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REIMBURSEMENT AGREEMENT

Dated as of April \_\_, 2017

between

CITY OF RIVERSIDE

and

BARCLAYS BANK PLC

Relating to

\$41,975,000

City of Riverside

Variable Rate Refunding Electric Revenue Bonds Issue of 2008C

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## REIMBURSEMENT AGREEMENT

THIS REIMBURSEMENT AGREEMENT (“*Agreement*”) is entered into as of April \_\_, 2017, between CITY OF RIVERSIDE, a municipal corporation and chartered city of the State of California (the “*City*”) and BARCLAYS BANK PLC (the “*Bank*”).

### WITNESSETH:

WHEREAS, the City has issued its \$57,325,000 Variable Rate Refunding Electric Revenue Bonds Issue of 2008C, pursuant to Resolution No. 17662 adopted by the City Council on January 8, 1991 (the “*Master Resolution*”), as amended and supplemented to date and as further supplemented by Resolution No. 21613 adopted by the City Council on April 22, 2008 (the “*Twelfth Supplemental Resolution*” and, together with the Master Resolution, referred to collectively herein as the “*Resolution*”); and

WHEREAS, the City has requested that the Bank issue an irrevocable transferable letter of credit for the payment by the Tender Agent, when and as due, of the principal of, the purchase price and interest on the Bonds (as hereinafter defined), and to provide a liquidity facility in respect of certain drawings under the Letter of Credit in connection with Bonds tendered and not remarketed by the Remarketing Agent;

WHEREAS, the Bank is willing to issue its Letter of Credit upon the terms and conditions provided herein;

NOW THEREFORE, in consideration of the premises and the mutual agreements herein contained, the parties agree as follows:

## ARTICLE I

### DEFINITIONS AND ACCOUNTING TERMS

*Section 1.01. Defined Terms.* As used in this Agreement, the following terms shall have the meanings set forth below:

“*Affiliate*” means, with respect to a Person, any Person (whether for-profit or not-for-profit), which “controls,” or is “controlled” by, or is under common “control” with such Person. For purposes of this definition, a Person “controls” another Person when the first Person possesses or exercises directly, or indirectly through one or more other affiliates or related entities, the power to direct the management and policies of the other Person, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract, or otherwise.

“*Agreement*” has the meaning set forth in the introductory paragraph hereof.

*“Alternate Credit Support Instrument”* has the meaning set forth in the Twelfth Supplemental Resolution.

*“Amortization Commencement Date”* means, with respect to any Liquidity Advance, the one hundred eightieth (180th) day immediately succeeding the day the earliest outstanding Liquidity Advance was made.

*“Amortization End Date”* means the earliest to occur of (i) the fifth (5th) anniversary of the date the earliest outstanding Liquidity Advance was made, and (ii) the date each Liquidity Advance is required to be paid in full as provided in clauses (A), (B), (C) and (D) of Section 2.03(a)(i) hereof, and (iii) the date that the amount of the Letter of Credit is permanently reduced to zero or is otherwise terminated prior to the Stated Expiration Date.

*“Amortization Payment Date”* means, with respect to each Liquidity Advance, (a) the related Amortization Commencement Date and the first Business Day of each third calendar month occurring thereafter prior to the related Amortization End Date, and (b) the related Amortization End Date.

*“Amortization Period”* has the meaning specified in Section 2.03(a) hereof.

*“Audited Financial Statements”* means the audited consolidated balance sheet of the Electric System of the City for the Fiscal Year ended June 30, 2016, and the related consolidated statements of operations, changes in net assets and cash flows for such Fiscal Year, including the notes thereto.

*“Available Amount”* has the meaning set forth in the Letter of Credit.

*“Bank”* has the meaning set forth in the introductory paragraph hereof.

*“Bank Agreement”* means any credit agreement, letter of credit, reimbursement agreement, direct purchase agreement, bond purchase agreement, liquidity agreement or other agreement or instrument (or any amendment, supplemental or modification thereto) entered into by the City with any Person, directly or indirectly, or otherwise consented to by the City, under which any Person or Persons undertakes to make loans, extend credit or liquidity to the City or to purchase securities pursuant to such agreement in connection with any Bonds or any Debt of the City secured by Net Operating Revenues or provide credit enhancement with respect thereto.

*“Bank Bonds”* means all Bonds which may from time to time have been purchased with proceeds of drawings under the Letter of Credit.

*“Bank Bondholder”* shall mean the Bank (but only in its capacity as owner of Bank Bonds pursuant to this Agreement) and any other Person to whom the Bank has sold Bank Bonds pursuant to Section 2.14.

*“Bank Counsel”* shall mean McDermott Will & Emery LLP.

“*Bank Participant*” has the meaning set forth in Section 9.06(b) hereof.

“*Base Rate*” means, for any day, a per annum rate equal to the highest of (i) eight percent (8.0%), (ii) the Prime Rate *plus* two and one-half percent (2.50%), (iii) the Federal Funds Rate *plus* two and one-half percent (2.50%) and (iv) 150% of the yield on the 30-year U.S. Treasury Bond. Each change in the Base Rate shall take effect simultaneously with the corresponding change or changes in the Prime Rate, Federal Funds Rate or U.S. Treasury Bond yield, as the case may be.

“*Bond Counsel*” has the same meaning given to such term in the Master Resolution.

“*Bond Documents*” means the Remarketing Agreement, the Bonds, the Master Resolution, the Twelfth Supplemental Resolution, the Offering Document and any documents related thereto.

“*Bondholder*” has the same meaning given to such term in the Master Resolution.

“*Bonds*” means the \$57,325,000 City of Riverside Variable Rate Refunding Electric Revenue Bonds Issue of 2008C, currently outstanding in the aggregate principal amount of \$\_\_\_\_\_.

“*Business Day*” has the same meaning given to such term in the Twelfth Supplemental Resolution.

“*Capital Lease*” means any lease of Property which in accordance with GAAP would be required to be capitalized on the balance sheet of the lessee.

“*Capitalized Lease Obligations*” means the amount of the liability shown on the balance sheet of any Person in respect of a Capital Lease as determined in accordance with GAAP.

“*Certificate*” or “*Statement*” has the meaning given to such term in the Master Resolution.

“*Charter*” means the charter of the City as in effect on the date hereof.

“*City*” has the meaning specified in the introductory paragraph hereto.

“*City Bonds*” means Bonds owned by or held for the account of the City.

“*Code*” has the meaning given to such term in the Twelfth Supplemental Resolution.

“*Conversion Date*” means the date on which all of the Bonds are converted to bear interest at a rate other than the Weekly Interest Rate, as such date is specified in a certificate in the form of Annex A to the Letter of Credit.

“*Custodian*” means U.S. Bank National Association, or any successor thereto appointed pursuant to the terms of the Custody Agreement.

“*Custody Agreement*” means the Custody Agreement dated as of even date herewith between the Bank and the Custodian, substantially in the form of Exhibit B hereto, as amended from time to time.

“*Debt*” means, for any Person (without duplication), (i) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (ii) all obligations for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iii) all obligations secured by any Lien upon Property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (iv) all Capitalized Lease Obligations of such Person, (v) all obligations, contingent or otherwise, of such Person on or with respect to letters of credit, banker’s acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money (vi) all Guarantees, (vii) all obligations under Bank Agreements, (viii) certificates of participation evidencing an undivided ownership interest in payments made by such Person (A) as lessee under any lease of property which in accordance with generally accepted accounting principles would be required to be capitalized on the balance sheet of such Person, (B) as purchaser under an installment sale agreement or (C) otherwise as an obligor in connection therewith and (ix) all obligations of such person on or with respect to Swap Contracts.

“*Debtor Relief Laws*” - means the Bankruptcy Code of the United States and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief laws of the United States or other applicable jurisdictions from time to time in effect and affecting the rights of creditors generally.

“*Default*” means any condition or event which with the giving of notice or lapse of time or both would, unless cured or waived, become an Event of Default.

“*Default Rate*” means a fluctuating interest rate per annum equal to the sum of the Base Rate from time to time in effect *plus* four percent (4.00%).

“*Differential Interest Amount*” shall mean, with respect to any Bank Bond, the excess of (a) interest which has accrued and is payable on such Bank Bond at the Liquidity Rate and which has not been paid up to but excluding the Business Day on which such Bank Bond is purchased from the Bank Bondholder of such Bank Bond pursuant to Section 2.14(b), less (b) the interest accrued on such Bank Bond received by the Bank Bondholder of such Bank Bond as part of the Sale Price for the period such Bonds were Bank Bonds.

“*Dodd Frank Act*” means the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010, as enacted by the United States Congress, and signed into law on July 21, 2010, and all statutes, rules, regulations, requests, guidelines or directives adopted, issued or promulgated thereunder.



“Dollar” and “\$” mean lawful money of the United States.

“Drawing” has the same meaning herein as in the Letter of Credit.

“Effective Date” means April \_\_, 2017, the date on which the Letter of Credit is issued.

“Electric System” has the meaning specified in the Master Resolution.

“Environmental Claims” means any and all administrative, regulatory or judicial actions, suits, demand letters, claims, Liens, notices of noncompliance or violation, investigations or proceedings relating in any way to any Environmental Law (hereinafter referred to as “claims”) or any permit issued under any such Environmental Law, including, without limitation, (a) any and all claims by governmental or regulatory authorities for enforcement, cleanup, removal, response, remedial or other actions or damages pursuant to any applicable Environmental Law, and (b) any and all claims by any third parties seeking damages, contribution, indemnification, cost recovery, compensation or injunctive relief resulting from pollutants, contaminants, petroleum or petroleum products, chemicals or industrial, toxic or hazardous substances or wastes or arising from alleged injury or threat of injury to health, safety or the environment.

“Environmental Laws” means any and all Federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

“Event of Default” has the meaning specified in Section 8.01 hereof.

“Event of Insolvency” means, with respect to any Person, the occurrence of one or more of the following events:

(a) the Person shall (i) commence a voluntary case or other proceeding seeking liquidation, reorganization, arrangement, adjustment, winding-up, dissolution, composition or other similar relief with respect to itself or its indebtedness under any bankruptcy, insolvency, reorganization or other similar law for the relief of debtors now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official for it or a substantial part of its property, (ii) consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, (iii) make a general assignment for the benefit of creditors, (iv) fail generally to pay or admit in writing its inability to pay its indebtedness as it becomes due, or (v) take (through an authorized officer or representative) any official action to authorize any of the foregoing; or

(b) any of the following shall occur with respect to such Person: (i) an involuntary case or other proceeding shall be commenced against such Person seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and either (A) such Person shall consent in writing to such action or (B) such case shall not be dismissed within sixty (60) days, (ii) an order for relief shall be entered against such Person under the federal bankruptcy laws as now or hereafter in effect or pursuant to any other State or federal laws concerning insolvency or of similar purpose, (iii) a final and non-appealable debt moratorium, debt adjustment, debt restructuring or comparable extraordinary restriction with respect to the payment of principal or interest on the indebtedness of such Person shall be declared or imposed pursuant to a finding or ruling by such Person, the United States of America, the State, any instrumentality thereof or any other Governmental Authority of competent jurisdiction over such Person, or (iv) the issuance, under the laws of any state or under the laws of the United States of America, of an order of rehabilitation, liquidation or dissolution of such Person.

*“Excess Interest”* has the meaning specified in Section 3.04 hereof.

*“Existing Expiration Date”* has the meaning set forth in Section 2.12(a) hereof.

*“Facility Fee”* has the meaning set forth in the Fee Letter.

*“Facility Fee Rate”* has the meaning set forth the Fee Letter.

*“Federal Funds Rate”* means, for any day a fluctuating interest rate per annum equal to the weighted average (rounded to the next higher 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published for such day (or, if such day is not a Business Day, for the next preceding Business Day) by the Federal Reserve Bank of New York, or, if such rate is not so published for any day which is a Business Day, the average (rounded to the next higher 1/100 of 1%) of the quotations for such day on such transactions received by the Bank from three Federal funds brokers of recognized standing selected by the Bank. Each determination of the Federal Funds Rate by the Bank shall be conclusive and binding on the City absent manifest error.

*“Fee Letter”* means the Fee Letter, dated April \_\_, 2017, by and between the City and the Bank.

*“Fiscal Agent”* means U.S. Bank National Association and its successors and assigns.

*“Fiscal Year”* has the meaning provided in the Master Resolution.

*“Fitch”* means Fitch, Inc. and any successor thereto.

“GAAP” means generally accepted accounting principles in the United States as in effect from time to time, applied by the City on a basis consistent with the City’s most recent financial statement relating to the Electric System furnished to the Bank.

“Governmental Approval” means an authorization, consent, approval, license, or exemption of, registration or filing with, or report to any Governmental Authority.

“Governmental Authority” means any nation or government, any state, department, agency or other political subdivision thereof, and any entity exercising executive, legislative, judicial, regulatory or administrative functions of or pertaining to any government, and any corporation or other entity owned or controlled (through stock or capital ownership or otherwise) by any of the foregoing.

“Gross Operating Revenues” has the meaning specified in the Master Resolution.

“Guarantees” means, as to any Person, all guarantees, endorsements (other than for collection or deposit in the ordinary course of business) and other contingent obligations of such Person to purchase, to provide funds for payment, to supply funds to invest in any other Person or otherwise to assure a creditor of another Person against loss.

“Indemnified Party” has the meaning set forth in Section 9.04(a) hereof.

“Ineligible Bonds” means City Bonds, Bank Bonds, and Bonds bearing interest at a rate other than the Weekly Interest Rate.

“Interest Drawing” means a drawing under the Letter of Credit resulting from a presentation of a certificate by the Tender Agent to the Bank in the form of Annex C to the Letter of Credit to pay accrued interest on the Bonds.

“Laws” means, collectively, all international, foreign, Federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Letter of Credit” means the irrevocable transferrable letter of credit issued by the Bank for the account of the City in favor of the Tender Agent supporting the Bonds, in the form of Exhibit A hereto, with appropriate insertions, as amended. The Letter of Credit is an Alternate Credit Support Instrument as provided in the Twelfth Supplemental Resolution.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever

(including any conditional sale or other title retention agreement, and any financing lease having substantially the same economic effect as any of the foregoing).

*“Liquidity Advance”* has the meaning specified in Section 2.03(a)(i) hereof.

*“Liquidity Drawing”* means a drawing under the Letter of Credit resulting from presentation of a certificate by the Tender Agent to the Bank in the form of Annex E to the Letter of Credit.

*“Liquidity Rate”* means the rate of interest per annum with respect to a Liquidity Advance (i) for any day commencing on the date such Liquidity Advance is made up to and including the sixtieth (60th) day next succeeding the date such Liquidity Advance was made, equal to the Base Rate from time to time in effect, (ii) for any day commencing on the sixty-first (61st) day next succeeding the date such Liquidity Advance was made up to and including the one-hundred eightieth (180th) day next succeeding the date such Liquidity Advance was made, equal to the sum of the Base Rate from time to time in effect *plus* one percent (1.00%) (provided that if, on any day, the Base Rate is equal to 150% of the yield on the 30-year U.S. Treasury Bond, the Liquidity Rate for such day shall equal the Base Rate) and (iii) for any day commencing on the one hundred eighty-first (181st) day and at all times thereafter, equal to the Base Rate from time to time in effect *plus* two percent (2.00%) (provided that if, on any day, the Base Rate is equal to 150% of the yield on the 30-year U.S. Treasury Bond, the Liquidity Rate for such day shall equal the Base Rate); *provided, however*, that immediately and automatically upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuance of such Event of Default, *“Liquidity Rate”* shall mean the Default Rate; *provided, further*, in no event shall the Liquidity Rate be less than the applicable rate on any Bonds which are not Bank Bonds.

*“Margin Stock”* shall have the meaning assigned to that term in Regulation U promulgated by the Board of Governors of the Federal Reserve System, as now and hereafter from time to time in effect.

*“Master Resolution”* has the meaning set forth in the recitals hereof.

*“Material Adverse Change”* or *“Material Adverse Effect”* means, as to the City, (A) any material adverse change in or effect on (i) the business, operations, assets, liabilities, condition (financial or otherwise) or results of operations of the City or the Electric System, (ii) the ability of the City to consummate the transactions contemplated by this Agreement or any of the Related Documents to which it is or will be a party, or (iii) the ability of the City to perform any of its obligations under this Agreement or any of the Related Documents to which it is or will be a party or (B) any material adverse change in or effect on the assets, liabilities or results of operations of the Electric System taken as a whole.

*“Material Litigation”* means any action, suit or proceeding described in Section 5.06 of this Agreement.

“*Maximum Rate*” means the “Maximum Bank Bond Interest Rate” as defined in the Twelfth Supplemental Resolution as of the date hereof.

“*Moody’s*” means Moody’s Investors Service, Inc. and any successor thereto.

“*Net Operating Revenues*” has the meaning specified in the Master Resolution.

“*Notice of Extension*” has the meaning specified in Section 2.12(d) hereof.

“*Obligations*” means the Reimbursement Obligations (which includes obligations of the City to repay Drawings and Liquidity Advances), the debt service on the Bank Bonds, the obligations of the City to pay all fees and expenses specified in this Agreement and the Fee Letter and other obligations of the City to the Bank arising under or in relation to this Agreement.

“*Offering Document*” means the Remarketing Memorandum dated \_\_\_\_\_, 2017, relating to the Bonds, together with any documents incorporated therein by reference.

“*Original Stated Amount*” means \$\_\_\_\_\_.

“*Other Obligations*” means Obligations which are not Reimbursement Obligations.

“*Other Taxes*” has the meaning set forth in Section 3.01(a) hereof.

“*Parity Debt*” means Debt of the City having an equal lien and charge upon the Net Operating Revenues and payable on a parity with the Bonds and the Obligations, including the Obligations and all “Bonds” (as the term is defined in the Master Resolution) and all “Parity Debt” (as the term is defined in the Master Resolution) issued under the Master Resolution.

“*Patriot Act*” has the meaning set forth in Section 9.16 hereof.

“*Payment Documents*” has the meaning set forth in the Letter of Credit.

“*Payment Office*” means the office or offices of the Bank set forth in Schedule I hereto.

“*Person*” means any individual, a corporation, a partnership, an association, a limited liability company, a trust or any other entity or organization, including a government or political subdivision or any agency or instrumentality thereof.

“*Plan*” means an employee pension benefit plan which is covered by Title IV of ERISA or subject to the minimum funding standards under Section 412 of the Code.

“*Prime Rate*” means the rate established by the Bank, from time to time as its prime rate; the Bank may lend to its customers at rates that are at, above or below the Prime Rate.

“*Property*” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“*Purchaser*” has the meaning set forth in Section 2.14(b)(i) hereof.

“*Quarterly Principal Payments*” has the meaning set forth in Section 2.03(a) hereof.

“*Redemption Drawing*” means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Tender Agent to the Bank in the form of Annex D to the Letter of Credit to pay the principal amount of and accrued interest on the Bonds in respect of any redemption of the Bonds.

“*Reimbursement Obligations*” means any and all obligations of the City to reimburse the Bank for any Drawings under the Letter of Credit and all obligations to repay the Bank for any Liquidity Advance, including in each instance all interest accrued thereon.

“*Related Documents*” means this Reimbursement Agreement, the Fee Letter, the Letter of Credit, the Bonds (the Bank Bonds), the Master Resolution, the Twelfth Supplemental Resolution, the Custody Agreement, and any other agreement or instrument relating thereto.

“*Related Parties*” means, with respect to any Person, such Person’s Affiliates and the partners, directors, officers, employees, agents, trustees and advisors of such Person and of such Person’s Affiliates.

“*Remarketing Agent*” means [Merrill Lynch, Pierce, Fenner & Smith Incorporated], as successor as Remarketing Agent under the Resolution, and its respective successors and assigns and any other entity appointed as a remarketing agent for the Bonds in accordance with the Resolution and this Agreement.

“*Remarketing Agreement*” means the Remarketing Agreement, dated as of \_\_\_\_\_, between the City and the Remarketing Agent, approved and authorized pursuant to the Twelfth Supplemental Resolution, as amended and supplemented from time to time, in accordance with the terms hereof and thereof.

“*Resolution*” has the meaning set forth in the recitals hereof.

“*S&P*” means Standard & Poor’s Ratings Services, a business of Standard & Poor’s Financial Services LLC and any successor thereto.

“*Sale Price*” has the meaning set forth in Section 2.14(b)(i) hereof.

“*Solvent*” means, with respect to any Person, that as of the date of determination both (i) (a) the sum of such Person’s debt (including contingent liabilities) does not exceed all of its property, at a fair valuation; (b) the Person is able to pay the probable liabilities on such Person’s then existing debts as they become absolute and matured; (c) such Person’s capital is not unreasonably small in relation to its business or any contemplated or undertaken transaction; and

(d) such Person does not intend to incur, or believe (nor should it reasonably believe) that it will incur, debts beyond its ability to pay such debts as they become due; and (ii) such Person is “solvent” within the meaning given that term and similar terms under applicable laws relating to fraudulent transfers and conveyances. For purposes of this definition, the amount of any contingent liability at any time shall be computed as the amount that, in light of all of the facts and circumstances existing at such time, represents the amount that can reasonably be expected to become an actual or matured liability (discounted to present value at rates believed to be reasonable by such Person acting in good faith).

“*State*” means the State of California.

“*Stated Amount*” has the meaning set forth in the Letter of Credit.

“*Stated Expiration Date*” means the date set forth in the Letter of Credit as the date on which the Letter of Credit is stated to expire (*i.e.*, initially, April \_\_, 2021), unless terminated in accordance with the terms of the Letter of Credit or as extended from time to time pursuant to the terms of the Letter of Credit and this Agreement.

“*Stated Maturity Drawing*” means a drawing under the Letter of Credit resulting from the presentation of a certificate by the Tender Agent to the Bank in the form of Annex F to the Letter of Credit to pay the principal amount of the Bonds.

“*Substitution Date*” means the date on which the Letter of Credit is replaced by an Alternate Credit Support Instrument pursuant to the terms of the Resolution.

“*Swap Contract*” means (a) any and all rate swap transactions, basis swaps, total return swaps, credit derivative transactions, forward rate transactions, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, cap transactions, floor transactions, collar transactions, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing); whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“*Taxes*” has the meaning specified in Section 3.01(a) hereof.

“*Tender Agent*” means U.S. Bank National Association and its successor and assigns.

“*Twelfth Supplemental Resolution*” has the meaning set forth in the recitals hereof.

“*Termination Date*” has the meaning specified in the Letter of Credit.

“*Termination Fee*” has the meaning specified in the Fee Letter.

“*United States*” and “*U.S.*” mean the United States of America.

“*Weekly Interest Rate*” has the meaning set forth in the Twelfth Supplemental Resolution.

*Section 1.02. Other Interpretive Provisions.* With reference to this Agreement and each other Related Document, unless otherwise specified herein or in such other Related Document:

(a) The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include,” “includes” and “including” shall be deemed to be followed by the phrase “without limitation.” The word “will” shall be construed to have the same meaning and effect as the word “shall.” Unless the context requires otherwise, (i) any definition of or reference to any agreement, instrument or other document shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein or in any other Related Document), (ii) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (iii) the words “herein,” “hereof” and “hereunder,” and words of similar import shall be construed to refer to this Agreement in its entirety and not to any particular provision of this Agreement, (iv) all references in this Agreement to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement, (v) any reference to any law shall include all statutory and regulatory provisions consolidating, amending, replacing or interpreting such law and any reference to any law or regulation shall, unless otherwise specified, refer to such law or regulation as amended, modified or supplemented from time to time, and (vi) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

(b) In the computation of periods of time from a specified date to a later specified date, the word “from” means “from and including;” the words “to” and “until” each mean “to but excluding;” and the word “through” means “to and including.”

(c) Section headings herein are included for convenience of reference only and shall not affect the interpretation of this Agreement or any other Related Document.

*Section 1.03. Accounting Terms.* All accounting terms not specifically or completely defined herein shall be construed in conformity with, and all financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with, GAAP, as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements, except as otherwise specifically prescribed herein.



*Section 1.04. Rounding.* Any financial ratios required to be maintained by the City pursuant to this Agreement shall be calculated by dividing the appropriate component by the other component, carrying the result to one place more than the number of places by which such ratio is expressed herein and rounding the result up or down to the nearest number (with a rounding-up if there is no nearest number).

*Section 1.05. Times of Day.* Unless otherwise specified, all references herein to times of day shall be references to New York time (daylight or standard, as applicable).

*Section 1.06. Letter of Credit Amounts.* Unless otherwise specified herein, the amount of the Letter of Credit at any time shall be deemed to be the maximum amount available to be drawn under the Letter of Credit, whether or not such maximum stated amount is in effect at such time. Without limiting the foregoing, the determination of such maximum amount shall assume compliance with all conditions for drawing and no reduction for (a) any amount drawn by any drawing referred to in the Letter of Credit, the amount of which, in whole or in part, is subject to reinstatement (unless such amount is not reinstated under the Letter of Credit), or (b) any amount not available to be drawn because Bonds are held by or for the account of the City or are Bank Bonds or are otherwise Ineligible Bonds.

*Section 1.07. Incorporated Agreement Provisions.* Any covenants and agreements of the City herein and in the Related Documents to which the City is a party and which are incorporated by reference herein (including all such covenants and agreements specified in the exhibits, schedules and defined terms referred to in the Related Document) shall survive any termination, cancellation, discharge or replacement of such Related Document.

## ARTICLE II LETTER OF CREDIT

*Section 2.01. Issuance of Letter of Credit.* Upon the terms, subject to the conditions and relying upon the representations and warranties set forth in this Agreement or incorporated herein by reference, the Bank agrees to issue the Letter of Credit. The Letter of Credit shall be in the Original Stated Amount, which is the sum of (i) the outstanding principal amount of the Bonds as of the Effective Date, plus (ii) interest thereon at an assumed rate of twelve percent (12%) per annum for a period of 57 days on the basis of a 365 day year.

*Section 2.02. Letter of Credit Drawings.* (i) The Tender Agent is authorized to make Drawings under the Letter of Credit in accordance with its terms. No Drawing under the Letter of Credit shall be made for the payment of principal of, or interest on, Ineligible Bonds. The City hereby directs the Bank to make payments under the Letter of Credit in the manner therein provided. The City hereby irrevocably approves reductions and reinstatements of the Available Amount with respect to the Letter of Credit as provided in the Letter of Credit.

*Section 2.03. Reimbursement of Certain Drawings under the Letter of Credit; Mandatory Prepayment; Interest.* (a) (i) If the conditions precedent contained in Section 4.02 hereof are satisfied at the time of payment by the Bank of a Liquidity Drawing, such Liquidity Drawing shall constitute an advance (each a "Liquidity Advance") to the City. The City promises to repay

to the Bank each Liquidity Advance on the earliest of (A) the Substitution Date, (B) the date on which any Bonds purchased with funds disbursed under the Letter of Credit in connection with such Liquidity Drawing are redeemed, prepaid or canceled pursuant to the Resolution, (C) the date on which any Bonds purchased with funds disbursed under the Letter of Credit in connection with such Liquidity Advance are remarketed pursuant to the Resolution, (D) the Conversion Date and (E) the date the events set forth in clauses (i) or (iii) of the definition of the Amortization End Date occur, in all cases, subject to the provisions of Section 2.03(a)(iii); provided that, the interest component, if any, included in the related Liquidity Drawing shall be due and payable on the earlier of (y) the interest payment date for the Bonds under the Resolution next following the date of the Liquidity Drawing or (z) the date on which the Bank Bond securing the related Liquidity Drawing is remarketed or otherwise paid in full.

(ii) The City's obligations to repay each Liquidity Drawing and each Liquidity Advance and to pay interest thereon as hereinafter provided shall be evidenced and secured by the related Bank Bonds. The City also promises to repay to the Bank interest on the unpaid principal amount of each Liquidity Advance from the date such Liquidity Advance is made up to, but not including, the date it is paid in full as provided herein, at a rate per annum equal to the Liquidity Rate from time to time in effect, which shall be payable monthly in arrears on the first Business Day of each month for the immediately preceding calendar month (commencing on the first such date to occur after the making of the related Liquidity Advance), on the date such Liquidity Advance is repaid, and on the date that the final principal installment of such Liquidity Advance is payable as herein provided.

(iii) Unless otherwise paid in full on the date provided above and so long as no Default or Event of Default shall have occurred, from and after the related Amortization Commencement Date, each Liquidity Advance shall be payable by the City in quarterly installments ("*Quarterly Principal Payments*") on each Amortization Payment Date, with the final installment in an amount equal to the entire then outstanding principal amount of such Liquidity Advance due and payable on the Amortization End Date (the period commencing on the Amortization Commencement Date and ending on the Amortization End Date is herein referred to as the "*Amortization Period*"). Each Quarterly Principal Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Quarterly Principal Payments over the applicable Amortization Period.

Bank Bonds shall bear interest at the Liquidity Rate from time to time in effect and shall be redeemed on each Amortization Payment Date and in the principal amounts equal to each Quarterly Principal Payment payable by the City under this Section 2.03(a), and each such payment made to redeem Bank Bonds which is received by the Bank shall be deemed to satisfy, on a dollar for dollar basis, the aggregate Quarterly Principal Payment due on the date of such payment.

(b) Any Liquidity Advance may be prepaid in whole or in part on the day such Liquidity Advance is made. Any Liquidity Advance created pursuant to Section 2.03(a) hereof may be prepaid in whole or in part without premium or penalty on any other Business Day upon two (2) Business Days' prior written notice (or such shorter period as agreed to by the Bank).

(c) Upon the Bank's receipt of any payment or prepayment of any Liquidity Advance, the outstanding amount of such Liquidity Advance shall be reduced by the amount of such payment or prepayment. Any such payment or prepayment to be applied to principal of Liquidity Advances hereunder shall be applied to the prepayment of Liquidity Advances in chronological order of their issuance hereunder, and within each Liquidity Advance in inverse order of the principal installments payable thereon.

(d) Upon honoring any Liquidity Drawing, the Bank shall be deemed to have purchased the Bank Bonds in respect of which such Liquidity Drawing is made, and the City shall cause the Tender Agent to hold such Bank Bonds for the benefit of the Bank, and register such Bank Bonds in the name of the Bank, or its nominee, or to otherwise deliver such Bank Bonds as directed by the Bank pursuant to the Resolution and the Custody Agreement. During such time as the Bank is the owner of any Bonds, the Bank shall have all of the rights granted to a Bondholder under the Resolution and such additional rights as may be granted to the Bank hereunder. To the extent that the Bank actually receives payment with respect to principal of or interest on any Bank Bond held by the Bank, the Liquidity Advance made in connection with the purchase of such Bank Bond shall be deemed to have been reduced *pro tanto*, with the Bank crediting any payment on such Bank Bond received by the Bank, first to the payment of any outstanding interest accrued on the related Liquidity Advance, and second to the payment of the principal of such Liquidity Advance.

(e) Following the occurrence of an Event of Default, any payments received by the Bank hereunder shall be applied by the Bank to the payment of the Obligations in such order as the Bank shall determine.

*Section 2.04. Reimbursement of Drawings under the Letter of Credit and Certain Liquidity Drawings.* The City agrees to reimburse the Bank for the full amount of all Drawings (other than (a) the principal component of any Liquidity Drawing for which the applicable conditions precedent contained in Section 4.02 hereof are satisfied on the date such Liquidity Drawing is made and (b) the interest component of any Liquidity Drawing which is payable pursuant to Section 2.03(a)(i)) under the Letter of Credit immediately upon payment by the Bank of each such Drawing and on the date of each such payment.

*Section 2.05. Fees.* (a) *Facility Fees.* The City hereby agrees to pay to the Bank a Facility Fee determined and payable in accordance with the provisions of the Fee Letter (which shall be fully earned when due and non-refundable when paid) with respect to the commitment of the Bank hereunder. The terms of the Fee Letter shall be deemed incorporated by reference into this Agreement and all references herein to this "Agreement" shall be deemed to include the Fee Letter.

(b) *Draw Fees.* The City hereby agrees to pay a non-refundable drawing fee of \$250 to the Bank for each Drawing under the Letter of Credit, payable monthly in arrears.

(c) *Amendment, Waiver or Consent Fees.* The City hereby agrees to pay to the Bank on the date any amendment to the Agreement or the Fee Letter is entered into between the parties thereto, a non-refundable amendment fee of \$2,500, or such other fee as the parties may agree,

plus the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith. The City hereby agrees to pay to the Bank on the date of any waiver or consent in connection with this Agreement, the Fee Letter or any Related Document, such fee as the parties may agree.

(d) *Transfer Fee.* The City hereby agrees to pay to the Bank on the date of each transfer of the Letter of Credit to a successor Tender Agent under the Resolution, a non-refundable transfer fee of \$2,500, or such other fee as the parties may agree, plus the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith.

(e) *Administrative Expenses.* The City hereby agrees to reimburse the Bank for all administrative expenses (including, without limitation, wire fees, courier and overnight delivery fees, and internal processing fees) incurred by the Bank in connection with the administration of this Agreement and the Letter of Credit, promptly upon the Bank's request therefor.

(f) *Out-of-Pocket Expenses.* The City shall pay promptly, upon receipt of an invoice, any and all reasonable fees and expenses of the Bank (including the out-of-pocket expenses of the Bank and the fees of domestic and foreign counsel to the Bank) all payable in accordance with Section 9.19 of this Agreement.

*Section 2.06. Method of Payment; Etc.* All payments to be made by the City under this Agreement shall be made without condition or deduction for any counterclaim, defense, recoupment or setoff and shall be made at the Payment Office of the Bank, or through the Federal Reserve Wire System to Barclays Bank PLC, ABA #: 026002574, credit to CLAD A/C # 050019104, Reference: Letter of Credit No. SB-\_\_\_\_\_, City of Riverside (or at such other address or location specified to the City in writing by the Bank), not later than 1:00 p.m. on the date when due and shall be made in lawful money of the United States of America in freely transferable and immediately available funds. All payments received by the Bank after 1:00 p.m. shall be deemed to have been received on the next succeeding Business Day and any applicable interest or fee shall continue to accrue.

*Section 2.07. Termination of Letter of Credit; Substitute Letter of Credit; Reduction of Letter of Credit.* (a) Notwithstanding any provisions of this Agreement to the contrary, the City agrees not to terminate or cause the termination of the Letter of Credit, in whole or in part, prior to the Stated Expiration Date, unless (a) the City shall pay to the Bank the Termination Fee in the amount set forth in the Fee Letter, (b) the City shall pay to the Bank all Obligations payable hereunder, (c) the City shall have provided the Bank with thirty (30) days prior written notice of its intent to terminate the Letter of Credit and (d) the City shall have provided the Bank evidence that the City has or will have sufficient funds to reimburse the Bank for any Drawings required in connection with the termination of the Letter of Credit; *provided* that all payments to the Bank referred to in clause (a) and (b) above shall be made in immediately available funds; *provided, however,* that any such termination of the Letter of Credit shall be in compliance with the terms and conditions of the Resolution. The City agrees that any termination of the Letter of Credit as a result of the provision of any Alternate Credit Support Instrument will require, as a condition thereto, that the City (including, but not limited to, from the proceeds of refunding bonds or remarketing proceeds) will provide funds on the date of such termination or provision, which

funds will be sufficient to pay in full at the time of termination of the Letter of Credit all Obligations due and owing to the Bank hereunder.

(b) Upon any redemption, repayment, defeasance or other payment or deemed payment of all or any portion of the principal amount of the Bonds the aggregate Stated Amount and Available Amount shall, **upon receipt by the Bank of written notice of such occurrence from the City**, be reduced by the principal amount of the Bonds so redeemed, repaid, defeased or otherwise paid or deemed paid, as specified in such written notice.

*Section 2.08. Computation of Interest and Fees.* Fees payable hereunder shall be calculated on the basis of a year of 360 days and the actual number of days elapsed. Interest shall accrue during each period during which interest is computed from and including the first day thereof to but excluding the last day thereof and shall be calculated on the basis of a year of 365 days and the actual number of days elapsed.

*Section 2.09. Payment Due on Non-Business Day to Be Made on Next Business Day.* If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

*Section 2.10. Late Payments.* If any Obligation is not paid when due, such Obligation shall bear interest until paid in full at a rate per annum equal to the Default Rate, payable on demand.

*Section 2.11. Source of Funds.* All payments made by the Bank pursuant to the Letter of Credit shall be made from funds of the Bank, and not from the funds of any other Person.

*Section 2.12. Extension of Stated Expiration Date.* (a) The City may by written notice to the Bank, not earlier than one hundred twenty (120) days prior to the then current Stated Expiration Date in effect hereunder (such current Stated Expiration Date without regard to such requested extension, the "*Existing Expiration Date*"), request that the Bank consent to the extension of the Existing Expiration Date. The Bank will make reasonable efforts to respond to such request within thirty (30) days after receipt of all information necessary, in the Bank's reasonable judgment, to permit the Bank to make an informed credit decision. In the event the Bank fails to definitively respond to such request within such period of time, the Bank shall be deemed to have refused to grant the extension requested. The Bank may, in its sole and absolute discretion, decide to accept or reject any such proposed extension. The consent of the Bank, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance reasonably satisfactory to the Bank and consistent with this Agreement (including the term, commitment and other fees, interest rates and other provisions) as shall be mutually acceptable to the Bank and the City. If such an extension request is accepted by the Bank in its absolute discretion, the then current Stated Expiration Date for the Letter of Credit shall be extended to the date agreed to by the City and the Bank. If the Stated Expiration Date is extended, the City shall, except as otherwise agreed to in writing by the Bank, be deemed to have made the representations and warranties contained herein on and as of the date on which the Stated Expiration Date is so extended and shall be deemed to have acknowledged and agreed that

the terms of Section 2.07 including, without limitation, the obligation of the City to pay the Termination Fee, shall apply to such extended Stated Expiration Date.

(b) As a condition precedent to the effectiveness of such consent to the extension of the Existing Expiration Date, the City shall deliver to the Bank a Certificate of the City dated as of the date of the Notice of Extension signed by a City representative, certifying that, before and after giving effect to such extension, (1) the representations and warranties contained in Article V and the other Related Documents are true and correct in all material respects on and as of the date of the Notice of Extension, except, in each case, to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct as of such earlier date, and (2) no Default or Event of Default exists or would result from the extension of the Stated Expiration Date.

(c) Any such extension of the Existing Expiration Date shall be subject to such additional terms, including payment of extension fees to the Bank, as shall be agreed with the City. The terms of such extension of the Stated Expiration Date shall be determined by the mutual agreement of the City and the Bank.

(d) Upon the effectiveness of any such consent to the extension of the Existing Expiration Date, the Bank shall deliver to the Tender Agent a written notice of such extension (a "*Notice of Extension*") designating the date to which the Existing Expiration Date is being extended. Such extension of the Existing Expiration Date shall be effective on the date of issue of such Notice of Extension, and thereafter all references in this Agreement to the Existing Expiration Date shall be deemed to be references to the date designated as such in the most recent Notice of Extension delivered to the Tender Agent.

*Section 2.13. Security.* (a) Notwithstanding any other provision of this Agreement or any other Related Documents to the contrary, the City hereby acknowledges and agrees that payment of all Obligations is secured by and payable from Net Operating Revenues on a parity with the lien thereon of any Parity Debt.

(b) In order to secure the timely payment of all Obligations (including the payment of the principal of, interest on and redemption price of Bank Bonds) and to secure the performance and observance of all of the covenants, agreements and conditions contained in this Agreement and the Related Documents, the City hereby irrevocably grants a lien on and a security interest in, and pledges, the Net Operating Revenues and the other funds, assets and security described in the Resolution ("Trust Assets") to the Bank (for the benefit of the Bank and any Affiliate of the Bank to whom any Obligation is at any time owed), which lien on, security interest in and pledge of the Net Operating Revenues and Trust Assets is on a parity with the pledge of Net Operating Revenues and Trust Assets set forth in the Master Resolution. This lien on and security interest in and pledge of the Net Operating Revenues and Trust Assets shall constitute a valid pledge of and charge and lien upon the Net Operating Revenues and Trust Assets, shall immediately attach and be effective, binding, and enforceable against the City, its successors, purchasers of any of the Net Operating Revenues and Trust Assets, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Resolution, irrespective of whether those parties have notice of the lien on, security interest in and pledge of

the Net Operating Revenues and Trust Assets and without the need for any physical delivery, recordation, filing or further act.

*Section 2.14 Bank Bonds.*

(a) Right to Sell Bank Bonds. The Bank expressly reserves the right to sell, at any time, Bank Bonds subject, however, to the express terms of this Agreement. The Bank agrees that such sales (other than sales made pursuant to Section 2.14(b)) will be made only to institutional investors or other entities or individuals that customarily purchase commercial paper or tax-exempt securities in large denominations. The Bank agrees to notify in writing the City, the Fiscal Agent and the Remarketing Agent promptly of any such sale (other than a sale made pursuant to Section 2.14(b)) and to notify the transferee in writing that such Bond is no longer eligible to be tendered or deemed tendered for purchase pursuant to the Resolution so long as it remains a Bank Bond and that there shall not be a short-term investment rating assigned to such Bond so long as it remains a Bank Bond. Prior to selling a Bank Bond to Bank Bondholder pursuant to this Section 2.14(a), the Bank shall obtain a written acknowledgment from such purchaser stating that such purchaser has no right to tender the Bank Bond.

(b) Sales by Remarketing Agent.

(i) The Bank and each other Bank Bondholder, by the acceptance by each of a Bank Bond, hereby authorize the Remarketing Agent to remarket and sell Bank Bonds purchased pursuant to Section 2.03(d) on behalf of the Bank or such Bank Bondholder pursuant to the Resolution and in accordance with applicable securities law at a price equal to the principal amount thereof plus unpaid accrued interest thereon to the date such Bank Bonds are to be sold. Prior to 11:00 a.m. on any Business Day on which any Bank Bondholder holds Bank Bonds, the Remarketing Agent may deliver a notice (a "Purchase Notice") to such Bank Bondholder as registered on the bond register maintained by the Tender Agent or DTC and to the Bank, stating that it has located a purchaser (each, a "Purchaser") for some or all of such Bank Bonds and that such Purchaser desires to purchase such Bank Bonds on a Business Day (a "Sale Date") which shall be at least two (2) Business Days after the date on which the Purchase Notice is received by the Bank Bondholder (unless the Bank Bondholder agrees in writing to a shorter period). The Bank Bonds to be purchased shall be in an authorized denomination and at a price equal to the principal amount thereof plus unpaid accrued interest thereon to the Sale Date at the interest rate applicable to Bonds that are not Bank Bonds (or for any period of time during which all Bonds are Bank Bonds, at the Bank Rate) (the "Sale Price"). If less than all Bank Bonds are remarketed on any date, the Bank Bonds having the highest aggregate amount of Excess Interest payable shall be deemed to be remarketed first. Any sale of a Bank Bond pursuant to this Section 2.14(b) shall be without recourse to the seller and without representation or warranty of any kind by the Bank or any Bank Bondholder. The Bank agrees to deliver and, by its acceptance of a Bank Bond, each other Bank Bondholder agrees to deliver (but only upon receipt by the Bank or such other Bank Bondholder of Dollars in the amount of the Sale Price) to the Tender Agent each certificate representing a Bank Bond sold by it pursuant to this Section 2.14(b), including without limitation certificates representing Bank Bonds which are deemed to have been delivered in accordance with the provisions of the Resolution.

(ii) After any sale of Bank Bonds by the Remarketing Agent pursuant to this Section 2.14(b) and payment to the applicable Bank Bondholder of the outstanding principal and interest accrued on the Bank Bonds so sold, such Bank Bonds so sold shall from such sale date cease to be Bank Bonds for purposes of this Agreement and the Resolution, shall cease to bear interest at the Liquidity Rate (or if applicable, the Default Rate) and shall bear interest at the rate for Bonds other than Bank Bonds (and the Available Amount shall be increased in the same amount of the Bank Bonds so sold).

(c) Payment of Differential Interest Amount and Excess Interest Fee Amount. Following any sale of Bank Bonds, pursuant to Section 2.14(b) or otherwise, the Bank shall retain the right to receive payment from the City of any accrued Differential Interest Amount and, to the extent permitted by law, any Excess Interest and interest thereon as provided herein and in the Resolution. Any Differential Interest Amount and, to the extent permitted by law, any Excess Interest payable on Bank Bonds sold by the Remarketing Agent shall be payable by the City to the Bank on the earlier of (i) the occurrence of an Event of Default and (ii) the applicable Sale Date.

(d) Rights of Bank Bondholder. Upon purchasing Bank Bonds, a Bank Bondholder shall be entitled to and, where necessary, shall be deemed assigned all rights, privileges and security accorded Bondholders as provided in the Bonds and the Resolution, other than the right to tender such Bond for purchase pursuant to the Resolution and have such Bond purchased with amounts drawn under the Letter of Credit. Upon purchasing Bank Bonds and registration of such Bank Bonds in the name of or at the direction of the Bank Bondholder, as provided herein, Bank Bondholders shall be recognized by the City, the Fiscal Agent and the Tender Agent as the true and lawful owners of the Bank Bonds, free from any claims, liens, security interests, equitable interests and other interests of the City or the Tender Agent, except as otherwise provided herein and except as such interests might exist under the terms of the Bonds with respect to all holders thereof.

### ARTICLE III

#### TAXES AND YIELD PROTECTION

##### *Section 3.01. Net of Taxes, Etc.*

(a) *Taxes.* Any and all payments to the Bank by the City hereunder shall be made free and clear of and without deduction for any and all taxes, levies, imposts, deductions, charges, withholdings or liabilities imposed thereon, excluding, however, taxes imposed on or measured by the net income or capital of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein solely as a result of a connection between the Bank and such jurisdiction or political subdivision (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "*Taxes*"). If the City shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof (or any other jurisdiction from which or through which payments are made) from or in respect of any sum payable hereunder to the Bank or the Bank's parent or participants, (i) the sum payable shall be increased as may be necessary so that after making all required



deductions (including deductions applicable to additional sums payable under this Section 3.01), the Bank or the Bank's parent or participants receives an amount equal to the sum it would have received had no such deductions been made, (ii) the City shall make such deductions and (iii) the City shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the City shall make any payment under this Section 3.01 to or for the benefit of the Bank with respect to Taxes and if the Bank in its sole discretion determines that it shall receive a refund or shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the City an amount equal to the amount by which such other taxes are actually reduced; *provided* that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the City to the applicable party with respect to such Taxes. In addition, the City agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or any state of the United States or any other taxing jurisdiction from any payment made hereunder or from the execution or delivery or otherwise with respect to this Agreement (hereinafter referred to as "*Other Taxes*"). The Bank shall provide to the City, within a reasonable time, a copy of any written notification it receives with respect to Taxes or Other Taxes owing by the City to the Bank hereunder *provided* that the Bank's failure to send such notice shall not relieve the City of its obligation to pay such amounts hereunder.

(b) *Indemnity.* The City shall indemnify the Bank for the full amount of Taxes and Other Taxes including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 3.01 paid by the Bank or any liability (including penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted; *provided* that the City shall not be obligated to indemnify the Bank for any penalties, interest or expenses relating to Taxes or Other Taxes arising from the Bank's gross negligence or willful misconduct. The Bank agrees to give notice to the City of the assertion of any claim against the Bank relating to such Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided* that the Bank's failure to notify the City promptly of such assertion shall not relieve the City of its obligation under this Section 3.01. Payments by the City pursuant to this indemnification shall be made within thirty (30) days from the date the Bank makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. To the extent that the City shall pay any such Taxes or Other Taxes directly to the taxing authority or shall have paid such amount to the Bank, the Bank agrees to repay to the City any refund actually received by the Bank (including that portion of any interest that was included as part of such refund) with respect to Taxes or Other Taxes paid by the City pursuant to this Section 3.01 received by the Bank for Taxes or Other Taxes that were paid by the City pursuant to this Section 3.01 and to contest, with the cooperation and at the expense of the City, any such Taxes or Other Taxes which the Bank or the City reasonably believes not to have been properly assessed.

(c) *Notice.* Within thirty (30) days after the date of any payment of Taxes or Other Taxes by the City to the relevant taxation authority or other authority, the City shall furnish to the Bank, the original or a certified copy of a receipt evidencing payment thereof.

*Section 3.02. Increased Costs.* (a) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof by any court, central bank or other administrative or governmental authority (in each case, whether or not having the force of law), or compliance by the Bank with any request or directive of any such court, central bank or other administrative or governmental authority (whether or not having the force of law), shall (i) change the basis of taxation of payments to the Bank or the Bank's parent of any amounts payable hereunder (except for taxes on the overall net income of the Bank), (ii) impose, modify or deem applicable any reserve, special deposit or similar requirement against making or maintaining its obligations under this Agreement or assets held by, or deposit with or for the account of, the Bank or the Bank's parent, (iii) subject credits or commitments to extend credit extended by the Bank or any Bank Assignee to any assessment or other cost imposed by the Federal Deposit Insurance Corporation or any successor thereto or the Financial Services Authority or any successor thereto, or (iv) impose on the Bank or the Bank's parent any other condition regarding this Agreement, and the result of any event referred to in clause (i), (ii), (iii) or (iv) above shall be to increase the cost to the Bank or the Bank's parent of making or maintaining its obligations hereunder or maintaining the Letter of Credit, or to reduce the amount of any sum received or receivable by the Bank hereunder, then, the City shall pay to the Bank at such time and in such amount as is set forth in paragraph (d) of this Section 3.02, such additional amount or amounts as will compensate the Bank or the Bank's parent for such increased costs or reductions in amount.

(b) If the Bank shall have determined that the adoption or implementation of, or any change in, any law, rule or regulation, or any policy, guideline or directive of, or any change in the interpretation or administration thereof, by, any court, central bank or other administrative or governmental authority, or compliance by the Bank or any corporation controlling the Bank with any directive of or guidance from any central bank or other authority (in each case, whether or not having the force of law), shall impose, modify or deem applicable any capital adequacy or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Bank or any corporation controlling the Bank allocates capital resources to its commitments, including its obligations under lines of credit) that either (i) affects or would affect the amount of capital to be maintained by the Bank or any corporation controlling the Bank or (ii) reduces or would reduce the rate of return on the Bank's or the Bank's controlling corporation's capital to a level below that which the Bank or the Bank's controlling corporation could have achieved but for such circumstances (taking into consideration the Bank's or the Bank's controlling corporation's policies with respect to capital adequacy) then, the City shall pay to the Bank, as applicable, at such time and in such amount as is set forth in paragraph (d) of this Section, such additional amount or amounts as will compensate the Bank or the Bank's controlling corporation for such cost of maintaining such increased capital or such reduction in the rate of return on the Bank's or the Bank's controlling corporation's capital.

(c) Notwithstanding anything contained in this Agreement to the contrary, for purposes of this Agreement (i) all statutes, regulations, requests, rules, guidelines or directives enacted, adopted, issued, implemented or promulgated in connection with the Dodd Frank Act shall be deemed to be a change in law regardless of the date enacted, adopted, issued or promulgated, and (ii) all statutes, regulations, requests, rules, guidelines or directives enacted, adopted, issued or

promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) or any Governmental Authority shall be deemed a change in law regardless of the date enacted, adopted, issued, implemented or promulgated.

(d) All payments of amounts referred to in paragraphs (a) and (b) of this Section shall be due and payable thirty (30) days following the City's receipt of written notice thereof. A certificate as to such increased cost, increased capital or reduction in return incurred by the Bank as a result of any event mentioned in paragraphs (a) or (b) of this Section setting forth the amount of such calculation shall be submitted by the Bank to the City and shall be deemed conclusive if reasonably determined. In making the determinations contemplated by the above referenced certificate, the Bank may make such reasonable estimates, assumptions, allocations and the like that the Bank in good faith determines to be appropriate.

(e) The City shall not be required to compensate the Bank pursuant to this Section 3.02 in respect of a period occurring more than ninety (90) days prior to the date the above-described written demand is given to the City with respect thereto (the "*Cut-Off Date*"), except where (i) the Bank had no certain knowledge of the action resulting in such increased costs, increased capital or reduction, as applicable, as of the Cut-Off Date or (ii) such increased costs, increased capital or reduction apply to the Bank retroactively to a date prior to the Cut-Off Date.

*Section 3.03. Margin Regulations.* No portion of the proceeds of any Drawings under the Letter of Credit shall be used by the City (or the Fiscal Agent, the Tender Agent or any other Person on behalf of the City) for the purpose of "purchasing" or "carrying" any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation U, Regulation T, or Regulation X of the Board of Governors of the Federal Reserve System or any other regulation of said Board of Governors or to violate the Securities Exchange Act of 1934, as amended, in each case as in effect on the date or dates of such Drawings or Liquidity Advances and such use of proceeds.

*Section 3.04. Maximum Rate; Payment of Fee.* If the rate of interest payable hereunder would exceed the Maximum Rate for any period for which interest is payable, then (i) interest at the Maximum Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in accordance with the terms hereof and (B) the Maximum Rate (the "*Excess Interest*"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Rate, at which time the City shall pay to the Bank with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. On the date on which no amount owed to the Bank hereunder remains unpaid and no Bank Bonds are outstanding, the City shall pay to the Bank a fee equal to any unpaid deferred Excess Interest. In addition, upon the termination of the Letter of Credit and this Agreement, in consideration for the limitation of the rate of interest otherwise payable hereunder, the City shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

*Section 3.05. Survival.* All of the City's obligations under this Article III shall survive the termination of this Agreement and the Letter of Credit and repayment of all Obligations hereunder and thereunder.

## ARTICLE IV

### CONDITIONS PRECEDENT

*Section 4.01. Conditions Precedent to Issuance of the Letter of Credit.* As conditions precedent to the obligation of the Bank to issue the Letter of Credit, the City shall provide to the Bank on the Effective Date, each in form and substance satisfactory to the Bank and Bank Counsel:

(i) *Approvals.* The Bank shall have received a counterpart of this Agreement and the Fee Letter duly executed by the City and the Bank and copies of all action taken by the City approving the execution and delivery by the City of this Agreement and the other Related Documents to which it is a party, in each case certified by an authorized official of the City as complete and correct as of the date hereof.

(ii) *Incumbency of City Officials.* The Bank shall have received an incumbency certificate of the City in respect of each official who is authorized to (i) sign this Agreement and the Fee Letter on behalf of the City and (ii) take actions for the City under this Agreement and the Fee Letter.

(iii) *Opinion of Bond Counsel.* The Bank shall have received a written opinion of Bond Counsel, addressed to the Bank (or upon which the Bank may rely), dated the Closing Date in form and substance satisfactory to the Bank and Bank Counsel.

(iv) *Opinion of City Attorney.* The Bank shall have received a written opinion of the City Attorney, addressed to the Bank, dated the Effective Date in the form and substance satisfactory to the Bank and Bank Counsel.

(v) *Organizational Documents.* The Bank shall have received certified copies of the by-laws or other similar organizational documents of the City.

(vi) *Governmental Approvals.* The Bank shall have received true and correct copies of all Governmental Approvals, if any, necessary for the City to execute, deliver and perform the Related Documents to which it is a party and to authorize the City to induce the issuance of the Letter of Credit.

(vii) *Bond Opinions.* Copies of the legal opinions rendered in connection with the issuance of the Bonds and the delivery of the Related Documents.

(viii) *Tender Agent; Remarketing Agent.* The Remarketing Agent and the Tender Agent have been appointed. The Bank shall have received copies of the

Remarketing Agreement, duly executed by the parties thereto, which agreements shall be in full force and effect.

(ix) *Related Documents.* The Bank shall have received a certified copy of the Charter, a certified copy of the Master Resolution and all amendments thereto, the Twelfth Supplemental Resolution, the Remarketing Agreement and the Bonds, all certified by a City Representative of the City as being in full force and effect. The Bank shall have received an executed original or copy of this Agreement, the Custody Agreement and the Fee Letter.

(x) *No Default, Etc.* (i) No Default or Event of Default shall have occurred and be continuing as of the date hereof under this Agreement or the other Related Documents or will result from the execution, delivery, and performance by the City of this Agreement or any other Related Document to which the City is a party, (ii) the representations and warranties made by the City in Article V hereof shall be true and correct in all material respects on and as of the Effective Date, as if made on and as of such date, (iii) all conditions precedent to the issuance of the Letter of Credit set forth in this Section 4.01 have been satisfied and (iv) the Bank shall have received a certificate, given and made as of the Effective Date, from the City to the foregoing effect.

(xi) *Financial Information.* The Bank shall have received copies of the Audited Financial Statements for the Electric System of the City for the Fiscal Year ended June 30, 2016, acceptable to the Bank and any other financial information, budgets or projections as reasonably requested by the Bank.

(xii) *Legality; Material Adverse Change.* A Certificate of the City shall have been delivered to the Bank, in form and substance satisfactory to the Bank, dated the Effective Date, to the effect that (i) neither the making of any Liquidity Advances or Drawings nor the consummation of any of the transactions contemplated by the Master Resolution, the Twelfth Supplemental Resolution, the Bonds or this Agreement will violate any law, rule, guideline or regulation (or their interpretation) applicable to the City or this Agreement and (ii) no material adverse change in the ratings, financial condition, business, assets, liabilities, operations or prospects of the Electric System of the City shall have occurred since June 30, 2016 except as disclosed in writing to the Bank prior to the Effective Date or as disclosed in the Offering Document, which would be reasonably likely to result in a Material Adverse Effect.

(xiii) *Fees, Etc.* The Bank shall have received payment of the fees, costs and expenses set forth in Section 2.05 of this Agreement that are payable on the Effective Date.

(xiv) *Ratings.* The Bank shall have received satisfactory evidence that the Bonds shall have been assigned long and short-term ratings of ["A"] and "A-2," respectively, by S&P and "AA+" and "F1", respectively, by Fitch after giving effect to the Letter of Credit, and that S&P and Fitch shall have assigned an underlying rating of at

least AA- and AA-, respectively, on the long-term, unenhanced indebtedness of the City secured by the Net Operating Revenues.

(xv) *CUSIP and Bank Bond Rating.* The Bank shall have received written evidence satisfactory to the Bank that (a) a CUSIP number has been obtained and received from Standard & Poor's CUSIP Service for the Bank Bonds and (b) the Bank Bonds (and their related CUSIP Numbers) shall have been assigned a long term rating of at least "BBB-" from Fitch or S&P.

(xvi) *Other Documents.* The Bank shall have received such other documents, certificates, and opinions as the Bank and Bank Counsel shall have reasonably requested.

(xvii) *Twelfth Supplemental Resolution.* The Bank shall have received evidence of the satisfaction of all conditions set forth in Section 2.18 of the Twelfth Supplemental Resolution with respect to the Alternate Credit Support Instrument contemplated hereby.

(xviii) *Legal Requirements.* All legal requirements provided herein incident to the execution, delivery and performance of the Related Documents and the transactions contemplated thereby, shall be reasonably satisfactory to the Bank and Bank Counsel.

(xix) *Closing Certificate.* A Certificate of the City, dated the Effective Date, stating that: (1) the representations and warranties of the City herein are true and correct on and as of the Effective Date; (2) no Event of Default has occurred and is continuing under this Agreement or the Related Documents or would result from the execution, delivery and performance of this Agreement or the Related Documents; (3) the City is in compliance with all covenants set forth herein on and as of the Effective Date; and (4) all conditions precedent to the issuance of the Bonds and to the execution and delivery of this Agreement and the other Related Documents to which it is a party have been satisfied.

(xx) *Prior Letter of Credit.* A certificate of the City certifying that all amounts owing under the Reimbursement Agreement dated as of May 1, 2008, between the City and Bank of America, N.A., relating to the Bonds have been paid and that the letter of credit issued thereunder securing the Bonds will be terminated upon the effectiveness of the Letter of Credit issued under this Agreement.

*Section 4.02. Conditions Precedent to Liquidity Advances.* Following any payment by the Bank under the Letter of Credit pursuant to a Liquidity Drawing, a Liquidity Advance shall be made available to the City *only if* on the date of payment of such Liquidity Drawing (i) the representations and warranties contained in Article V of this Agreement are true and correct in all material respects as of such date, and (ii) no event has occurred and is continuing, or would result from such payment, which constitutes a Default or Event of Default.

Unless the City shall have previously advised the Bank in writing that the above statement is no longer true, the City shall be deemed to have represented and warranted on the date of such payment that the above statement is true and correct.

## ARTICLE V

### REPRESENTATIONS AND WARRANTIES

The City hereby represents and warrants to the Bank as of the Effective Date and as of the effective date of any extension of the Stated Expiration Date (which representations and warranties shall survive the execution and delivery of this Agreement and the making of any Drawings or Liquidity Advances, if any) as follows:

*Section 5.01. Organization, Powers, Etc.* The City is a municipal corporation and chartered city duly organized and existing under and by virtue of the laws of the State of California and the Charter, and is possessed of full powers to own and lease real and personal property, to own and operate the Electric System, to conduct its other business as presently conducted and to enter into contracts such as this Agreement and the other Related Documents, which powers have been validly exercised in connection with the transactions effected by this Agreement and the other Related Documents and to perform and observe all of the terms and provisions of the Related Documents to which the City is a party.

*Section 5.02. Authorized, Absence of Conflicts, Etc.* The execution, delivery and performance of each Related Document (i) were and have been duly authorized by all necessary action on the part of the City; (ii) did not and do not conflict with, or result in a violation of, any provision of law, including the Charter, or any order, writ, rule or regulation of any court or governmental agency or instrumentality binding upon or applicable to the City; and (iii) did not and do not conflict with, result in a violation of, or constitute a default or create a Lien under any other resolution, agreement or instrument to which the City was or is a party or by which the City or any of its property was or is bound; and no further approvals, authorizations or consents are required by law or otherwise.

*Section 5.03. Binding Obligation.* Each Related Document to which the City is a party was and is a valid and binding obligation of the City in accordance with their respective terms, and this Agreement is the legal, valid and binding obligation of the City enforceable in accordance with its terms.

*Section 5.04. Security.* (a) The Obligations of the City under this Agreement, the Fee Letter and the Bank Bonds are payable from and secured by a Lien on the Net Operating Revenues and Trust Assets on a parity with all other Parity Debt.

(b) The City hereby designates the Obligations as Parity Debt. The Resolution creates a valid security interest in the funds and accounts created under the Resolution and the moneys, including, without limitation, the Net Operating Revenues on deposit therein and the Trust Assets, as security for the punctual payment of the interest and principal due with respect to the Bonds and all Parity Debt (including the Obligations). All action necessary to create a lien on such funds and accounts and on moneys on deposit therein, including the Net Operating Revenues, have been duly and validly taken. The City's obligation to pay the Obligations is *pari passu* with its obligation to pay the Bonds and all other Parity Debt.

(c) No further consent, approval, permit, authorization or order of, or registration or filing with, any court or governmental agency, authority or instrumentality, or recording or filing of any Related Documents, any financing statement or any other certificate, resolution, instrument or agreement, was, is or will be necessary to create or perfect the liens, pledges and security interests of the Bank in the Net Operating Revenues and Trust Assets.

*Section 5.05. Governmental Consent or Approval.* (i) No consent, approval, permit, authorization or order of, or registration or filing with, any court or governmental agency, authority or other instrumentality not already obtained, given or made was or is required on the part of the City for the execution, delivery and performance of the Related Documents.

(ii) All consents, approvals, permits, authorizations and orders of, and registrations and filings with, any court or governmental or public agency, authority or other instrumentality required for the issuance, sale, execution, delivery and performance of each Bond have been or will be obtained prior to the delivery thereof.

*Section 5.06. Litigation.* There is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, arbitrator, governmental or other board, body or official, pending or, to the best knowledge of the City, threatened against or affecting the City, that draws into question the validity of the Charter or any proceeding taken or to be taken by the City in connection with the execution, delivery and performance of any Related Document, nor, to the best knowledge of the City, is there any basis therefor, wherein an unfavorable decision, ruling or finding would adversely affect (i) the validity of the Charter, (ii) the validity or enforceability of, or the authority or ability of the City to perform its obligations under, any Related Document, (iii) the ability of the City to carry out its purposes in the manner now conducted or as proposed to be conducted, or (iv) the exclusion of interest on any Bond from gross income for Federal income tax purposes or the exemption of any Bond or the interest thereon from personal income taxation by the State or any political subdivision thereof. In addition to the foregoing, there are no actions, suits or proceedings at law or in equity (including any Environmental Claims) pending or, to the knowledge of the City, threatened against or affecting it or the Electric System before any court or arbitrator or any governmental or nongovernmental body, agency or official in which an adverse decision could produce a Material Adverse Effect.

*Section 5.07. No Defaults.* No Default or Event of Default has occurred and is continuing. The City is not in default under (i) any order, writ, injunction or decree of any court or governmental body, agency or other instrumentality applicable to the City, or (ii) any constitutional provision or law or regulation, or (iii) any Debt of the City relating to the Electric System, or (iv) any contract, agreement or instrument to which the City is a party or by which it or any of its properties is bound, in each case, which default could (A) adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, this Agreement or the other Related Documents, or (B) result in a Material Adverse Effect; and no event has occurred which with the giving of notice or the passage of time or both would constitute such a default.

*Section 5.08. Immunity.* The City is not entitled to claim immunity on the grounds of sovereignty or other similar grounds with respect to itself or its revenues or assets (irrespective



of their use or intended use) from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) or (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be made subject in any proceedings in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to it or its revenues or assets.

*Section 5.09. Environmental Compliance.* The City has not received notice to the effect that its operations are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, which noncompliance or remedial action could have a Material Adverse Effect.

*Section 5.10. Financial Condition.* On the date of execution and delivery of this Agreement (i) the balance sheet of the City's Electric System for each of the three (3) Fiscal Years immediately preceding the date hereof, and the related statements of revenues, expenses and changes in retained earnings and financial position, present fairly the City's Electric System financial position as of the end of such Fiscal Year and the results of its operations and its income, fund balances and changes in fund equity and financial position for the end of such Fiscal Year, in conformity with generally accepted accounting principles applied on a consistent basis and (ii) no Material Adverse Effect has occurred relating to such balance sheet and related statements of revenues, expenses and changes.

*Section 5.11. Disclosures.* As of the date hereof, no information, exhibit or report, including, without limitation, the financial statements furnished by or on behalf of the City's Electric System to the Bank, contains any untrue statement of a material fact or omits any statement of a material fact necessary to make the statements contained herein, in light of the circumstances under which they were made, not misleading, and there are no facts that the City has not disclosed in writing to the Bank that, individually or in the aggregate, materially adversely affect the Related Documents or the ability of the City to perform its obligations hereunder, or, so far as the City can now foresee, will have a Material Adverse Effect.

*Section 5.12. No Limitation on Interest Rate.* As of the Effective Date, the laws of the State, including the Charter, impose no limitation on the rate of interest payable by the City hereunder or under the Bank Bonds.

*Section 5.13. No Proposed Legal Changes.* As of the date hereof and except as disclosed in the Offering Document, there is no amendment, or to the knowledge of the City, proposed amendment certified for placement on any ballot in the State, or any legislation that has passed either house of the State's legislature or the United States Congress, or any published judicial decision interpreting any of the foregoing, the effect of which is to materially adversely affect the Bonds or any owner thereof in his capacity as such, or the ability of the City to execute, deliver and perform its obligations under this Agreement and the other Related Documents.

*Section 5.14. ERISA.* The City does not maintain or contribute to, and has not maintained or contributed to and is not required to maintain or contribute to, any Plan that is subject to Title IV of ERISA.

*Section 5.15. Reserved.*

*Section 5.16. Margin Regulations; Investment Company Act.* (a) The City is not engaged in the business of extending credit for the purpose of purchasing or carrying any margin stock as defined in Regulation U of the Board of Governors of the Federal Reserve System, and the City will not use the proceeds of any draws under the Letter of Credit so as to violate Regulation T, U or X of the Board of Governors of the Federal Reserve System, as the same may be amended or interpreted from time to time.

(b) The City does not intend to use any part of the proceeds of the Bonds or the funds advanced hereunder and has not incurred any indebtedness to be reduced, retired or purchased by the City out of such proceeds, for the purpose of purchasing or carrying any Margin Stock, and the City does not own and has no intention of acquiring any such Margin Stock.

(c) The City is not required to be registered as an “investment company” under the Investment Company Act of 1940.

*Section 5.17. Compliance with Laws.* Except as disclosed in writing to the Bank or as disclosed in the Offering Document, the City is in compliance in all material respects with the requirements of all Laws and all orders, writs, injunctions and decrees applicable to it or to its properties, except in such instances in which (a) such requirement of Law or order, writ, injunction or decree is being contested in good faith by appropriate proceedings diligently conducted or (b) the failure to comply therewith, either individually or in the aggregate, could not reasonably be expected to have a Material Adverse Effect.

*Section 5.18. Bank Bonds.* The Bonds purchased pursuant to Article II hereof will be transferred to or held for the benefit of the Bank, free and clear of all liens, security interests or claims of any Person other than the Bank, except for consensual liens or other security interests as may be created by the Bank.

*Section 5.19. Usury.* As of the Effective Date, the terms of this Agreement and the Related Documents regarding the calculation and payment of interest and fees related to amounts due to the Bank do not violate any applicable usury laws of the State of California.

*Section 5.20. The Tender Agent and Remarketing Agent.* The Tender Agent is the duly appointed and acting tender agent under the Resolution. The Remarketing Agent is the duly appointed and acting remarketing agent with respect to the Bonds.

*Section 5.21. Insurance.* The City is in compliance with the insurance requirements set forth in the Resolution.

*Section 5.22. Taxes.* The City has filed all Federal, state and other material tax returns and reports required to be filed, if any, and has paid all Federal, state and other material taxes, assessments, fees and other governmental charges levied or imposed upon it or its properties, income or assets otherwise due and payable, if any, except those which are being contested in good faith by appropriate proceedings diligently conducted and for which adequate reserves have been provided in accordance with GAAP. There is no proposed tax assessment against the City that would, if made, have a Material Adverse Effect.

*Section 5.23. No Existing Right to Accelerate.* As of the Effective Date, no Person, including, without limitation, a credit facility provider or a liquidity provider, either of which provides credit enhancement or liquidity support to any Debt of the City secured by Net Operating Revenues, has a right under any indenture or any supplemental resolution relating to any Debt of the City secured by Net Operating Revenues or any other document or agreement relating to any Debt of the City secured by Net Operating Revenues, to direct the Tender Agent to declare the principal of and interest on any Debt of the City secured by Net Operating Revenues to be immediately due and payable.

*Section 5.24. Patriot Act Representations.*

- (a) Neither the City nor any of its Affiliates is in violation of any laws relating to terrorism or money laundering (“Anti-Terrorism Laws”), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the “Executive Order”), and the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Patriot Act”).
- (b) Neither the City nor any of its Affiliates is any of the following:
  - (i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
  - (ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;
  - (iii) a Person with which the Bank is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;
  - (iv) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or
  - (v) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list.

(c) Neither the City nor any of its Affiliates (i) conducts any business or engages in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (b)(ii) above, (ii) deals in, or otherwise engages in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engages in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

## ARTICLE VI AFFIRMATIVE COVENANTS

*Section 6.01. Affirmative Covenants of the City.* The City covenants and agrees that it will do the following unless and until the Letter of Credit shall have terminated and all Obligations shall have been paid in full, unless the Bank shall otherwise consent in writing:

(a) *Performance of This and Other Agreements.* Punctually pay or cause to be paid all amounts payable under this Agreement, the Bonds and the other Related Documents and observe and perform all of the conditions, covenants and requirements set forth in this Agreement, the Bonds and the other Related Documents.

(b) *Further Assurances.* Execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, from time to time promptly at the request of the Bank all such instruments and documents as in the reasonable judgment of the Bank are necessary or advisable to carry out the intent and purpose of this Agreement, the Bonds and the other Related Documents.

(c) *Books and Records; Inspection Rights.* Keep adequate records and books of account, in which complete entries will be made, reflecting all financial transactions of the City's Electric System; and at any reasonable time and from time to time, permit the Bank or any agents or representatives thereof to examine and make copies of and abstracts from the records and books of account of, and visit the properties of, the City's Electric System and to discuss the affairs, finances and accounts of the City's Electric System with any of the City's officers, trustees and independent auditors (and by this provision, the City authorizes said auditors to discuss with the Bank or its agents or representatives, the affairs, finances and accounts of the Electric System).

(d) *Reporting Requirements.* Furnish to the Bank either electronically (which may be a notice with a link to the City's website) or by hard copy:

(i) as soon as available and in any event within one hundred and eighty (180) days after the end of each Fiscal Year, the comprehensive annual audited financial report of the City's Electric System;

(ii) on and after any date on which the long-term ratings of any Parity Debt are "BBB+" or below by S&P, "BBB+" or below by Fitch, or "Baa1" or

below by Moody's, as soon as available and in any event within ninety (90) days after the end of the second quarter and final quarter of each Fiscal Year, the unaudited financial statements of the City's Electric System for such six-month period, in the form customarily prepared by the City, showing financial statements for the Electric System;

(iii) concurrently with each delivery of the comprehensive annual financial report referred to in clause (i) above, a Certificate of the City stating that (i) under his/her supervision the City has made a review of its activities during the preceding annual period for the purpose of determining whether or not the City has complied with all of the terms, provisions and conditions of this Agreement and the other Related Documents and (ii) to the best of his/her knowledge no Default or Event of Default has occurred with respect to the City in the performance or observance of any of the terms, covenants, provisions or conditions of this Agreement or any of the other Related Documents, or if a Default or Event of Default shall have occurred with respect to the City, such certificate shall specify each such Default or Event of Default, the nature and status thereof and any remedial steps taken or proposed to correct each such Default or Event of Default, as applicable;

(iv) within thirty (30) days of the end of each Fiscal Year, copies of all preliminary budgets that are released or available to the public or notice to the Bank that such budgets are publicly available on the City's website;

(v) promptly after an official of the City has actual knowledge thereof, notice of any action, suit, proceeding, inquiry or investigation before or by any court, public authority or body pending or threatened wherein an unfavorable decision, ruling or finding would materially adversely affect the transactions contemplated by this Agreement or the other Related Documents, or which would adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, this Agreement or the other Related Documents to which it is a party;

(vi) promptly after the occurrence of each Event of Default or Default under this Agreement, continuing on the date of such statement, a Statement of a City representative setting forth details of such Event of Default or Default and the action which the City is taking or proposes to take with respect thereto;

(vii) promptly after the receipt or giving thereof, copies of all notices of resignation by or removal of the Tender Agent and/or a Remarketing Agent which are received and/or given by the City;

(viii) upon request of the Bank, the City shall confirm, or cause to be confirmed to the Bank, the amount of funds and securities on deposit in any fund or account established under the Twelfth Supplemental Resolution;

(ix) within ten (10) days after the filing of a material event notice, provide the Bank with a copy of such notice; and

(x) with reasonable promptness, such other information and data with respect to the business, properties, condition (financial or other), operations or prospects of the Electric System as from time to time may be reasonably requested by the Bank.

(e) *Compliance with Laws, Documents, Etc.* Comply with all applicable documents, laws, rules, regulations, guidelines and orders of any governmental authority having jurisdiction over the City (including, without limitation, compliance with Environmental Laws and ERISA, where applicable), except that this sub-section (e) shall not apply if non-compliance with the foregoing would not, singly or in the aggregate, have a Material Adverse Effect on the City or the ability of the City to perform its obligations hereunder or under any of the other Related Documents.

(f) *Tender Agent and Remarketing Agent.* Appoint a Tender Agent and a Remarketing Agent with respect to the Bonds pursuant to the Master Resolution and the Twelfth Supplemental Resolution; and if the Remarketing Agent fails to remarket any tendered Bonds for sixty (60) consecutive days (and so long as such failure is not due to an allowable event under the then effective Remarketing Agreement), then the City agrees, at the written request of the Bank, to cause the Remarketing Agent to be replaced with a Remarketing Agent reasonably satisfactory to the Bank. A list of acceptable remarketing agents is provided in Exhibit C to this Agreement. Any remarketing agreement with a successor Remarketing Agent shall provide that (a) such remarketing agent may resign upon not less than sixty (60) days prior written notice to the Tender Agent, the Bank and the City, and (b) such remarketing agent shall use its best efforts to remarket the Bonds without regard to the Liquidity Rate (*i.e.*, whether or not the rate to be borne by the Bonds is less than the Liquidity Rate).

(g) *Alternate Credit Support Instrument.* (1) Use all commercially reasonable efforts to obtain an Alternate Credit Support Instrument to replace this Agreement or to convert the interest rate on the Bonds to a mode other than the Weekly Interest Rate in the event that (A) the Bank shall decide not to extend the Stated Expiration Date pursuant to Section 2.12 hereof, (B) the City terminates this Agreement pursuant to Section 2.07 hereof, or (C) the Bank directs the Tender Agent to cause a mandatory tender of the Bonds following the occurrence of an Event of Default.

(2) The City shall not permit an Alternate Credit Support Instrument to become effective with respect to less than all of the Bonds without the prior written consent of the Bank.

(h) *Incorporation by Reference.* Perform and comply with each and every covenant and agreement to be performed or observed by it in each of the Related Documents to which it is a party and each such covenant, together with the related definitions of terms contained therein, is hereby incorporated by reference herein with the

same effect as if it were set forth herein in its entirety, it being understood that no amendment or waiver with respect to such covenants and agreements or defined terms shall be effective as to this Agreement unless and until specifically agreed to in writing by the Bank with reference to this Agreement.

(i) *Bond Ratings; Bank Bond Rating.* Cause to be maintained (i) a rating on the Bonds by both Fitch and S&P and (ii) a rating on the Bank Bonds of at least “BBB-” (or its equivalent) by S&P or “BBB-” (or its equivalent) by Fitch.

(j) *ERISA.* Comply and require all Related Persons to comply in all material respects with Title IV of ERISA, if or to the extent applicable.

(k) *Right to Accelerate.* In the event that the City shall, directly or indirectly, enter into or otherwise consent to any Bank Agreement, which such Bank Agreement includes the right to accelerate the payment of the principal of or interest on any series of bonds secured by the Net Operating Revenues upon the occurrence of an event of default under terms more favorable than those provided herein, the Bank shall be deemed to have the right to accelerate the payment of the principal of and interest on any Bank Bonds (and all other obligations due and owing hereunder) under the same terms and conditions set forth under any such Bank Agreement. If requested by the Bank, the City shall promptly, upon the occurrence of the City entering into an agreement (or amendment thereto) which provides for the right to accelerate any bonds secured by Net Operating Revenues, enter into an amendment to this Agreement to include such provision, provided that the Bank shall maintain the benefit of such provision even if the City fails to provide such amendment. The release, termination or other discharge of such other documentation which provides for acceleration of any such bonds shall be effective to amend, release, terminate or discharge (as applicable) such provision as incorporated by reference herein without the consent of the Bank.

(l) *Book Entry Eligibility.* At all times from and including the Effective Date until and including the date of maturity of the Bonds, use commercially reasonable efforts to cause the Bonds to be eligible for, and to be registered with, DTC's book-entry delivery services and that such registration with DTC shall not be discontinued without the Bank's prior written consent.

(m) *Sovereign Immunity.* Not claim any immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) jurisdiction of any court, (iii) relief by way of injunction, order for specific performance or for recovery of property, (iv) attachment of its assets (whether before or after judgment) and (v) execution or enforcement of any judgment to which it or its revenues or assets might otherwise be entitled in any proceedings in the courts of any jurisdiction and irrevocably waives, to the fullest extent permitted by applicable law, with respect to itself and its revenues and assets (irrespective of their use or intended use), all such immunity. The City hereby waives any rights and will not assert any claims, in each case with respect to any immunity it may have from setoff or legal proceeding it may hereafter acquire under any applicable laws and will not invoke any defense of immunity in respect of its obligations

arising under or related to this Agreement, the Fee Letter and the other Related Documents.

## ARTICLE VII

### NEGATIVE COVENANTS

*Section 7.01. Negative Covenants of the City.* Unless and until the Letter of Credit shall have terminated and all Obligations shall have been paid in full, the City shall not, directly or indirectly, unless the Bank shall otherwise consent in writing:

(a) *No Adverse Effect.* Take any action or omit to take any action that adversely affects (i) the rights or security of the Bank under this Agreement, the Bank Bonds or under any other Related Document (including, without limitation, the right to receive timely and sufficient payment hereunder or thereunder), (ii) the Lien, pledge and security interest in favor of the Bank in and to the Net Operating Revenues or (iii) the rights of the holders of the Bonds (including, without limitation, the right to receive timely and sufficient payment thereunder).

(b) *Reference to the Bank.* Other than the information contained in the Offering Document under the caption "THE BANK" include, or permit to be included, any material or reference relating to the Bank in any offering memorandum or any other document (other than the audit of the City) or any tombstone, unless such material or reference is approved in writing by the Bank prior to its inclusion therein.

(c) *Alternate Credit Support Instrument.* Provide or permit to be provided a letter of credit or other credit enhancement or liquidity support for the Bonds other than the Letter of Credit unless (i) such letter of credit or other credit enhancement constitutes an Alternate Credit Support Instrument which, after the effective date thereof, and pursuant to the terms of the Twelfth Supplemental Resolution, precludes the Tender Agent from drawing under this Agreement and the Letter of Credit, and (ii) on or prior to the date of the provision or substitution of such Alternate Credit Support Instrument, all amounts payable by the City under this Agreement are paid in full.

(d) *Transfer of Electric System.* Transfer, sell, lease or dispose of all or substantially all of the properties and facilities constituting the Electric System, except as permitted under the Master Resolution.

(e) *Amendments.* (i) Modify, amend or supplement any of the Related Documents or (ii) give any consent to any modification, amendment or supplement of any of the Related Documents or (iii) make any waiver with respect to any of the Related Documents, without the prior written consent of the Bank; *provided, however,* that amendments, modifications, supplements and waivers of any Related Document (other than this Agreement) shall be effective without the prior written consent of the Bank, to the extent, and only to the extent, that (i) such amendments, modifications, supplements and waivers would not have any adverse effect on the Related Documents, the Net



Operating Revenues, the rights, security interests, duties and obligations of the Bank hereunder or the Lien in respect of the Net Operating Revenues or under any other Related Document or the ability of the City to meet its obligations hereunder or any other Related Document and (ii) such amendments, modifications, supplements and waivers would not have a Material Adverse Effect. In addition, the City promptly will supply the Bank with one fully executed copy of any modification, amendment, supplement or waiver of any Related Document.

(f) *Exempt Status.* Take any action, omit to take any action or cause or permit another Person to take any action or omit to take any action, which, if taken or omitted, would adversely affect the excludability of interest on the Bonds from the gross income of the holders thereof for purposes of Federal income taxation.

(g) *Additional Liens.* (i) Except as permitted under the Master Resolution, create, incur, assume or suffer to exist any Lien on the Net Operating Revenues on a parity with the Lien of the Master Resolution and (ii) create, incur, assume or suffer to exist any Lien on the Net Operating Revenues senior to the Lien of the Master Resolution.

(h) *Additional Debt.* (i) Issue or incur any Debt payable from or secured by the Net Operating Revenues on a parity with the Bonds and the Obligations unless the applicable conditions contained in Article III of the Master Resolution have been satisfied, and (ii) in no event issue or incur any Debt payable from or secured by a lien on the Net Operating Revenues which is senior to the Bonds or the Obligations.

(i) *Other Agreements.* Enter into any agreement containing any provision which would be violated or breached by the performance of its obligations hereunder or under the other Related Documents.

(j) *Consolidation, Merger, etc.* Dissolve or otherwise dispose of all or substantially all of the assets of the Electric System or the City or consolidate with or merge into another Person or permit one or more other Persons to consolidate with or merge into the City.

(k) *Tender Agent and Remarketing Agent.* Without the prior written consent of the Bank, which such consent shall not be unreasonably withheld, appoint or consent to the appointment of any successor Tender Agent or Remarketing Agent; provided that any successor Tender Agent, or Remarketing Agent (or its parent entity) shall have minimum capital of \$500,000,000. The City shall at all times maintain a Tender Agent and a Remarketing Agent under the Resolution.

(l) *Use of Proceeds.* Use the proceeds of any credit extension, whether directly or indirectly, and whether immediately, incidentally or ultimately, to purchase or carry margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System) or to extend credit to others for the purpose of purchasing or carrying margin stock or to refund indebtedness originally incurred for such purpose, in

each case in violation of, or for a purpose which violates, or would be inconsistent with, Regulation T, U or X of the Board of Governors of the Federal Reserve System.

(m) *Tax Status of Bonds.* Take any action or suffer any action to be taken by others that will impair the tax-exempt status of the Bonds.

(n) *Immunity.* Assert any immunity it may have from lawsuits with respect to the enforcement of any of the obligations of the City under this Agreement or the other Related Documents.

(o) *Voluntary Redemption or Conversion.* (i) Request or consent to an optional redemption of the Bonds without, prior to sending the notice of redemption, (A) depositing with the Tender Agent or Fiscal Agent (from funds other than amounts derived under the Letter of Credit) an amount equal to the principal amount of Bonds to be redeemed (the "Redemption Amount"), or (B) obtaining the Bank's written consent; provided that the consent of the Bank shall not be required if (I) the notice of redemption is a conditional notice of redemption conditioned on the deposit by the City with the Fiscal Agent of the Redemption Amount and (II) the City shall agree in such notice that the notice of redemption will be deemed rescinded if the Redemption Amount shall not have been deposited with the Fiscal Agent (from funds other than amounts derived under the Letter of Credit) on or prior to the second (2<sup>nd</sup>) Business Day prior to the proposed redemption date; provided further that the City shall not be required to deposit the Redemption Amount with the Fiscal Agent on or prior to the second (2<sup>nd</sup>) Business Day prior to the proposed redemption date if the City shall have provided to the Bank evidence satisfactory to the Bank that (y) refunding bonds have been issued and the proceeds of such refunding bonds will be delivered on or prior to the proposed redemption date of the Bonds to redeem the Bonds and (ii) that irrevocable instructions have been given to deposit the proceeds of such refunding bonds with the Fiscal Agent for the purpose of redeeming the Bonds or reimbursing the Bank for any draw under the Letter of Credit.

(ii) Voluntarily redeem any Bonds pursuant to the Resolution prior to redeeming Bank Bonds in full or if, after giving effect to such redemption, there would be any unpaid Excess Interest owing under this Agreement or any other amount in respect of such Bank Bonds which shall not have been paid in full.

(iii) Convert any Bonds to a rate other than the Weekly Interest Rate pursuant to the Resolution if, after giving effect to such conversion, there would be any unpaid amounts owing under this Agreement or any other amount in respect of such Bank Bonds which shall not have been paid in full.

## ARTICLE VIII

### EVENTS OF DEFAULT AND REMEDIES

*Section 8.01. Events of Default and Remedies.* If any of the following events shall occur, each such event shall be an “*Event of Default*”:

(a) the City shall fail to pay, or cause to be paid, as and when due any Obligation; or

(b) the City shall fail to pay, or cause to be paid, when due any Parity Debt; or

(c) any representation or warranty made by or on behalf of the City to the Bank in this Agreement, a Related Document or in any certificate or statement delivered hereunder shall be incorrect or untrue in any material respect when made or deemed to have been made; or

(d) any “*event of default*” under any Related Document which is not cured within any applicable cure period shall occur; or

(e) default in the due observance or performance of any covenant set forth in Sections 6.01(e), 6.01(f), 6.01(g), 6.01(i), 6.01(j), 6.01(m) or 7.01 hereof; or

(f) default in the due observance or performance of any other term, covenant or agreement set forth in this Agreement or any other Related Document and the continuance of such default for fifteen (15) days after knowledge by the City or notice from the Bank; or

(g) any provision of this Agreement or any material provision of the Related Documents shall cease to be valid and binding, or a senior officer of the City or the City shall contest any such provision, or a senior officer of the City, or any agent or trustee on its behalf shall (A) deny that it has any or further liability (y) under this Agreement or any of the Related Documents to which it is a party or (z) with respect to its obligations to pay any Parity Debt, or (B) claim that any of the Related Documents are invalid; or

(h) an Event of Insolvency shall have occurred with respect to the City; or

(i) dissolution or termination of the existence of the City; or

(j) the City or any governmental agency or authority with jurisdiction over the City shall initiate any legal proceedings to seek an adjudication that this Agreement, the Bonds, or any Related Document or its obligation to pay any Parity Debt is not valid or not binding on the City; or

(k) any court of competent jurisdiction or other governmental entity with jurisdiction to rule on the validity of this Agreement, the Bonds or any of the Related

Documents, shall announce, find or rule that this Agreement, the Bonds or any of the Related Documents is not valid or not binding on City; or

(l) one or more final, nonappealable judgments against the City, or attachments against the property of the City, the operation or result of which, individually or in the aggregate, equal or exceed \$10,000,000 and which are secured by or payable from Gross Operating Revenues or Net Operating Revenues shall remain unpaid, unstayed, discharged, unbonded or undismissed for a period of sixty (60) days; or

(m) (i) the long-term, unenhanced debt rating assigned to any Parity Debt shall be withdrawn or suspended by S&P or Fitch, (ii) ninety (90) days after the long-term, unenhanced debt rating assigned to any Parity Debt shall be reduced below “BBB+” by Fitch or “BBB+” by S&P or (iii) no Parity Debt shall have a long-term unenhanced rating from S&P or Fitch; or

(n) there shall be appointed or designated with respect to the City or the Electric System, an entity such as an organization, board, commission, authority, agency or body to monitor or declare a financial emergency or similar state of financial distress with respect to it or there shall be declared by it or by any legislative or regulatory body with competent jurisdiction over it, the existence of a state of financial emergency or similar state of financial distress in respect of it; or

(o) a ruling, assessment, notice of deficiency or technical advice by the Internal Revenue Service shall be rendered to the effect that interest on the Bonds is includable in the gross income of the holder(s) or owner(s) of such Bonds and either (i) the City, after it has been notified by the Internal Revenue Service, shall not challenge such ruling, assessment, notice or advice in a court of law during the period within which such challenge is permitted or (ii) the City shall challenge such ruling, assessment, notice or advice and a court of law shall make a determination, not subject to appeal or review by another court of law, that such ruling, assessment, notice or advice is correctly rendered; or

(p) (i) default under any mortgage, agreement or other instrument under or pursuant to which Parity Debt is incurred or issued, and continuance of such default beyond the period of grace, if any, allowed with respect thereto, or (ii) the City shall fail to perform any other agreement, term or condition contained in any agreement under which any such obligation is created or secured which results in such Parity Debt becoming, or being capable of becoming, immediately due and payable, or, with respect to any Parity Debt that is a Swap Contract, which results in such Swap Contract being terminated early or being capable of being terminated early; or

(q) any of the funds or accounts established pursuant to the Resolution or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City and such stay, writ, judgment, warrant of

attachment, execution or similar process shall not be released, vacated or stayed within fifteen (15) days after its issue or levy; or

(r) any pledge or security interest created by this Agreement or any Related Document to secure any amount due by the City under this Agreement or with respect to the Bonds shall fail to be fully enforceable with the priority required hereunder or thereunder.

*Section 8.02. Remedies.* Upon the occurrence of any Event of Default, the Bank may exercise any one or more of the following rights and remedies in addition to any other remedies herein or by law provided:

(a) by notice to the City declare all Obligations to be and such amounts shall thereupon become immediately due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City; and/or

(b) give written notice to the Tender Agent with a copy to the City specifying that an Event of Default has occurred and is continuing, and that the Tender Agent is to give notice of mandatory tender of the Bonds thereby causing the Letter of Credit to expire fifteen (15) days thereafter, whereupon all amounts drawn under the Letter of Credit, all Liquidity Advances, all interest thereon and all other amounts payable hereunder or in respect hereof shall automatically be forthwith due and payable, without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the City; and/or

(c) exercise any and all other rights and remedies provided herein or under the Related Documents; and/or

(d) pursue any other action available at law or in equity.

## ARTICLE IX

### MISCELLANEOUS

*Section 9.01. Amendments, Etc.* No amendment or waiver of any provision or term of this Agreement or the Letter of Credit, and no consent to any departure by the City or any other party therefrom, shall be effective unless in writing and signed by the Bank and the City and each such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given; *provided, however*, that no amendment to or waiver of any term or provision of any Related Document incorporated herein by reference shall have the effect of amending or otherwise modifying any corresponding term or provision incorporated into this Agreement unless the Bank has consented to such amendment or waiver, as applicable, in writing.

*Section 9.02. Notices; Effectiveness; Electronic Communication.*

(a) *Notices Generally.* Except in the case of notices and other communications expressly permitted to be given by telephone, all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopier to the address, telecopier number or telephone number specified for such Person on Schedule I and confirmed by telephone, and all notices and other communications expressly permitted hereunder to be given by telephone shall be made to the applicable telephone number, for such Person on Schedule I. Notices and other communications sent by hand or overnight courier service, or mailed by certified or registered mail, shall be deemed to have been given when received; notices and other communications sent by telecopier shall be deemed to have been given when sent and confirmed by telephone (except that, if not given during normal business hours for the recipient, such notices and communications shall be deemed to have been given at the opening of business on the next business day for the recipient).

(b) *Change of Address, Etc.* The City or the Bank may change its address, facsimile or telephone number for notices and other communications hereunder by notice to the other parties hereto.

(c) *Reliance by Bank.* The Bank shall be entitled to rely and act upon any notices (including telephonic notices) purportedly given by or on behalf of the City even if such notices were not made in a manner specified herein, or were not preceded or followed by any other form of notice specified herein. The City shall indemnify the Bank and the Related Parties of the Bank from all losses, costs, expenses and liabilities resulting from the reliance by such Person on each notice purportedly given by or on behalf of the City. All telephonic notices to and other telephonic communications with the Bank may be recorded by the Bank, and the City hereby consents to such recording.

*Section 9.03. No Waiver; Cumulative Remedies; Enforcement; Conflict.* No failure by the Bank to exercise, and no delay by the Bank in exercising, any right, remedy, power or privilege hereunder or under any other Related Document shall operate as a waiver thereof; nor shall any single or partial exercise of any right, remedy, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, remedy, power or privilege. The rights, remedies, powers and privileges herein provided and provided under each other Related Document are cumulative and not exclusive of any rights, remedies, powers and privileges provided by law.

To the extent of any conflict between this Agreement, the Letter of Credit, the Resolution and any other Related Documents, this Agreement shall control solely as between the City and the Bank.

*Section 9.04. Liability of the Bank; Indemnification.*

(a) *Liability of Bank.* With respect to the Bank, the City assumes all risks of the acts or omissions of each of the Tender Agent and the Remarketing Agent and their agents in respect of their use of this Agreement, the Letter of Credit or any amounts made available by the Bank thereunder. Neither the Bank nor any of its officers or directors shall be liable or responsible for:

(i) the use which may be made of this Agreement or the Letter of Credit or any amounts made available by the Bank thereunder or for any acts or omissions of the Tender Agent or the Remarketing Agent or their agents in connection therewith; (ii) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; or (iii) any other circumstances whatsoever in making or failing to make payment under the Letter of Credit, except only that the City shall have a claim against the Bank, and the Bank shall be liable to the City to the extent, but only to the extent, of any direct, as opposed to consequential, indirect or punitive, damages (the right to receive consequential, indirect or punitive damages being hereby waived) suffered by the City by reason of any statement contained in the information regarding the Bank which has been provided by the Bank and is included in the Offering Document, or which are determined by a final and nonappealable judgment of a court of competent jurisdiction to be caused by the Bank's gross negligence or willful failure to make payment under the Letter of Credit in accordance with the terms hereof. In furtherance and not in limitation of the foregoing, the Bank may accept documents that the Bank in good faith determines appear on their face to be in order, without responsibility for further investigation. The City assumes all risks associated with the acceptance by the Bank of documents received by telecommunication, it being agreed that the use of telecommunication devices is for the benefit of the City and that the Bank assumes no liabilities or risks with respect thereto.

(b) *Indemnification by the City.* To the extent permitted by law, the City agrees to indemnify and hold harmless the Bank, its officers, directors, employees and agents (each an "Indemnified Party") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever which an Indemnified Party may incur (or which may be claimed against an Indemnified Party by any Person) by reason of or in connection with the execution and delivery of and consummation of the transactions contemplated under the Letter of Credit and this Agreement and the other Related Documents, including, without limitation, (i) the offering, sale, remarketing or resale of Bonds (including, without limitation, by reason of any untrue statement or alleged untrue statement contained or incorporated by reference in any official statement, or in any supplement or amendment thereof, prepared with respect to the Bonds, or the omission or alleged omission to state therein a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading or the failure to deliver an official statement to any offeree or purchaser of Bonds) and (ii) the execution and delivery of, or payment or failure to pay by any Person under, this Agreement or the Letter of Credit; *provided, however,* that the City shall not be required to indemnify the Bank for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, determined by a final and nonappealable judgment of a court of competent jurisdiction to be caused by (A) the willful misconduct or gross negligence of the Bank or (B) the material inaccuracy of any information included in the Official Document or any supplement thereto concerning the Bank which was furnished in writing by the Bank expressly for inclusion therein. Nothing in this Section 9.04 is intended to limit the obligations of the City under the Bonds or of the City to pay its obligations hereunder and under the Related Documents.

(c) *Waiver of Consequential Damages, Etc.* The City shall not assert, and hereby waives, any claim against any Indemnified Party, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in

connection with, or as a result of, this Agreement, any other Related Document or any agreement or instrument contemplated hereby, the transactions contemplated hereby or thereby, or the Letter of Credit or the use of the proceeds thereof. No Indemnified Party referred to in subsection (b) above shall be liable to the City for any damages arising from the use by unintended recipients of any information or other materials distributed to such unintended recipients by such Indemnified Party through telecommunications, electronic or other information transmission systems in connection with this Agreement or the other Related Documents or the transactions contemplated hereby or thereby other than for direct or actual damages resulting from the gross negligence or willful misconduct of such Indemnified Party as determined by a final and nonappealable judgment of a court of competent jurisdiction.

(d) *Payments.* All amounts due under this Section shall be payable not later than ten (10) Business Days after demand therefor.

(e) *Survival.* The agreements in this Section shall survive the termination of the Letter of Credit, this Agreement and the repayment, satisfaction or discharge of all the other Obligations.

*Section 9.05. Payments Set Aside.* To the extent that any payment by or on behalf of the City is made to the Bank, or the Bank exercises its right of setoff, and such payment or the proceeds of such setoff or any part thereof is subsequently invalidated, declared to be fraudulent or preferential, set aside or required (including pursuant to any settlement entered into by the Bank in its discretion) to be repaid to a trustee, receiver or any other party, in connection with any proceeding under any Debtor Relief Law or otherwise, then to the extent of such recovery, the obligation or part thereof originally intended to be satisfied shall be revived and continued in full force and effect as if such payment had not been made or such setoff had not occurred.

*Section 9.06. Successors and Assigns.*

(a) *Successors and Assigns Generally.* The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby, except that the City may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Bank. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby, Bank Participants to the extent provided in subsection (b) of this Section and, to the extent expressly contemplated hereby, the Related Parties of the Bank) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) *Participations.* The Bank shall have the right to grant participations in the Letter of Credit to one or more banking institutions (each a "*Bank Participant*"), and such Bank Participants shall be entitled to the benefits of this Agreement, including, without limitation, Article III and Section 9.04 hereof, to the same extent as if they were a direct party hereto; *provided, however*, that no such participation by any such participant shall in any way affect the obligation of the Bank under the Letter of Credit; and *provided further* that no such participant shall be entitled to receive payment hereunder of any amount greater than the amount which



would have been payable had the Bank not granted a participation to such Bank Participant, unless the sale of the participation to such Bank Participant is made with the City's prior written consent; and *provided further* that no participant shall be entitled to any greater rights than those set forth in this Section 9.06(b).

*Section 9.07. Reserved.*

*Section 9.08. Right of Setoff.* If an Event of Default shall have occurred and be continuing, the Bank and its Affiliates are hereby authorized at any time and from time to time, to the fullest extent permitted by applicable law, to set off and apply any and all deposits (general or special, time or demand, provisional or final, in whatever currency) at any time held and other obligations (in whatever currency) at any time owing by the Bank or any such Affiliate to or for the credit or the account of the City or any other party against any and all of the obligations of the City or such party now or hereafter existing under this Agreement to the Bank, irrespective of whether or not the Bank shall have made any demand under this Agreement and although such obligations of the City or such party may be contingent or unmatured or are owed to a branch or office of the Bank different from the branch or office holding such deposit or obligated on such indebtedness. The rights of the Bank and its Affiliates under this Section are in addition to other rights and remedies (including other rights of setoff) that the Bank or its Affiliates may have. The Bank agrees to notify the City promptly after any such setoff and application, *provided* that the failure to give such notice shall not affect the validity of such setoff and application.

*Section 9.09. Counterparts; Integration; Effectiveness.* This Agreement may be executed in counterparts (and by different parties hereto in different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement and the other Related Documents constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Delivery of an executed counterpart of a signature page of this Agreement by telecopy or other electronic imaging means shall be effective as delivery of a manually executed counterpart of this Agreement.

*Section 9.10. Survival of Representations and Warranties.* All representations and warranties made hereunder and in any other Related Document or other document delivered pursuant hereto or thereto or in connection herewith or therewith shall survive the execution and delivery hereof and thereof. Such representations and warranties have been or will be relied upon by the Bank, regardless of any investigation made by the Bank or on its behalf and notwithstanding that the Bank may have had notice or knowledge of any Default at the time of any payment under the Letter of Credit, and shall continue in full force and effect as long as any Obligation hereunder shall remain unpaid or unsatisfied or the Letter of Credit shall remain outstanding.

*Section 9.11. Severability.* If any provision of this Agreement or the other Related Documents is held to be illegal, invalid or unenforceable, (a) the legality, validity and enforceability of the remaining provisions of this Agreement and the other Related Documents shall not be affected or impaired thereby and (b) the parties shall endeavor in good faith negotiations to replace the illegal, invalid or unenforceable provisions with valid provisions the

economic effect of which comes as close as possible to that of the illegal, invalid or unenforceable provisions. The invalidity of a provision in a particular jurisdiction shall not invalidate or render unenforceable such provision in any other jurisdiction.

*Section 9.12. Governing Law; Jurisdiction; Waiver of Venue; Service of Process.*

(a) *GOVERNING LAW.* THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND FOR ALL PURPOSES SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK; *PROVIDED*, THAT THE CAPACITY, POWER AND AUTHORITY OF THE CITY TO ENTER INTO AND PERFORM ITS OBLIGATIONS UNDER THIS AGREEMENT SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE INTERNAL LAWS OF THE STATE OF CALIFORNIA, WITHOUT GIVING EFFECT TO CONFLICT OF LAW PRINCIPLES.

(b) *SUBMISSION TO JURISDICTION.* TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY SUBMITS TO THE EXCLUSIVE JURISDICTION OF ANY STATE OR FEDERAL COURT LOCATED IN THE STATE OF NEW YORK IN THE BOROUGH OF MANHATTAN, IN ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT, OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT, AND EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY AGREES THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD AND DETERMINED IN SUCH COURT OR, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, IN SUCH FEDERAL COURT. EACH OF THE PARTIES HERETO AGREES THAT A FINAL JUDGMENT IN ANY SUCH ACTION OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. NOTHING IN THIS AGREEMENT SHALL AFFECT ANY RIGHT THAT THE BANK MAY OTHERWISE HAVE TO BRING ANY ACTION OR PROCEEDING RELATING TO THIS AGREEMENT AGAINST THE CITY OR ANY OTHER PARTY OR ITS PROPERTIES IN THE COURTS OF ANY JURISDICTION IF THE STATE AND FEDERAL COURTS OF THE STATE OF NEW YORK SHALL REFUSE TO ACCEPT JURISDICTION OVER SUCH ACTION OR PROCEEDING.

(c) *WAIVER OF VENUE.* EACH OF THE PARTIES HERETO IRREVOCABLY AND UNCONDITIONALLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTION THAT IT MAY NOW OR HEREAFTER HAVE TO THE LAYING OF VENUE OF ANY ACTION OR PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT IN ANY COURT REFERRED TO IN PARAGRAPH (B) OF THIS SECTION. EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, THE DEFENSE OF AN INCONVENIENT FORUM TO THE MAINTENANCE OF SUCH ACTION OR PROCEEDING IN ANY SUCH COURT.

*Section 9.13. Waiver of Jury Trial.* EACH PARTY HERETO HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PERSON HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PERSON WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED

TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

*Section 9.14. No Advisory or Fiduciary Responsibility.* In connection with all aspects of each transaction contemplated hereby (including in connection with any amendment, waiver or other modification hereof or of any other Related Document), the City acknowledges and agrees, that: (i) each of the City and the Bank has consulted its own legal, accounting, regulatory and tax advisors to the extent it has deemed appropriate, and (ii) each of the City and the Bank is capable of evaluating, and understands and accepts, the terms, risks and conditions of the transactions contemplated hereby and by the other Related Documents.

*Section 9.15. Electronic Execution of Assignments and Certain Other Documents.* The words “execution,” “signed,” “signature,” and words of like import in any amendment or other modification hereof (including waivers and consents) shall be deemed to include electronic signatures or the keeping of records in electronic form, each of which shall be of the same legal effect, validity or enforceability as a manually executed signature or the use of a paper-based recordkeeping system, as the case may be, to the extent and as provided for in any applicable law.

*Section 9.16. Government Regulations.* The Bank hereby notifies the City that pursuant to the requirements of the USA PATRIOT Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the “Patriot Act”), it is required to obtain, verify and record information that identifies the City, which information includes the name and address of the City and other information that will allow the Bank to identify the City in accordance with the Patriot Act. The City shall, promptly following a request by the Bank, provide all documentation and other information that the Bank reasonably requests in order to comply with its ongoing obligations under applicable law or regulation, including, without limitation, “know your customer” and anti-money laundering rules and regulations, including the Patriot Act, and shall comply, and cause any of its subsidiaries to comply, with all applicable Bank Secrecy Act laws and regulations, as amended.

*Section 9.17. Assignment to Federal Reserve Bank.* The Bank may at any time assign or pledge a security interest in all or any portion of its rights under this Agreement to secure obligations of the Bank, including any pledge or assignment to secure obligations to a Federal Reserve Bank or the United States Treasury as collateral security pursuant to Regulation A of the Board of Governors of the Federal Reserve System and any Operating Circular issued by such Federal Reserve Bank, *provided* that any payment in respect of such assigned Obligations made by the City to the Bank in accordance with the terms of this Agreement shall satisfy the City’s Obligations hereunder in respect of such assigned Obligation to the extent of such payment. No such assignment shall release the Bank from its obligations hereunder.

*Section 9.18. Unconditional Obligations.* The obligations of the City, under this Agreement shall be absolute, unconditional, irrevocable and payable strictly in accordance with the terms of the Master Resolution, the Twelfth Supplemental Resolution and this Agreement, under all circumstances whatsoever, including, without limitation, the following:

(a) any lack of validity or enforceability of this Agreement, the Letter of Credit, the Bonds, the Master Resolution, the Twelfth Supplemental Resolution or any other Related Document;

(b) any amendment or waiver of or any consent to departure from the terms of the Master Resolution, the Twelfth Supplemental Resolution or all or any of the Related Documents to which the Bank has not consented in writing;

(c) the existence of any claim, counterclaim, set-off, recoupment, defense, or other right which any Person may have at any time against the Bank, the City, the Tender Agent, the Remarketing Agent, or any other Person, whether in connection with this Agreement, the Master Resolution, the Twelfth Supplemental Resolution, the Related Documents, or any other transaction related thereto;

(d) any statement or any other document presented pursuant hereto or pursuant to the Letter of Credit which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently proves to be forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(e) payment by the Bank of a Drawing or a Liquidity Advance against presentation of a request which the Bank in good faith determines to be valid, sufficient or genuine and which subsequently is found not to comply with the terms of this Agreement;

(f) the Bank or any of its branches or affiliates being the beneficiary of the Letter of Credit;

(g) the Bank or any correspondent honoring a drawing up to the Available Amount of the Letter of Credit even if such Payment Document claims an amount in excess of the Available Amount of the Letter of Credit;

(h) except as otherwise provided in this Agreement, the Bank or any correspondent having previously paid against fraudulently signed or presented Payment Documents (whether or not the City shall have reimbursed the Bank for such Drawing); and

(i) any other circumstances or happening whatsoever whether or not similar to any of the foregoing.

*Section 9.19. Expenses and Taxes.* The City will promptly pay (i) the reasonable fees and expenses of counsel to the Bank incurred in connection with the preparation, execution, delivery, and administration of this Agreement and the other Related Documents (not to exceed \$\_\_\_\_\_ plus disbursements), (ii) the reasonable out-of-pocket expenses of the Bank incurred in connection with the preparation, execution, delivery, and administration of this Agreement and the other Related Documents, (iii) the reasonable fees and disbursements of counsel to the Bank with respect to advising such Bank as to the rights and responsibilities under this Agreement, and (iv) all reasonable costs and expenses, if any, in connection with any amendment or the enforcement of this Agreement and any other documents which may be delivered in connection herewith or therewith, including in each case the fees and disbursements of counsel to the Bank. In addition, the City shall pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing, and recording of this Agreement and the security contemplated by the Related Documents and any Related Documents and agrees to hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees. In addition, the City agrees to pay, after the occurrence of an Event of Default, all costs and expenses (including attorneys' fees and costs of settlement) incurred by the Bank in enforcing any obligations or in collecting any payments due from the City hereunder by reason of such Event of Default or in connection with any refinancing or restructuring of the credit arrangements provided under this Agreement in the nature of a "workout" or of any insolvency or bankruptcy proceedings. The obligations of the City under this Section 9.19 shall survive the termination of this Agreement.

*Section 9.20. Dealing with the City, the Fiscal Agent the Tender Agent, and/or the Remarketing Agent.* The Bank and its affiliates may accept deposits from, extend credit to and generally engage in any kind of banking, trust or other business with the City, the Fiscal Agent, the Tender Agent, and/or the Remarketing Agent regardless of the capacity of the Bank hereunder.

*Section 9.21. Table of Contents; Headings.* The table of contents and the section and subsection headings used herein have been inserted for convenience of reference only and do not constitute matters to be considered in interpreting this Agreement.

*Section 9.22. Bail-In Action Acknowledgment.* The City acknowledges and agrees that notwithstanding any other term of this Agreement or any other agreement, arrangement or understanding with the Bank, any liability arising under or in connection with this Agreement (including, without limitation, any liability arising out of or in connection with the Letter of Credit) may be subject to Bail-In Action, and accepts to be bound by the effect of:

- (a) any Bail-In Action in relation to such liability, including (without limitation):
  - (i) a reduction, in full or in part, of any amount due in respect of any such liability;
  - (ii) a conversion of all, or part of, any such liability into shares or other instruments of ownership that may be issued to, or conferred on, the City, the Trustee or any other Person; and
  - (iii) a cancellation of any such liability; and

(b) a variation of any term of this Agreement or the Letter of Credit to the extent necessary to give effect to Bail-In Action in relation to any such liability.

“Bail-In Action” means the exercise by a resolution authority of any write-down or conversion power existing from time to time (including, without limitation, any power to amend or alter the maturity of eligible liabilities of an institution under resolution or amend the amount of interest payable under such eligible liabilities or the date on which interest becomes payable, including by suspending payment for a temporary period and together with any power to terminate and value transactions) under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in the United Kingdom relating to the transposition of the Bank Recovery and Resolution Directive, as amended from time to time, including but not limited to, the Banking Act 2009 as amended from time to time, and the instruments, rules and standards created thereunder, pursuant to which our obligations (or those of the Bank’s affiliates) can be reduced (including to zero), cancelled or converted into shares, other securities, or other obligations of the Bank or any other person.

[SIGNATURE PAGES TO FOLLOW]

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

CITY OF RIVERSIDE

By \_\_\_\_\_  
Name:  
Title:

BARCLAYS BANK PLC

By \_\_\_\_\_  
James Saakvitne  
Authorized Signatory for and on behalf of  
Barclays Bank PLC

**APPROVED AS TO FORM:**

BY: *Susan Wilson*  
**ASSISTANT CITY ATTORNEY**

## SCHEDULE I

### CERTAIN ADDRESSES FOR NOTICES

#### **CITY:**

City of Riverside  
3900 Main Street  
Riverside, CA 92522

[Attention: Brent A. Mason  
Telephone: (951) 826-5750  
Telecopier: (951) 826-5683  
E-Mail: [bmason@riversideca.gov](mailto:bmason@riversideca.gov)] *[Please confirm]*

#### **BANK:**

##### For draws upon the Letter of Credit:

Barclays Bank PLC  
745 7th Ave  
New York, NY 10019  
Attention: Letter of Credit Department  
Telephone: (212) 320-7534 or (212) 320-7537  
Facsimile: (212) 412-5011

##### For all other purposes:

Barclays Capital Inc.  
Municipal Finance - Liquidity  
745 7th Ave, 19th Floor  
New York, NY 10019  
Attention: James Saakvitne  
Telephone: (212) 528-1053  
Facsimile: (917) 265-1353



**EXHIBIT A**

**IRREVOCABLE TRANSFERABLE LETTER OF CREDIT**

**EXHIBIT B**  
**CUSTODY AGREEMENT**

**EXHIBIT C**

**APPROVED LIST OF REMARKETING AGENTS**

Bank of America Merrill Lynch

Barclays Capital Inc.

Citigroup Global Markets Inc.

Goldman, Sachs & Co.

J.P. Morgan Securities LLC

Morgan Stanley & Co. Incorporated

RBC Capital Markets

Wells Fargo Bank, National Association