account the amount of \$ _____; and
- (c) to the Reserve Account, the amount of \$ _____, which is equal to the initial Reserve Requirement.

Section 3.03 Validity of 2012 Bonds. The validity of the authorization and issuance of the 2012 Bonds shall not be affected in any way by any proceedings taken by the City with respect to the application of the proceeds of the Installment Purchase Agreement, and the recital contained in the 2012 Bonds that the same are issued pursuant to the Act shall be conclusive evidence of their validity and of the regularity of their issuance.

ARTICLE IV

REVENUES; FLOW OF FUNDS

Section 4.01 Pledge of Revenues; Assignment of Rights. The 2012 Bonds shall be secured by a pledge (which shall be effected in the manner and to the extent hereinafter provided), charge and lien upon Facilities Revenues and a pledge of all of the moneys in the Purchase Payment Account and the Reserve Account, including all amounts derived from the investment of such moneys. The 2012 Bonds are also secured by (a) all moneys deposited and held from time to time by the Trustee in the fund and accounts established hereunder and (b) income and gains, if any, with respect to the investment of amounts on deposit in the fund and accounts established hereunder. The 2012 Bonds shall be equally secured by a pledge of, charge and lien upon, the Facilities Revenues and such moneys without priority for number, date of 2012 Bonds, date of execution or date of delivery, and the payment of the interest on and principal of the 2012 Bonds and any premium upon the redemption of any thereof shall be and are secured by an exclusive pledge, charge and lien upon the Facilities Revenues and such moneys. So long as any of the 2012 Bonds are Outstanding, the Facilities Revenues and such moneys shall not be used for any other purpose, except that out of the Facilities Revenues and

such moneys there may be apportioned such sums, for such purposes, as are expressly permitted by this Indenture.

The Authority hereby transfers in trust and assigns to the Trustee, for the benefit of the Owners from time to time of the 2012 Bonds, all of the Facilities Revenues and all of the right, title and interest of the Authority in the Installment Purchase Agreement (other than the rights of the Authority under Sections 8.2, 8.3 and 9.4 thereof). The Trustee hereby accepts such assignment and transfer; provided, however, that such assignment and transfer shall not confer any rights nor impose any duties, obligations or responsibilities upon the Trustee beyond those expressly provided herein. The Trustee shall be entitled to and shall receive all of the 2012 Purchase Payments, and any 2012 Purchase Payments collected or received by the Authority shall be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. Upon a default hereunder, the Trustee also shall be entitled to and, subject to the provisions hereof, shall take all steps, actions and proceedings reasonably necessary in its judgment to enforce, either jointly with the Authority or separately, all the rights of the Authority and all of the obligations of the City under the Installment Purchase Agreement.

Section 4.02 Establishment of 2012 Facilities Trust Fund. There is hereby established with the Trustee a special trust fund for the 2012 Bonds, which special trust fund shall be designated as the “2012 Facilities Trust Fund.” The Trustee shall keep the 2012 Facilities Trust Fund separate and apart from all other funds and moneys held by it. Within the 2012 Facilities Trust Fund, there are hereby established the following accounts: the “Purchase Payment Account,” the “Reserve Account” and the “Cost of Issuance Account.”

Section 4.03 Purchase Payment Account.

- (a) The Trustee shall deposit in the Purchase Payment Account the following:
 - (i) when received, 2012 Purchase Payments made by the City pursuant to Section 5.2 of the Installment Purchase Agreement;
 - (ii) from time to time, moneys transferred from the Cost of Issuance Account pursuant to Section 4.05(a) hereof;
 - (iii) from time to time, moneys transferred from the Reserve Account pursuant to Sections 4.04(b) and 4.04(c) hereof;
 - (iv) amounts, if any, delivered to the Trustee by the Authority for the payment of any premium portion of the Redemption Price to be paid pursuant to Section 2.02(a) hereof; and
 - (v) all other moneys received by the Trustee under and pursuant to the provisions of the Installment Purchase Agreement which are required to be or which are accompanied by directions that such moneys are to be paid into the Purchase Payment Account.

(b) The Trustee shall withdraw moneys from the Purchase Payment Account at such times and in such amounts as are necessary to make payments of principal of, or interest or premium, if any, on the 2012 Bonds; provided, however, that such payments shall be deemed made first from investment income, if any, transferred to the Purchase Payment Account from the Reserve Account pursuant to Section 4.04(c) hereof.

(c) Any amounts received as investment income shall remain in the Purchase Payment Account.

(d) If, on the day after any Purchase Payment Date, (i) all principal, premium, if any, and interest that became due and payable on or before such date have been paid in full, (ii) there are moneys on deposit in the Purchase Payment Account, other than that required for redemption of 2012 Bonds, and (iii) the amount on deposit in the Reserve Account is less than the Reserve Requirement, then the Trustee shall transfer from the Purchase Payment Account to the Reserve Account the lesser of (y) an amount which, when added to the amount on deposit in the Reserve Account, will equal the Reserve Requirement or (z) all amounts on deposit in the Purchase Payment Account.

(e) If, on the day after any Purchase Payment Date (i) all transfers have been made pursuant to Section 4.03(d) hereof and (ii) there are moneys on deposit in the Purchase Payment Account other than those required for redemption of 2012 Bonds, then the Trustee shall, at the written request of the Authority provided not less than thirty (30) days prior to the next Purchase Payment Date, transfer such funds to the Authority or, in the absence of such written request, apply such funds to reduce the next succeeding 2012 Purchase Payments or 2012 Additional Purchase Payment payable by the City.

Section 4.04 Reserve Account.

(a) The Trustee shall deposit in the Reserve Account the following:

(i) on the Delivery Date \$_____, which amount is equal to the Reserve Requirement with respect to the 2012 Bonds;

(ii) from time to time, any 2012 Purchase Payments, or portion thereof, made after the appropriate Purchase Payment Date in an amount, if available, equal to the amount transferred from the Reserve Account to the Purchase Payment Account on such Purchase Payment Date pursuant to Section 4.04(b) hereof; and

(iii) from time to time, moneys transferred from the Purchase Payment Account pursuant to Section 4.03(d) hereof.

(b) If, on any Purchase Payment Date, the amount available in the Purchase Payment Account is less than the amount necessary to pay the interest and, if applicable, the principal to be paid on such date with respect to any 2012 Bonds, then the Trustee shall transfer from the Reserve Account to the Purchase Payment Account the lesser of (i) an amount sufficient to enable the Trustee to pay the principal and interest on such 2012 Bonds from the Purchase Payment Account or (ii) all amounts on deposit in the Reserve Account. In the event of

such transfer, the Trustee shall, within five (5) days after making such transfer, provide written notice to the City and the Authority of the amount and date of such transfer.

(c) The Trustee shall, on or before each Interest Payment Date, transfer to the Purchase Payment Account amounts, if any, in the Reserve Account in excess of the Reserve Requirement, to the extent that such amounts constitute investment income received or gains realized.

(d) Moneys in the Reserve Account in excess of the Reserve Requirement because of a reduction in the Reserve Requirement due to a refunding of 2012 Bonds or otherwise, if not used in connection with the refunding of 2012 Bonds, shall be either (i) transferred to the Purchase Payment Account and applied to the purposes thereof or (ii) released to the City to be used for any lawful purpose of the City, upon the direction of an Authorized Authority Representative, compliance with the requirements of this Indenture and receipt of an opinion of Bond Counsel that such release of funds and use of funds will not adversely affect the exclusion pursuant to section 103(a) of the Code of interest on the 2012 Bonds from the gross income of the owners thereof for federal income tax purposes.

Section 4.05 Cost of Issuance Account. The Trustee shall deposit in the Cost of Issuance Account, which the Trustee hereby agrees to establish and maintain the amount of \$ _____. The Trustee shall make such payments in the amounts, at the times, in the manner, and on the other terms and conditions set forth herein. No such payment shall be made until the Trustee shall have received a requisition, in substantially the form attached hereto as Exhibit B, signed by an Authorized Authority Representative, stating with respect to each payment to be made: (i) the sequential requisition number, (ii) the name and address of the person, firm, corporation or agency to which payment is due or has been made, (iii) the amount to be paid, (iv) identification of the item to which such payment is to be applied and (v) that each obligation mentioned therein is a proper charge against the Cost of Issuance Account and has not been the basis of any previous withdrawal from the Cost of Issuance Account. Any amounts remaining on deposit in the Cost of Issuance Account on _____ 1, 2012 shall be withdrawn and transferred to the Trustee for deposit in the Purchase Payment Account and the Trustee shall close the Cost of Issuance Account.

Section 4.06 Deposits of Money. All moneys held by or deposited with the Trustee under the provisions of this Indenture shall be held in trust and applied only in accordance with the provisions of this Indenture, and the 2012 Facilities Trust Fund established by this Indenture shall be a trust fund for the purposes thereof. All moneys deposited with the Trustee shall be credited to the particular account to which such moneys belong.

Section 4.07 Investments.

(a) All moneys in any of the funds or accounts established with the Trustee pursuant to this Indenture shall be invested by the Trustee solely in Permitted Investments pursuant to the written direction of the Treasurer of the Authority given to the Trustee in advance of the making of such investments and promptly confirmed in writing, as to any such direction given by facsimile. Each such written direction shall contain the representation of the Authority that the investments identified therein constitute Permitted Investments hereunder, and the Trustee shall be entitled to rely conclusively upon such representation as to the fact that such

investment is permitted by the laws of the State and shall not be required to make further investigation with respect thereto. With respect to any restrictions set forth in the definition of Permitted Investments that embody legal conclusions (e.g., the existence, validity and perfection of security interests in collateral), the Trustee shall be entitled to rely conclusively on a written opinion of Counsel (including counsel to the provider of such Permitted Investment) obtained at the Authority's expense. In the absence of any such direction from the Authority, the Trustee shall invest any such moneys in taxable money market funds described in clause "B(5)" of the definition of Permitted Investments. Obligations purchased as an investment of moneys in any fund or account shall be deemed to be part of such fund or account, respectively. The Trustee shall furnish the Authority periodic cash transaction statements which include detail for all investment transactions effected by the Trustee or brokers selected by the Authority. Upon the Authority's election, such statements will be delivered via the Trustee's Online Trust and Custody service and upon electing such service, paper statements will be provided only upon request. The Authority waives the right to receive brokerage confirmations of security transactions effected by the Trustee as they occur, to the extent permitted by law. The Authority further understands that trade confirmations for securities transactions effected by the Trustee will be available upon request and at no additional cost and other trade confirmations may be obtained from the applicable broker.

(b) Except as otherwise provided herein, all interest or gain derived from the investment of amounts in any of the funds or accounts established hereunder shall be deposited in the fund or account from which such investment was made. For purposes of acquiring any investments hereunder, the Trustee may commingle funds held by it hereunder upon the Request of the Authority. The Trustee or an affiliate of the Trustee may (but shall not be obligated to) act as principal or agent in the acquisition of any investment and shall be entitled to its customary fee therefor. The Trustee shall incur no liability for losses arising from any investments made in accordance with, and at the direction of, the Authority.

(c) Moneys in the Purchase Payment Account shall be invested and reinvested in Permitted Investments that mature not later than such times as the Authority shall deem necessary to provide moneys when needed for payments to be made from such accounts and in any event not later than the final maturity of the 2012 Bonds. Moneys in the Reserve Account shall be invested and reinvested by the Trustee in Permitted Investments which mature or will be available not more than five years from the date of investment (or investments of any maturity or duration that may be redeemed at par so as to be available on each Interest Payment Date). In the absence of such instructions, the Trustee shall invest moneys in accordance with B(5) of the definition of Permitted Investments. The Trustee shall make all such investments pursuant to this paragraph (c) in accordance with instructions, confirmed in writing, received from an Authorized Authority Representative. The Trustee shall be liable only to account to the Authority for earnings derived from funds that have been invested.

(d) If the Authority enters into one or more interest rate swap agreements corresponding to the interest payable with respect to the 2012 Bonds or any portion thereof, the amounts received by the Authority, if any, pursuant to such a swap agreement shall be applied to the deposits required hereunder.

(e) Nothing in this Indenture shall prevent any government obligations acquired as investments of funds held under this Indenture from being issued or held in book-entry form on the books of the Department of the Treasury of the United States of America.

(f) Except as otherwise provided in this Indenture, the Trustee shall sell or present for prepayment or transfer any obligation so purchased as an investment whenever it shall be requested in writing by an Authorized Authority Representative to do so or whenever it shall be necessary in order to provide moneys to meet any payment or transfer from any account held by it. In lieu of such sale or presentment for prepayment, the Trustee may, in making the payment or transfer from any account mentioned in the preceding sentence, transfer such investment obligations or interest appertaining thereto at its acquisition cost if such investment obligations shall mature or be collectable at or prior to the time the proceeds thereof shall be needed, and such transfer of investment obligations may be made in book-entry form. The Trustee shall not be liable or responsible for making any such investment in the manner provided above or for any loss resulting from any such investment. The Trustee shall hold all investments in its name as trustee.

Section 4.08 Valuation and Disposition of Investments. For the purpose of determining the amount in any fund or account established hereunder, the value of all Permitted Investments credited to such fund or account shall be the fair market value thereof. The Trustee shall determine the fair market value based on accepted industry standards and from accepted industry providers. The value of certificates of deposit and bankers' acceptances shall be the face amount thereof, plus accrued interest thereon. All other investments not specified above, if any, shall be the value thereof established by prior agreement among the Authority and the Trustee.

Obligations purchased as an investment of moneys in any account created under the provisions of this Indenture shall be deemed at all times to be a part of such account and any profit realized from the liquidation of such investment and any income or interest received on account of such investment shall be credited to, and any loss resulting from the liquidation of such investment shall be charged to, such account.

ARTICLE V

COVENANTS OF THE AUTHORITY AND THE TRUSTEE

Section 5.01 Punctual Payment. The Authority shall punctually pay or cause to be paid the principal, interest and premium (if any) to become due in respect of all the 2012 Bonds in strict conformity with the terms of the 2012 Bonds and of this Indenture, according to the true intent and meaning thereof, but only out of Facilities Revenues and the funds and accounts pledged for such payment as provided in this Indenture.

Section 5.02 Extension of Payment of 2012 Bonds. Except as otherwise provided in Section 7.01, neither the Authority nor the Trustee shall directly or indirectly extend or assent to the extension of the payment dates of any of the 2012 Purchase Payments, the maturity of any of the 2012 Bonds or the time of payment of any claims for interest due on the 2012 Bonds or by any other arrangement, and in case the maturity of any of the 2012 Bonds or the time of payment of any such claims for interest shall be extended, such 2012 Bonds or claims for interest shall not be entitled, in case of any default hereunder, to the benefits of this

Indenture, except subject to the prior payment in full of the principal of all of the 2012 Bonds then Outstanding and of all claims for interest thereon which shall not have been so extended. Nothing in this Section 5.02 shall be deemed to limit the right of the Authority to issue Bonds or other obligations for the purpose of refunding any Outstanding 2012 Bonds, and such issuance shall not be deemed to constitute an extension of maturity of the 2012 Bonds.

Section 5.03 Against Encumbrances. The Authority shall not create, or permit the creation of, any pledge, lien, charge or other encumbrance upon the Facilities Revenues and the funds and accounts pledged or assigned under this Indenture while any of the 2012 Bonds are Outstanding, except the pledge and assignment created by this Indenture. Subject to this limitation, the Authority expressly reserves the right to enter into one or more other indentures for any of its corporate purposes, including other programs under the Bond Law, and reserves the right to issue other obligations for such purposes; provided however, that the Authority shall not issue any obligations secured by a pledge senior to the pledge for the 2012 Bonds created under this Indenture.

Section 5.04 Power to Issue 2012 Bonds and Make Pledge and Assignment. The Authority is duly authorized pursuant to law to issue the 2012 Bonds and to enter into this Indenture and to pledge and assign the 2012 Purchase Payments, the Installment Purchase Agreement and other assets purported to be pledged and assigned under this Indenture in the manner and to the extent provided in this Indenture. The 2012 Bonds and the provisions of this Indenture are and will be the legal, valid and binding special obligations of the Authority in accordance with their terms, and the Authority and the Trustee (subject to Section 5.10) shall at all times, to the extent permitted by law, defend, preserve and protect said pledge and assignment of 2012 Purchase Payments and other assets and all the rights of the 2012 Bond Owners under this Indenture against all claims and demands of all Persons whomsoever.

Section 5.05 Accounting Records and Financial Statements. The Trustee shall at all times keep, or cause to be kept, proper books of record and account, prepared in accordance with industry standards, in which complete and accurate entries shall be made of all transactions made by the Trustee relating to the proceeds of 2012 Bonds, the 2012 Purchase Payments and all funds and accounts established pursuant to this Indenture. Such books of record and account shall be available for inspection by the Authority and the City during regular business hours with reasonable prior notice.

Section 5.06 No Additional Parity Debt Payable from Facilities Revenues. Except for the 2012 Bonds, the Authority covenants that no additional bonds, notes or other indebtedness shall be issued or incurred which are payable out of the Facilities Revenues in whole or in part.

Section 5.07 Tax Covenants.

(a) Special Definitions. When used in this Section, the following terms have the following meanings:

“Code” means the Internal Revenue Code of 1986.

“**Computation Date**” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“**Gross Proceeds**” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the 2012 Bonds.

“**Investment**” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“**Nonpurpose Investment**” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the 2012 Bonds are invested and that is not acquired to carry out the governmental purposes of the 2012 Bonds.

“**Original Facilities**” means any property the acquisition, construction or improvement of which was financed directly or indirectly with Gross Proceeds of the Original Issue.

“**Original Issue**” refers to the Authority’s Revenue Bonds, 2002 Series (Electric Generation Facility Project).

“**Prior Issue**” shall refer to the Prior Bonds (but in the case of any of the foregoing executed and delivered for multiple purposes, only to the portion thereof allocable pursuant to section 1.148-9(h)(4) of the Tax Regulations to other than refunding purposes).

“**Proceeds**,” with respect to an issue of governmental obligations, has the meaning set forth in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds, but not replacement proceeds).

“**Rebate Amount**” has the meaning set forth in section 1.148-1(b) of the Tax Regulations.

“**Tax Regulations**” means the United States Treasury Regulations promulgated pursuant to sections 103 and 141 through 150 of the Code.

“**Yield**” of (i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations, and (ii) the 2012 Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The Authority shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) or any of the Original Facilities in a manner that if made or omitted, respectively, would cause the interest on any of the 2012 Bonds to become includable in the gross income, as defined in section 61 of the Code, of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Trustee receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will

not adversely affect the exemption from federal income tax of the interest on any 2012 Bond, the City shall comply with each of the specific covenants in this Section.

(c) No Private Use or Private Payments. Except as would not cause any 2012 Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority shall at all times prior to the payment and cancellation of the last of the 2012 Bonds to be paid and canceled:

(1) require that one or more state or local governmental agencies exclusively own, operate and possess all of the Original Facilities that are to be financed or refinanced directly or indirectly with Gross Proceeds of the 2012 Bonds, and not use or permit the use of the Original Facilities (including through contractual arrangements with terms different than those applicable to the general public or otherwise) or any property acquired, constructed or improved with such Gross Proceeds or the Gross Proceeds of the Prior Issue in any activity carried on by a Nongovernmental Person that would create private business use described in section 141(b)(1) of the Code; and

(2) not directly or indirectly impose or accept any charge or other payment by any person or entity in respect of the use by any Nongovernmental Person of Gross Proceeds of the 2012 Bonds or of the Prior Issue, or any of the Original Facilities, other than taxes of general application within the jurisdiction of the Authority or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

Without limitation of the foregoing, the Authority covenants that: (i) it will not transfer any direct or indirect ownership interest in the Facilities, and will not lease any portion of the Facilities to, any nongovernmental person; (ii) it will not enter into any arrangement for the provision by any nongovernmental person of services relating to any function of the Facilities, unless such arrangement is of a type that does not create or enhance a private business use relationship between such nongovernmental person or entity and the Facilities; and (iii) it will not enter into any contract for the sale of output from the Facilities to any nongovernmental person other than (a) a contract that is a retail requirements contract (containing no contractual term that obligates the purchaser to make payments that are not contingent on the output requirements of the purchaser or that obligates the purchaser to have output requirements), (b) a contract having a term and creating rights in respect of the output of the Facilities for a period of not longer than one year and providing for compensation that is at fair market value or is based on generally applicable and uniformly applied rates or (c) a contract that otherwise is of a type that does not create or enhance a private business use relationship between such nongovernmental purchaser and the Facilities

(d) No Private Loan. Except as would not cause any 2012 Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority has not used, and shall not use Gross Proceeds of the 2012 Bonds to make or finance loans to any person or entity other than a state or local government. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (i) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax

purposes; (ii) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (iii) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan. For purposes of this covenant, the Authority will treat any transaction constituting a loan of Gross Proceeds of any of the Original Issues or the Prior Issue as resulting in a loan of Gross Proceeds of the 2012 Bonds.

(e) No Financing of Nongovernmental Output Property. Except as would not cause any 2012 Bond to be a “private activity bond”, no portion of the Gross Proceeds will be used (directly or indirectly) for the acquisition of any interest in any Nongovernmental Output Property. As set forth above, for purposes of the preceding sentence, the Authority will treat proceeds of the 2012 Bonds as used ratably for the same purposes as were the proceeds of the Prior Issues and the Original Issue.

(f) Not to Invest at Higher Yield. Except as would not cause any 2012 Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not at any time prior to the final maturity of the 2012 Bonds, directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of the 2012 Bonds within the meaning of said section 148.

(g) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Authority shall not take or omit to take (and shall not permit any person to take or omit to take) any action that would cause any 2012 Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(h) Information Report. The Authority shall timely file or caused to be timely filed any information required by section 149(e) of the Code with respect to 2012 Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

(i) Rebate of Arbitrage Profits. Except to the extent otherwise provided in section 148(f) of the Code and the Tax Regulations and rulings thereunder:

(1) The Authority shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last 2012 Bond is discharged. However, to the extent permitted by law, the Authority may commingle Gross Proceeds of 2012 Bonds with its other moneys, provided that the Authority separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(2) Not less frequently than each Computation Date, the Authority shall calculate or cause to be calculated the Rebate Amount in accordance with rules set forth

in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Authority shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the 2012 Bonds until six years after the final Computation Date.

(3) In order to assure the excludability of the interest on the 2012 Bonds from the gross income of the owners thereof for federal income tax purposes, the Authority shall pay or cause to be paid to the United States the amount that when added to the future value of previous rebate payments made for the 2012 Bonds equals (i) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date and (ii) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the Authority and/or the City at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority (or the City if then permitted under applicable law).

(4) The Authority shall exercise reasonable diligence to assure that no errors are made in the calculations and payments required by paragraphs (2) and (3) above, and if an error is made, to discover and promptly correct such error within a reasonable amount of time thereafter (and in all events within one hundred eighty (180) days after discovery of the error), including payment to the United States of any additional Rebate Amount owed to it, interest thereon, and any penalty imposed under section 1.148-3(h) or other provision of the Tax Regulations.

(j) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, neither the Authority nor the City shall (or shall permit any person to), at any time prior to the final maturity of the 2012 Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield on the 2012 Bonds not been relevant to either party.

(k) 2012 Bonds Not Hedge Bonds.

(i) The Authority represents that none of the 2012 Bonds, the Original Issues, or the Prior Issue are nor will become "hedge bonds" within the meaning of section 149(g) of the Code.

(ii) Without limitation of the foregoing, with respect to each of the Original Issues, (i)(A) on each date of issuance of an Original Issue, the Authority reasonably expected (based upon its own knowledge and upon representations made by other governmental persons upon the issuance of those obligations) that within the three-year period commencing on such date no less than 85% of the spendable proceeds of such Original Issue would be expended for the governmental purposes thereof, and (B) the

Authority believes and represents that at no time was more than 50% of the proceeds of such Original Issue been invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more, and with respect to the application of Proceeds of the 2012 Bonds other than for refunding purposes, (ii)(A) the Authority will not issue the 2012 Bonds unless on the date of the issuance of the 2012 Bonds it reasonably expects that within the three-year period commencing on such date of issuance at least 85% of such spendable proceeds of the 2012 Bonds will be expended for the governmental purpose of the 2012 Bonds and (B) at no time will more than 50% of such spendable proceeds of the 2012 Bonds be invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more.

(l) Elections. The Authority hereby directs and authorizes any Authorized Authority Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the 2012 Bonds, in the Tax Certificate relating to the 2012 Bonds or similar or other appropriate certificate, form or document.

(m) Weighted Average Maturity of the 2012 Bonds. The Authority represents that the weighted average maturity of the 2012 Bonds is not in excess of one-hundred twenty percent (120%) of the average remaining economic life of the Original Facilities, determined in accordance with the provisions of section 147(b) of the Code and within the meaning of section 1313(a)(1)(B)(i) of the Tax Reform Act of 1986 and section 1.148-1(c)(4)(B) of the Treasury Regulations.

Section 5.08 Further Assurances. The Authority will adopt, make, execute and deliver or cause to be executed and delivered any and all other and further documents, resolutions, instruments and assurances and promptly do or cause to be done all such other and further things as may be necessary or reasonably required to carry out the purposes or intentions or to facilitate the performance of this Indenture, and for preserving and protecting the rights and interests of the Owners.

Section 5.09 Amendment of Installment Purchase Agreement. The Authority shall not consent to the amendment, alteration or modification, in whole or in part, of the Installment Purchase Agreement except (a) to the extent such amendment, alteration or modification shall cure an ambiguity, supply an omission, or cure or correct a defect or inconsistent provision therein, (b) to the extent such amendment, alteration or modification shall insert such provisions clarifying matters or questions arising thereunder as necessary or desirable and are not contrary to or inconsistent with this Indenture, (c) if, in the opinion in writing of Bond Counsel addressed to the Trustee, such amendment, alteration or modification would not materially adversely affect the rights of the Owners of the 2012 Bonds, or (d) with the written consent of the Owners of a majority in aggregate principal amount of the 2012 Bonds then Outstanding, exclusive of Authority owned 2012 Bonds. Any such written consent of the Owners shall be obtained in the manner provided herein for amendments to this Indenture. No such amendment, alteration or modification shall be effective unless and until there shall have been filed with the Trustee an opinion in writing of Counsel (which may be Bond Counsel) addressed to the Trustee stating that such amendment, alteration or modification has been duly and lawfully

entered into by the parties thereto, is authorized or permitted by this Indenture and is valid and binding upon the Authority and the City in accordance with its terms. For purposes of this Indenture, no change or revision to Exhibit A of the Installment Purchase Agreement made pursuant to Section 4.1(a) of the Installment Purchase Agreement, or any change or revision to Exhibit B of the Installment Purchase Agreement as contemplated by Section 2.02(b) hereof, shall constitute an amendment, alteration or modification of the Installment Purchase Agreement.

Section 5.10 Enforcement. The Trustee shall receive all amounts due pursuant to the Installment Purchase Agreement subject at all times to Article VI hereof, and upon default hereunder, shall (upon receiving adequate indemnity for costs) enforce, and take all steps, actions and proceedings reasonably necessary to protect and preserve all rights and interests of the Trustee and the Owners under the Installment Purchase Agreement and this Indenture as provided in, and subject to the terms and conditions of, Article VIII.

Section 5.11 Installment Purchase Agreement. The Trustee, as assignee of the Authority's rights pursuant to Section 4.01, shall receive all amounts due from the City pursuant to the Installment Purchase Agreement.

ARTICLE VI

THE TRUSTEE AND PAYING AGENT

Section 6.01 Duties, Immunities and Liabilities of Trustee. The Trustee shall, prior to an Event of Default, and after the curing of all Events of Default which may have occurred, perform such duties and only such duties as are specifically set forth in this Indenture, and no implied covenants or duties shall be read into this Indenture against the Trustee. The Trustee shall, during the existence of any Event of Default (which has not been cured), exercise such of the rights and powers vested in it by this Indenture, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of his or her own affairs.

The Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

In the absence of willful misconduct on the part of the Trustee, the Trustee may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, upon any certificate or opinion furnished to the Trustee conforming to the requirements of this Indenture, but in the case of any such certificate or opinion which by any provisions hereof is specifically required to be furnished to the Trustee, the Trustee shall be under a duty to examine the same to determine whether or not it conforms to the requirements of this Indenture.

At all times, regardless of whether or not any Event of Default shall exist:

(1) the Trustee shall not be liable for any error of judgment made by an Authorized Officer or Officers of the Trustee unless it shall be proved that the Trustee was negligent in ascertaining and/or failing to ascertain the pertinent facts;

(2) the Trustee shall not be liable with respect to any action taken or omitted to be taken by it in accordance with the direction of the Owners of Outstanding 2012 Bonds representing not less than a majority in aggregate principal amount of Outstanding 2012 Bonds relating to (a) the time, method and place of conducting any proceeding for any remedy available to the Trustee or (b) exercising any trust or power conferred upon the Trustee under this Indenture; and

(3) the Trustee shall be under no obligation to exercise any of the rights or powers vested in it by this Indenture at the request, order or direction of any of the Owners pursuant to the provisions of this Indenture, including, without limitation, the provisions of Article VI hereof, unless such Owners shall have offered to the Trustee security or indemnity satisfactory to it against the costs, expenses and liabilities which may be incurred therein or thereby.

The Trustee shall not be deemed to have knowledge of and shall not be required to take any action with respect to, any Event of Default or event which would, with the giving of notice, the passage of time or both, constitute an Event of Default unless an Authorized Officer of the Trustee shall have actual knowledge of such event or shall have been notified in writing of such event by the City, the Authority or the Owners of a majority in aggregate principal amount of the 2012 Bonds Outstanding. Without limiting the generality of the foregoing, the Trustee shall not be required to ascertain, monitor or inquire as to the performance or observance by the City of the terms, conditions, covenants or agreements set forth in Article III or VI of the Installment Purchase Agreement (including, without limitation, the covenants of the City set forth in Sections 3.7 and 3.8 of the Installment Purchase Agreement).

No permissive power, right or remedy conferred upon the Trustee hereunder shall be construed to impose a duty to exercise such power, right or remedy.

The Trustee shall not be bound to make any investigation into the facts or matters stated in any resolution, instrument, opinion, report, notice, request, direction, consent, order or bond, but the Trustee, in its discretion, may make such further inquiry or investigation into such facts or matters as it may see fit, and, if the Trustee shall determine to make such further inquiry or investigation, it shall be entitled to examine the books, records and premises of the Authority, personally or by agent or attorney.

The Trustee shall not be responsible for:

(1) the application and handling by the City of any other fund or account designated to be held by the City hereunder, under the Installment Purchase Agreement or otherwise;

(2) any error or omission by the Authority in making any computation or giving any instruction pursuant to Section 5.07 hereof and may rely conclusively on the rebate instructions and any computations or instructions furnished to it by the Authority in connection with the requirements of Section 5.07 and the Tax Certificate;

(3) the construction, operation or maintenance of the Facilities or any portion thereof by the City; or

(4) the payment of 2012 Purchase Payments by the City pursuant to the Installment Purchase Agreement.

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 VI.

None of the provisions contained in this Indenture shall require the Trustee to expend or risk its own funds or otherwise incur individual financial liability in the performance of any of its duties or in the exercise of any of its rights or powers if there shall be reasonable grounds for believing that the repayment of such funds or adequate indemnity against such risk or liability is not reasonably assured to it.

Section 6.02 Right of Trustee to Rely upon Documents, Etc.

(a) the Trustee may rely and shall be fully protected in acting upon any resolution, certificate, statement, instrument, opinion, report, notice, request, consent, order, certificate or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties;

(b) any notice, request, direction, election, order or demand of the Authority or the City mentioned herein shall be sufficiently evidenced by an instrument signed in the name of the Authority or the City by an Authorized Authority Representative or an Authorized City Representative, respectively;

(c) the Trustee may consult with Counsel (who may be Counsel for the Authority or the City) and the opinion of such Counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder and in accordance with the opinion of such Counsel; and

(d) 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 any action hereunder, such matter (unless other evidence in respect thereof is herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of an Authorized City Representative or an Authorized Authority Representative, as appropriate, and such certificate shall be full warrant to the Trustee for any action taken or suffered by it under the provisions of this Indenture and in accordance therewith.

Section 6.03 Trustee Not Responsible for Recitals. The recitals contained herein and in the 2012 Bonds shall be taken as the statements of the Authority and the City, and the Trustee assumes no responsibility for the validity or correctness of same. The Trustee makes no representation as to the sufficiency of this Indenture or the 2012 Bonds or as to the sufficiency of the Facilities Revenues, or as to the financial or technical feasibility of the Facilities or any portion thereof and the Trustee shall not incur any responsibility in respect of any such matter, other than in connection with the duties or obligations expressly provided herein. The Trustee shall not be accountable for the use or application of any of the 2012 Bonds delivered hereunder or of the proceeds of such 2012 Bonds except as expressly provided herein.

Section 6.04 Right of Trustee to Acquire 2012 Bonds and Other Transactions with Authority. The Trustee and its officers and directors may acquire and hold, or become the pledgee of, 2012 Bonds and otherwise deal with the Authority and the City in the manner and to the same extent and with like effect as though it were not the Trustee hereunder. The Trustee, either as principal or as agent, may engage in or be interested in any financial or other transaction with the Authority to the extent allowed by law.

Section 6.05 Moneys Received by Trustee to be Held in Trust. All moneys received by the Trustee shall, until used or applied as herein provided, be held in trust for the purposes for which they were received, but need not be segregated from other trust funds except to the extent specifically required by this Indenture or by law. The Trustee shall invest all moneys received by it hereunder in accordance with Section 4.07 hereof. Any interest earned on such moneys shall be deposited in the account to which such moneys are credited.

Section 6.06 Compensation and Indemnification of Trustee. The Authority covenants to cause the Trustee to be paid from time to time, and the Trustee shall be entitled to, reasonable compensation for all services rendered by it in the execution of the trusts hereby created and in the exercise and performance of any of the powers and duties hereunder of the Trustee pursuant to any separate agreement entered into between the Authority and the Trustee, which compensation shall not, to the extent permitted by law, be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Authority will cause the Trustee to be paid or reimbursed, upon request of the Trustee for all expenses and disbursements reasonably incurred or made by the Trustee in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its in-house Counsel and of all persons not regularly in its employ, and all reasonable fees, expenses and disbursements incurred in connection with the appointment of a separate trustee or co-trustee appointed at the request of the Authority). The Authority also covenants to indemnify and defend, to the extent permitted by law, the Trustee, its directors, officers and employees for, and to hold each of them harmless against, any loss, liability, expense or advance incurred or made without negligence or willful misconduct on the part of the Trustee, arising out of or in connection with (a) the acceptance or administration of this trust, (b) the condition, management, maintenance or use of or from any work or thing done in connection with the Facilities by the Authority or the City, (c) any act of negligence or willful misconduct of the City or the Authority or any of their agents, contractors, employees, invitees, licensees or officers in connection with the Facilities, (d) the delivery or sale of the 2012 Bonds and the carrying out of any of the transactions contemplated by the 2012 Bonds, this Indenture or the Installment Purchase Agreement and (e) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other disclosure document utilized in connection with the delivery or sale of the 2012 Bonds, including the reasonable fees, costs and expenses of defending itself against any claim of liability. The obligations of the Authority under this Section 6.06 and Section 6.13 hereof to cause the Trustee to be compensated for services and to be paid or reimbursed for expenses, disbursements and liabilities shall constitute additional obligations hereunder. Such additional obligations shall have priority over the 2012 Bonds in respect of all property and funds held or collected by the Trustee as such, except funds held by the Trustee for the benefit of the Owners of particular 2012 Bonds and except funds held in the Purchase Payment Account.

Notwithstanding any contrary provision hereof, this covenant shall remain in full force and effect, even though all obligations secured hereby may have been fully paid and satisfied and this Indenture may have been released and discharged.

Section 6.07 Qualifications of Trustee. There shall at all times be a trustee hereunder which shall be a financial institution organized and doing business under the laws of the United States or any of the states of the United States, authorized under such laws to exercise corporate trust powers, subject to supervision or examination by federal or state authority and in good standing located in or incorporated under the laws of the State. Any successor Trustee shall have a combined capital and surplus of at least seventy-five million dollars (\$75,000,000). If such financial institution publishes reports of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of this Section 6.07, the combined capital and surplus of such financial institution shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. For purposes of this Section 6.07, a financial institution shall be considered to have a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 if it is a wholly-owned subsidiary of a corporation having a combined capital (exclusive of borrowed capital) and surplus of at least \$75,000,000 and such corporation guarantees in writing the performance of such financial institution of its obligations hereunder. In case at any time the Trustee shall cease to be eligible in accordance with the provisions of this Section 6.07, the Trustee shall resign immediately in the manner and with the effect specified in Section 6.08 hereof.

Section 6.08 Resignation and Removal of Trustee and Appointment of Successor Trustee.

(a) The Trustee may at any time resign by giving at least thirty (30) days' written notice to the Authority and by giving to the Owners of the 2012 Bonds notice by mail of such resignation. Upon receiving such notice of resignation, the Authority, at the direction of the City (which direction shall not be unreasonably withheld), shall promptly appoint a successor trustee by an instrument in writing executed by an Authorized Authority Representative. If no successor trustee shall have been so appointed and shall have accepted appointment within sixty (60) days after the mailing of such notice of resignation, the resigning trustee may at the expense of the Authority petition any court of competent jurisdiction for the appointment of a successor trustee, or any Owner may, on behalf of himself or herself and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, appoint a successor trustee.

(b) In case any of the following shall occur:

(1) the Trustee shall cease to be eligible in accordance with the provisions of Section 6.07 hereof and shall fail to resign after written request therefor by the Authority or by any Owner who has been a bona fide Owner of a 2012 Bond for at least six months,

(2) the Trustee shall become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Trustee or substantially all of its property shall be appointed, or any public officer shall take charge or control of

the Trustee or substantially all of its property or affairs for the purpose of rehabilitation, conservation or liquidation, or

(3) at such time as there is no Event of Default hereunder, the City shall determine to remove the Trustee,

then, in any such case, the Authority, with the written approval of the City (which approval shall not be unreasonably withheld), may remove the Trustee and appoint a successor trustee by an instrument in writing executed by an Authorized Authority Representative, or any such Owner may, on behalf of himself or herself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Trustee and the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe, remove the Trustee and appoint a successor trustee.

(c) The Owners of Outstanding 2012 Bonds representing a majority in aggregate principal amount of Outstanding 2012 Bonds may at any time remove the Trustee and appoint a successor trustee satisfying the requirements of Section 6.07 hereof by an instrument or concurrent instruments in writing signed by such Owners.

(d) Any resignation or removal of the Trustee and appointment of a successor trustee pursuant to any of the provisions of this Section 6.08 shall become effective upon acceptance of appointment by the successor trustee as provided in Section 6.09 hereof.

Section 6.09 Acceptance of Trust by Successor Trustee. Any successor Trustee appointed as provided in Section 6.08 hereof shall execute, acknowledge and deliver to the Authority, the City and its predecessor Trustee an instrument accepting such appointment hereunder, to which instrument the predecessor Trustee shall be a party, effectively releasing the predecessor Trustee of its obligations hereunder and containing such terms and conditions as the predecessor Trustee may reasonably request, and thereupon the resignation or removal of the predecessor Trustee shall become effective and such successor Trustee, without any further act, deed or conveyance, shall become vested with all the rights, powers, trusts, duties and obligations of its predecessor in the trusts hereunder, with like effect as if originally named as Trustee herein; but, nevertheless, on the written request of the Authority executed by an Authorized Authority Representative or of the City executed by an Authorized City Representative or on the request of the successor Trustee, the Trustee ceasing to act shall execute and deliver an instrument transferring to such successor Trustee, upon the trusts herein expressed, all the rights, powers and trusts of the Trustee so ceasing to act. Upon request of any such successor Trustee, the Authority shall execute any and all instruments in writing necessary or desirable for more fully and certainly vesting in and confirming to such successor Trustee all such rights, powers and duties.

No successor Trustee shall accept appointment as provided in this Section 6.09 unless at the time of such acceptance such successor Trustee shall be eligible under the provisions of Section 6.07 hereof.

If the Bonds are then rated by either Moody's or S&P, then notice of the succession of such Trustee shall be given by the successor Trustee by first class mail to each of Moody's and S&P, as applicable.

Section 6.10 Merger or Consolidation of Trustee. Any bank or trust company into which the Trustee may be merged or with which it may be consolidated, or any bank or trust company resulting from any merger or consolidation to which the Trustee shall be a party, or any bank or trust company succeeding to all or substantially all the business of the Trustee, shall be the successor of the Trustee hereunder without the execution or filing of any paper or any further act on the part of any of the parties hereto, anything herein to the contrary notwithstanding, provided that such successor Trustee shall be eligible under the provisions of Section 6.07 hereof. Notice of such merger or consolidation shall be given to the Authority and the City.

Section 6.11 Obligations of Trustee. Upon payment in full of all 2012 Bonds within the meaning of Section 9.03 hereof, the Trustee shall execute any certificate which the Authority or the City may reasonably request to evidence payment in full of the 2012 Purchase Payments under the terms of the Installment Purchase Agreement.

Section 6.12 Appointment of Co-Trustee.

(a) It is the purpose of this Indenture that there shall be no violation of any law of any jurisdiction denying or restricting the right of corporations or associations to transact business as trustee in such jurisdiction. It is recognized that in case of litigation under this Indenture or the Installment Purchase Agreement, and in particular in case of the enforcement of either on default, or in case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate trustee or co-trustee. The following provisions of this Section are adapted to these ends.

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

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

(d) Any appointment by the Trustee of an individual or institution as a separate trustee or co-trustee shall be made only with the prior written consent of the Authority, which consent shall not be unreasonably withheld, or upon court order. The Authority or the City shall pay any additional fee in connection with any appointment by the Trustee of an individual or institution as a separate trustee or co-trustee if such appointment is made at the request of the Authority or the City.

(e) The Trustee shall not be liable for the acts or omissions of any co-trustee.

Section 6.13 Paying Agent for 2012 Bonds. The Trustee is hereby appointed as the paying agent (the "Paying Agent") for the 2012 Bonds.

The Paying Agent shall perform such duties and only such duties as are specifically authorized by the Trustee and in exercising such duties shall be entitled to the immunities and standard of care applicable to the Trustee prior to an Event of Default and after the curing of an Event of Default.

The Authority covenants to cause the Paying Agent to be paid from time to time, and the Paying Agent shall be entitled to, reasonable compensation for all services rendered by it pursuant to any agreement entered into between the Authority and the Paying Agent, subject to the provisions of Section 6.06 hereof, in the exercise and performance of any of the powers and duties hereunder of the Paying Agent, which compensation shall not, to the extent permitted by law, be limited by any provision of law in regard to the compensation of a trustee of an express trust, and the Authority will cause the Paying Agent to be paid or reimbursed, upon request of the Paying Agent for all reasonable expenses and disbursements incurred or made by the Paying Agent in accordance with any of the provisions of this Indenture (including the reasonable compensation and the expenses and disbursements of its in-house Counsel and of all persons not regularly in its employ) except any such expense or disbursement as may arise from its own negligence or willful misconduct. The Authority also covenants to indemnify the Paying Agent for, and to hold it harmless against, to the extent permitted by law, any loss, liability, expense or advance incurred or made without negligence or willful misconduct on the part of the Paying Agent, arising out of or in connection with the acceptance or administration of this trust, including the reasonable costs and expenses of defending itself against any claim of liability in the premises.

In the event of the resignation or removal of the Paying Agent, such Paying Agent shall pay over, assign and deliver any moneys held by it as Paying Agent to its successor, or if there is no successor, to the Trustee.

Section 6.14 Resignation or Removal of Paying Agent; Appointment of Successor. Any Paying Agent may at any time resign and be discharged of the duties and obligations created by this Indenture by giving at least sixty (60) days' written notice to the Trustee and the Authority. Any Paying Agent may be removed by the Authority at any time by an instrument filed with such Paying Agent and the Trustee. Any successor Paying Agent shall be appointed by the Authority, at the direction of the City, and shall be a financial institution duly organized under the laws of the United States or any state or territory thereof, having a capital stock and surplus aggregating at least \$10,000,000, and willing and able to accept the