



JH

JONES HALL

\$90,000,000

City of Roseville

Electric System Revenue

Refunding Certificates of Participation

Series 2012

Closing Date: November 7, 2012

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

SCHEDULE OF TRANSCRIPT DOCUMENTS

A. BASE LEGAL DOCUMENTS

1. List of Financing Participants.
2. City of Roseville (the "City") Resolution No. 12-386, entitled "Resolution Relating to Electric System Revenue Refunding Certificates of Participation, Series 2012, and the Direct Purchase Thereof by a Bank, Approving the Form of and Authorizing the Execution and Delivery of a 2012 Supplemental Installment Purchase Contract, and Bank Documentation in Connection Therewith; and Authorizing Certain Other Related Actions," adopted by the City Council of the City on October 3, 2012.
3. Roseville Finance Authority (the "Authority") Resolution No. 4-12, entitled "Resolution Relating to Electric System Revenue Refunding Certificates of Participation, Series 2012, Approving the Forms of and Authorizing the Execution and Delivery of a Supplemental Installment Purchase Contract and a Trust Agreement, in Connection Therewith; and Authorizing Certain Other Related Actions," adopted by the Board of Directors of the Authority on October 3, 2012.
4. Certificate Purchase Agreement, dated November 7, 2012 (the "Purchase Contract"), among U.S. Bank National Association, as purchaser (the "Purchaser"), the Authority and the City.
5. Continuing Covenant Agreement, dated as of November 1, 2012 (the "Continuing Covenant Agreement") between the City and the Purchaser.
6. Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee").
7. Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), by and between the City and the Authority.
8. 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997, by and between the City and the Authority.
9. 1999 Supplemental Installment Purchase Contract, dated as of August 1, 1999, by and between the City and the Authority.
10. 2002 Supplemental Installment Purchase Contract, dated as of December 1, 2002, by and between the City and the Authority.

11. 2004 Supplemental Installment Purchase Contract, dated as of July 1, 2004, by and between the City and the Authority.
12. 2005 Supplemental Installment Purchase Contract, dated as of November 1, 2012, by and between the City and the Authority.
13. 2008 Supplemental Installment Purchase Contract, dated as of May 1, 2008, by and between the City and the Authority.
14. 2012 Supplemental Installment Purchase Contract, dated as of November 1, 2012 (the "2012 Supplemental Contract"), by and between the City and the Authority.
15. Certificate of Mailing Report of Final Sale to the California Debt and Investment Advisory Commission ("CDIAC") and Acknowledgment No. 2012-1641 of Receipt of Report of Proposed Debt Issuance from CDIAC, together with Reports.

B. CITY DOCUMENTS

1. Officer's Certificate of the City.
2. Certificate as to Arbitrage.
3. Certificate Regarding Use of Proceeds.
4. Certificate of Mailing Information Return for Tax-Exempt Governmental Obligations Form 8038-G to the Internal Revenue Service, together with Form 8038-G.
5. Opinion of City Attorney.

C. AUTHORITY DOCUMENTS

1. Notice as to Joint Powers Agreement, as certified by the California Secretary of State.
2. Statement of Facts Roster of Public Agencies Filing, as certified by the California Secretary of State.
3. Certificate Regarding Effectiveness of Joint Powers Agreement, together with Joint Powers Agreement.
4. Officer's Certificate of the Authority,
5. Written Request to the Trustee, pursuant to Section 3.01 of the Trust Agreement.
6. Requisition No. 1 for Disbursement from Costs of Issuance Fund, pursuant to Section 3.03 of the Trust Agreement.

7. Opinion of Counsel to the Authority.

D. TRUSTEE DOCUMENTS

1. Authentication and Incumbency Certificate of the Trustee, together with general signing resolution.
2. Certificate of Trustee.
3. Trustee's Receipt of Proceeds, Other Funds and Acknowledgment of Transfer of Funds.
4. Opinion of Samuel D. Waldman Law, Counsel to the Trustee.

E. FINANCIAL ADVISOR AND PURCHASER DOCUMENTS

1. Certificate of Public Financial Management, Inc., as Financial Advisor.
2. Purchaser Letter.
3. Receipt for Certificates of Participation.
4. Specimen Certificate of Participation.

F. SPECIAL COUNSEL AND DISCLOSURE COUNSEL DOCUMENTS

1. Final Approving Legal Opinion of Jones Hall, A Professional Law Corporation, as special counsel ("Special Counsel").
2. Reliance Letter to the Purchaser and the Trustee regarding Final Approving Legal Opinion of Special Counsel.

G. MORGAN STANLEY SWAP DOCUMENTS

1. ISDA Master Agreement, dated as of December 13, 2002 (the "Morgan Stanley ISDA Agreement"), between Morgan Stanley Capital Services Inc. ("Morgan Stanley") and the City, together with Amendment to ISDA Master Agreement, dated as of March 30, 2005.
2. Schedule to the Morgan Stanley ISDA Agreement, dated as of December 13, 2002, between Morgan Stanley and the City
3. Confirmation Re: Unwind of Transaction MSCS Ref. No. AUD3U, dated May 9, 2008, between Morgan Stanley and the City.
4. Confirmation Re: Interest Rate Swap MSCS Ref. No. AUKGA, dated May 9, 2008, between Morgan Stanley and the City.
5. Certificate of Swap Provider, dated November 7, 2012, by Morgan Stanley.
6. Opinion of City Attorney, pursuant to the Morgan Stanley Swap Agreement.
7. Opinion of Special Counsel, pursuant to the Morgan Stanley Swap Agreement.
8. Certificate of PFM Asset Management LLC, as Swap Advisor.
9. Certificates Regarding Swap Termination for Bear Stearns Financial Products Inc. and Financial Guaranty Insurance Company, respectively, together with Termination Confirmation from Bear Stearns.

H. BANK OF AMERICA SWAP DOCUMENTS

1. ISDA Master Agreement, dated as of November 1, 2012 (the "BofA ISDA Agreement"), between Bank of America, N.A. ("BofA") and the City.
2. Schedule to the BofA ISDA Agreement, dated as of November 1, 2012, between BofA and the City.
3. Credit Support Annex to the Schedule to the BofA ISDA Agreement, dated as of November 1, 2012, between BofA and the City.
4. Confirmation, dated as of May 9, 2008, between BofA and the City.
5. Certificate of Swap Provider, dated November 7, 2012, by BofA.
6. Opinion of Cadwalader, Wickersham & Taft LLP, Counsel to BofA.
7. Opinion of City Attorney, pursuant to the BofA Swap Agreement.
8. Opinion of Special Counsel, pursuant to the BofA Swap Agreement.

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City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

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CITY COUNCIL OF THE CITY OF ROSEVILLE

RESOLUTION NO. 12- 386

RESOLUTION RELATING TO ELECTRIC SYSTEM REVENUE REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2012 AND THE DIRECT PURCHASE THEREOF BY A BANK, APPROVING THE FORM OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A 2012 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT AND BANK DOCUMENTATION IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN OTHER RELATED ACTIONS

RESOLVED, by the City of Roseville, California (the "City"), as follows:

WHEREAS, the City owns and operates an electric system (the "Electric System") and the City and the Roseville Finance Authority (the "Authority") have previously entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997 and subsequent supplements thereto to finance and refinance the costs of various improvements to the City's municipal electric system (the "Electric System"); and

WHEREAS, the City entered into a 2008 Supplemental Installment Purchase Contract, dated May 1, 2008 (the "2008 Supplemental Contract"), between the City and the Authority and caused the issuance of Electric System Revenue Refunding Certificates of Participation, Series 2008A in an aggregate principal amount of \$90,000,000 (the "2008A Certificates") and Series 2008B in an aggregate principal amount of \$64,500,000 (the "2008B Certificates"), for the purpose of refinancing certain improvements to the Electric System; and

WHEREAS, the City and the Authority, after due investigation and deliberation, have determined that it is in the interests of the City, due to a downgrade of the letter of credit provider for the 2008A Certificates, that the Authority at this time provide for the refunding of the 2008A Certificates through the issuance of 2012 refunding certificates of participation evidencing and representing proportionate interests of the owners thereof in certain installment payments to be made by the City, as more particularly described in the hereinafter described Trust Agreement, and it is in the public interest and for the public benefit that the Authority authorize and direct execution of such Trust Agreement and a 2012 Supplemental Installment Purchase Contract (the "2012 Supplemental Contract") pursuant to the Master Contract, whereby the Authority will sell the Project related to the 2008A Certificates to the City and the City will be obligated to make installment payments to the Authority for the purchase of the such project, and to enter into certain other refinancing documents in connection therewith; and

WHEREAS, the City Council finds and determines that it is desirable and furthers the public purpose of the City to refinance the 2008A Certificates and wishes at this time to approve the refinancing of the corresponding 2008A project through the execution and delivery by the Authority of one or more series of Electric System Revenue Refunding Certificates of Participation, Series 2012 (the "Refunding Certificates") described herein, evidencing and representing proportionate interests of the owners thereof in such installment payments to be made by the City under the 2012 Supplemental Contract, pursuant to a Trust Agreement (the "Trust Agreement"), proposed to be executed and delivered by the Authority and The Bank of New York Mellon Trust Company, N.A.; and

WHEREAS, the Authority, at the direction of the City, proposes to sell the Refunding Certificates on a direct purchase basis to U.S. Bank National Association (the "Bank"); and

WHEREAS, the City Council wishes at this time to approve all proceedings to which it is a party relating to the issuance, execution, delivery and sale of the Refunding Certificates and the refinancing of certain projects of its Electric System.

NOW, THEREFORE, it is hereby RESOLVED and DETERMINED, as follows:

SECTION 1. Execution and Delivery of Refunding Certificates. The City hereby authorizes the execution and delivery by the Authority of the Refunding Certificates on behalf of the City, in one or more series, representing the right to receive installment payments under the 2012 Supplemental Contract in the aggregate principal amount of not to exceed \$90,500,000, and the execution and delivery of the following agreements (collectively, the "Agreements"):

- (a) the 2012 Supplemental Contract; and
- (b) the Continuing Covenant Agreement, between the City and the Bank.

The City hereby approves and separately authorizes the City Manager or the Administrative Services Director (each, an "Authorized Officer") to execute the Agreements, and the City Clerk is hereby authorized and directed, if required, to attest and affix the seal of the City to said Agreements, in substantially the forms on file with the City Clerk, together with any changes therein or additions thereto deemed advisable by the Authorized Officers, whose execution thereof shall be conclusive evidence of approval of any such additions and changes.

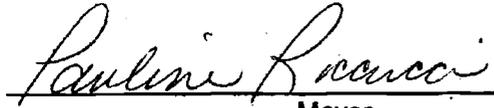
SECTION 2. Sale of Refunding Certificates. The City hereby approves the sale of the Refunding Certificates to the Bank pursuant to the terms of the Bank's response to the City's "Request for Fee Quotations and Firm Qualifications to Provide a Direct Pay Letter of Credit or Variable Rate Alternative for Roseville Electric" dated June 29, 2012, and a Certificate Purchase Agreement among the Authority, the City and the Bank. The Authority hereby approves and authorizes each Authorized Officer, acting alone, to execute a Certificate Purchase Agreement in substantially a form which is consistent with the Agreements and the direct purchase proposal of the Bank submitted in response to the Request for Fee Quotations, together with any changes additions thereto deemed advisable by the Authorized Officers, whose execution of the Certificate Purchase Agreement shall be conclusive evidence of approval of any such additions and changes.

SECTION 3. Official Actions. The Mayor, the City Manager, Assistant City Manager, Treasurer, the Finance Director, the City Clerk, the City Attorney and all other officers of the City are each authorized and directed in the name and on behalf of the City to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents, which they or any of them might deem necessary or appropriate in order to consummate the execution and delivery of the Refunding Certificates, including any of the transactions contemplated thereby, the purchase by the Bank, and the documents approved pursuant to this Resolution. Whenever in this resolution any officer of the City is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

SECTION 4. Effective Date. This resolution shall take effect from and after the date of approval and adoption thereof.

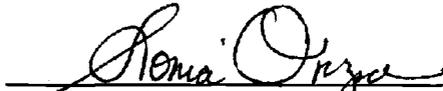
I hereby certify that the foregoing Resolution was duly adopted by the City Council of the City of Roseville, California, at a regularly scheduled meeting thereof, held on the 3rd day of October, 2012, by the following vote of the City Council:

AYES:	COUNCILMEMBERS	Allard, Herman, Garcia, Rohan, Roccucci
NOES:	COUNCILMEMBERS	None
ABSENT:	COUNCILMEMBERS	None
ABSTAIN:	COUNCILMEMBERS	None



Mayor

ATTEST:



City Clerk of the City of Roseville

ROSEVILLE FINANCE AUTHORITY

RESOLUTION NO. 4-12

**RESOLUTION RELATING TO ELECTRIC SYSTEM REVENUE REFUNDING
CERTIFICATES OF PARTICIPATION, SERIES 2012, APPROVING THE
FORMS OF AND AUTHORIZING THE EXECUTION AND DELIVERY OF A
SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT AND A TRUST
AGREEMENT IN CONNECTION THEREWITH; AND AUTHORIZING CERTAIN
OTHER RELATED ACTIONS**

RESOLVED, by the Roseville Finance Authority (the "Authority"), as follows:

WHEREAS, the City of Roseville (the "City") owns and operates an electric system (the "Electric System") and the City and the Authority have previously entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997 and subsequent supplements thereto to finance and refinance the costs of various improvements to the City's municipal electric system (the "Electric System"); and

WHEREAS, the City, working together with the Authority, entered into a 2008 Supplemental Installment Purchase Contract, dated May 1, 2008 (the "2008 Supplemental Contract"), between the City and the Authority and caused the issuance of Electric System Revenue Refunding Certificates of Participation, Series 2008A in an aggregate principal amount of \$90,000,000 (the "2008A Certificates") and Series 2008B in an aggregate principal amount of \$64,500,000 (the "2008B Certificates"), for the purpose of refinancing certain improvements to the to the Electric System; and

WHEREAS, the City and the Authority, after due investigation and deliberation, have determined that it is in the interests of the City, due to a downgrade of the letter of credit provider for the 2008A Certificates, that the Authority at this time provide for the refunding of the 2008A Certificates through the issuance of 2012 refunding certificates of participation evidencing and representing proportionate interests of the owners thereof in certain installment payments to be made by the City, as more particularly described in the hereinafter described Trust Agreement, and it is in the public interest and for the public benefit that the Authority authorize and direct execution of such Trust Agreement and a 2012 Supplemental Installment Purchase Contract (the "2012 Supplemental Contract") pursuant to the Master Contract, whereby the Authority will sell the Project related to the 2008A Certificates to the City and the City will be obligated to make installment payments to the Authority for the purchase of such project, as financed by the 2012 Certificates, and to enter into certain other refinancing documents in connection therewith; and

WHEREAS, the governing body of the Authority wishes at this time to approve the refinancing of a portion of the 2008 project through the execution and delivery of a Trust Agreement (the "Trust Agreement"), proposed to be executed and delivered by the Authority and The Bank of New York Mellon Trust Company, N.A., the 2012 Supplemental Contract and certain other documents; and

WHEREAS, the Authority, at the request of the City, proposes to sell the Refunding Certificates on a direct purchase basis to U.S. Bank National Association (the "Bank"); and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with consummation of the transactions authorized hereby do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the Authority is now duly authorized and empowered, pursuant to each and every requirement of law, to consummate such transactions for the purpose, in the manner and upon the terms herein provided.

NOW, THEREFORE, it is hereby **RESOLVED** and **DETERMINED**, as follows:

Section 1. Findings. The governing board of the Authority hereby specifically finds and determines that it is desirable and furthers the public purpose to assist the City in the refinancing of the City's project financed by the 2008A Certificates through the execution and delivery of the Refunding Certificates and the actions authorized hereby and that the statements, findings and determinations of the Authority set forth above and in the preambles of the documents approved herein are true and correct.

Section 2. Execution and Delivery of Refunding Certificates. The Authority hereby authorizes the execution and delivery of the Refunding Certificates in one or more series, representing the right to receive installment payments under the 2012 Supplemental Contract in the aggregate principal amount of not to exceed \$90,500,000, and the execution and delivery of the following agreements (collectively, the "Agreements") in connection therewith:

- (a) the 2012 Supplemental Contract; and
- (b) the Trust Agreement.

The Authority hereby approves and separately authorizes the Chairman, the Executive Director or the Treasurer (each, an "Authorized Officer") to execute the Agreements, and the Secretary of the Authority is hereby authorized and directed, if required, to attest and affix the seal of the Authority to said Agreements, in substantially the forms on file with the Secretary of the Authority, together with any changes therein or additions thereto deemed advisable by the Authorized Officers, whose execution thereof shall be conclusive evidence of approval of any such additions and changes.

Section 3. Sale of Refunding Certificates. The governing board of the Authority hereby approves the sale of portions of the Refunding Certificates by direct purchase and sale to the Bank, principally pursuant to the terms of the Bank's response to the City's "Request for Fee Quotations and Firm Qualifications to Provide a Direct Pay Letter of Credit or Variable Rate Alternative for Roseville Electric" dated June 29, 2012, and a Certificate Purchase Agreement among the Authority, the City and the Bank. The Authority hereby approves and authorizes each Authorized Officer, acting alone, to execute a Certificate Purchase Agreement in substantially a form which is consistent with the Agreements and the direct purchase proposal of the Bank submitted in response to the Request for Fee Quotations, together with any changes additions thereto deemed advisable by the Authorized Officers, whose execution of the Certificate

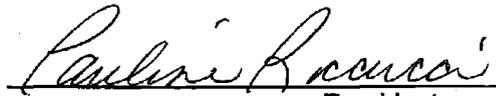
Purchase Agreement shall be conclusive evidence of approval of any such additions and changes.

Section 4. Official Actions. The Chairman, Executive Director, the Treasurer, the Secretary of the Authority and all other officers of the Authority are each authorized and directed in the name and on behalf of the Authority to make any and all assignments, certificates, requisitions, agreements, notices, consents, instruments of conveyance, warrants and other documents which they or any of them might deem necessary or appropriate in order to consummate any of the transactions contemplated by the documents approved pursuant to this Resolution. Whenever in this resolution any officer of the Authority is authorized to execute or countersign any document or take any action, such execution, countersigning or action may be taken on behalf of such officer by any person designated by such officer to act on his or her behalf in the case such officer shall be absent or unavailable.

Section 5. Effective Date. This resolution shall take effect from and after the date of approval and adoption thereof.

I hereby certify that the foregoing Resolution was duly adopted by the governing body of the Roseville Finance Authority at a regularly scheduled meeting thereof, held on the 3rd day of October, 2012, by the following vote of the Board of Directors:

AYES:	BOARDMEMBERS	Allard, Herman, Garcia, Rohan, Roccucci
NOES:	BOARDMEMBERS	None
ABSENT:	BOARDMEMBERS	None
ABSTAIN:	BOARDMEMBERS	None



President

ATTEST:



Secretary of the Board

2. The Certificates will be limited obligations of the Authority payable solely from amounts pledged therefor pursuant to the Trust Agreement. This Certificate Purchase Agreement, the Certificates, the Trust Agreement and the 2012 Supplemental Contract are referred to herein as the “*Authority Documents*.”

3. The Authority hereby represents to the Purchaser as follows:

(a) The Authority (a) is a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California and (b) has all governmental power and authority, and all governmental licenses, authorizations, consents and approvals, to conduct its own business and to execute, deliver and perform the Authority Documents.

(b) No consent, approval, authorization or order of any court or governmental body is required for the performance by the Authority of its obligations under the Authority Documents.

(c) Neither the execution and delivery of the Certificates, this Certificate Purchase Agreement or the other Authority Documents, nor compliance with the provisions thereof, by the Authority conflicts with or will result in a breach of or default under (i) any indenture, mortgage, commitment, note or other agreement or instrument to which the Authority is a party or by which it is bound or (ii) to the best of the Authority’s knowledge, any other law, rule, regulation or ordinance or judgment, order or decree of any court or governmental agency or body having jurisdiction over the Authority or any of its activities or properties.

(d) (i) As of the Effective Date, the Authority will have taken all action required to be taken by it to authorize the issuance and delivery of the Certificates and the performance of its obligations thereunder, (ii) the Authority has full legal right, power and authority to enter into this Certificate Purchase Agreement and the other Authority Documents and to perform its obligations hereunder and thereunder, and (iii) this Certificate Purchase Agreement and the other Authority Documents have been duly authorized and (assuming due authorization, execution and delivery by the other parties thereto) when executed, constitute valid and binding obligations of the Authority enforceable against the Authority in accordance with their respective terms, subject to equitable principles, bankruptcy, insolvency and similar laws and public policy limiting the right to indemnification.

(e) To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, public board or body, or for which actual notice has been received, or, threatened against or affecting the Authority (or, to the knowledge of the Authority, any meritorious basis therefor) (i) attempting to limit, enjoin or otherwise restrict or prevent the Authority from functioning, or contesting or questioning the existence of the Authority or the titles of the present officers of the Authority to their offices or (ii) wherein an unfavorable decision, ruling or finding would adversely effect (A) the existence or powers of the Authority,

(B) the exclusion of interest on the Certificates from the gross income of the recipients thereof pursuant to the Code, (C) the transactions contemplated by this Certificate Purchase Agreement and the other Authority Documents, or (D) the validity or enforceability of this Certificate Purchase Agreement and the other Authority Documents or any agreement or instrument to which the Authority is a party and which is used or contemplated for use in the consummation of the transactions contemplated hereby or by the aforesaid documents.

4. The City hereby makes each of the representations and warranties set forth in the Continuing Covenant Agreement, which representations and warranties, together with the related definitions of terms contained therein, are incorporated herein by this reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety.

5. The Purchaser hereby represents and warrants to and covenants with the Authority and Franciscan as follows:

(a) The Purchaser is a “qualified institutional buyer” within the meaning of Rule 144A of the Securities Act of 1933, as amended; and the Purchaser is purchasing the Certificates for its own account, and not with a present view toward resale or distribution; *provided* that the Purchaser reserves the right to sell, transfer or redistribute the Certificates subject to the provisions of the Trust Agreement and the Investor Letter.

(b) At or prior to the Effective Date, the Purchaser shall execute the Investor Letter and deliver the Investor Letter to each addressee thereof.

(c) The Purchaser acknowledges that it has read and understands the provisions of the Trust Agreement relating to restrictions on the transfer of the Certificates and agrees to comply with such restrictions to the extent applicable to the Purchaser.

6. The closing of the sale of the Certificates will be held at the offices of Jones Hall PLC (“*Bond Counsel*”), on November 7, 2012 (the “*Effective Date*”), or at such other time as shall have been mutually agreed upon by the Authority, the City and the Purchaser. The Authority will deliver or cause to be delivered the Certificates in physical form, duly executed and authenticated to the Purchaser at the offices of Bond Counsel, along with the documents provided for herein and in Section 3.01 of the Continuing Covenant Agreement. Subject to the conditions of this Certificate Purchase Agreement, the Purchaser will accept such delivery and pay the purchase price thereof as set forth herein by wire transfer (which payment in any event shall be in immediately available funds) payable to the order of the Authority. Upon initial issuance and delivery, the Certificates will be in the form of a single fully-registered Certificate.

7. If the Authority or the City is unable to satisfy the conditions to the obligations of the Purchaser contained in this Certificate Purchase Agreement, this Certificate Purchase Agreement will terminate and the Purchaser, the City, and the Authority will be under no further obligation hereunder. The Purchaser may, in its discretion, waive any one or more of the

conditions imposed by this Certificate Purchase Agreement and proceed with the closing on the Effective Date.

8. This Certificate Purchase Agreement will be governed by and construed in accordance with the laws of the State of California.

9. This Certificate Purchase Agreement may be executed in multiple counterparts, each of which will be deemed an original but all of which together will constitute but one and the same instrument. This Certificate Purchase Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature pages so delivered shall have the same force and effect as an originally signed version of such signature page.

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

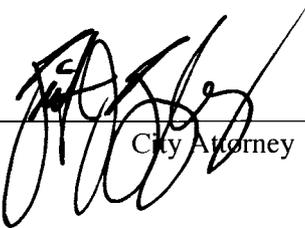
ROSEVILLE FINANCE AUTHORITY

By: 
Russell C. Branson,
Treasurer

CITY OF ROSEVILLE, CALIFORNIA

By: 
Russell C. Branson,
Assistant City Manager/Treasurer

Approved as to form:


City Attorney

U.S. BANK NATIONAL ASSOCIATION

By: Ashley Martin
Name: Ashley Martin
Title: Assistant Vice President

CONTINUING COVENANT AGREEMENT

dated as of November 1, 2012,

between

CITY OF ROSEVILLE

and

U.S. BANK NATIONAL ASSOCIATION

Relating to

\$90,000,000

CITY OF ROSEVILLE

ELECTRIC SYSTEM REVENUE

REFUNDING CERTIFICATES OF PARTICIPATION, SERIES 2012

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EXHIBITS

EXHIBIT A – FORM OF COMPLIANCE CERTIFICATE

CONTINUING COVENANT AGREEMENT

THIS CONTINUING COVENANT AGREEMENT, dated as of November 1, 2012 (as amended, modified or restated from time to time, this "*Agreement*"), between City of Roseville, California, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California (the "*City*"), and U.S. BANK NATIONAL ASSOCIATION, a national banking association.

RECITALS

WHEREAS, the City and the Roseville Finance Authority (the "*Authority*") have entered into a Master Installment Purchase Contract (the "*Master Contract*") dated as of November 1, 1997, as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "*1997 Supplemental Contract*"), a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "*1999 Supplemental Contract*"), a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "*2002 Supplemental Contract*"), a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "*2004 Supplemental Contract*"), a 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005 (the "*2005 Supplemental Contract*"), a 2008 Supplemental Installment Purchase Contract executed and entered into as of May 1, 2008 (the "*2008 Supplemental Contract*"), a 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009 (the "*2009 Supplemental Contract*"), a 2010 Supplemental Installment Purchase Contract executed and entered into as of October 1, 2010 (the "*2010 Supplemental Contract*") and a 2012 Supplemental Installment Purchase Contract executed and entered into as of November 1, 2012 (the "*2012 Supplemental Contract*," together with the Master Contract, the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract, the 2005 Supplemental Contract, the 2008 Supplemental Contract, the 2009 Supplemental Contract and the 2012 Supplemental Contract, the "*Contract*");

WHEREAS, pursuant to Trust Agreement between The Bank of New York Mellon Trust Company, N.A., as trustee (together with its successors and permitted assigns, the "*Trustee*") and the Authority, dated as of November 1, 2012 (together with any amendments and supplements or modifications thereto, the "*Trust Agreement*"), the Authority has assigned to the Trustee its right to payments (the "*2012 Payments*") made by the City to the Authority under the 2012 Supplemental Contract;

WHEREAS, in consideration of the assignment of the 2012 Payments and the execution of the Trust Agreement, the Trustee has caused \$90,000,000 in aggregate principal amount of Electric System Revenue Refunding Certificates of Participation, Series 2012 (the "*Certificates*") to be executed and delivered; and

WHEREAS, the City has requested and the Purchaser has agreed to make a loan to the City by purchasing the Certificates and as a condition to such purchase, the Purchaser has required the City to enter into this Agreement.

NOW, THEREFORE, to induce the Purchaser to make a loan to the City by purchasing the Certificates, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the City and the Purchaser hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. In addition to the terms defined in the recitals and elsewhere in this Agreement and the Trust Agreement, the following terms shall have the following meanings:

“1933 Act” has the meaning set forth in Section 9.13(b) hereof.

“1997 Supplemental Contract” has the meaning set forth in the recitals hereof.

“1999 Supplemental Contract” has the meaning set forth in the recitals hereof.

“2002 Supplemental Contract” has the meaning set forth in the recitals hereof.

“2004 Supplemental Contract” has the meaning set forth in the recitals hereof.

“2005 Supplemental Contract” has the meaning set forth in the recitals hereof.

“2008 Supplemental Contract” has the meaning set forth in the recitals hereof.

“2009 Supplemental Contract” has the meaning set forth in the recitals hereof.

“2010 Supplemental Contract” has the meaning set forth in the recitals hereof.

“2012 Payments” has the meaning set forth in the recitals hereof.

“2012 Supplemental Contract” has the meaning set forth in the recitals hereof.

“Affiliate” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

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

“Amortization End Date” means the earliest to occur of (a) the third (3rd) anniversary of the Mandatory Tender Date, (b) the date on which the interest rate on all of the Certificates have

been converted to an interest rate other than the Index Rate and (c) the date on which all Certificates are redeemed, repaid, prepaid or cancelled in accordance with the terms of the Trust Agreement.

“Amortization Payment” has the meaning set forth in Section 4.01(b) hereof.

“Amortization Payment Date” means (a) the Initial Amortization Payment Date and each third month anniversary of the Initial Amortization Payment Date occurring thereafter which occurs prior to the Amortization End Date and (b) the Amortization End Date.

“Amortization Period” has the meaning set forth in Section 4.01(b) hereof.

“Anti-Terrorism Laws” has the meaning set forth in Section 5.22 hereof.

“Applicable Spread” has the meaning set forth in the Trust Agreement.

“Authority” has the meaning set forth in the recitals hereof.

“Bank Agreement” means any credit agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement, bond purchase agreement, or other agreement or instrument (or any amendment, supplement or other modification thereof) under which, directly or indirectly, any Person or Persons (each undertake(s) to make or provide funds to make payment of, or to purchase or provide credit enhancement for bonds or notes of the City secured by a charge and lien on Net Revenues.

“Base Rate” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time *plus* one percent (1.0%), (ii) the Federal Funds Rate in effect at such time *plus* one percent (1.0%), (iii) the SIFMA Rate in effect at such time *plus* one percent (1.0%), and (iv) seven and one-half of one percent (7.5%).

“Business Day” has the meaning set forth in the Trust Agreement.

“Calculation Agent” has the meaning assigned to such term in the Trust Agreement.

“Certificate Counsel” means Jones Hall PLC, or any other firm of attorneys nationally recognized on the subject of tax-exempt municipal finance selected by the City.

“Certificate Purchase Agreement” means that certain Certificate Purchase Agreement dated as of the Effective Date among the Authority, the Purchaser and the City.

“Certificates” has the meaning set forth in the recitals hereof.

“Certificateholder” means the Purchaser and each Purchaser Transferee or Non-Purchaser Transferee pursuant to Section 9.13 hereof so long as such Purchaser Transferee or Non-Purchaser Transferee is an owner of Certificates.

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

“City Representative” means any person authorized from time to time in writing by the City, or its successors and assigns, to perform a designated act or execute a designated document.

“Code” means the Internal Revenue Code of 1986, as amended, and, where appropriate any statutory predecessor or any successor thereto.

“Compliance Certificate” means a certificate substantially in the form of Exhibit A hereto.

“Contract” has the meaning set forth in the recitals hereto.

“Controlled Group” means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the City, are treated as a single employer under Section 414 of the Code.

“Credit Protection Provider” means, collectively, (i) any party, including a Certificateholder, who issues a letter of credit or provides other credit protection with respect to the Certificates and (ii) any party that participates in any such credit protection.

“Debt” of any Person means at any date, without duplication, (a) all obligations of such Person for borrowed money, (b) all obligations of such Person evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of such Person to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of such Person as lessee under capital leases, (e) all Debt of others secured by a lien on any asset of such Person, whether or not such Debt is assumed by such Person, (f) all Guarantees by such Person of Debt of other Persons and (g) all obligations of such Person under any Swap Agreement.

“Default” means any event or condition which, with notice, the passage of time or any combination of the foregoing, would constitute an Event of Default.

“Default Rate” means, for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day plus three percent (3.0%).

“Determination of Taxability” means and shall be deemed to have occurred on the first to occur of the following:

- (i) on the date when the City files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;
- (ii) on the date when the Certificateholder or any former Certificateholder notifies the Authority or the City that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt

municipal finance to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) days after receipt by the City of such notification from the Certificateholder or any former Certificateholder, the City shall deliver to the Certificateholder and any former Certificateholder a ruling or determination letter issued to or on behalf of the Authority or the City by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) on the date when the Authority or the City shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the City, or upon any review or audit of the City or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(iv) on the date when the City shall receive notice from the Certificateholder or any former Certificateholder that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Certificateholder or such former Certificateholder the interest on the Certificates due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (iii) or (iv) hereunder unless the City has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however*, that upon demand from the Certificateholder or former Certificateholder, the Authority shall promptly reimburse, but solely from payments made by the City, such Certificateholder or former Certificateholder for any payments, including any taxes, interest, penalties or other charges, such Certificateholder (or former Certificateholder) shall be obligated to make as a result of the Determination of Taxability.

“*Effective Date*” means November 7, 2012, subject to the satisfaction or waiver by the Purchaser of the conditions precedent set forth in Article IV hereof.

“*Electric System*” has the meaning set forth in the Contract.

“*EMMA*” means Electronic Municipal Market Access as provided by the Municipal Securities Rulemaking Board.

“*Environmental Laws*” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, or rules, and all judgments, orders, decrees, permits, concessions, grants, franchises, licenses, permits, agreements or governmental restrictions relating to air, water or land pollution, wetlands, or the protection of the environment or the release of any materials into

the environment, including air, water or land and those related to Hazardous Materials, air emissions and discharges to waste or public systems.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the City directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor Sections.

“Event of Default” with respect to this Agreement has the meaning set forth in Section 7.01 of this Agreement and, with respect to any Related Document, has the meaning assigned therein.

“Event of Taxability” means a (i) change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the City, or the failure to take any action by the City, or the making by the City of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of the Certificates) which has the effect of causing interest paid or payable with respect to the Certificates to become includable, in whole or in part, in the gross income of the Certificateholder or any former Certificateholder for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable with respect to be Certificates to become includable, in whole or in part, in the gross income of the Certificateholder or any former Certificateholder for federal income tax purposes with respect to the Certificates.

“Excess Interest Amount” has the meaning set forth in Section 4.02(d) thereof.

“Excluded Taxes” means, with respect to a Certificateholder, taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which such recipient is organized or in which its principal office is located.

“Executive Order” has the meaning set forth in Section 5.22 hereof.

“Existing Swap Agreement” means collectively, (i) the ISDA Master Agreement (including the Schedule thereto) dated as of December 13, 2002, as amended and supplemented

by the Amendment to ISDA Master Agreement dated as of March 30, 2005, and the Confirmation dated May 9, 2008, between the City and Morgan Stanley Capital Services, Inc., and (ii) the ISDA Master Agreement, dated as of October 1, 2008, the Schedule thereto dated as of October 1, 2008, the Credit Support Annex thereto dated as of October 1, 2008, and the Confirmation, dated May 9, 2008, between the City and Bank of America, N.A.

“*Federal Funds Rate*” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided* that: (a) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day; and (b) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of one-hundredth of one percent) charged to the Purchaser on such day on such transactions as determined by the Purchaser.

“*Fiscal Year*” means the twelve month period from July 1 through the following June 30.

“*Fitch*” means Fitch, Inc., and any successor rating agency.

“*FRB*” means the Board of Governors of the Federal Reserve System of the United States, together with any successors thereof.

“*General Manager*” means the general manager of the City.

“*Generally Accepted Accounting Principles*” or “*GAAP*” means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the City.

“*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 federal, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau or entity (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

“*Guarantee*” means, as to any Person, any (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt or other obligation payable or performable by another Person (the “*primary obligor*”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation, (ii) to purchase or lease property, securities or services for the purpose of

assuring the obligee in respect of such Debt or other obligation of the payment or performance of such Debt or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Debt or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Debt or other obligation of any other Person, whether or not such Debt or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Debt to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term "Guarantee" as a verb has a corresponding meaning.

"Hazardous Materials" means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos-containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

"Indemnatee" has the meaning set forth in Section 8.01 hereof.

"Index Rate" has the meaning set forth in the Trust Agreement.

"Index Rate Period" has the meaning set forth in the Trust Agreement.

"Initial Amortization Payment Date" means the first Business Day of the third (3rd) full calendar month following the Mandatory Tender Date.

"Initial Period" has the meaning set forth in the Trust Agreement.

"Interest Payment Date" shall mean with respect to the Certificates, (i) the first Business Day of each calendar month and (ii) any date on which all of the Certificates are redeemed.

"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.

"Legal Requirements" means the Constitutions of the United States, the State of California and the State of New York and all laws, statutes, codes, acts, ordinances, resolutions, orders, judgments, decrees, injunctions, rules, regulations, permits, licenses, authorizations,

certificates of occupancy, directions and requirements (including but not limited to zoning, land use, planning, Environmental Laws, health, safety, equal opportunity, minimum wages, employment practices, and access) of any Governmental Authority, foreseen or unforeseen, ordinary or extraordinary, that are applicable now or may be applicable at any time hereafter to (a) the City, (b) the Authority, or (c) the Electric System or any use or condition of the Electric System or any part thereof.

“*Liabilities*” has the meaning set forth in Section 8.01 hereof.

“*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, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“*Mandatory Tender Date*” means the date on which the Certificates are subject to mandatory tender for purchase on the last day of the Initial Period pursuant to Section 4.07(b)(i) of the Trust Agreement.

“*Mandatory Tender Purchase Price*” means an amount equal to 100% of the principal amount of the Certificates subject to mandatory tender for purchase on the Mandatory Tender Date and accrued interest thereon, if applicable.

“*Margin Stock*” has the meaning ascribed to such term in Regulation U promulgated by the FRB, as now and hereafter from time to time in effect.

“*Master Contract*” has the meaning set forth in the recitals hereto.

“*Material Adverse Change*” means the occurrence or existence of any event, development or circumstance that has had or could reasonably be expected to have a Material Adverse Effect.

“*Material Adverse Effect*” means: (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the City or the Electric System; (b) a material impairment of the ability of the City to perform its obligations under any Related Document to which it is a party; or (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the City of any Related Document to which it is a party.

“*Maximum Interest Rate*” means the maximum rate of interest on the relevant obligation permitted by applicable law.

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

“*Net Revenues*” has the meaning set forth in the Contract.

“Non-Purchaser Transferee” has the meaning set forth in Section 9.13(c) hereof.

“Obligations” means all amounts payable by the City, and all other obligations to be performed by the City, pursuant to this Agreement and the other Related Documents (including any amounts to reimburse the Purchaser for any advances or expenditures by it under any of such documents).

“OFAC” has the meaning set forth in Section 5.22 hereof.

“Parity Obligation” has the meaning set forth in the Contract.

“Parity Reserve Fund” has the meaning set forth in the Contract.

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107-56 (signed into law October 26, 2001).

“Person” means any individual, corporation, not for profit corporation, partnership, limited liability company, joint venture, association, professional association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

“Plan” means, with respect to the City at any time, 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 and either (i) is maintained by a member of the Controlled Group for employees of a member of the Controlled Group of which the City is a part, (ii) is maintained pursuant to a collective bargaining agreement or any other arrangement under which more than one employer makes contributions and to which a member of the Controlled Group of which the City is a part is then making or accruing an obligation to make contributions or has within the preceding five plan years made contributions.

“Prime Rate” means on any day, the rate of interest per annum then most recently established by the Purchaser as its “prime rate.” Any such rate is a general reference rate of interest, may not be related to any other rate, and may not be the lowest or best rate actually charged by the Purchaser to any customer or a favored rate and may not correspond with future increases or decreases in interest rates charged by other lenders or market rates in general, and that the Purchaser may make various business or other loans at rates of interest having no relationship to such rate. If the Purchaser ceases to exist or to establish or publish a prime rate from which the Prime Rate is then determined, the applicable variable rate from which the Prime Rate is determined thereafter shall be instead the prime rate reported in The Wall Street Journal (or the average prime rate if a high and a low prime rate are therein reported), and the Prime Rate shall change without notice with each change in such prime rate as of the date such change is reported.

“Project” has the meaning set forth in the Contract.

“*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.

“*Purchase Price*” has the meaning set forth in Section 2.01(a) hereof.

“*Purchaser*” means, initially, U.S. Bank National Association, a national banking association, and its successors and assigns.

“*Purchaser Letter*” has the meaning set forth in Section 9.13(c) hereof.

“*Purchaser Rate*” means a fluctuating interest rate per annum which, for each day, from and including the Mandatory Tender Date and thereafter, equal to the Base Rate from time to time in effect *plus* two percent (2.0%); *provided that* if an Event of Default has occurred and is continuing, the Purchaser Rate shall equal the Default Rate.

“*Purchaser Transferee*” has the meaning set forth in Section 9.13(b) hereof.

“*Rating Agency*” means any of S&P, Moody’s and Fitch, as applicable.

“*Rating Documentation*” has the meaning set forth in Section 3.01(d)(iii) hereof.

“*Related Documents*” means this Agreement, the Trust Agreement, the Certificates and the Certificate Purchase Agreement, and any other documents related to any of the foregoing or executed in connection therewith, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

“*Reserve Fund Requirement*” has the meaning set forth in the Contract.

“*Resolution*” means the City’s Resolution No. 12-386 adopted on October 3, 2012, authorizing the execution and delivery of the Certificates, this Agreement and the Certificate Purchase Agreement.

“*Revenues*” has the meaning set forth in the Contract.

“*Risk-Based Capital Guidelines*” means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations adopted prior to the Effective Date.

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

“*SIFMA*” means the Securities Industry and Financial Markets Association (formerly known as The Bond Market Association and the Public Securities Association), and any successor organization.

“*SIFMA Rate*” means, on any date, a rate determined on the basis of the seven-day high grade market index of tax-exempt variable rate demand obligations, as produced by Municipal Market Data and published or made available by SIFMA or any Person acting in cooperation with or under the sponsorship of SIFMA and acceptable to the Purchaser and effective from such date. In the event Municipal Market Data no longer produces an index satisfying the requirements of the preceding sentence, the SIFMA Rate (a/k/a, the “*SIFMA Municipal Swap Index*”) shall be deemed to be the S&P Weekly High Grade Index, or if either such index is not available, such other similar national index as reasonably designated by the Purchaser.

“*State*” means the State of California.

“*Subordinate Obligations*” has the meaning set forth in the Contract.

“*Swap Agreement*” means (a) any and all rate swap transactions, basis 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, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, 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.

“*Taxable Date*” means the date on which interest with respect to the Certificates is first includable in gross income of the Certificateholder (including, without limitation, any previous Certificateholder) thereof as a result of an Event of Taxability as such date is established pursuant to a Determination of Taxability.

“*Taxable Period*” has the meaning set forth in Section 4.02(b) hereof.

“*Taxable Rate*” means, with respect to a Taxable Period, the product of (i) the average interest rate with respect to the Certificates during such period and (ii) 1.54.

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“*Termination Fee*” has the meaning set forth in Section 4.05 hereof.

“*Trust Agreement*” has the set forth in the recitals hereof.

“Trustee” has the meaning set forth in the recitals hereof.

“Unremarketed Certificates” means Certificates with respect to which the Purchaser has not received payment of the Mandatory Tender Purchase Price, if any, on the Mandatory Tender Date.

Section 1.02. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

Section 1.03. Construction. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, to the singular include the plural and to the part include the whole. The word “including” shall be deemed to mean “including but not limited to,” and “or” has the inclusive meaning represented by the phrase “and/or.” The words “hereof,” “herein,” “hereunder” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The Section headings contained in this Agreement and the table of contents preceding this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section, subsection and exhibit references are to this Agreement unless otherwise specified.

Section 1.04. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP. If, after the Effective Date, there shall occur any change in GAAP from those used in the preparation of the financial statements referred to in Sections 6.05 hereof and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement including, without limitation, a recharacterization of operating leases to the effect that certain operating leases are to be treated as capital leases, either the City or the Purchaser may by notice to the other party hereto, require that the Purchaser and the City negotiate in good faith to amend such covenants, standards, and terms so as equitably to reflect such change in accounting principles, with the desired result being that the criteria for evaluating the financial condition of the Obligated Group shall be the same as if such change had not been made. No delay by the City or the Purchaser in requiring such negotiation shall limit their right to so require such a negotiation at any time after such a change in accounting principles. Until any such covenant, standard, or term is amended in accordance with this Section 1.05, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles.

Section 1.05. Relation to Other Documents; Acknowledgment of Different Provisions of Related Documents; Incorporation by Reference. (a) Nothing in this Agreement shall be deemed to amend, or relieve the City of its obligations under, any Related Document to which it is a party. Conversely, to the extent that the provisions of any Related Document allow the City to take certain actions, or not to take certain actions, with regard for example to permitted liens, transfers of assets, maintenance of financial ratios and similar matters, the City nevertheless shall be fully bound by the provisions of this Agreement.

(b) Except as provided in subsection (c) of this Section 1.05, all references to other documents shall be deemed to include all amendments, modifications and supplements thereto to the extent such amendment, modification or supplement is made in accordance with the provisions of such document and this Agreement.

(c) All provisions of this Agreement making reference to specific Sections of any Related Document shall be deemed to incorporate such Sections into this Agreement by reference as though specifically set forth herein (with such changes and modifications as may be herein provided) and shall continue in full force and effect with respect to this Agreement notwithstanding payment of all amounts due under or secured by the Related Documents, the termination or defeasance thereof or any amendment thereto or any waiver given in connection therewith, so long as this Agreement is in effect and until all Obligations are paid in full. No amendment, modification, consent, waiver or termination with respect to any of such Sections shall be effective as to this Agreement until specifically agreed to in writing by the parties hereto with specific reference to this Agreement.

ARTICLE II

PURCHASE OF CERTIFICATES

Section 2.01. Purchase of Certificates. (a) *Purchase Price.* The Purchaser, the City and the Authority have entered into a Certificate Purchase Agreement relating to the purchase of the Certificates. Upon the conditions set forth in Article III hereof and the Certificate Purchase Agreement and based on the representations, warranties and covenants of the City set forth herein, the Purchaser hereby agrees to make a loan to the City by purchasing from the Authority pursuant to the Certificate Purchase Agreement and the City hereby agrees to cause the Authority to sell to the Purchaser pursuant to the Certificate Purchase Agreement, all, but not less than all, of the Certificates at the purchase price of \$90,000,000 representing the aggregate principal amount of the Certificates (the "*Purchase Price*").

(b) *Closing.* On the Effective Date, the City shall deliver to the Purchaser the documents described in Article III hereof. Upon delivery of such documents, the Purchaser will pay the full Purchase Price for the Certificates in immediately available federal funds payable to the Authority. One fully registered Certificate, in the aggregate principal amount equal to the Purchase Price, shall be issued to and registered in the name of the Purchaser, or as otherwise directed by the Purchaser. The Certificates shall be so issued and registered to and held by the Purchaser, or as otherwise directed by the Purchaser.

ARTICLE III

CONDITIONS PRECEDENT TO PURCHASE OF CERTIFICATES

Section 3.01. Documentary Requirements. The obligation of the Purchaser to make a loan to the City by purchasing the Certificates is subject to the conditions precedent that the

Purchaser shall have received, on or before the Effective Date, the items listed below in this Section, each dated and in form and substance as is satisfactory to the Purchaser.

(a) The following City documents:

(i) copies of the Resolution and any other resolution of the governing body of the City approving the execution and delivery of the Related Documents to which the City is a party, and the other matters contemplated hereby, certified by a City Representative as being true and complete and in full force and effect on the Effective Date;

(ii) the audited annual financial statements of the City for the Fiscal Year ended June 30, 2011, together with internally prepared financial statements of the City for each fiscal quarter(s) ended since the end of such Fiscal Year;

(iii) operating and financial projections, including debt issuance levels and rate projections, of the Electric System for the Fiscal Years ending June 30, 2013, 2014 and 2015; and

(iv) a certificate dated the Effective Date and executed by a City Representative certifying the names and signatures of the persons authorized to sign, on behalf of the City, the Related Documents to which it is a party and the other documents to be delivered by it hereunder or thereunder.

(b) The following financing documents:

(i) an executed original or certified copy, as applicable, of each of the Related Documents;

(ii) one fully registered Certificate in certificated form, executed by the City, in the principal amount equal to the Purchase Price, issued to and registered in the name of the Purchaser, or as otherwise directed by the Purchaser; and

(iii) copies of all documentation relating to the Existing Swap Agreement.

(c) The following opinions, dated the Effective Date and addressed to the Purchaser or on which the Purchaser is otherwise expressly authorized to rely:

(i) from counsel to the City, opinions (A) as to the due authorization, execution, delivery and enforceability of the Related Documents to which the City is a party, (B) to the effect that the Certificates will be entitled to the benefits of the Trust Agreement and shall evidence undivided interests of the owners thereof in the 2012 Payments and (B) to the effect that a valid first pledge of and charge and lien upon the Net Revenues in favor of the Trustee exists with respect to the 2012 Payments and the Obligations of the City hereunder, and such other customary matters as the Purchaser may reasonably request;

(ii) from counsel to the Authority, opinions as to the due authorization, execution, delivery and enforceability of the Related Documents to which the City is a party, and such other customary matters as the Purchaser may reasonably request; and

(iii) from Certificate Counsel, opinions as to the validity and tax exempt status of the Certificates, and such other customary matters as the Purchaser may reasonable request.

(d) The following documents and other information:

(i) a certificate dated the Effective Date and executed by a City Representative certifying (A) that there has been no event or circumstance since June 30, 2012, that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, (B) that the representations and warranties contained in Article V hereof and the other Related Documents are true and correct in all material respects on the Effective Date, (C) no event has occurred and is continuing, or would result from entry into this Agreement, which would constitute a Default or Event of Default and (D) since the dated date of the Rating Documentation, the unenhanced long-term debt ratings assigned to any Parity Obligation has not been withdrawn, suspended or reduced;

(ii) 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;

(iii) recent evidence that the unenhanced long-term debt rating assigned by S&P and Fitch to Parity Obligations is at least "A+" and "A+," respectively (the "*Rating Documentation*"); and

(iv) evidence that all filings and recordings necessary to perfect the liens and security interests created by the Related Documents in favor of the Trustee and the Purchaser have been made in the appropriate governmental offices and that all filing fees, taxes or other impositions required thereunder have been paid in full.

Section 3.02. Litigation. The Purchaser shall have received a written description of all actions, suits or proceedings pending or threatened against the City in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body which could reasonably be expected to result in a Material Adverse Effect, if any, and such other statements, certificates, agreements, documents and information with respect thereto as the Purchaser may reasonably request.

Section 3.03. Other Matters. All other legal matters pertaining to the execution and delivery of this Agreement and the Related Documents shall be satisfactory to the Purchaser and its counsel, and the Purchaser shall have received such other statements, certificates, agreements, documents and information with respect to the Authority, the City and the other parties to the Related Documents and matters contemplated by this Agreement as the Purchaser may reasonably request.

Section 3.04. Payment of Fees and Expenses. On or prior to the Effective Date, the Purchaser shall have received reimbursement of the Purchaser's fees and expenses (including the legal fees and expenses of Chapman and Cutler LLP) and any other fees incurred in connection with the transaction contemplated by the Related Documents.

Section 3.05. No Certificate Rating; DTC; CUSIP. The Certificates shall not be (i) assigned a separate rating by any Rating Agency, (ii) registered with The Depository Trust Company or any other securities depository, (iii) issued pursuant to any type of offering document or official statement or (iv) assigned a CUSIP number by Standard & Poor's CUSIP Service.

ARTICLE IV

THE CITY'S OBLIGATIONS

Section 4.01. Payment Obligations. (a) The City hereby unconditionally, irrevocably and absolutely agrees to make prompt and full payment of all payment obligations owed to the Purchaser under the Related Documents and to pay any other Obligations owing to the Purchaser whether now existing or hereafter arising, irrespective of their nature, whether direct or indirect, absolute or contingent, with interest thereon at the rate or rates provided in such Related Documents and under such Obligations.

(b) In the event the Purchaser has not received the Mandatory Tender Purchase Price on the Mandatory Tender Date, the City shall cause the Unremarketed Certificates to be redeemed on the Mandatory Tender Date; *provided* that, if the City is required to redeem Unremarketed Certificates as set forth above and (i) no Default or Event of Default shall have occurred and be continuing and (ii) the representations and warranties set forth in Article V shall be true and correct on the Mandatory Tender Date, then the City shall cause the principal amount of such Certificates to be redeemed in installments payable on each Amortization Payment Date (each such payment, an "*Amortization Payment*"), with the final installment in an amount equal to the entire then-outstanding principal amount of such Certificates to be redeemed on the Amortization End Date (the period commencing on the Mandatory Tender Date and ending on the Amortization End Date is herein referred to as the "*Amortization Period*") pursuant to Section 4.01(b) of the Trust Agreement. Each Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Amortization Payments over the Amortization Period. During the Amortization Period, interest with respect to Unremarketed Certificates shall accrue at the Purchaser Rate, be payable monthly in arrears on the first Business Day of each calendar month and be calculated on the basis of a 360-day year and actual days elapsed.

(c) The City shall pay within thirty (30) days after demand:

(i) if an Event of Default shall have occurred, all costs and expenses of the Purchaser in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of its rights under this Agreement, the other Related Documents and such other documents which may be delivered in connection therewith;

(ii) a fee for each amendment to this Agreement or any other Related Document or any consent or waiver by the Purchaser with respect to any Related Document, in each case, in a mutually agreeable amount plus the reasonable fees and expenses of counsel to the Purchaser;

(iii) the reasonable fees and out-of-pocket expenses for counsel or other reasonably required consultants to the Purchaser in connection with advising the Purchaser as to its rights and responsibilities under this Agreement and the other Related Documents or in connection with responding to requests from the City for approvals, consents and waivers; and

(iv) any amounts advanced by or on behalf of the Purchaser to the extent required to cure any Default, Event of Default or event of nonperformance hereunder or any Related Document, together with interest at the Default Rate.

In addition, if at any time any Governmental Authority shall require revenue or other documentary stamps or any other tax in connection with the execution or delivery of this Agreement or other Related Documents, then, if the City lawfully may pay for such stamps, taxes or fees, the City shall pay, when due and payable, for all such stamps, taxes and fees, including interest and penalties thereon, and the City agrees to save the Purchaser harmless from and against any and all liabilities with respect to or resulting from any delay of the City in paying, or omission of the City to pay, such stamps, taxes and fees hereunder.

Section 4.02. Increased Payments. (a) *Increased Costs.* (i) If, on or after the Effective Date, the adoption of any law or any governmental or quasi-governmental rule, regulation, policy, guideline or directive (whether or not having the force of law), or any change in the interpretation, promulgation, implementation or administration thereof by any governmental or quasi-governmental authority, central bank or comparable agency charged with the interpretation or administration thereof including, notwithstanding the foregoing, all requests, rules, guidelines or directives in connection with Dodd-Frank Wall Street Reform and Consumer Protection Act, or promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar authority) pursuant to Basel III or any successor Basel accord regardless of the date enacted, adopted or issued, or compliance by the Purchaser, any other Certificateholder or the Credit Protection Provider with any request or directive (whether or not having the force of law) of any such authority, central bank or comparable agency:

(A) subjects the Purchaser, any other Certificateholder or the Credit Protection Provider to any Taxes, or changes the basis of taxation of payments (other than with respect to Excluded Taxes) to the Purchaser, any other Certificateholder or the Credit Protection Provider hereunder or with respect to the Certificates, or

(B) imposes or increases or deems applicable any reserve, assessment, insurance charge, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by the Purchaser, any other Certificateholder or the Credit Protection Provider, or

(C) imposes any other condition the result of which is to increase the cost to the Purchaser, any other Certificateholder or the Credit Protection Provider with respect to this Agreement, the Certificates or its making, maintenance or funding of the Certificates or any security therefor, or reduces any amount receivable by the Purchaser, any other Certificateholder or the Credit Protection Provider with respect to this Agreement, the Certificates, or the making, maintenance or funding of any loan, or requires any Purchaser to make any payment calculated by reference to any amount received with respect to this Agreement, the Certificates, or the making, maintenance or funding of any loan, by an amount deemed material by such Purchaser, other Certificateholder or the Credit Protection Provider as the case may be,

and the result of any of the foregoing is to increase the cost to such Purchaser, other Certificateholder or the Credit Protection Provider with respect to this Agreement, the Certificates, or the making, maintenance or funding of the purchase of the Certificates or of participating the same or to reduce the return received by such Purchaser, other Certificateholder or the Credit Protection Provider, as the case may be, in connection with the same, then, to the extent permitted by law, within fifteen (15) days of demand by such Purchaser, other Certificateholder or the Credit Protection Provider, as the case may be, the City shall pay such Purchaser, other Certificateholder or the Credit Protection Provider such additional amount or amounts as will compensate such Purchaser, other Certificateholder or the Credit Protection Provider for such increased cost or reduction in amount received.

(ii) If a Purchaser, other Certificateholder or the Credit Protection Provider determines the amount of capital required or expected to be maintained by such Purchaser, other Certificateholder or the Credit Protection Provider or any corporation controlling such Purchaser, other Certificateholder or the Credit Protection Provider is increased as a result of a Change (as hereinafter defined), then, within fifteen (15) days of demand by such Purchaser, other Certificateholder or the Credit Protection Provider, the City shall, to the extent permitted by law, pay such Purchaser, other Certificateholder or the Credit Protection Provider the amount necessary to compensate for any shortfall in the rate of return on the portion of such increased capital which such Purchaser, other Certificateholder or the Credit Protection Provider determines is attributable to this Agreement or the Certificates, as the case may be, hereunder (after taking into account such Purchaser, other Certificateholder or the Credit Protection Provider's policies as to capital adequacy). "Change" means (i) any change after the date of this Agreement in the Risk-Based Capital Guidelines (as hereinafter defined) or (ii) any adoption of or change in any other law, governmental or quasi-governmental rule, regulation, policy, guideline, interpretation, or directive (whether or not having the force of law) or in the interpretation, promulgation, implementation or administration thereof after the date of this Agreement which affects the amount of capital required or expected to be maintained by any Purchaser, other Certificateholder or the Credit Protection Provider or any corporation controlling any such Purchaser, other Certificateholder or the Credit Protection Provider. Notwithstanding the foregoing, for purposes of this Agreement, all requests, rules, guidelines or directives in connection with the Dodd-Frank Wall Street Reform and Consumer Protection Act shall be deemed to be a Change regardless of the date enacted, adopted or issued and all requests, rules, guidelines or directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Regulations and Supervisory Practices (or any successor or similar

authority) pursuant to Basel III or any successor Basel accord or the United States financial regulatory authorities shall be deemed to be a Change regardless of the date adopted, issued, promulgated or implemented. "Risk-Based Capital Guidelines" means (i) the risk-based capital guidelines in effect in the United States on the date of this Agreement, including transition rules, and (ii) the corresponding capital regulations promulgated by regulatory authorities outside the United States including transition rules, and any amendments to such regulations adopted prior to the date of this Agreement.

(iii) In connection with any costs imposed upon the City by the Purchaser, other Certificateholder or the Credit Protection Provider pursuant to this Section 4.02(a), the Purchaser, other Certificateholder or the Credit Protection Provider shall (A) promptly notify the City of such costs and (B) provide the City with a certificate as to such increased cost, increased capital or reduction in return incurred by the Purchaser, other Certificateholder or the Credit Protection Provider as a result of any event mentioned in clause (i) or (ii) of this Section 4.02(a) setting forth, in reasonable detail, the basis for such calculation and the amount of such calculation submitted by the Purchaser, other Certificateholder or the Credit Protection Provider to the City which calculation shall be conclusive (absent manifest error) as to the amount thereof. In making the determinations contemplated by the above referenced certificate, the Purchaser, other Certificateholder or the Credit Protection Provider may make such reasonable estimates, assumptions, allocations and the like that the Purchaser, other Certificateholder or the Credit Protection Provider in good faith determines to be appropriate.

(b) *Determination of Taxability.* (i) In the event a Determination of Taxability occurs, to the extent not payable to each Certificateholder (or to the Purchaser for the period that it was the Certificateholder of any of the Certificates) under the terms of the Trust Agreement and the Certificates, the City hereby agrees to pay to each Certificateholder (or, if applicable, the Purchaser) on demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to such Certificateholder (or, if applicable, the Purchaser) on the Certificates during the period for which interest with respect to the Certificates is included in the gross income of such Certificateholder (or, if applicable, the Purchaser) if the Certificates had borne interest at the Taxable Rate, beginning on the Taxable Date (the "*Taxable Period*"), and (B) the amount of interest actually paid to the Certificateholder (or, if applicable, the Purchaser) during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by such Certificateholder (or, if applicable, the Purchaser) as a result of interest on the Certificates becoming included in the gross income of such Certificateholder (or, if applicable, the Purchaser), together with any and all attorneys' fees, court costs, or other out-of-pocket costs incurred by such Certificateholder (or, if applicable, the Purchaser) in connection therewith;

(ii) Subject to the provisions of clause (iii) below, such Certificateholder (or, if applicable, the Purchaser) shall afford the City the opportunity, at the City's sole cost and expense, to contest (1) the validity of any amendment to the Code which causes the interest on the Certificates to be included in the gross income of such Certificateholder (or, if applicable, the Purchaser) or (2) any challenge to the validity of the tax exemption with respect to the interest on the Certificates, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals); and

(iii) As a condition precedent to the exercise by the City of its right to contest set forth in clause (ii) above, the City shall, on demand, immediately reimburse such Certificateholder (or, if applicable, the Purchaser) for any and all expenses (including attorneys' fees for services that may be required or desirable, as determined by such Certificateholder (or, if applicable, the Purchaser) in its sole discretion) that may be incurred by the Certificateholder (or, if applicable, the Purchaser) in connection with any such contest, and shall, on demand, immediately reimburse the Certificateholder (or, if applicable, the Purchaser) for any payments, including any taxes, interest, penalties or other charges payable by such Certificateholder (or, if applicable, the Purchaser) for failure to include such interest in its gross income.

(c) *Default Rate.* Upon the occurrence and during the continuance of an Event of Default, the Obligations shall bear interest at the Default Rate, which shall be payable by the City to each Certificateholder (or, if applicable, the Purchaser) upon demand therefor and be calculated on the basis of a 360-day year and actual days elapsed.

(d) *Maximum Interest Rate.* (i) If the amount of interest payable for any period in accordance with the terms hereof or with respect to the Certificates exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Interest Rate, then interest for such period shall be payable in an amount calculated at the Maximum Interest Rate.

(ii) Any interest that would have been due and payable for any period but for the operation of the immediately preceding subclause (i) shall accrue and be payable as provided in this subclause (ii) and shall, less interest actually paid to each Certificateholder for such period, constitute the "Excess Interest Amount." If there is any accrued and unpaid Excess Interest Amount as of any date, then the principal amount with respect to which interest is payable shall bear interest at the Maximum Interest Rate until payment to each Certificateholder of the entire Excess Interest Amount.

(iii) Notwithstanding the foregoing, on the date on which no principal amount with respect to the Certificates remains unpaid, the City shall pay to each Certificateholder a fee equal to any accrued and unpaid Excess Interest Amount.

(e) *Survival.* The obligations of the City under clauses (a) and (b) of this Section 4.02 shall survive the termination of this Agreement and the redemption or other payment in full of the Certificates.

Section 4.03. Obligations Absolute. The payment obligations of the City under this Agreement shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including without limitation the following:

(a) any lack of validity or enforceability of this Agreement, the Certificates or any of the other Related Documents;

(b) any amendment or waiver of or any consent to departure from all or any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right which the City may have at any time against the Purchaser, any other Certificateholder or any other person or entity, whether in connection with this Agreement, the other Related Documents, the transactions contemplated herein or therein or any unrelated transaction; or

(d) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

Notwithstanding this Section, the Purchaser acknowledges the City may have the right to bring a collateral action with respect to one or more of the foregoing circumstances. The City's payment obligations shall remain in full force and effect pending the final disposition of any such action. All fees payable pursuant to this Agreement shall be deemed to be fully earned when due and non-refundable when paid.

Section 4.04. Funding Indemnity. In the event the Purchaser shall incur any loss, cost, or expense (including, without limitation, any loss, cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Purchaser to purchase or hold the Certificates or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Purchaser) as a result of any redemption or conversion of the Certificates on a date other than an Interest Payment Date for any reason, whether before or after default, and whether or not such payment is required by any provision of this Agreement or the Trust Agreement, then upon the demand of the Purchaser, the City shall pay to the Purchaser a redemption or conversion premium in such amount as will reimburse the Purchaser for such loss, cost, or expense. If the Purchaser requests such redemption or conversion premium, it shall provide to the City a certificate setting forth the computation of the loss, cost, or expense giving rise to the request for such redemption premium in reasonable detail and such certificate shall be conclusive if reasonably determined.

Section 4.05. Optional Redemption or Conversion Fee. The City shall pay to the Purchaser an optional redemption or conversion fee (a "*Termination Fee*") in connection with each optional redemption of all or any portion of the Certificates or each conversion of the interest rate on all or any portion of the Certificates from the Index Rate prior to the first anniversary of the Effective Date, in an amount equal to the product of (A) the Applicable Spread in effect on the date of optional redemption or conversion, as applicable, (B) the principal amount of the Certificates to be optionally redeemed or converted to an interest rate other than the Index Rate, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such optional redemption or conversion, as applicable, to and including the first anniversary of the Effective Date, and the denominator of which is 360, payable on the date that all or any portion of the Certificates are optionally redeemed or the date on which the interest rate on all or any portion of the Certificates are converted to bear interest at a rate other than the Index Rate; *provided* that no such Termination Fee shall become payable if any increased costs have been imposed on the City pursuant to Section 4.02(a) hereof.

Section 4.06. Purchaser Consent to Subsequent Index Rate Period. (a) So long as the Purchaser is the Certificateholder, on or before the date one hundred eighty (180) days prior to the end of the Initial Period, the City may provide written notice to the Purchaser of its desire to change the interest rate mode of the Certificates (including conversion to a new Index Rate Period) and requesting the Purchaser to purchase such Certificates in such new Index Rate Period or provide the liquidity or credit enhancement necessary to facilitate the conversion of the Certificates to such new interest rate mode. The Purchaser will make reasonable efforts to respond to such request within sixty (60) days after receipt of all information necessary, in the Purchaser's reasonable judgment, to permit the Purchaser to make an informed credit decision. The Purchaser may, in its sole and absolute discretion, decide to accept or reject any such request and no consent shall become effective unless the Purchaser shall have consented thereto in writing. In the event the Purchaser fails to definitively respond to such request within such sixty (60) day period, the Purchaser shall be deemed to have refused to grant such request. The consent of the Purchaser, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Purchaser (which may include, but not be limited to the delivery of a "no adverse effect opinion" of Certificate Counsel to the Purchaser with respect to the tax-exempt status of the Certificates as a result of such conversion and interest rate setting). In the event the City and the Purchaser fail to document in writing their agreement of the proposed rate(s) and terms of the succeeding period(s), the City shall continue to be required to repurchase the Certificates on the Mandatory Tender Date for a purchase price of 100% of the par amount plus accrued interest to the Mandatory Tender Date.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The City makes the following representations and warranties to each Certificateholder:

Section 5.01. Due Organization; Power and Authority. The City is a charter city and municipal corporation duly organized and validly existing under the laws of the State of California with the powers and authority, among others, including all requisite power and authority to execute and deliver this Agreement, and to perform the obligations under this Agreement and the other Related Documents to which the City is a party.

Section 5.02. Authorization, Validity and Binding Obligations. The execution, delivery and performance by the City of this Agreement and the other Related Documents and the execution and delivery of the Certificates at the direction of the City have been duly authorized by all necessary action of the governing body of the City. Each of this Agreement and the other Related Documents (other than the Certificates) to which the City is a party constitutes a legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms, except as such enforceability may be limited by applicable reorganization, insolvency, liquidation, readjustment of debt, moratorium or other similar laws affecting the enforcement of the rights of creditors generally and by general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law). The Certificates are entitled to the benefits of the Trust Agreement, and shall evidence and represent proportionate interests of the owners thereof in the 2012 Payments.

Section 5.03. Compliance with Laws and Contracts. Neither the execution and delivery by the City of this Agreement, nor the consummation of the transactions contemplated by this Agreement or the other Related Documents to which the City is a party, nor compliance with the provisions hereof or thereof will violate any Legal Requirements or any rule, regulation, order, writ, judgment, injunction, decree or award of any Governmental Authority applicable to the City or the Electric System, or conflict with any provision of the City's organizational documents or result in the creation or imposition of any Lien (other than the Liens created under and pursuant to the Contract or the Trust Agreement) upon any of the assets of the City or the Electric System pursuant to the terms of, any ordinance, resolution, mortgage, indenture, agreement or instrument to which the City is a party or by which it or any of its properties is bound.

Section 5.04. Litigation. Other than as disclosed to the Purchaser prior to the Effective Date, there is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, arbitrator, public board or any other Governmental Authority pending or, to the best knowledge of the General Manager after due inquiry, threatened against or affecting the City or the Electric System wherein an unfavorable decision, ruling or finding could reasonably be expected to (i) have a Material Adverse Effect or (ii) adversely affect (A) the status of the City as a charter city and municipal corporation created and validly existing under the laws of the State of California, (B) the exemption of interest on the Certificates from federal income tax, or (C) the validity, enforceability or perfection of the pledge of and charge and lien upon the Net Revenues.

Section 5.05. No Default. No Default or Event of Default has occurred and is continuing nor is the City in material default under (i) any order, writ, injunction or decree of any Governmental Authority applicable to the Electric System, or (ii) any law or regulation applicable to the Electric System, or (iii) the Contract, or (iv) any contract, agreement or instrument to which the City is a party or by which it or its property is bound, default under which would have a Material Adverse Effect.

Section 5.06. Financial Statements. The audited financial statements for the period ended June 30, 2012, including the balance sheet as of such date of said period, all examined and reported on by the Finance Department of the City, as heretofore delivered to the Purchaser correctly and fairly present the financial condition of the City as of said date and the results of the operations of the City for such period, and have been prepared in accordance with GAAP consistently applied except as stated in the notes thereto; and there has been no Material Adverse Change since June 30, 2012.

Section 5.07. Security. The Contract creates an irrevocable first pledge of and charge and lien upon the Net Revenues of the Electric System for the payment of the 2012 Payments and all other Parity Obligations. The Obligations of the City hereunder constitutes a Parity Obligation and are on a parity with the 2012 Payments and all other Parity Obligations. Other than Maintenance and Operation Costs, the Contract does not permit the issuance or incurrence of any Debt secured by the Revenues to rank senior to the 2012 Payments and all other Parity Obligations. No filing, registration, recording or publication of the Contract or any other instrument is required to establish the pledge provided for thereunder or to perfect, protect or

maintain the lien created thereby on the Net Revenues to secure the amounts due with respect to the Contracts and all other Parity Obligations.

Section 5.08. Consents. All consents, licenses, approvals, validations and authorizations of, and registrations, validations or declarations by or with any court or other Governmental Authority required to be obtained as of the date hereof in connection with the execution, delivery, performance, validity or enforceability of this Agreement and the validity or enforceability of the Related Documents have been obtained and are in full force and effect.

Section 5.09. Incorporation of Representations and Warranties. The City hereby makes to the Purchaser the same representations and warranties as are made by it in each Related Document to which it is a party, which representations and warranties, together with the related definitions of terms contained therein, are hereby incorporated by reference with the same effect as if each and every such representation and warranty and definition were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to any Related Document shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein unless such amendment could not reasonably be expected to have a Material Adverse Effect.

Section 5.10. Accurate Information. No representation, warranty or other statement made by the City or the Authority in or pursuant to this Agreement or any Related Document or any other document or financial statement provided by the City, the Authority or its respective agents to the Purchaser in connection with this Agreement or any Related Document, contains any untrue statement of a material fact or omits (as of the date made or furnished) any material fact necessary to make the statements herein or therein not misleading in light of the circumstances under which they are made. There is no fact known to the General Manager which the General Manager has not disclosed to the Purchaser in writing and which materially adversely affects or, so far as the General Manager can now reasonably foresee, is likely to materially adversely affect the ability (financial or otherwise) of the City to perform its obligations under the Related Documents to which the City is a party.

Section 5.11. Margin Stock. Neither the City nor the Electric System is engaged in the business of extending credit for the purpose of purchasing or carrying any Margin Stock.

Section 5.12. No Proposed Legal Changes. There is no amendment, or to the best knowledge of the General Manager, proposed amendment certified for placement on a statewide ballot, to the Constitution of the State of California or any published administrative interpretation of the Constitution of the State of California or any State of California law, or any legislation that has passed either house of the State legislature, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have a Material Adverse Effect.

Section 5.13. Interest. None of the Related Documents to which the City is a party or the Certificates provide for any payments that would violate any applicable law regarding permissible maximum rates of interest or the calculation or collection of interest upon interest.

Section 5.14. Environmental Laws. The City (i) has not become subject to any Environmental Liability nor does it know of any basis for any Environmental Liability, (ii) has not received notice to the effect that its operations are not in compliance with any of the requirements of any Environmental Laws or any applicable federal, state or local 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, and (iii) to the best of the knowledge of the General Manager, is in compliance with all Environmental Laws and has obtained and maintains or complies with any permit, license or other approval required under any Environmental Law, in each case, except with respect to any matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

Section 5.15. ERISA; Plans; Employee Benefit Plans. The City is not subject to ERISA and maintains no Plans. The employee welfare and pension benefit plans that the City maintains for its employees are in compliance with all funding and other requirements of applicable Laws.

Section 5.16. Insurance. The City is in compliance with the insurance requirement set forth in Section 4.08 of the Contract.

Section 5.17. No Immunity. The City is not immune from any lawsuit brought by the Purchaser to enforce any of the obligations under this Agreement or any other Related Document.

Section 5.18. Correct Information. All information, reports and other papers and data with respect to the City and the Electric System furnished by the City to the Purchaser were, at the time the same were so furnished, correct in all material respects. Any financial, budget and other projections furnished by the City to the Purchaser were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent (subject to the updating or supplementation of any such financial, budget or other projections by any additional information provided to the Purchaser in writing, the representations contained in this Agreement being limited to financial, budget or other projections as so updated or supplemented), in the judgment of the City, a reasonable, good faith estimate of the information purported to be set forth, it being understood that uncertainty is inherent in any projections and that no assurance can be given that the results set forth in the projections will actually be obtained.

Section 5.19. Investment Company. The City is not an “investment company” or a company “controlled” by an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

Section 5.20. Tax-Exempt Status. The City has not taken any action or omitted to take any action, and has no actual knowledge of any action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Certificates from gross income for federal income tax purposes.

Section 5.21. Swap Agreements. Other than the Existing Swap Agreement, the City has not entered into any Swap Agreement relating to Parity Obligations (i) wherein any termination payment thereunder is senior to or on a parity with the payment of the Certificates (including Unremarketed Certificates) or the other Obligations or (ii) which requires the City to post cash collateral to secure its obligations thereunder.

Section 5.22. Anti-Terrorism Laws. The City is not 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 Patriot Act;

(a) The City is not 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 Purchaser 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;

(b) The City does not (i) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (a)(ii) above, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engage 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

COVENANTS OF THE CITY

The City covenants and agrees, until the full and final payment and satisfaction of all of the Obligations, except in any instance in which the Purchaser specially agrees in writing to any performance or noncompliance, that:

Section 6.01. Notices. The City will promptly furnish, or cause to be furnished, to the Purchaser (i) notice of the failure by the Trustee or the tender agent to perform any of its obligations under the Trust Agreement or any of the other Related Documents; (ii) notice of the occurrence of any event of default as defined herein or in the Contract or the Trust Agreement immediately upon obtaining knowledge thereof; (iii) notice of any change in the underlying rating of any Parity Obligation of which the City has actual knowledge within five (5) days of obtaining such knowledge; (iv) notice of any litigation, administrative proceeding or business development which could reasonably be expected to have a Material Adverse Effect; (v) copies of any communications delivered or received by it from any taxing authority or Rating Agency with respect to the transactions contemplated hereby; (vi) the information and certifications required to be furnished under the Trust Agreement and the Contract, on the dates and in the form as specified therein; and (vii) such further financial and other information with respect to the City and its affairs as the Purchaser may reasonably request from time to time.

Section 6.02. Compliance With Legal Requirements. The City shall comply in all material respects with all Legal Requirements and all other rules and regulations, and with all final orders, writs, judgments, injunctions, decrees or awards of any Governmental Authority to which it and the Projects may be subject.

Section 6.03. Use of Proceeds. The City shall use the proceeds of the Certificates solely for the purposes set forth in the Trust Agreement and the other Related Documents.

Section 6.04. Related Obligations. The City shall promptly pay or cause to be paid, all amounts payable by it under this Agreement and the other Related Documents according to the terms hereof and thereof and the City shall duly observe and perform all of the conditions, covenants and obligations under this Agreement and the other Related Documents to which it is a party.

Section 6.05. Reporting Requirements. The City shall keep or shall cause to be kept proper books of record and account in which full, true and correct entries will be made of all dealings and transactions of or in relation to the affairs, operations, transactions and activities of the City and the Electric System in accordance with GAAP consistently applied, and will furnish or cause to be furnished to the Purchaser a copy of each of the following:

- (i) as soon as available, and in any event within two hundred ten (210) days after the end of each Fiscal Year, the audited financial statements of the City prepared in accordance with GAAP, along with the audit report of the City's independent certified accountants;

(ii) as soon as available, and in any event within sixty (60) days after the end of each fiscal quarter of each Fiscal Year, the unaudited financial statements of the City, including a statement of net assets, certified to be true and correct (subject to year end adjustments) by a City Representative;

(iii) simultaneously with the delivery of each set of financial statements referred to in clauses (i) and (ii) above, a Compliance Certificate in the form of Exhibit A hereto executed by a City Representative and certifying that, to the best knowledge of such City Representative, after review of this Agreement and the other Related Documents no Default or Event of Default has occurred and is continuing or the remedial action the City proposes to take to remedy such Default or Event of Default;

(iv) immediately following any dissemination, distribution or provision thereof to any Person, a copy of any Material Event Notice in connection with any Parity Obligation, disseminated, distributed or provided in satisfaction of or as may be required by the provisions of Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal requirement;

(v) immediately following the delivery of any information required to be delivered to the EMMA in connection with any Parity Obligation, a copy of such information to the Purchaser;

(vi) immediately following the delivery of the budget to the Authority pursuant to Section 4.06 of the Contract, a copy of such budget to the Purchaser;

(vii) upon request of the Purchaser, confirmation of the amount of funds on deposit in any fund or account established under the Trust Agreement or the Contract;

(viii) on or prior to the date of execution and delivery of any Supplement to the Contract, written notice of the change in the aggregate principal amount of Certificates outstanding, together with a copy of the final official statement or other final disclosure statement prepared with respect to such additional Certificates and a certification that any limitations or covenants with respect to the incurrence of such Certificates have been met with respect thereto; and

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

Section 6.06. Inspection Rights. The City shall permit the Purchaser or any agents or representatives thereof, to examine and make copies of and abstracts from the records and books of account of the City or the Electric System and visit their respective properties, and to discuss their affairs, finances and accounts with any of the City or the Electric System officers, trustees and independent auditors (and by this provision the City authorizes said auditors to discuss with

the Purchaser or its agents or representatives, the affairs, finances and accounts of the City and the Electric System).

Section 6.07. Amendments. The City shall not amend or modify, or permit to be amended or modified in any manner whatsoever any Related Document in a manner which would materially adversely affect the City's ability to repay any Parity Obligation or which adversely affects the security for the Certificates (including Unremarketed Certificates) or the other Obligations or the City's ability to repay when due the Certificates (including Unremarketed Certificates) or the other Obligations or the interests, security, rights or remedies of the Purchaser without the prior written consent of the Purchaser.

Section 6.08. Compliance With Documents. The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Trust Agreement and each of the other Related Documents to which it is a party, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Purchaser and shall be enforceable against the City. To the extent that any such incorporated provision permits the City or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the City or any other party, for purposes of this Agreement, such provision shall be complied with unless it is specifically waived by the Purchaser in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Purchaser which shall only be evidenced by the written approval by the Purchaser of the same. Except as permitted by Section 6.07 hereof, no amendment to such covenants and agreements or defined terms or release of the City with respect thereto made pursuant to the Trust Agreement or any of the other Related Documents to which the City is a party, shall be effective to amend such covenants and agreements and defined terms or release the City with respect thereto in each case as incorporated by reference herein without the prior written consent of the Purchaser. Notwithstanding any termination or expiration of the Trust Agreement or any such other Related Document to which the City is a party, the City shall continue to observe the covenants therein contained for the benefit of the Purchaser until the termination of this Agreement and the payment in full of the Certificates (including Unremarketed Certificates) and all other Obligations. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

Section 6.09. Maintenance of Existence; Other Business; Mergers. The City will preserve and maintain its existence as a charter city and municipal corporation in California. The City will maintain in effect and comply with any and all licenses, approvals, consents, and authorizations which are in effect on the date hereof and hereafter required or which may be or become necessary or desirable for its activities. The City covenants that it will not perform any acts or enter into any agreements which could cause any revocation or adverse modification of its Federal income tax-exempt status or which would cause the interest with respect to the Certificates to be subject to Federal income taxation upon the owners thereof. Except as may be

required by applicable law, the City will not merge with or consolidate with any other Person or form or acquire any subsidiary. The City will continue to conduct in the ordinary course the activities in which it is presently engaged.

Section 6.10. Maintenance of Approvals; Filings, etc. The City shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, registrations, approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for its execution, delivery and performance of this Agreement and the Related Documents to which it is a party.

Section 6.11. Maintenance of Electric System. The City will not sell, transfer, dispose of or abandon any material portion of the Electric System or the Project or condemn, or consent to any condemnation of, any material portion of the Electric System or the Project. The City will at all times maintain or cause to be maintained the Electric System.

Section 6.12. No Sovereign Immunity. To the fullest extent permitted by law, any sovereign immunity of the City with respect to its contractual obligations under this Agreement and the other Related Documents is hereby irrevocably waived by the City and, consistent therewith, to the fullest extent permitted by law, the City hereby irrevocably agrees not to assert the defense of sovereign immunity in any legal proceeding to enforce or collect upon the obligations of the City under this Agreement, the Certificates, the other Related Documents or the transactions contemplated hereby or thereby.

Section 6.13. Further Assurances. The City will from time to time promptly execute and deliver all further instruments and documents as may be necessary and desirable, or that the Purchaser may reasonably request, in order to (i) perfect and protect, any lien, pledge or security interest or other right or interest given, or purported to be given to the Purchaser or any other Person under or in connection with this Agreement or the Related Documents or (ii) enable the Purchaser to exercise or enforce its rights under or in connection with this Agreement.

Section 6.14. Certain Information. The City shall not include in an offering document for the Certificates any information concerning the Purchaser that is not supplied in writing, or otherwise consented to in writing, by the Purchaser expressly for inclusion therein.

Section 6.15. Liens. The City shall not, directly or indirectly, incur, create or permit to exist any Lien on Net Revenues that is senior or on a parity with the Lien securing the 2012 Payments, other than (i) Liens created under and in accordance with the terms of the Contracts; and (ii) Liens which could not reasonably be expected to materially adversely affect the interests, rights, remedies or security of the Purchaser under this Agreement and the other Related Documents.

Section 6.16. Additional Debt. The City shall not issue any additional Debt secured by or payable from Net Revenues unless (i) such Debt is issued in accordance with the terms of the Contracts; and (ii) after the issuance of such Debt, no Default or Event of Default shall have occurred.

Section 6.17. Rate Covenant. The City shall take any and all action necessary such that Net Revenues in each Fiscal Year shall equal an amount at least sufficient to satisfy the provisions of Section 4.12 of the Master Contract.

Section 6.18. Reserve Fund Requirement. The City shall at all times maintain the Parity Reserve Fund in an amount equal to the Reserve Fund Requirement.

Section 6.19. Conversions and Redemptions. The City shall provide thirty (30) days written notice to the Purchaser prior to the date of any proposed (a) conversion of the interest rate with respect to the Certificates to a rate of interest other than the Index Rate or (b) optional prepayment or purchase in lieu of prepayment of Certificates pursuant to Section 4.02(b) or 4.02A, as applicable, of the Trust Agreement.

Section 6.20. Underlying Rating. The City shall at all times maintain a rating on its long-term unenhanced Parity Obligations from either S&P or Fitch. The City covenants and agrees that it shall not at any time withdraw any long-term unenhanced rating on its Parity Obligations from either S&P or Fitch if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement.

Section 6.21. Investment of Funds. The City shall cause all moneys held in the 2012 Debt Service Fund and the Parity Reserve Fund established under the Trust Agreement and the Contract to be invested in Permitted Investments. The City shall not after the Effective Date supplement or otherwise modify or amend (except by the removal of one or more investments which are Permitted Investments as of the Effective Date) the list of Permitted Investments without the prior written consent of the Purchaser in its discretion.

Section 6.22. Other Agreements. In the event that the City shall, directly or indirectly, enter into or otherwise consent to any Bank Agreement which such Bank Agreement provides such Person with different or more restrictive covenants, different or additional events of default and/or greater rights and remedies than are provided to the Purchaser in this Agreement, the City shall provide the Purchaser with a copy of each such Bank Agreement and such different or more restrictive covenants, different or additional events of default and/or greater rights and remedies shall automatically be deemed to be incorporated into this Agreement and the Purchaser shall have the benefits of such different or more restrictive covenants, different or additional events of default and/or greater rights and remedies as if specifically set forth herein. The City shall promptly enter into an amendment to this Agreement to include different or more restrictive covenants, different or additional events of default and/or greater rights and remedies; *provided* that the Purchaser shall have and maintain the benefit of such different or more restrictive covenants, different or additional events of default and/or greater rights and remedies even if the City fails to provide such amendment.

Section 6.23. Swap Agreements. The City shall not enter into any Swap Agreement relating to Parity Obligations after the Effective Date (i) wherein any termination payments thereunder are senior to or on parity with the payment of the 2012 Payments or (ii) which requires the City to post cash collateral to secure its obligations thereunder.

Section 6.24. Disclosure to Participants, Purchaser Transferees and Non-Purchaser Transferees. The City shall permit the Purchaser to disclose the financial information received by it pursuant to this Agreement to each Participant of the Purchaser, Purchaser Transferee and Non-Purchaser Transferee pursuant to Section 9.13 of this Agreement, subject to confidentiality restrictions and use restrictions customary for financial institutions.

Section 6.25. Environmental Laws. The City shall comply with all applicable Environmental Laws and cure any defect (or cause other Persons to cure any such defect) to the extent necessary to bring such real property owned, leased, occupied or operated by the City back into compliance with Environmental Laws and to comply with any cleanup orders issued by a Governmental Authority having jurisdiction thereover. The City shall at all times use commercially reasonable efforts to render or maintain any real property owned, leased, occupied or operated by the City safe and fit for its intended uses. The City shall also immediately notify the Purchaser of any actual or alleged material failure to so comply with or perform, or any material breach, violation or default under any Environmental Law.

Section 6.26. Federal Reserve Board Regulations. The City shall not use any portion of the proceeds of the Purchase Price of the Certificates for the purpose of carrying or purchasing any Margin Stock and shall not incur any Debt which is to be reduced, retired or purchased by the City out of such proceeds.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default. The occurrence of any of the following events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of Law) shall be an "Event of Default" hereunder, unless waived in writing by Purchaser:

(a) the City shall fail to pay the principal of or interest with respect to any Certificate (including any Unremarketed Certificate) when due (whether by scheduled maturity, required prepayment, redemption or otherwise);

(b) the City shall fail to pay any Obligation (other than the obligation to pay the principal of or interest with respect to the Certificates or Unremarketed Certificates) when due and such failure shall continue for three (3) Business Days;

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

(d) the City shall default in the due performance or observance of any of the covenants set forth in 6.03, 6.05(i), 6.05(ii), 6.05(iii), 6.07, 6.11, 6.12, 6.14, 6.15, 6.16, 6.17, 6.18, 6.21, 6.23 or 6.26 hereof;

(e) the City shall default in the due performance or observance of any other term, covenant or agreement contained in this Agreement or any other Related Document and such default shall remain unremedied for a period of thirty (30) days after the occurrence thereof;

(f) the City shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) become insolvent or shall not pay, or be unable to pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property, (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 7.01(g) of this Agreement;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the City or any substantial part of its Property, or a proceeding described in Section 7.01(g)(v) shall be instituted against the City and such proceeding continues undischarged or any such proceeding continues undismissed or unstayed for a period of thirty (30) or more days;

(h) a debt moratorium, debt restructuring, debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any Debt of the City by the City or any Governmental Authority with appropriate jurisdiction;

(i) (i) any provision of this Agreement or any Related Document related to (A) payment of principal of or interest with respect to the Certificates (including Unremarketed Certificates) or any Parity Obligation or (B) the validity or enforceability of the pledge of Net Revenues shall at any time for any reason cease to be valid and binding on the City as a result of a finding or ruling by a court or Governmental Authority with competent jurisdiction, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction, to be null and void, invalid or unenforceable;

(ii) the validity or enforceability of any material provision of this Agreement or any Related Document related to (A) payment of principal of or interest with respect to the Certificates (including Unremarketed Certificates) or any Parity Obligation, or (B) the validity or enforceability of the pledge of Net Revenues shall be publicly contested by the City;

(iii) any other material provision of this Agreement or any other Related Document, other than a provision described in clause (i) above, shall at any time for any reason cease to be valid and binding on the City as a result of a ruling or finding by a court or a Governmental Authority with competent jurisdiction or shall be declared in a final non-appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the City;

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

(k) the City shall (i) default on the payment of the principal of or interest on any Parity Obligation including, without limitation, any regularly scheduled payments on Swap Agreements which constitute Parity Obligations, beyond the period of grace, if any, provided in the instrument or agreement under which such Parity Obligation was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Parity Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to cause (determined without regard to whether any notice is required) any such Parity Obligation to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Parity Obligation;

(l) the City shall (i) default on the payment of the principal of or interest on any Subordinate Obligation including, without limitation, any regularly scheduled payments on Swap Agreements which constitute Subordinate Obligations, beyond the period of grace, if any, provided in the instrument or agreement under which such Subordinate Obligation was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Subordinate Obligation or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to permit (determined without regard to whether any notice is required) any such Subordinate Obligation to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Subordinate Obligation;

(m) any judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, which are not covered in full by insurance, with written acknowledgement of such coverage having been provided by the provider of such insurance coverage to the Purchaser, payable out of Revenues in an aggregate amount not less than \$10,000,000 shall be entered or filed against the City or against any of its Property and remain unvacated, unbonded or unstayed for a period of thirty (30) days;

(n) any "event of default" under any Related Document (as defined respectively therein) shall have occurred; or

(o) either of Fitch or S&P shall have downgraded its rating of any long-term unenhanced Parity Debt of the City to below “BBB+” (or its equivalent) or “BBB+” (or its equivalent) respectively, or suspended or withdrawn its rating of the same.

Section 7.02. Consequences of an Event of Default. If an Event of Default specified in Section 7.01 hereof shall occur and be continuing, the Purchaser may take one or more of the following actions at any time and from time to time (regardless of whether the actions are taken at the same or different times):

(a) (i) by written notice to the Trustee and the City, declare the outstanding amount of the Obligations under this Agreement to be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue;

(ii) deliver a written notice to the Trustee and the City that an Event of Default has occurred and is continuing and direct the Trustee and the City, as applicable, to cause a mandatory tender or acceleration of the Certificates or take such other remedial action as is provided for in the Trust Agreement;

(iii) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of the City under the Related Documents, whether for specific performance of any agreement or covenant of the City or in aid of the execution of any power granted to the Purchaser in the Related Documents;

(iv) cure any Default, Event of Default or event of nonperformance hereunder or under any Related Document; *provided, however*, that the Purchaser shall have no obligation to effect such a cure; and

(v) exercise, or cause to be exercised, any and all remedies as it may have under the Related Documents (other than as provided for in clause (ii) of this Section 7.02(a)) and as otherwise available at law and at equity.

(b) Notwithstanding the provisions of Section 7.02(a)(i) or 7.02(a)(ii), (x) the Purchaser shall not cause a mandatory tender or acceleration of the Certificates as described in Section 7.02(a)(i) or 7.02(a)(ii) until seven (7) days after the occurrence of an Event of Default specified in Section 7.01(a), 7.01(f), 7.01(g), 7.01(h), 7.01(i)(i), 7.01(i)(ii), 7.01(j) or 7.01(k) and (y) the Purchaser shall notify the City of a mandatory tender or acceleration at least thirty (30) days prior thereto in the case of any Event of Default not specified in the immediately preceding clause (x). Notwithstanding the foregoing sentence of this Section 7.02(b), if any other holder or credit enhancer of Debt or any counterparty under any Swap Agreement related thereto causes any such Debt or other obligations of the City to become immediately due and payable, the Purchaser may

immediately, without notice, avail itself of the remedies set forth in Section 7.02(a)(i) or 7.02(a)(ii) hereof and/or declare or cause to be declared the unpaid principal amount of all outstanding Certificates, all interest accrued and unpaid with respect thereto, and all other amounts owing or payable hereunder to be immediately due and payable.

Section 7.03. Remedies Cumulative; Solely for the Benefit of Purchaser. To the extent permitted by, and subject to the mandatory requirements of, applicable Law, each and every right, power and remedy herein specifically given to the Purchaser in the Related Documents shall be cumulative, concurrent and nonexclusive and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy (whether specifically herein given or otherwise existing) may be exercised from time to time and as often and in such order as may be deemed expedient by the Purchaser, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy.

The rights and remedies of the Purchaser specified herein are for the sole and exclusive benefit, use and protection of the Purchaser, and the Purchaser is entitled, but shall have no duty or obligation to the City, the Trustee or any other Person or otherwise, to exercise or to refrain from exercising any right or remedy reserved to the Purchaser hereunder or under any of the other Related Documents.

Section 7.04. Waivers or Omissions. No delay or omission by the Purchaser in the exercise of any right, remedy or power or in the pursuit of any remedy shall impair any such right remedy or power or be construed to be a waiver of any default on the part of the Purchaser or to be acquiescence therein. No express or implied waiver by the Purchaser of any Event of Default shall in any way be a waiver of any future or subsequent Event of Default.

Section 7.05. Discontinuance of Proceedings. In case the Purchaser shall proceed to invoke any right, remedy or recourse permitted hereunder or under the Related Documents and shall thereafter elect to discontinue or abandon the same for any reason, the Purchaser shall have the unqualified right so to do and, in such event, the City and the Purchaser shall be restored to their former positions with respect to the Obligations, the Related Documents and otherwise, and the rights, remedies, recourse and powers of the Purchaser hereunder shall continue as if the same had never been invoked.

ARTICLE VIII

INDEMNIFICATION

Section 8.01. Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the City hereby agrees (to the extent permitted by law) to indemnify and hold harmless each Certificateholder or Credit Protection Provider and its officers, directors and agents (each, an "Indemnitee") from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including reasonable attorneys' fees) which may incur or which may be

claimed against an Indemnitee by any Person or entity whatsoever (collectively, the "Liabilities") by reason of or in connection with (a) the execution and delivery or transfer of, or payment or failure to pay under, any Related Document; (b) the issuance and sale of the Certificates; and (c) the use of the proceeds of the Certificates; *provided* that the City shall not be required to indemnify an Indemnitee for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of such Indemnitee. If any proceeding shall be brought or threatened against an Indemnitee by reason of or in connection with the events described in clause (a), (b) or (c) as a condition of indemnity hereunder each Indemnitee shall promptly notify the City in writing and the City shall assume the defense thereof, including the employment of counsel satisfactory to such Indemnitee and the payment of all reasonable costs of litigation. Notwithstanding the preceding sentence, each Indemnitee shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnitee unless (i) the employment of such counsel shall have been authorized in writing by the City, or (ii) the City, after due notice of the action, shall not have employed counsel satisfactory to such Indemnitee to have charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnitee shall be borne by the City. The City shall not be liable for any settlement of any such action effected without its consent. Nothing under this Section 8.01 is intended to limit the City's payment of the Obligations.

Section 8.02. Survival. The obligations of the City under this Article VIII shall survive the payment of the Certificates and the termination of this Agreement.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Patriot Act Notice. The Purchaser hereby notifies the City that pursuant to the requirements of 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 Purchaser to identify the City in accordance with the Patriot Act. The City hereby agrees that it shall promptly provide such information upon request by the Purchaser.

Section 9.02. Further Assurances. From time to time upon the request of either party hereto, the other shall promptly and duly execute, acknowledge and deliver any and all such further instruments and documents as the requesting party may in its reasonable discretion deem necessary or desirable to confirm this Agreement, and the other Related Documents, to carry out the purpose and intent hereof and thereof or to enable the requesting party to enforce any of its rights hereunder or thereunder. At any time, and from time to time, upon request by the Purchaser, the City will, at the City's expense, correct any defect, error or omission which may be discovered in the form or content of any of the Related Documents. Upon any failure by the City to do so, the Purchaser or the Trustee may make, execute and record any and all such instruments, certificates and other documents for and in the name of the City, all at the sole expense of the City, and the City hereby appoints the Purchaser and the Trustee the agent and

The Purchaser: U.S. Bank National Association
Government Banking - Credit Origination
633 W. Fifth Street, 25th Floor
Los Angeles, California 90071
Attention: Ashley Martin
Facsimile: (213) 615-6199
Telephone: (213) 615-6241

with a copy to: U.S. Bank National Association
Government Banking - Public Power
461 Fifth Avenue, 15th Floor
New York, New York 10017
Attention: Christopher Jumper
Telephone: (917) 326-3925

The Trustee: The Bank of New York Mellon Trust Company, N.A.
100 Pine Street, Suite 3100
San Francisco, California 94111
Attention: Corporate Trust Department
Facsimile: (415) 399-1647
Telephone: (415) 263-2412

The Purchaser may rely on any notice (including telephone communication) purportedly made by or on behalf of the other, and shall have no duty to verify the identity or authority of the Person giving such notice, unless such actions or omissions would amount to gross negligence or intentional misconduct.

Section 9.06. Right of Setoff. (a) Upon the occurrence of an Event of Default, a Certificateholder may, at any time and from time to time, without notice to the City or any other Person (any such notice being expressly waived), set off and appropriate and apply against and on account of any obligations of the City to such Certificateholder with respect to the Electric System arising under or connected with this Agreement or the other Related Documents, without regard to whether or not such Certificateholder shall have made any demand therefor, and although such obligations and liabilities may be contingent or unmatured, any and all deposits with respect to the Electric System (general or special, including but not limited to deposits made pursuant to this Agreement and indebtedness evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts) and any other indebtedness at any time held or owing by such Certificateholder to or for the credit or the account of any or all of the City.

(b) Each Certificateholder agrees promptly to notify the City after any such set-off and application referred to in subsection (a) above, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. Subject to the provisions of subsection (a) above, the rights of a Certificateholder under this Section 9.06 are in addition to other rights and

remedies (including, without limitation, other rights of set-off) which such Certificateholder may have.

Section 9.07. No Third-Party Rights. Nothing in this Agreement, whether express or implied, shall be construed to give to any Person other than the parties hereto and the Certificateholders any legal or equitable right, remedy or claim under or in respect of this Agreement, which is intended for the sole and exclusive benefit of the parties hereto.

Section 9.08. Severability. The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 9.09. Governing Law; Consent to Jurisdiction and Venue; Waiver of Jury Trial.

(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PROVISIONS.

(b) EACH PARTY HERETO CONSENTS TO AND SUBMITS TO IN PERSONAM JURISDICTION AND VENUE IN THE STATE OF CALIFORNIA AND IN THE FEDERAL DISTRICT COURTS WHICH ARE LOCATED IN THE STATE OF CALIFORNIA. EACH PARTY ASSERTS THAT IT HAS PURPOSEFULLY AVAILED ITSELF OF THE BENEFITS OF THE LAWS OF THE STATE OF CALIFORNIA AND WAIVES ANY OBJECTION TO IN PERSONAM JURISDICTION ON THE GROUNDS OF MINIMUM CONTACTS, WAIVES ANY OBJECTION TO VENUE, AND WAIVES ANY PLEA OF FORUM NON CONVENIENS. THIS CONSENT TO AND SUBMISSION TO JURISDICTION IS WITH REGARD TO ANY ACTION RELATED TO THIS AGREEMENT. REGARDLESS OF WHETHER THE PARTY'S ACTIONS TOOK PLACE IN THE STATE OF CALIFORNIA OR ELSEWHERE IN THE UNITED STATES, THIS SUBMISSION TO JURISDICTION IS NONEXCLUSIVE, AND DOES NOT PRECLUDE EITHER PARTY FROM OBTAINING JURISDICTION OVER THE OTHER IN ANY COURT OTHERWISE HAVING JURISDICTION.

(c) TO THE EXTENT PERMITTED BY APPLICABLE LAWS, EACH OF THE PARTIES HERETO HEREBY WAIVES ITS RIGHT TO A JURY TRIAL OF ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF THIS AGREEMENT, THE RELATED DOCUMENTS OR ANY OF THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY, INCLUDING CONTRACT CLAIMS, TORT CLAIMS, BREACH OF DUTY CLAIMS, AND ALL OTHER COMMON LAW OR STATUTORY CLAIMS. IF AND TO THE EXTENT THAT THE FOREGOING WAIVER OF THE RIGHT TO A JURY TRIAL IS UNENFORCEABLE FOR ANY REASON IN SUCH FORUM, EACH OF THE PARTIES HERETO HEREBY CONSENTS TO THE ADJUDICATION OF ALL CLAIMS PURSUANT TO JUDICIAL REFERENCE AS PROVIDED IN CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638, AND THE JUDICIAL REFEREE SHALL BE EMPOWERED TO HEAR AND DETERMINE ALL ISSUES IN SUCH REFERENCE, WHETHER FACT OR LAW. EACH OF THE PARTIES HERETO REPRESENTS THAT EACH HAS REVIEWED THIS WAIVER AND CONSENT AND EACH KNOWINGLY AND VOLUNTARILY WAIVES ITS JURY TRIAL RIGHTS AND CONSENTS TO JUDICIAL REFERENCE FOLLOWING CONSULTATION WITH LEGAL COUNSEL ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY

THE COURT OR TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

(d) The covenants and waivers made pursuant to this Section 9.09 shall be irrevocable and unmodifiable, whether in writing or orally, and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

Section 9.10. Prior Understandings. This Agreement and the other Related Documents supersede all other prior understandings and agreements, whether written or oral, among the parties hereto relating to the transactions provided for herein and therein.

Section 9.11. Duration. All representations and warranties of the City contained herein or made in connection herewith shall survive the making of and shall not be waived by the execution and delivery of this Agreement or the other Related Documents. All covenants and agreements of the City contained herein shall continue in full force and effect from and after the date hereof until the Obligations have been fully discharged.

Section 9.12. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

Section 9.13. Successors and Assigns.

(a) *Successors and Assigns Generally.* This Agreement is a continuing obligation and shall be binding upon the City, its successors, transferees and assigns and shall inure to the benefit of the Certificateholders and their respective permitted successors, transferees and assigns. The City may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Purchaser. Each Certificateholder may, in its sole discretion and in accordance with applicable Law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Certificates and the Related Documents in accordance with the provisions of paragraph (b) or (c) of this Section. Each Certificateholder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (d) of this Section. Each Certificateholder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section. U.S. Bank National Association shall be the Purchaser hereunder notwithstanding the sale or transfer of any Certificate to a Non-Purchaser Transfer as herein provided.

(b) *Sales and Transfers by Certificateholder to a Purchaser Transferee.* Without limitation of the foregoing generality, a Certificateholder may at any time sell or otherwise transfer to one or more transferees all or a portion of the Certificates to a Person that is (i) an Affiliate of the Purchaser or (ii) a trust or other custodial arrangement established by the Purchaser or an Affiliate of the Purchaser, the owners of any beneficial interest in which are limited to "qualified institutional buyers" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the "1933 Act") (each, a "Purchaser Transferee"). From

and after the date of such sale or transfer, U.S. Bank National Association (and its successors) shall continue to have all of the rights of the Purchaser hereunder and under the other Related Documents as if no such transfer or sale had occurred; *provided, however*, that (A) no such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall in any way affect the obligations of the Purchaser hereunder, (B) the City and the Trustee shall be required to deal only with the Purchaser with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii) hereof, only the Purchaser shall be entitled to enforce the provisions of this Agreement against the City.

(c) *Sales and Transfers by Certificateholder to a Non-Purchaser Transferee.* Without limitation of the foregoing generality, a Certificateholder may at any time sell or otherwise transfer to one or more transferees which are not Purchaser Transferees but each of which constitutes a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act (each a “*Non-Purchaser Transferee*”) all or a portion of the Certificates if (A) written notice of such sale or transfer, including that such sale or transfer is to a Non-Purchaser Transferee, together with addresses and related information with respect to the Non-Purchaser Transferee, shall have been given to the City, the Trustee and the Purchaser (if different than the Certificateholder) by such selling Certificateholder and Non-Purchaser Transferee, and (B) the Non-Purchaser Transferee shall have delivered to the City, the Trustee and the selling Certificateholder, an investment letter in substantially the form attached as Exhibit B to the Trust Agreement (the “*Purchaser Letter*”).

From and after the date the City, the Trustee and the selling Certificateholder have received written notice and an executed Purchaser Letter, (A) the Non-Purchaser Transferee thereunder shall be a party hereto and shall have the rights and obligations of a Certificateholder hereunder and under the other Related Documents, and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Purchaser Transferee, and any reference to the assigning Certificateholder hereunder and under the other Related Documents shall thereafter refer to such transferring Certificateholder and to the Non-Purchaser Transferee to the extent of their respective interests, and (B) if the transferring Certificateholder no longer owns any Certificates, then it shall relinquish its rights and be released from its obligations under this Agreement and the other Related Documents; *provided, however*, that (1) the City and the Trustee shall be required to deal only with the Purchaser with respect to any matters under this Agreement; (2) only the Purchaser shall be entitled to enforce the provisions of this Agreement against the City and (3) in the event the Purchaser, any Purchaser Transferee or any combination thereof ceases to be the owner of a majority of the aggregate principal amount of the Certificates, no Non-Purchaser Transferee shall constitute a Certificateholder hereunder or have the benefits of the terms and provisions of this Agreement except to the extent necessary to give meaning and effect to the provisions of the Trust Agreement.

(d) *Participations.* The Purchaser shall have the right to grant participations in all or a portion of the Purchaser’s interest in the Certificates, this Agreement and the other Related Documents to one or more other banking institutions; *provided, however*, that (i) no such participation by any such participant shall in any way affect the obligations of the Purchaser hereunder and (ii) the City and the Trustee shall be required to deal only with the Purchaser, with

respect to any matters under this Agreement, the Certificates and the other Related Documents and no such participant shall be entitled to enforce any provision hereunder against the City.

(e) *Certain Pledges.* The Purchaser may at any time pledge or grant a security interest in all or any portion of its rights under the Certificates, this Agreement and the Related Documents to secure obligations of the Purchaser, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release the Purchaser from any of its obligations hereunder or substitute any such pledgee or assignee for the Purchaser as a party hereto.

Section 9.14. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 9.15. Acknowledge and Appointment as the Calculation Agent. The Purchaser hereby acknowledges and accepts its appointment as Calculation Agent during the Initial Period pursuant to the Trust Agreement and acknowledges, accepts and agrees to all the duties and obligations of the Calculation Agent set forth in the Trust Agreement.

Section 9.16. No Fiduciary Relationship. The City acknowledges and agrees that its dealing with the Purchaser are solely in the nature of a debtor/creditor relationship and that in no event shall the Purchaser be considered to be a partner or joint venturer of the City. Also, the City represents and warrants that it has independently evaluated the business transaction and has not relied upon, nor will it rely upon, the expertise, advice or other comments or statements of the Purchaser (including agents of the Purchaser), if any, in deciding to pursue such undertaking. As the City is experienced in business, in no event shall the Purchaser owe any fiduciary or similar obligations to it in connection with the subject transaction.

Section 9.17. Electronic Signatures. The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (i) to be "written" or "in writing," (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or "printouts," if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, "electronic signature" means a manually-signed original signature that is then transmitted by electronic means; "transmitted by electronic means" means sent in the form of a facsimile or sent via the internet as a "pdf" (portable document format) or other replicating image attached to an e-mail message; and, "electronically signed document" means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

[SIGNATURES BEGIN ON THE FOLLOWING PAGE.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Effective Date.

U.S. BANK NATIONAL ASSOCIATION

By 
Name: Ashley Martin
Title: Assistant Vice President

CITY OF ROSEVILLE, CALIFORNIA

By _____
Name: Russell C. Branson,
Title: Assistant City Manager/Treasurer

Approved as to form:

City Attorney

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Effective Date.

U.S. BANK NATIONAL ASSOCIATION

By _____
Name: Ashley Martin
Title: Assistant Vice President

CITY OF ROSEVILLE, CALIFORNIA

By  _____
Name: Russell C. Branson,
Title: Assistant City Manager/Treasurer

Approved as to form:



City Attorney

EXHIBIT A

FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate (this "*Certificate*") is furnished to U.S. Bank National Association (the "*Purchaser*") pursuant to that certain Continuing Covenant Agreement dated as of November 1, 2012 (the "*Agreement*"), between City of Roseville, California (the "*City*") and Purchaser. Unless otherwise defined herein, the terms used in this Certificate shall have the meanings assigned thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am a duly authorized officer of the City;
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the City during the accounting period covered by the attached financial statements;
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;
4. To the best of my knowledge the financial statements required by Section 6.05 of the Agreement and being furnished to you concurrently with this certificate fairly represent the financial condition of the City in accordance with GAAP (subject to year end adjustments) as of the dates and for the periods covered thereby; and

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the City has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications and the financial statements delivered with this Certificate in support hereof, are made and delivered this ____ day of _____, 20__.

CITY OF ROSEVILLE, CALIFORNIA

By: _____
Name: _____
Title: _____

TRUST AGREEMENT

between

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

**and the
ROSEVILLE FINANCE AUTHORITY**

**Dated as of
November 1, 2012**

relating to the

**ELECTRIC SYSTEM REVENUE REFUNDING CERTIFICATES OF PARTICIPATION,
SERIES 2012**

**EVIDENCING AND REPRESENTING PROPORTIONATE
INTERESTS OF THE OWNERS THEREOF
IN 2012 PAYMENTS
TO BE MADE BY THE
CITY OF ROSEVILLE**

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EXHIBIT A	FORM OF 2012 CERTIFICATE
EXHIBIT B	FORM OF PURCHASER LETTER

TRUST AGREEMENT

This TRUST AGREEMENT, made and entered into as of November 1, 2012, between THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., a national banking association, duly organized and existing under the laws of the United States of America with a corporate trust office located in San Francisco, California, as trustee (the "Trustee") and the ROSEVILLE FINANCE AUTHORITY, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

RECITALS:

WHEREAS, the Authority is a joint exercise of powers authority duly organized and existing under and pursuant to the Joint Exercise of Powers Act (being Sections 6500 et seq. of the Government Code of the State of California) (the "Act") and a Joint Exercise of Powers Agreement (the "Joint Powers Agreement"), by and between the City of Roseville (the "City") and the Redevelopment Agency of the City of Roseville; and

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

WHEREAS, the Authority and the City have entered into a Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"), a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"), a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract"), a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "2004 Supplemental Contract"), a 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005 (the "2005 Supplemental Contract"), a 2008 Supplemental Installment Purchase Contract executed and entered into as of May 1, 2008 (the "2008 Supplemental Contract"), a 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009 (the "2009 Supplemental Contract"), and a 2010 Supplemental Installment Purchase Contract executed and entered into as of October 1, 2010 (the "2010 Supplemental Contract") pursuant to which the Authority has agreed to assist the City by financing certain additions, betterments, extensions and improvements to the electric system of the City; and

WHEREAS, the City and the Authority have executed and entered into a 2012 Supplemental Installment Purchase Contract dated as of November 1, 2012 (the "2012 Supplemental Contract" and collectively with the Master Contract, the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract, the 2005 Supplemental Contract, the 2008 Supplemental Contract, the 2010 Supplemental Contract and the 2012 Supplemental Contract, the "Contract") under which the Authority has agreed to assist the City in refinancing a portion of the improvements to the electric system of the City as described in the 2008 Supplemental Contract (the "2008 Project" as defined therein); and

WHEREAS, in connection with the 2008 Supplemental Contract, the City refinanced a portion of the 2008 Project with the proceeds of Certificates of Participation, Series 2008A (the "2008A Certificates") executed and delivered pursuant to a Trust Agreement dated as of May 1, 2008 (the "2008 Trust Agreement") between the Authority and the Trustee; and

WHEREAS, the City and the Authority, after due investigation and deliberation, have determined that it is in the interests of the City, that the Authority at this time provide for the refunding of the 2008A Certificates through certificates of participation authorized under this Trust Agreement; and

WHEREAS, the City has determined that the consummation of the transactions contemplated in the Contract are necessary and proper for City purposes and is for the common benefit of the City as a whole; and

WHEREAS, the Authority is empowered pursuant to the aforementioned laws of the State to assist the City in refinancing a portion of the cost of acquisition and construction of the 2008 Project by executing and delivering certificates of participation evidencing the undivided interest of the holders thereof in payments (the "2012 Payments") received by the Authority under the 2012 Supplemental Contract; and

WHEREAS, all rights to receive the 2012 Payments have been assigned by the Authority to the Trustee pursuant to this Trust Agreement; and

WHEREAS, in consideration of such assignment and the execution and entering into of the Trust Agreement, the Trustee has agreed to execute and deliver certificates of participation (the "Certificates") in an aggregate principal amount equal to the aggregate principal amount of such 2012 Payments, each representing a proportionate interest in such 2012 Payments; and

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

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

ARTICLE I

DEFINITIONS; EQUAL SECURITY

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section will for all purposes of this Trust Agreement and of any Supplemental Trust Agreement and of the Certificates and of any certificate, opinion, request or other documents herein mentioned, have the meanings herein specified or specified in the Master Contract.

"Affiliate" means, with respect to a specified person, another person that directly, or indirectly through one or more intermediaries, controls, or is controlled by or is under common control with, the person specified.

“Agreement” means, during the Initial Period, the Continuing Covenant Agreement dated as of November 1, 2012, between the City and the Bank, as the same may be amended, supplemented, restated or otherwise modified from time to time, and during any Index Rate Period other than the Initial Period, means any agreement between the City and the Bank which may be designated as the Agreement.

“Applicable Factor” means, (i) during the Initial Period, 70.5%, and (ii) during any other Index Rate Period, with a Favorable Opinion of Special Counsel, such other percentage as may be designated in writing by the Authority as the Applicable Factor for such Index Rate Period pursuant to Section 2.03(c).

“Applicable Spread” means, with respect to each Index Rate Period, the following:

(a) During the Initial Period, for the period from and including the Closing Date to and including the Initial Bank Purchase Date, 62.5 basis points (0.625%); provided, however, that in the event that the credit ratings assigned by S&P or Fitch to the long-term unenhanced debt of the Authority secured or evidenced by a Parity Obligation falls to the ratings specified below, the Applicable Spread, as determined by the Calculation Agent, will be the number of basis points associated with such new rating as set forth in the following table:

Tier	Credit Ratings (S&P/Fitch)	Applicable Spread
I	A/A or above	0.625%
II	A-/A-	0.825%
III	BBB+/BBB+	1.075%

In the case of a split rating or differing ratings as between and among the Rating Agencies, the rating corresponding to the highest numbered tier set forth above and corresponding to the lowest rating will apply for all purposes of determining the Applicable Spread. References in this definition of Applicable Spread are to Rating Categories as presently determined by the Rating Agencies, and in the event of the adoption of any new or changed rating system or a “global” rating scale by any such Rating Agency, the Rating Categories will be adjusted accordingly to a new rating which most closely approximates the requirements as set forth herein. In the event that a rating is downgraded below BBB+/BBB+/Baa1 or is suspended, withdrawn or otherwise unavailable from any Rating Agency, and so long as such rating will remain suspended, withdrawn or unavailable, the Applicable Spread will increase by an additional 100 basis points (1.00%) from the Applicable Spread otherwise in effect, and all increases to the Applicable Spread will be cumulative.

(b) During any Index Rate Period other than the Initial Period, the number of basis points determined by the Market Agent on or before the first day of such Index Rate Period and designated by the Authority in accordance with Section 2.03(c): (which may include a schedule for the Applicable Spread based upon the ratings assigned to the long term debt of the Authority as described in subparagraph (a) in this definition) that, when added to the SIFMA Index or the product of the LIBOR Index multiplied by the Applicable Factor, as applicable, would equal the minimum interest rate per annum that would enable the Certificates to be sold on such date at a price equal to the principal amount thereof (without regard to accrued interest, if any, thereon).

“Authority” means the Roseville Finance Authority, a joint exercise of powers authority organized and existing under the laws of the State of California.

“Authority Treasurer” means the Treasurer of the Authority.

“Authorized Denominations” means denominations of \$5,000 or any integral multiple thereof, provided that if the Interest Rate Mode for the Certificates is the Daily Rate, the Weekly Rate or the Commercial Paper Rate, the Certificates may be issued only in denominations of \$100,000 and any larger denomination constituting an integral multiple of \$1,000, and provided further that if the Interest Rate Mode for the Certificates is the Index Rate, the Certificates may be issued only in denominations of \$250,000 or any integral multiple of \$5,000 in excess thereof.

“Authorized Official” means the Executive Director, Treasurer or Chairperson of the Board of the Authority, or any other officer of the Authority duly authorized by the Board for that purpose.

“Bank” means, during is the Initial Period, U.S. Bank National Association, and during any Index Rate Period other than the Initial Period, such other financial institution or other entity that is a party to the Agreement.

“Bank Certificates” means Certificates purchased with moneys drawn under or otherwise obtained pursuant to the terms of a Credit Facility, but excluding Certificates no longer considered to be Bank Certificates under the terms of the Credit Facility.

“Bank Purchase Date” means, during any Index Rate Period, (i) the Initial Bank Purchase Date, (ii) during any Index Rate Period other than the Initial Period, the date designated by the Authority pursuant to Section 2.03(d), and (iii) the date which is seven calendar days (or if such seventh calendar day is not a Business Day, the next Business Day) after the date on which the Trustee receives written notice from the Bank under an Agreement which (x) advises the Trustee of the occurrence and continuance of an “Event of Default” under and as defined in such Agreement and (y) directs the Trustee to cause a mandatory tender of the Certificates to which such Agreement relates by reason of such “Event of Default.”

“Beneficial Owner” means the person in whose name a Certificate is recorded as beneficial owner of such Certificate by the Securities Depository or a Participant or an Indirect Participant on the records of such Securities Depository, Participant or Indirect Participant, as the case may be, or such person’s subrogee.

“Bond Law” means the Marks-Roos Local Bond Pooling Act, commencing with Section 6584 of the California Government Code.

“Business Day” means any day other than (a) a Saturday or Sunday or legal holiday or a day on which banking institutions in the city or cities in which the Trust Office of the Trustee is located are authorized by law or executive order to close or (b) a day on which the New York Stock Exchange is closed, or (c) a day on which the offices of the Tender Agent at which the duties hereunder are to be performed or the office of the Credit Facility Provider at which draws under the Credit Facility are presented are authorized or required by law to close.

“Calculation Agent” means, during the Initial Period, the Bank, and thereafter means any person appointed by the Authority, with the consent of the Bank in its sole discretion, to serve as calculation agent for the Certificates.

“Certificate of the Authority” means an instrument in writing signed by an Authorized Official.

“Certificate Payment Fund” means the fund of that name established under Section 5.05.

“City” means the City of Roseville, a charter city duly organized and existing under the laws of the State of California.

“Closing Date” means November 7, 2012.

“Commercial Paper Rate” means the Interest Rate Mode in which the interest rate with respect to the Certificates is determined during each Commercial Paper Rate Period in accordance with Section 2.07.

“Commercial Paper Rate Period” means any period determined in accordance with Section 2.07, each consisting of from one day to two hundred seventy (270) days, when the Interest Rate Mode for the Certificates is the Commercial Paper Rate.

“Computation Date” means, (i) during each SIFMA Index Rate Period, Wednesday of each week, or if any Wednesday is not a Business Day, the immediately preceding Business Day and (ii) during each LIBOR Index Rate Period, the second London Business Day preceding each LIBOR Index Reset Date.

“Contract” has the meaning set forth in the Recitals of this Trust Agreement.

“Conversion” means any conversion from time to time in accordance with the terms of this Trust Agreement from one Interest Rate Mode to another Interest Rate Mode.

“Conversion Date” means the date on which a Conversion to an Interest Rate Mode becomes effective.

“Costs of Issuance” means all the costs of executing and delivering any Certificates, including, but not limited to, all printing and document preparation expenses in connection with this Trust Agreement, any Certificates and any preliminary official statement and final official statement pertaining to any Certificates; rating agency fees; market study fees; legal fees and expenses of counsel to the City and the Authority; any computer and other expenses incurred in connection with any Certificates; fees and expenses of any Credit Facility Provider, the fees and expenses of the Trustee, Remarketing Agent or any Broker-Dealer, fees related to a Credit Facility; and other fees and expenses incurred in connection with the execution of the Certificates or the prepayment of the 2008A Certificates to be refunded with proceeds of the Certificates, to the extent such fees and expenses are approved by the Authority or the City.

“Cost of Issuance Fund” means the fund by that name established in accordance with Section 3.03.

“County” means the County of Placer, a county duly organized and existing under the laws of the State of California.

“Credit Facility” means, with respect to the Certificates, an irrevocable letter of credit or similar credit facility issued by a commercial bank or financial institution and delivered to the Trustee pursuant to the terms hereof. The Credit Facility may include a bond insurance policy and a liquidity facility combined or such other similar credit arrangement as may be customary in the future for certificates similar to the Certificates.

“Credit Facility Agreement” means, with respect to a Credit Facility then in effect, the separate agreement, if any, under and pursuant to which such Credit Facility is issued.

“Credit Facility Provider” means the commercial bank or other financial institution issuing (or having primary obligation, or acting as agent for the financial institution so obligated under) a Credit Facility then in effect.

“Daily Rate” means the Interest Rate Mode in which the interest rate with respect to the Certificates is determined for each Daily Rate Period in accordance with Section 2.04.

“Daily Rate Period” means any period determined in accordance with Section 2.04, each consisting of one Business Day, when the Interest Rate Mode for the Certificates is the Daily Rate.

“Default Rate” has the meaning set forth in the Agreement.

“Defeasance Obligations” means (a) cash, (b) non-callable direct obligations of the United States of America (“Treasuries”), or (c) evidences of ownership of proportionate interests in future interest and principal payments on Treasuries held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying Treasuries are not available to any person claiming through the custodian or to whom the custodian may be obligated (or any combination thereof).

“DTC” means The Depository Trust Company, New York, New York, a limited-purpose trust company organized under the laws of the State of New York, and its successors as securities depository for the Certificates including any such successor appointed pursuant to Section 2.12.

“DTC Participant” means any broker-dealer, bank, or other financial institution for which DTC holds the Certificates as depository from time to time.

“Electronic Means” means telecopy, telegraph, telex, email, facsimile transmission or other similar electronic means of communication, including a telephonic communication confirmed by writing or written transmission.

“Eligible Account” means an account that is either (a) maintained with a federal or state-chartered depository institution or trust company that has a S&P short-term debt rating of at least ‘A-2’ (or, if no short-term debt rating, a long-term debt rating of ‘BBB+’); or (b) maintained with the corporate trust department of a federal depository institution or state-chartered depository institution subject to regulations regarding fiduciary funds on deposit similar to Title 12 of the U.S. Code of Federal Regulation Section 9.10(b), which, in either case, has corporate trust powers and is acting in its fiduciary capacity. Upon notice from the Authority that an account required to be an “Eligible Account” no longer complies with the requirement, the

Trustee will promptly (and, in any case, within not more than 30 calendar days) move such account to another financial institution such that the Eligible Account requirement will again be satisfied.

“Event of Default” means any occurrence or event specified in and defined by Section 10.01 or under the Master Contract.

“Excess interest” has the meaning set forth in Section 2.03(b).

“Fair Market Value” means the price at which a willing buyer would purchase the investment from a willing seller in a bona fide, arm's length transaction (determined as of the date the contract to purchase or sell the investment becomes binding) if the investment is traded on an established securities market (within the meaning of section 1273 of the Tax Code) and, otherwise, the term “Fair Market Value” means the acquisition price in a bona fide arm's length transaction (as referenced above) if (i) the investment is a certificate of deposit that is acquired in accordance with applicable regulations under the Tax Code, (ii) the investment is an agreement with specifically negotiated withdrawal or reinvestment provisions and a specifically negotiated interest rate (for example, a guaranteed investment contract, a forward supply contract or other investment agreement) that is acquired in accordance with applicable regulations under the Tax Code, (iii) the investment is a United States Treasury Security--State and Local Government Series that is acquired in accordance with applicable regulations of the United States Bureau of Public Debt, or (iv) any commingled investment fund in which the Authority or the City and related parties do not own more than a ten percent (10%) beneficial interest therein if the return paid by the fund is without regard to the source of the investment.

“Favorable Opinion of Special Counsel” means an opinion of Special Counsel, addressed to the City, the Authority and the Trustee to the effect that the action proposed to be taken is authorized or permitted by this Trust Agreement and will not result in the inclusion of interest with respect to the Certificates in gross income for federal income tax purposes.

“Federal Securities” means any of the following which at the time of investment are legal investments under the laws of the State for the moneys proposed to be invested therein:

(a) direct general obligations of the United States of America (including obligations issued or held in book entry form on the books of the Department of the Treasury of the United States of America); and

(b) obligations of any department, agency or instrumentality of the United States of America the timely payment of principal of and interest with respect to which are unconditionally and fully guaranteed by the United States of America.

“Fiscal Year” means the period commencing on July 1 of each year and terminating on the next succeeding June 30, or any other annual accounting period prescribed by law for local public agencies in the State.

“Fitch” means Fitch Ratings, of New York, New York, and its successors or assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “Fitch” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Credit Facility Provider.

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

- (a) is in fact independent and not under domination of the Authority or the City;
- (b) does not have any substantial identity of interest, direct or indirect, with the Authority or the City; and
- (c) is not and no member of which is connected with the Authority or the City as an officer or employee of the Authority or the City, but who may be regularly retained to make annual or other audits of the books of or reports to the Authority or the City.

“Independent Consultant” means any financial or engineering consultant (including without limitation any Independent Certified Public Accountant) with an established reputation in the field of municipal finance or firm of such consultants appointed and paid by the Authority or the City, and who, or each of whom-

- (a) is in fact independent and not under domination of the Authority or the City;
- (b) does not have any substantial identity of interest, direct or indirect, with the Authority or the City; and
- (c) is not and no member of which is connected with the Authority or the City as an officer or employee of the Authority or the City, but who may be regularly retained to provide services to the Authority or the City.

“Index Rate” means the Interest Rate Mode in which the interest rate with respect to the Certificates is determined by the Calculation Agent for each Index Rate Period in accordance with Section 2.03 and may be the LIBOR Index Rate or the SIFMA Index Rate, as applicable.

“Index Rate Period” means any period when the Interest Rate Mode for the Certificates is an Index Rate.

“Initial Bank Purchase Date” means May 2, 2016.

“Initial Period” means the initial Index Rate Period commencing on the Closing Date and ending on the first to occur of (i) a Bank Purchase Date, (ii) the Conversion Date next succeeding the Closing Date (provided that the Bank has consented thereto in writing), or (iii) the Maturity Date.

“Interest Payment Date” means, with respect to the Certificates,

- (a) (i) if the Interest Rate Mode is the Index Rate, the Daily Rate or the Weekly Rate, the first Business Day of each month, (ii) if the Interest Rate Mode is the Commercial Paper Rate, the first Business Day following the last day of each Commercial Paper Rate Period for such Certificates, and (iii) if the Interest Rate Mode is the Long-Term Rate, February 1 and August 1, provided, however, that if any February 1 and August 1 which is a Conversion Date for Conversion to the Index Rate, the Daily Rate, the Weekly Rate or the Commercial Paper Rate, is not a Business Day, then the first Business Day immediately succeeding such February 1 and August 1, as applicable;

(b) the Conversion Date or the effective date of a change to a new Long-Term Rate Period;

(c) with respect to each Unremarketed Certificate, has the meaning set forth in the Agreement relating to such Unremarketed Certificate; and

(d) with respect to Bank Certificates, any date designated as an interest payment date in the Credit Facility Agreement.

In any case, the final Interest Payment Date will be the Maturity Date.

“Interest Period” means, (a) with respect to Certificates during an Index Rate Period, the period from and including the Closing Date or the Index Rate Conversion Date, as applicable, to and including the last calendar day of such month (or the calendar day immediately preceding a day that is a Conversion Date) and thereafter, the period from and including the first calendar day of each month to and including the last calendar day of such month; and (b) with respect to Certificates in all other Interest Rate Modes, the period from, and including, each Interest Payment Date for such Certificates to, and including, the day next preceding the next Interest Payment Date for such Certificates, provided, however, that the first Interest Period for any Certificates will begin on (and include) the Closing Date and the final Interest Period will end the day next preceding the Maturity Date.

“Interest Rate Mode” means the Commercial Paper Rate, the Daily Rate, the Index Rate, the Weekly Rate and the Long-Term Rate.

“Interest Requirement” means the amount of interest due and payable on the Certificates on the next occurring Interest Payment Date.

“Joint Powers Agreement” means that certain Joint Exercise of Powers Agreement, originally entered into as of July 1, 1989 and amended and restated as of July 1, 1997, by and between the City and the Redevelopment Agency of the City of Roseville, as amended from time to time.

“LIBOR Index” means, for any day, the London interbank offered rate for U.S. dollar deposits for a one-month period, as reported on Reuters Screen LIBOR01 Page or any successor thereto, which will be that one-month LIBOR rate in effect two London Business Days prior to the LIBOR Index Reset Date, adjusted for any reserve requirement and any subsequent costs arising from a change in government regulation, such rate to be reset monthly on each LIBOR Index Reset Date.

“LIBOR Index Rate” means a per annum rate of interest established on each Computation Date and effective on each related LIBOR Index Reset Date equal to the sum of (a) the Applicable Spread plus (b) the product of (i) the LIBOR Index multiplied by (ii) the Applicable Factor.

“LIBOR Index Rate Period” means (a) the Initial Period, and (b) any period when the Interest Rate Mode for the Certificates is a LIBOR Index Rate.

“LIBOR Index Reset Date” means the first calendar day of each calendar month.

“London Business Day” means any Business Day on which commercial banks are open for business in London, England.

“Long-Term Rate” means the Interest Rate Mode in which the interest rate with respect to the Certificates is determined during a Long-Term Rate Period in accordance with Section 2.06.

“Long-Term Rate Period” means any period established by the City pursuant to Section 2.06 and beginning on, and including, the Long-Term Rate Conversion Date and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period, if any, of substantially the same duration as that established period until the day preceding the earliest of the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the Maturity Date.

“Mandatory Purchase Date” means any date upon which any Certificates have been called for mandatory tender for purchase in accordance with Section 4.07(b).

“Mandatory Sinking Account Payment” means the principal amount of Certificates required to be paid on February 1, 2023 and on each February 1 thereafter pursuant to Section 4.01(a).

“Mandatory Sinking Account Payment Date” means February 1 of each year commencing in 2023 and terminating in 2035.

“Market Agent” means any person appointed by the City to serve as market agent in connection with a conversion to an Index Rate Period.

“Master Contract” has the meaning set forth in the Recitals to this Trust Agreement.

“Maturity Date” means the maturity date of the Certificates; February 1, 2035.

“Maximum Rate” means, (a) as to Certificates evidencing interest at a rate other than an Index Rate (other than Bank Certificates), 12%, (b) as to Certificates evidencing interest at an Index Rate or a Purchaser Rate, the maximum nonusurious lawful rate of interest permitted by applicable State law, if any, (c) with respect to Bank Certificates, the maximum rate allowed by the applicable Credit Facility Agreement.

“Moody's” means Moody's Investors Service, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term “Moody's” will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Credit Facility Provider.

“Net Proceeds”, when used with reference to the Certificates, means the face amount of the Certificates, plus accrued interest and premium, if any, less original issue discount and less proceeds deposited in the 2012 Parity Reserve Account; “Net Proceeds”, when used with reference to any insurance or condemnation award or sale of property, has the definition set forth in the Master Contract.

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

“Outstanding”, when used as of any particular time with reference to Certificates, means (subject to the provisions of Section 7.03) all Certificates theretofore executed, issued and delivered by the Authority under this Trust Agreement except –

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

(b) Certificates paid or deemed to have been paid within the meaning of Section 11.03; and

(c) Certificates in lieu of or in substitution for which other similar obligations will have been executed and delivered by the Authority pursuant to this Trust Agreement or any Parity Obligations Instrument.

“Owner” means any person who will be the registered owner of any Outstanding Certificate as indicated in the registration books of the Trustee.

“Permitted Investments” means any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy and to the extent then permitted by law (provided that the Trustee is entitled to rely upon any investment directions from the City as conclusive certification to the Trustee that the investments described therein are so authorized under the current investment policy of the City):

1. Direct obligations (other than an obligation subject to variation in principal repayment) of the United States of America (“United States Treasury Obligations”), (b) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by the United States of America, (c) obligations fully and unconditionally guaranteed as to timely payment of principal and interest by any agency or instrumentality of the United States of America when such obligations are backed by the full faith and credit of the United States of America, or (d) evidences of ownership of proportionate interests in future interest and principal payments on obligations described above held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying government obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated.

2. Federal Housing Administration debentures.

3. The listed obligations of government-sponsored agencies which are not backed by the full faith and credit of the United States of America:

a) Federal Home Loan Mortgage Corporation (FHLMC);

b) Participation certificates (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts) - Senior Debt obligations;

c) Farm Credit Banks (formerly: Federal Land Banks, Federal Intermediate Credit Banks and Banks for Cooperatives) Consolidated system-wide bonds and notes;

d) Federal Home Loan Banks (FHL Banks) Consolidated debt obligations;

e) Federal National Mortgage Association (FNMA) Senior debt obligations Mortgage-backed securities (excluded are stripped mortgage securities which are purchased at prices exceeding their principal amounts);

f) Student Loan Marketing Association (SLMA) Senior debt obligations (excluded are securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

g) Financing Corporation (FICO) Debt obligations;

h) Resolution Funding Corporation (REFCORP) Debt obligations.

4. Unsecured certificates of deposit, time deposits, and bankers' acceptances (having maturities of not more than 30 days) of any bank the short-term obligations of which are rated "A-1" or better by S&P, including those of the Trustee and its affiliates.

5. Deposits the aggregate amount of which are fully insured by the Federal Deposit Insurance Corporation (FDIC), in banks which have capital and surplus of at least \$5 million, including the Trustee and its affiliates.

6. Commercial paper (having original maturities of not more than 270 days) rated "A-1+" by S&P and "Prime-1" by Moody's at the time of purchase.

7. Money market funds rated "AAm" or "AAm-G" by S&P, or better, including funds for which the Trustee, its affiliates or subsidiaries provide investment advisory or other management services or for which the Trustee or an affiliate of the Trustee serves as investment administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives fees from funds for services rendered, (ii) the Trustee collects fees for services rendered pursuant to this Trust Agreement, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to this Trust Agreement may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee.

8. "State Obligations", which means:

a) Direct general obligations of any state of the United States of America or any subdivision or agency thereof to which is pledged the full faith and credit of a state the unsecured general obligation debt of which is rated "A3" by Moody's and "A" by S&P, or better, or any obligation fully and unconditionally guaranteed by any state, subdivision or agency whose unsecured general obligation debt is so rated;

b) Direct general short-term obligations of any state agency or subdivision or agency thereof described in (A) above and rated "A-1+" by S&P and "MIG-1" by Moody's;

c) Special Revenue Certificates (as defined in the United States Bankruptcy Code) of any state, state agency or subdivision described in (A) above and rated "AA" or better by S&P and "Aa" or better by Moody's;

9. Pre-refunded municipal obligations rated "AAA" by S&P and "Aaa" by Moody's meeting the following requirements:

a) the municipal obligations are (1) not subject to prepayment prior to maturity or (2) the trustee for the municipal obligations has been given irrevocable instructions concerning their call and prepayment and the issuer of the municipal obligations has covenanted not to prepay such municipal obligations other than as set forth in such instructions;

b) the municipal obligations are secured by cash or United States Treasury Obligations which may be applied only to payment of the principal of, interest and premium on such municipal obligations;

c) the principal of and interest with respect to the United States Treasury Obligations (plus any cash in the escrow) has been verified by the report of independent certified public accountants to be sufficient to pay in full all principal of, interest, and premium, if any, due and to become due on the municipal obligations ("Verification");

d) the cash or United States Treasury Obligations serving as security for the municipal obligations are held by an escrow agent or trustee in trust for owners of the municipal obligations;

e) no substitution of a United States Treasury Obligation will be permitted except with another United States Treasury Obligation and upon delivery of a new Verification; and

f) the cash or United States Treasury Obligations are not available to satisfy any other claims, including those by or against the trustee or escrow agent.

10. Repurchase agreements:

With (1) any domestic bank, or domestic branch of a foreign bank, the long term debt of which is rated at least "A" by S&P and Moody's; or (2) any broker-dealer with "retail customers" or a related affiliate thereof which broker-dealer has, or the parent company (which guarantees the provider) of which has, long-term debt rated at least "A" by S&P and Moody's, which broker-dealer falls under the jurisdiction of the Securities Investors Protection Corporation; or (3) any other entity rated "A" or better by S&P and Moody's, provided that:

a) The market value of the collateral is maintained at 104%;

b) The Trustee or a third party acting solely as agent therefor or for the Authority (the "Holder of the Collateral") has possession of the collateral or the collateral has been transferred to the Holder of the Collateral in accordance with applicable state and federal laws (other than by means of entries on the transferor's books);

c) The repurchase agreement will state and an opinion of counsel will be rendered at the time such collateral is delivered that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

d) All other requirements of S&P in respect of repurchase agreements will be met;

e) The repurchase agreement will provide that if during its term the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A-" by S&P or "A3" by Moody's, as appropriate, the provider must, at the direction of the Authority or the Trustee within 10 days of receipt of such direction, repurchase all collateral and terminate the agreement, with no penalty or premium to the Authority or Trustee;

Notwithstanding the above, if a repurchase agreement has a term of 270 days or less (with no evergreen provision), collateral levels need not be as specified in (A) above, so long as such collateral levels are 103% or better and the provider is rated at least "A" by S&P and Moody's, respectively.

11. Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "AA" by S&P and "Aa" by Moody's; provided that, by the terms of the investment agreement:

a) interest payments are to be made to the Trustee at times and in amounts as necessary to pay debt service (or, if the investment agreement is for the construction fund, construction draws) on the Certificates;

b) the invested funds are available for withdrawal, for reasons under this Trust Agreement, without penalty or premium, upon not more than seven days' prior notice; the Authority and the Trustee hereby agree to give or cause to be given notice in accordance with the terms of the investment agreement so as to receive funds thereunder with no penalty or premium paid;

c) the investment agreement will state that is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel will state that the obligation of the provider to make payments thereunder ranks pari passu with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

d) the Authority or the Trustee receives the opinion of domestic counsel (which opinion will be addressed to the Authority) that such investment agreement is legal, valid, binding and enforceable upon the provider in accordance with its terms and of foreign counsel (if applicable);

e) the investment agreement will provide that if during its term:

i) the provider's rating by either S&P or Moody's falls below "AA-" or "Aa3", respectively, the provider will, at its option, within 10 days of receipt of publication of such downgrade, either (i) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the Authority, the Trustee or a third party acting solely as agent therefor (the "Holder of the

Collateral") collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at least 104% (with a market value approach); or (ii) repay the principal of and accrued but unpaid interest with respect to the investment, and

ii) the provider's rating by either S&P or Moody's is withdrawn or suspended or falls below "A-" or "A3", respectively, the provider must, at the direction of the Authority or the Trustee, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest with respect to the investment, in either case with no penalty or premium to the Authority or Trustee, and

f) the investment agreement will state and an opinion of counsel will be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the Holder of the Collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the Holder of the Collateral is in possession);

g) the investment agreement must provide that if during its term:

i) the provider will default in its payment obligations, the provider's obligations under the investment agreement will, at the direction of the Authority or the Trustee, be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate; and

ii) the provider will become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc. ("event of insolvency"), the provider's obligations will automatically be accelerated and amounts invested and accrued but unpaid interest thereon will be repaid to the Authority or Trustee, as appropriate.

12. shares in the California Asset Management Program.

13. the Local Agency Investment Fund established under Section 16429.1 of the Government Code of the State of California, *provided, however*, that the Trustee must be allowed to make investments and withdrawals in its own name and the Trustee may restrict investments in the Local Agency Investment Fund if required to keep moneys available for the purposes of this Trust Agreement.

"Prepayment Price" means, with respect to any Certificate, the principal amount thereof, plus the applicable premium, if any, plus interest accrued to the prepayment date, payable upon prepayment thereof pursuant to this Trust Agreement.

"Prevailing Market Conditions" means, without limitation, the following factors: existing short-term market rates for securities; indices of such short-term rates; the existing market supply and demand and the existing yield curves for short-term and long-term securities for obligations of credit quality comparable to the Certificates; general economic conditions and financial conditions that may affect or be relevant to the Certificates; and such other facts, circumstances and conditions as the Remarketing Agent, in its sole discretion, will determine to be relevant to the remarketing of the Certificates, at the principal amount thereof.

"Principal Payment" means with respect to any particular Principal Payment Date, an amount equal to the sum of (i) the aggregate principal amount of Outstanding Serial Certificates payable on such Principal Payment Date and (ii) the aggregate of Sinking Fund Installments with respect to all Outstanding Term Certificates payable on such Principal Payment Date as determined hereby.

"Principal Payment Date" means (i) with respect to the Certificates prior to a Long-Term Conversion Date, February 1, commencing February 1, 2023; and (ii) with respect to any Certificates during a Long-Term Rate Period, February 1, commencing with the February 1 immediately following the Long-Term Rate Conversion Date or otherwise as in accordance with a Supplemental Trust Agreement entered into pursuant to the terms hereof.

"Purchase Date" means, with respect to any Certificate, (a) if the Interest Rate Mode is the Daily Rate or the Weekly Rate, any Business Day as set forth in Section 4.07(a)(i) and Section 4.07(a)(ii), respectively; (b) each day that such Certificate is subject to mandatory purchase pursuant to Section 4.07(b), except that the Maturity Date of such Certificate will not be a Purchase Date; and (iii) a Bank Purchase Date.

"Purchaser Letter" means the Purchaser Letter in the form attached hereto as Exhibit B.

"Purchaser Rate" has the meaning set forth in the Agreement.

"Rating Agency" means an agency that is providing a credit rating on any Certificates and will include S&P, Moody's, and Fitch, or any successors thereto (but only so long as they are providing such ratings).

"Regular Record Date" means (a) with respect to any Interest Period during which the Interest Rate Mode is the Daily Rate or the Weekly Rate, the close of business on the last Business Day of such Interest Period, (b) with respect to any Interest Period during which the Interest Rate Mode is the Index Rate, the Business Day preceding an Interest Payment Date for such Interest Period, (c) with respect to any Interest Period during which the Interest Rate Mode is the Long-Term Rate, the fifteenth day (whether or not a Business Day) of the calendar month prior to the Interest Payment Date, and (d) with respect to any Interest Period during which the Interest Rate Mode is the Commercial Paper Rate, the Interest Payment Date for such Interest Period.

"Remarketing Agent" means the remarketing agent appointed in accordance with Section 8.01, or any successor thereto.

"Remarketing Agreement" means any remarketing agreement between the Authority and a Remarketing Agent providing for the remarketing of Certificates tendered for purchase, as the same may be amended from time to time.

"Representation Letter" means each Letter of Representations from the Authority and the Trustee to DTC, or any successor securities depository for the Certificates.

"Request of the Authority" means a request in writing signed by an Authorized Official.

"Reserve Fund Requirement" has the meaning set forth in the Master Contract, which is as follows: "Reserve Fund Requirement" means, as of any date of determination and excluding

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

"Serial Certificates" means any Certificates which represent interest at a Long-Term Rate and which mature on consecutive semi-annual or annual dates other than by reason of Sinking Fund Installments.

"Serial Maturity Dates" means the dates on which the Serial Certificates mature.

"SIFMA" means the Securities Industry & Financial Markets Association (formerly the Certificate Market Association).

"SIFMA Index" means, for any Computation Date, the level of the index which is issued weekly and which is compiled from the weekly interest rate resets of tax-exempt variable rate issues included in a database maintained by Municipal Market Data which meet specific criteria established from time to time by SIFMA and issued on Wednesday of each week, or if any Wednesday is not a Business Day, the immediately preceding Business Day. If the SIFMA Index is no longer published, then "SIFMA Index" will mean the S&P Weekly High Grade Index. If the S&P Weekly High Grade Index is no longer published, then "SIFMA Index" will mean the prevailing rate determined by the Calculation Agent for tax-exempt state and local government Certificates meeting criteria determined in good faith by the Calculation Agent to be comparable under the circumstances to the criteria used by SIFMA to determine the SIFMA Index immediately prior to the date on which SIFMA ceased publication of the SIFMA Index.

"SIFMA Index Rate" means a per annum rate of interest established on each Computation Date and effective on each related SIFMA Rate Reset Date equal to the sum of the Applicable Spread plus the SIFMA Index.

"SIFMA Index Rate Period" means any period when the Interest Rate Mode for the Certificates is a SIFMA Index Rate.

"SIFMA Rate Reset Date" means Thursday of each week.

"Sinking Fund Installment" means, with respect to any particular date, the amount of money required hereby to be paid by the Authority on such date toward the retirement of any particular Term Certificates prior to their respective stated maturities.

"S&P Weekly High Grade Index" means for a Computation Date, the level of the "S&P Weekly High Grade Index" (formerly known as the J.J. Kenny Index) maintained by Standard and Poor's Securities Evaluations Inc. for a one-week maturity as published each Wednesday, or if any Wednesday is not a Business Day, on the next succeeding Business Day.

"S&P" means Standard & Poor's Ratings Services, a Division of The McGraw-Hill Companies, a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such corporation will be dissolved or liquidated or will no longer perform the functions of a securities rating agency, then the term "S&P" will be deemed to refer to any other nationally recognized securities rating agency selected by the Authority and approved by the Credit Facility Provider.

"Special Counsel" means any attorney at law or firm of attorneys, of nationally recognized standing in matters pertaining to the validity of, and exclusion from gross income for federal tax purposes of interest with respect to, bonds issued by states and political subdivisions and duly admitted to practice law before the highest court of any state of the United States and acceptable to the Authority.

"State" means the State of California.

"Supplemental Trust Agreement" means an agreement amending or supplementing the terms hereof entered into pursuant to the terms hereof or any Parity Obligations Instrument.

"Swap Agreement" means collectively, (i) the ISDA Master Agreement (including the Schedule thereto) dated as of December 13, 2002, as amended and supplemented by the Amendment to ISDA Master Agreement dated as of March 30, 2005, and the Confirmation dated May 9, 2008, between the City and Morgan Stanley Capital Services, Inc., and (ii) the ISDA Master Agreement, dated as of October 1, 2008, the Schedule thereto dated as of October 1, 2008, the Credit Support Annex thereto dated as of October 1, 2008, and the Confirmation, dated May 9, 2008, between the City and Bank of America, N.A.

"Swap Counterparty" means collectively, Morgan Stanley Capital Services, Inc. and its successors and assigns and Bank of America, N.A. and its successors and assigns.

"Swap Periodic Payment" means the periodic payments (which do not include any payment due upon early termination of the Swap Agreement or the transfer of Eligible Credit Support pursuant to the Credit Support Document, as defined in the Swap Agreement) due to or from the City and the Swap Counterparty under the Swap Agreement.

"Tax Certificate" means any certificate executed by the Authority at the time of execution and delivery of the Certificates relating to the requirements of Section 148 of the Tax Code, as such certificate may be amended or supplemented.

"Tax Code" means the Internal Revenue Code of 1986, as amended, and the regulations of the United States Department of the Treasury issued thereunder, and in this regard reference to any particular section of the Tax Code will include reference to all successors to such section of the Tax Code.

“Taxable Date” means the date as of which interest with respect to the Certificates are first includable in the gross income of the Holder (including, without limitation, any previous Holder) thereof as determined a result of an Event of Taxability as such date is established pursuant to a Determination of Taxability.

“Taxable Rate” means an interest rate per annum at all times equal to the product of the Index Rate or the Purchaser Rate, as applicable, then in effect multiplied by the Taxable Rate Factor.

“Taxable Rate Factor” means 1.54.

“Tax Regulations” means temporary and permanent regulations promulgated under the Tax Code.

“Tender Agent” means the Trustee, or any successor tender agent appointed under Section 8.03.

“Term Certificates” means the Certificates maturing on February 1, 2035.

“Trust Agreement” means this Trust Agreement, as originally executed or as it may from time to time be supplemented, modified or amended pursuant to the provisions hereof.

“Trustee” means The Bank of New York Mellon Trust Company, N.A., a national banking association, duly organized and existing under the laws of the United States of America and having a principal corporate trust office located at San Francisco, California, and any other bank or trust company which may at any time be substituted in the place of the Trustee, as provided in Section 9.08.

“Trust Office” means the corporate trust office of the Trustee at 100 Pine Street, Suite 3100, San Francisco, CA 94111, or such other or additional offices as may be specified to the Authority by the Trustee in writing; except that with respect to presentation of Certificates for payment or for registration of transfer and exchange such term will mean the office or agency of the Trustee at which, at any particular time, its corporate trust agency business is conducted.

“Certificates” or “Certificates” means the Electric System Revenue Refunding Certificates of Participation, Series 2012 evidencing and representing proportionate interests of the owners thereof in the 2012 Payments to be made by the City executed and delivered in accordance with Article II.

“2012 Credit Facility Account” has the meaning set forth in Section 5.05.

“2012 Parity Reserve Account” means the fund by that name established in accordance with Section 5.04.

“2012 Principal Payment Account” means the account by that name established and held by the Trustee pursuant to Section 5.03.

“2008A Certificates” means the Electric System Revenue Certificates of Participation, Series 2008A evidencing and representing proportionate interests of the owners thereof in the

2008A Payments to be made by the City executed and delivered in accordance with the 2008 Trust Agreement.

“2008 Trust Agreement” means the Trust Agreement dated as of May 1, 2008, providing for the issuance of the 2008 Certificates.

“Unremarketed Certificates” means Certificates that, on the applicable Bank Purchase Date, have not been successfully converted to another Interest Rate Mode or remarketed to another person other than the Bank.

“U.S. Government Securities Dealers” means any entity that is a U.S. Government Securities Dealer.

“Variable Index” means, on any date, a rate determined by the Remarketing Agent on the basis of Securities Industry and Financial Markets Association Municipal Swap Index™ as of the most recent date for which such index was published or such other weekly, high-grade index comprising seven-day, tax-exempt variable rate demand notes produced by Municipal Market Data, Inc., or its successor, or otherwise designated by The Securities Industry and Financial Markets; provided that, if such index is no longer provided by Municipal Market Data, Inc. or its successor, the “Variable Index” will mean such other reasonably comparable index selected by the Remarketing Agent.

“Variable Interest Rate” means the Daily Rate, the Weekly Rate, the Commercial Paper Rate and the Index Rate.

“Variable Rate Period” means any period of time during which any Certificates evidence interest at a specified Variable Interest Rate determined with regard to such period.

“Weekly Rate” means the Interest Rate Mode in which the interest rate with respect to the Certificates is determined during each Weekly Rate Period in accordance with Section 2.05.

“Weekly Rate Period” means any period determined in accordance with Section 2.05 when the Interest Rate Mode for the Certificates is the Weekly Rate.

SECTION 1.02. Interpretation.

(a) In this Trust Agreement, unless the context otherwise requires:

(i) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this Trust Agreement, refer to this Trust Agreement, and the term “hereafter” will mean after, and the term “heretofore” will mean before, the date of this Trust Agreement;

(ii) Words of the masculine gender will mean and include correlative words of the feminine and neuter genders and words importing the singular number will mean and include the plural number and vice versa;

(iii) Words importing persons will include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(iv) Any headings preceding the text of the several Articles and Sections of this Trust Agreement, and any table of contents or marginal notes appended to copies hereof, will be solely for convenience of reference and will not constitute a part of this Trust Agreement, nor will they affect its meaning, construction or effect; and

(v) Any reference to agreements will refer to such agreements as they may be revised and amended as permitted in accordance with their terms and the terms hereof.

(b) Whenever in this Trust Agreement the Authority, the City or the Trustee is named or referred to, it will include, and will be deemed to include, the respective successors and assigns of such entity whether so expressed or not. All of the covenants, stipulations, obligations and agreements by or on behalf of, and other provisions for the benefit of, the Authority, the City or the Trustee, contained in this Trust Agreement will bind and inure to the benefit of each of their respective successors and assigns and will bind and inure to the benefit of any officer, board, commission, authority, agency or instrumentality to whom or to which there will be transferred by or in accordance with law any right, power or duty of the Authority, the City or of its successors or assigns, the possession of which is necessary or appropriate in order to comply with any such covenants, stipulations, obligations, agreements or other provisions of this Trust Agreement.

(c) Nothing in this Trust Agreement expressed or implied is intended or will be construed to confer upon, or to give to, any person other than the Authority, the City and the Trustee, including their respective agents and the Owners of the Certificates, any right, remedy or claim under or by reason of this Trust Agreement or any covenant, condition or stipulation hereof. All of the covenants, stipulations, promises and agreements in this Trust Agreement contained by or on behalf of the Authority or the City will be for the sole benefit of the Authority, the City and the Trustee, including their respective agents and the Owners.

SECTION 1.03. Equal Security. In consideration of the acceptance of the Certificates by the Owners, this Trust Agreement will be deemed to be and will constitute a contract between the Trustee and the Owners, including the Bank and the Credit Facility Provider, if applicable, to secure the full and final payment of the interest and principal represented by the Certificates which may be executed and delivered hereunder, subject to each of the agreements, conditions, covenants and terms contained herein; and all agreements, conditions, covenants and terms contained herein required to be observed or performed by or on behalf of the Trustee will be for the equal and proportionate benefit, protection and security of all Owners and the Credit Facility Provider, if applicable, without distinction, preference or priority as to security or otherwise of any Certificates over any other Certificates by reason of the number or date thereof or the time of execution or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

TERMS AND CONDITIONS OF 2012 CERTIFICATES

SECTION 2.01. Preparation of Certificates. The Trustee is hereby authorized and directed to execute and deliver the Certificates in the aggregate principal amount of Ninety Million Dollars (\$90,000,000). Such Certificates are authorized to be issued by the Authority under and subject to the Bond Law and the terms of this Trust Agreement will be designated the "Electric System Revenue Refunding Certificates of Participation, Series 2012." The Certificates will be dated their date of original delivery and will mature and become payable on February 1, 2035.

Interest with respect to the Certificates will be payable at a Daily Rate, a Weekly Rate, a Long-Term Rate, a Commercial Paper Rate or the Index Rate, all as provided herein. The initial Interest Rate Mode for the Certificates will be an Index Rate and the initial Index Rate Period and Index Rate will be as described in Section 2.02(a). Interest with respect to Certificates in a LIBOR Index Rate Period (or evidencing interest at the Purchaser Rate) will be computed on the basis of a year of 360 days and actual days elapsed. Interest with respect to the Certificates in all other Interest Rate Modes will be computed on the basis of the actual number of days elapsed and a 365/366-day year, as applicable (except that interest with respect to Bank Certificates will be computed on the basis provided in the Credit Facility Agreement).

The Certificates are executed and delivered in Authorized Denominations, which initially will be in denominations of \$250,000 and any larger denomination constituting an integral multiple of \$5,000.

Amounts due on the Certificates in respect of principal and premium, if any, are payable in lawful money of the United States of America upon the surrender thereof at the corporate trust office of the Trustee (or any successors thereto), or any paying agent appointed by the Trustee. Amounts representing interest are payable by check mailed to the Owner of the Certificate at such Owner's address as it appears on the Certificate register as of the Regular Record Date preceding the day such payment is due, or by wire transfer to any Owner of \$1,000,000 or more of Certificates to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the first day of the month preceding the day such payment is due. Payments of defaulted interest, if any, with respect to a Certificate will be paid by check to the Owner of such Certificate as of a special record date to be fixed by the Trustee, notice of which special record date will be given to the Owners of the Certificates not less than ten days prior thereto.

SECTION 2.02. Initial Interest Rate Mode; Subsequent Interest Rate Modes.

(a) **Initial Interest Rate Mode.** The initial Interest Rate Mode for the Certificates will be an Index Rate and the Certificates will evidence interest at the LIBOR Index Rate for the Initial Period; provided that from the Closing Date to but not including the first Business Day of the next succeeding month, the Certificates will evidence interest at the rate of 0.772% per annum.

(b) **Subsequent Interest Rate Mode.** The interest rate on the Certificates may thereafter be adjusted to a Daily Rate, a Weekly Rate, a Long-Term Rate, a Commercial Paper Rate, or a subsequent Index Rate as provided in this Article II; provided that in no event may the interest rate exceed the Maximum Rate.

(c) Same Interest Rate Mode. All Certificates will represent interest in the same Interest Rate Mode and all Certificates representing interest at the Index Rate shall represent interest at the same Index Rate.

SECTION 2.03. Index Rates.

(a) Determination of Index Rates.

(1) SIFMA Index Rate. During each SIFMA Index Rate Period, the Certificates will, subject to subsection (b) of this Section 2.03, bear interest at the SIFMA Index Rate. The Calculation Agent will determine the SIFMA Index Rate on each Computation Date during the SIFMA Index Rate Period, and such rate will become effective on the SIFMA Rate Reset Date next succeeding such Computation Date and interest at such rate will accrue each day during such SIFMA Index Rate Period, commencing on and including the first day of such period to but excluding the last day of such period. The SIFMA Index Rate will be rounded upward to the second decimal place. Promptly following the determination of the SIFMA Index Rate, the Calculation Agent will give notice thereof to the Trustee. If the SIFMA Index Rate is not determined by the Calculation Agent on the Computation Date, the rate of interest born on such Index Rate Certificates will be the rate in effect for the immediately preceding Interest Period until the Calculation Agent next determines the SIFMA Index Rate as required hereunder. Each SIFMA Index Rate Period is a period from and including a SIFMA Index Rate Conversion Date to but excluding the earliest of (i) the immediately succeeding Bank Purchase Date, (ii) the immediately succeeding Conversion Date and (iii) the Maturity Date.

(2) LIBOR Index Rate. During each LIBOR Index Rate Period, the Certificates will, subject to subsection (b) of this Section 2.03, bear interest at the LIBOR Index Rate. The Calculation Agent will determine the LIBOR Index Rate on each Computation Date during the LIBOR Index Rate Period, and such rate will become effective on the LIBOR Index Reset Date next succeeding the Computation Date and interest at such rate will accrue each day during such LIBOR Index Rate Period, commencing on and including the first day of such period to but excluding the last day of such period. The LIBOR Index Rate will be rounded upward to the third decimal place. Promptly following the determination of the LIBOR Index Rate, the Calculation Agent will give notice thereof to the Trustee. If the LIBOR Index Rate is not determined by the Calculation Agent on the Computation Date, the rate of interest born on such Index Rate Certificates will be the rate in effect for the immediately preceding Interest Period until the Calculation Agent next determines the LIBOR Index Rate as required hereunder. A LIBOR Index Rate Period, other than the Initial Period, consists of a period from and including a LIBOR Index Rate Conversion Date to but excluding the earliest of (i) the immediately succeeding Bank Purchase Date, (ii) the immediately succeeding Conversion Date and (iii) the Maturity Date.

(b) Adjustments to Index Rates.

(1) Taxable Rate. From and after any Taxable Date, the interest rate with respect to Certificates in an Index Rate Period and Unremarketed Certificates will be established at a rate at all times equal to the Taxable Rate.

(2) **Default Rate.** Notwithstanding the foregoing provisions of this Section 2.03 but subject to the interest rate limitation of Section 2.02(b), upon the occurrence and continuation of an Event of Default, from and after the effective date of such Event of Default, the interest rate with respect to Certificates in an Index Rate Period and Unremarketed Certificates will be established at a rate at all times equal to the greater of (A) the Default Rate and (B) the interest rate that otherwise would be applicable to the Certificates but for the provisions of this paragraph, payable on demand to the Bank.

(3) **Excess Interest.** Notwithstanding anything in this Trust Agreement to the contrary, if during an Index Rate Period (or at any time Certificates constitute Unremarketed Certificates) the rate of interest with respect to the Certificates exceeds the Maximum Rate for such Certificates, then (i) such Certificates will bear interest at the Maximum Rate and (ii) interest with respect to such calculated at the rate equal to the difference between (A) the rate of interest for such Certificates as calculated pursuant to this Trust Agreement and (B) the Maximum Rate (the "Excess Interest") will be deferred until such date as the rate of interest borne by such Certificates as calculated pursuant to Section 2.3(b) is below the Maximum Rate, at which time Excess Interest will be payable with respect to such Certificates. Payments of deferred Excess Interest will no longer be due and payable upon the earlier to occur of the date on which such Certificates is tendered for purchase in accordance with Section 4.07 and are so paid or such Certificates are paid in full.

(c) **Conversion to Index Rate.** Subject to Section 2.08(b), at any time, the Authority or the City, by written direction to the Trustee, may elect that the Certificates will evidence interest at an Index Rate. Such direction will specify the proposed Conversion Date for the Index Rate Period, which will be (i) a Business Day not earlier than the sixtieth (60th) day following receipt by the Trustee of such direction, (ii) in the case of Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period with respect to such Certificates, and (iii) in the case of Conversion from a Weekly Rate Period or a Daily Rate Period, the day immediately following the last day of such Interest Rate Period with respect to such Certificates. Such direction shall state whether such Index Rate shall be a SIFMA Index Rate or a LIBOR Index Rate, the new Bank Purchase Date, the new Applicable Factor (if applicable) and the new Applicable Spread. The new Applicable Spread will be determined (i) under the terms of an Agreement negotiated between the City and a subsequent Bank or (ii) by the Market Agent such that the applicable Index Rate is the interest rate per annum (based upon tax exempt obligations comparable, in the judgment of the Market Agent, to the Bonds and known to the Market Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate at which a person will agree to purchase the Certificates on the Conversion Date at a price (without regard to accrued interest) equal to the principal amount thereof. The Authority shall provide a copy of such notice to the Calculation Agent contemporaneously with the Trustee. In addition, the direction of the Authority or the City will be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Conversion Date and a form of the notice to be mailed by the Trustee to the Owners of such Certificates as provided below. During each Index Rate Period commencing on the date so specified and ending, with respect to the Certificates, on the day immediately preceding the effective date of the next succeeding Rate Period, each Certificate will evidence interest at an Index Rate during each Index Rate Period for the Certificates.

(d) **Notice of Conversion to Index Rate.** The Trustee will give notice by first-class mail of Conversion to an Index Rate Period to the Owners of the Certificates not less than

fifteen (15) days prior to the proposed Conversion Date for such Index Rate Period. Such notice will state: (i) that such Certificates will evidence interest at Index Rates unless Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee, the City and the Remarketing Agent, if applicable, as to such Conversion on the Conversion Date or the other conditions precedent to such adjustment are not met; (ii) the proposed effective date of such Index Rate Period; (iii) that such Certificates are subject to mandatory tender for purchase on such proposed Conversion Date for such Index Rate Period, regardless of whether any or all conditions precedent to the adjustment are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of such Certificates.

(e) Conversion from Index Rate. Subject to Section 2.08(b), at any time during an Index Rate Period with respect to the Certificates, the City may elect that such Certificates (i) will represent interest at a new Index Rate or (ii) no longer will represent interest at an Index Rate and will instead represent interest at a Daily Rate, a Weekly Rate, a Commercial Paper Rate or a Long-Term Rate, as specified in such election. Notwithstanding the foregoing, during the Initial Period or any subsequent Index Rate Period where the Certificates are held by the Bank, the Interest Rate Mode may not be changed to another Interest Rate Mode including, without limitation, a new Index Rate Period without the prior written consent of the Bank and is subject to any conditions set forth in the Agreement.

SECTION 2.04. Daily Rates.

(a) Determination of Daily Rates. During each Daily Rate Period, the Certificates will evidence interest at the Daily Rate, which will be determined by the Remarketing Agent by no later than 9:30 a.m. (New York City time) on each Business Day. The Daily Rate will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if evidenced by such Certificates under Prevailing Market Conditions, would enable the Remarketing Agent to sell such Certificates on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Daily Rate for any Business Day, then the Daily Rate for such Business Day will be equal to the Variable Index on such Business Day. A Daily Rate Period consists of one Business Day, beginning on, and including, the Daily Rate Conversion Date until the day preceding the earlier of the Conversion to a different Interest Rate Mode or the Maturity Date.

(b) Conversion to Daily Rate. Subject to Section 2.08(b), at any time, the Authority or the City, with the written approval by the Credit Facility Provider of the Remarketing Agent, by written direction to the Trustee and the Remarketing Agent, may elect that the Certificates will evidence interest at a Daily Rate, provided a Credit Facility or Alternate Credit Facility is in place. Such direction of the Authority or the City will specify the proposed Conversion Date for such Conversion to a Daily Rate Period, which will be:

(i) a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction;

(ii) in the case of an Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period;

(iii) in the case of a Conversion from a Commercial Paper Rate Period, the day immediately following the last day of the Commercial Paper Rate Period; and

(iv) in the case of a Conversion from an Index Rate Period, the date immediately following an Interest Period during the Index Rate Period.

In addition, if the Conversion is from other than a Weekly Rate, such direction will be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Conversion Date and by the form of notice to be sent to the Owners pursuant to subsection (c) below. In addition, in the case of Conversion from an Index Period or a Long-Term Rate Period, such direction will confirm the appointment of a Remarketing Agent. During each Daily Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate evidenced by such Certificates will be a Daily Rate.

(c) Notice of Conversion to Daily Rate. The Trustee will give notice by first-class mail of a Conversion to a Daily Rate Period to the Credit Facility Provider and the Owners of the Certificates not less than fifteen (15) days prior to the proposed effective date of such Daily Rate Period. Such notice will state: (i) that the interest rate on such Certificates will be adjusted to a Daily Rate unless, if the Conversion is from other than a Weekly Rate Period, Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee, the City and the Remarketing Agent on the Conversion Date; (ii) the proposed Conversion Date for such Daily Rate Period; and (iii) if the Conversion is from other than to a Weekly Rate Period, that such Certificates are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Certificates.

SECTION 2.05. Weekly Rates.

(a) Determination of Weekly Rates. During each Weekly Rate Period for the Certificates, such Certificates will evidence interest at the Weekly Rate, which will be determined by the Remarketing Agent for such Certificates by no later than 5:00 p.m. (New York City time) on Wednesday of each week during such Weekly Rate Period, or if such day will not be a Business Day, then on the next succeeding Business Day. The first Weekly Rate determined for each Weekly Rate Period will be determined on or prior to the first day of such Weekly Rate Period and will apply to the period commencing on the first day of such Weekly Rate Period and ending on the next succeeding Wednesday (whether or not a Business Day). Thereafter, each Weekly Rate will apply to the period commencing on Thursday (whether or not a Business Day) and ending on the next succeeding Wednesday (whether or not a Business Day), unless such Weekly Rate Period will end on a day other than Wednesday, in which event the last Weekly Rate for such Weekly Rate Period will apply to the period commencing on Thursday (whether or not a Business Day) preceding the last day of such Weekly Rate Period and ending on the last day of such Weekly Rate Period. The Weekly Rate will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if represented by such Certificates under Prevailing Market Conditions, would enable the Remarketing Agent to sell such Certificates on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. In the event that the Remarketing Agent fails to establish a Weekly Rate for any week, then the Weekly Rate for such week will be the same as the Weekly Rate for the immediately preceding week if the Weekly Rate for such preceding week was determined by the Remarketing Agent. In the event that the Weekly Rate for the immediately preceding week was not determined by the Remarketing Agent, or in the event that the Weekly Rate determined by the Remarketing Agent will be held to be invalid or unenforceable by a court of law, then the interest rate for such week will be equal to the Variable Index on the day such Weekly Rate would otherwise be determined

as provided herein for such Weekly Rate Period. A Weekly Rate Period consists of the period beginning on, and including, the Weekly Rate Conversion Date and ending on, and including, the next Wednesday and thereafter the period beginning on, and including, any Thursday and ending on, and including, the earliest of the following Wednesday, the day preceding the Conversion of the Certificates to a different Interest Rate Mode or the Maturity Date.

(b) Conversion to Weekly Rate. Subject to Section 2.08(b), at any time, the City or the Authority, with the written consent of the Credit Facility Provider (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, elect that the Certificates will evidence interest at a Weekly Rate, provided a Credit Facility or Alternate Credit Facility is in place. Such direction of the City will specify the proposed Conversion Date for such Conversion to a Weekly Rate Period, which will be:

- (i) a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction;
- (ii) in the case of Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period;
- (iii) in the case of Conversion from a Commercial Paper Rate Period, the day immediately following the last day of the Commercial Paper Rate Period; and
- (iv) in the case of a Conversion from an Index Period, the date immediately following an Interest Period during the Index Rate Period.

In addition, if the Conversion is from other than a Daily Rate, such direction will be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Conversion Date and by the form of notice to be sent to the Owners pursuant to subsection (c) below. In addition, in the case of adjustment from an Index Period or a Long-Term Rate Period, such direction will confirm the appointment of a Remarketing Agent. During each Weekly Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate evidenced by such Certificates will be a Weekly Rate.

(c) Notice of Conversion to Weekly Rate. The Trustee will give notice by first-class mail of a Conversion to a Weekly Rate Period to the Credit Facility Provider and the Owners of such Certificates not less than fifteen (15) days prior to the proposed effective date of such Weekly Rate Period. Such notice will state:

- (i) that the interest rate with respect to such Certificates will be adjusted to a Weekly Rate unless, if the Conversion is from other than a Daily Rate Period, Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee and the City on the Conversion Date;
- (ii) the proposed Conversion Date for such Weekly Rate Period; and
- (iii) if the Conversion is from other than to a Daily Rate Period, that such Certificates are subject to mandatory tender for purchase on such proposed Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Certificates.

SECTION 2.06. Long-Term Rate.

(a) Determination of Long-Term Rate. During the Long-Term Rate Period for the Certificates, such Certificates will evidence interest at the Long-Term Rate. The Long-Term Rate will be determined by the Remarketing Agent on a Business Day no later than seven (7) days prior to the Long-Term Conversion Date. The Long-Term Rate will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if evidenced by such Certificates, would enable the Remarketing Agent to sell such Certificates under Prevailing Market Conditions at a price (without regarding accrued interest) equal to the principal amount thereof. If, for any reason, the Long-Term Rate is not so determined for the Long-Term Rate Period by the Remarketing Agent on or prior to the first day of such Long-Term Rate Period, then such Certificates will evidence interest at the Weekly Rate as provided in Section 2.05, and will continue to evidence interest at a Weekly Rate determined in accordance with Section 2.05 until such time as the interest rate on such Certificates will have been adjusted to another Interest Rate Mode as provided herein, and such Certificates will continue to be subject to mandatory purchase as described in Section 4.07(b)(i).

A Long-Term Rate Period will consist of a period beginning on, and including, the Long-Term Rate Conversion Date and ending on, and including, the day preceding the last Interest Payment Date for such period and, thereafter, each successive period, if any, of substantially the same duration as that established period until the day preceding the earliest of the change to a different Long-Term Rate Period, the Conversion to a different Interest Rate Mode or the Maturity Date.

(b) Conversion to or Continuation of Long-Term Rate.

(i) Subject to Section 2.08(b), at any time, the City or the Authority, with the written consent of the Credit Facility Provider (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, may elect that the Certificates will evidence interest at a Long-Term Rate, provided that:

(A) at least seven (7) days prior to such Long-Term Conversion Date, the Trustee will have received a copy of a firm commitment or a bond purchase agreement in customary written form satisfactory to the City from an underwriter acceptable to the City to purchase all the Certificates by 12:00 noon (New York City time) on such proposed Long-Term Conversion Date;

(B) at or prior to 12:00 noon (New York City time) on such proposed Long-Term Conversion Date, the Trustee will have received the Purchase Price of such Certificates from the underwriter under the firm commitment or bond purchase agreement, and

(C) on or prior to the Long-Term Conversion Date, the Favorable Opinion of Special Counsel will have been received by the Trustee and confirmed to the Remarketing Agent.

If a notice of a proposed Conversion to a Long-Term Rate Period has been provided to the Owners pursuant to Section 2.06(c) but the Trustee will not have received the entire amount owed with respect to all specified Certificates on the Long-Term Conversion Date, or if any other condition precedent to the adjustment to the Long-Term Rate Period will not have been met, then the specified Certificates will be

subject to mandatory tender for purchase pursuant to Section 4.07(b)(i) but the proposed conversion to the Long-Term Rate Period will not take place.

In the event that the City will elect that the Certificates will evidence interest at a Long-Term Rate, the direction of the Authority or the City required by the first sentence of this paragraph (b)(i), (i) will specify the duration of the Long-Term Rate Period during which such Certificates will evidence interest at such Long-Term Rate or Rates; (ii) will specify the proposed Long-Term Conversion Date, which date will be (1) a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction, and (2) in the case of Conversion from a Commercial Paper Rate Period to a Long-Term Rate Period or from one Long-Term Rate Period to another Long-Term Rate Period, the day immediately following the last day of the Commercial Paper Rate Period or the then-current Long-Term Rate Period; (iii) will specify the last day of such Long-Term Rate Period (which last day will be either the day immediately prior to the maturity date, or a day which both immediately precedes a Business Day and is at least two hundred seventy-one (271) days after the effective date thereof); (iv) will specify a date or dates on or prior to which Owners are required to deliver such Certificates to be purchased; and (v) with respect to Conversion from an Index Period, will confirm the appointment of a Remarketing Agent.

(ii) The direction of the City described in Section 2.06(b)(i) will be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Long-Term Conversion Date and by a form of the notice to be mailed by the Trustee to the Owners of such Certificates as provided in Section 2.06(c). During the Long-Term Rate Period commencing and ending on the dates so determined and during each successive Long-Term Rate Period, if any, so determined, the interest rate evidenced by such Certificates will be a Long-Term Rate.

(iii) If, by the second Business Day preceding the twenty-ninth (29th) day prior to the last day of any Long-Term Rate Period which ends on a day other than the day immediately preceding the Maturity Date of such Certificates, the Trustee will not have received notice of the City's election that, during the next succeeding Rate Period, such Certificates will evidence interest at a Weekly Rate or a Long-Term Rate or at Commercial Paper Rate, the next succeeding Interest Rate Mode will be a Weekly Rate until such time as the interest rate represented by such Certificates will be adjusted to a Long-Term Rate or Commercial Paper Rate as provided in this Article II.

(c) Notice of Conversion to or Continuation of Long-Term Rate. The Trustee will give notice by first-class mail of Conversion to a (or the establishment of another) Long-Term Rate Period to the Credit Facility Provider and the Owners of such Certificates not less than fifteen (15) days prior to the proposed Long-Term Conversion Date for such Long-Term Rate Period. Such notice will state:

(i) that the interest rate represented by the Certificates will be adjusted to, or continue to be, a Long-Term Rate unless Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee, the City and the Remarketing Agent as to such adjustment in the Interest Rate Mode on the Long-Term Conversion Date or any of the other conditions in Section 2.06(b) are not met;

(ii) the proposed Long-Term Conversion Date; and

(iii) that such Certificates are subject to mandatory tender for purchase on such proposed Long-Term Conversion Date and setting forth the applicable Purchase Price and the place of delivery for purchase of such Certificates.

SECTION 2.07. Commercial Paper Rates.

(a) Determination of Commercial Paper Rate Periods and Commercial Paper Rates. During each Commercial Paper Rate Period for the Certificates, such Certificates will evidence interest during each Commercial Paper Rate Period for such Certificate at the Commercial Paper Rate for such Certificate. The Commercial Paper Rate Period and the Commercial Paper Rate for each Certificate need not be the same for any two Certificates, even if determined on the same date. Each of such Commercial Paper Rate Periods and Commercial Paper Rates for each Certificate will be determined by the Remarketing Agent for the Certificates no later than the first day of each Commercial Paper Rate Period. Each Commercial Paper Rate will be for a period of days within the range or ranges announced as possible Commercial Paper Rates no later than 12:30 p.m. (New York City Time) on the first day of each Commercial Paper Rate by the Remarketing Agent. Each Commercial Paper Rate Period for each such Certificate will be a period of not more than two hundred seventy (270) days, determined by the Remarketing Agent to be the period which, together with all other Commercial Paper Rates for all Certificates then Outstanding, will result in the lowest overall interest expense on such Certificates under Prevailing Market Conditions over the next succeeding twelve month period. Each Commercial Paper Rate Period will end on either a day which immediately precedes a Business Day or on the day immediately preceding the Maturity Date. If, for any reason, a Commercial Paper Rate Period for any such Certificate cannot be so determined by the Remarketing Agent, or if the determination of such Commercial Paper Rate Period is held by a court of law to be invalid or unenforceable, then such Commercial Paper Rate Period will be thirty (30) days, but if the last day so determined will not be a day immediately preceding a Business Day, will end on the first day immediately preceding the Business Day next succeeding such last day, or if such last day would be after the day immediately preceding the Maturity Date, will end on the day immediately preceding the Maturity Date.

The Commercial Paper Rate for each Certificate in a Commercial Paper Rate Period will be the rate of interest per annum determined by the Remarketing Agent to be the minimum interest rate which, if evidenced by such Certificate, would enable the Remarketing Agent to sell such Certificate on the effective date of such rate at a price (without regarding accrued interest) equal to the principal amount thereof. If, for any reason, a Commercial Paper Rate for any Certificate in a Commercial Paper Rate Period is not so established by the Remarketing Agent for any Commercial Paper Rate, or if such Commercial Paper Rate is determined by a court of law to be invalid or unenforceable, then the Commercial Paper Rate for such Commercial Paper Rate will be the rate per annum equal to the Variable Index on the first day of such Commercial Paper Rate.

(b) Conversion to Commercial Paper Rates. Subject to Section 2.08(b), at any time, the City, with the written consent of the Credit Facility Provider (which consent may not be unreasonably withheld), by written direction to the Trustee and the Remarketing Agent, may elect that the Certificates will evidence interest at Commercial Paper Rates. Such direction of the City will specify the proposed Conversion Date for the Commercial Paper Rate Period (during which such Certificates will evidence interest at Commercial Paper Rates), which will be (i) a Business Day not earlier than the twentieth (20th) day following receipt by the Trustee of such direction, (ii) in the case of Conversion from a Long-Term Rate Period, the day immediately following the last day of the then-current Long-Term Rate Period with respect to

such Certificates, and (iii) in the case of Conversion from an Index Rate Period, a Weekly Rate Period or a Daily Rate Period, the day immediately following the last day of an Interest Period with respect to such Certificates. In addition, the direction of the City will be accompanied by a letter of Special Counsel that it expects to be able to give a Favorable Opinion of Special Counsel on the Conversion Date and a form of the notice to be mailed by the Trustee to the Owners of such Certificates as provided in subsection (c) below. In addition, in the case of Conversion from an Index Rate Period or a Long-Term Rate Period, such direction will confirm the appointment of a Remarketing Agent. During each Commercial Paper Rate Period commencing on the date so specified and ending, with respect to each such Certificate, on the day immediately preceding the effective date of the next succeeding Rate Period with respect to such Certificate, each such Certificate will evidence interest at a Commercial Paper Rate during each Commercial Paper Rate for such Certificate.

(c) Notice of Conversion to Commercial Paper Rates. The Trustee will give notice by first-class mail of Conversion to a Commercial Paper Rate Period to the Credit Facility Provider and the Owners of the Certificates not less than fifteen (15) days prior to the proposed Conversion Date for such Commercial Paper Rate Period. Such notice will state: (i) that such Certificates will evidence interest at Commercial Paper Rates unless Special Counsel fails to deliver a Favorable Opinion of Special Counsel to the Trustee, the City and the Remarketing Agent as to such Conversion on the Conversion Date or the other conditions precedent to such adjustment are not met; (ii) the proposed effective date of such Commercial Paper Rate Period; (iii) that such Certificates are subject to mandatory tender for purchase on such proposed Conversion Date for such Commercial Paper Rate Period, regardless of whether any or all conditions precedent to the adjustment are met, and setting forth the applicable Purchase Price and the place of delivery for purchase of such Certificates.

(d) Conversion from Commercial Paper Rate Period. Subject to Section 2.08(b), at any time during a Commercial Paper Rate Period with respect to the Certificates, the Authority or the City may elect that such Certificates no longer will represent interest at Commercial Paper Rates and will instead represent interest at an Index Rate, a Weekly Rate or a Long-Term Rate, as specified in such election. The date on which all Commercial Paper Rates determined for such Certificates will end will be the last day of the then-current Commercial Paper Rate Period and the day next succeeding such date will be the effective date of the Index Period, Weekly Rate Period or Long-Term Rate Period elected by the City.

SECTION 2.08. Conversion; Cancellation of Conversion.

(a) In the event that the City or the Authority elects to adjust the interest rate with respect to the Certificates to an Index Rate, a Daily Rate, a Weekly Rate, a Long-Term Rate or a Commercial Paper Rate as provided in this Article II, then the written direction furnished by the City to the Trustee, the Credit Facility Provider, the Bank and the Remarketing Agent, as required, will be made by registered or certified mail, or by telecopy, confirmed by registered or certified mail. Any such direction of the City will specify whether the Certificates are to represent interest at the Daily Rate, the Index Rate, the Weekly Rate, the Commercial Paper Rate or the Long-Term Rate and will be accompanied by a copy of the notice required to be given by the Trustee pursuant to Section 2.03(d), 2.04(c), 2.05(c), 2.06(c) or 2.07(c), as the case may be.

(b) Notwithstanding anything in Article II, in connection with any Conversion of the Interest Rate Mode, the Authority or the City will cause a Favorable Opinion of Special Counsel to be provided to the Trustee, the Bank, the Credit Facility Provider and the Remarketing Agent

on the proposed Conversion Date. In the event that Special Counsel fails to deliver a Favorable Opinion of Special Counsel or any other condition precedent to such Conversion is not met on the proposed Conversion Date, then the Interest Rate Mode for such Certificates will not be converted, and such Certificates will continue to represent interest at the Index Rate, Daily Rate, Weekly Rate or Commercial Paper Rate, as the case may be, as in effect immediately prior to such proposed Conversion of the Interest Rate Mode; and in the event such Certificates are being converted from a Long-Term Rate Period and Special Counsel fails to deliver a Favorable Opinion of Special Counsel or any other condition precedent to such conversion is not met on the Long-Term Conversion Date, then such Certificates will be converted to represent interest at a Weekly Rate on the date which would have been the effective date of such Long-Term Rate Period. In any event, if notice of such conversion has been mailed to the Owners of such Certificates as provided in Article II and any conditions set forth in this Article II have not been met, such Certificates will continue to be subject to mandatory tender for purchase on the date which would have been the proposed effective date of such adjustment as provided in Section 4.07(b)(i).

(c) The Authority or the City may cancel its election to convert the Interest Rate Mode on the Certificates on any date prior to the date on which notice of Conversion has been mailed to the Owners of the Certificates as provided in this Article II upon notice to the Bank, the Trustee, the Credit Facility Provider and the Remarketing Agent. In such event, the Certificates will remain in the current Interest Rate Mode and the interest rate represented by such Certificates will continue to be determined as provided in this Article II; provided, however, that in the event that Certificates are being converted from a Long-Term Rate Period, then such Certificates will be converted to represent interest at a Weekly Rate on the date which would have been the Long-Term Conversion Date.

(d) In connection with any conversion to a Daily, Weekly, Commercial Paper or Long-Term Rate from the Index Rate, the City will appoint a Remarketing Agent under Section 8.01. In connection with any Conversion to a Daily, Weekly, or Commercial Paper Rate, the Authority will obtain a Credit Facility; provided however, no Credit Facility will be required during a Long-Term Rate Period or an Index Rate Period.

SECTION 2.09. Form of Certificates. The Certificates and the assignment to appear thereon will be in substantially the form of Exhibit A hereto, with necessary or appropriate insertions, omissions and variations as permitted or required hereby. After the Long-Term Rate Date, a new form of Certificate will be prepared which contains the terms of such Certificates applicable in a Long-Term Rate.

SECTION 2.10. Execution of Certificates and Replacement Certificates. The Certificates will be executed by the Trustee by the manual or facsimile signature of an authorized signatory of the Trustee. The Trustee will deliver replacement Certificates on any Long-Term Rate Date. Such replacement Certificates will be executed as herein provided and will be in Authorized Denominations. All Certificates for which such replacement Certificates are delivered will be deemed canceled.

SECTION 2.11. Transfer and Payment of Certificates; Exchange of Certificates. Subject to the limitations set forth below with respect to Certificates evidencing interest at an Index Rate or the Purchaser Rate, all Certificates are transferable by the Owner thereof, in person or by his attorney duly authorized in writing, at the Trust Office of the Trustee, on the books required to be kept by the Trustee pursuant to the provisions of Section 2.13, upon surrender of such Certificates for cancellation accompanied by delivery of a duly executed written instrument of

transfer in a form approved by the Trustee. The Trustee may treat the Owner of any Certificate as the absolute owner of such Certificate for all purposes, whether or not such Certificate will be overdue, and the Trustee will not be affected by any knowledge or notice to the contrary; and payment of the interest and principal represented by such Certificate will be made only to such Owner, which payments will be valid and effectual to satisfy and discharge the liability represented by such Certificate to the extent of the sum or sums so paid.

Whenever any Certificate or Certificates will be surrendered for transfer, the Trustee will execute and deliver a new Certificate or Certificates representing the same principal amount. The Trustee will require the payment by any Owner requesting such transfer of any tax or other governmental charge required to be paid with respect to such transfer. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any transfer will be paid by the Authority or the City.

Certificates may be exchanged at the Trust Office of the Trustee, for a like aggregate principal amount of Certificates of other Authorized Denominations. The Trustee will require the payment by the Owner requesting such exchange of any tax or other governmental charge required to be paid with respect to such exchange. The cost of printing Certificates and any services rendered or expenses incurred by the Trustee in connection with any exchange will be paid by the Authority or the City.

The Trustee will not be required to transfer or exchange any Certificate during the period from the Record Date next preceding each Interest Payment Date to such Interest Payment Date, nor will the Trustee be required to transfer or exchange any Certificate or portion thereof selected for prepayment from and after the date of mailing the notice of prepayment thereof.

Certificates evidencing interest at an Index Rate and Unremarketed Certificates may be transferred without limitation to any Affiliate of the Bank or to a trust or custodial arrangement established by the Bank, each of the beneficial owners of which is a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933, as amended, subject to the limitations, if any, set forth in the Agreement. Certificates evidencing interest at an Index Rate and Unremarketed Certificates may be transferred to another purchaser (other than an Affiliate of the Bank or a trust or custodial arrangement as described in the preceding sentence) if (i) written notice of such transfer, together with addresses and related information with respect to such purchaser, is delivered to the Authority and the Trustee by such transferor, (ii) such purchaser has delivered to the Authority, the Trustee and the transferor a Purchaser Letter in the form attached hereto as Exhibit B executed by a duly authorized officer of such purchaser; and (iii) each such purchaser constitutes both (1) a "qualified institutional buyer" as defined in Rule 144A promulgated under the Securities Act of 1933 as amended, and (2) a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus, determined as of the date of any transfer pursuant to this Section, of not less than \$5,000,000,000. The Trustee may conclusively rely upon the representations set forth in the Purchaser Letter.

Notwithstanding any provision herein to the contrary, when the context requires, references to presentment and exchange of certificates will be deemed to provide for such actions by electronic or similar means and not by the physical delivery of printed certificates.

SECTION 2.12. Fully Registered Certificates; Book-Entry Certificates.

(a) The Certificates will be issued initially in the form of a separate single fully registered Certificate for each maturity, which may be typewritten, and will be registered in the registration books kept by the Trustee. Upon the initial issuance of the Certificates, the Trustee will authenticate and deliver the Certificates to the Bank, as the registered owner. Unless otherwise directed by the Authority, upon conversion of the Interest Rate Mode of the Certificates from an Index Rate Period to another Interest Rate Mode, the Certificates will be issued pursuant to a Book Entry System as described in paragraph (b) of the Section 2.12. Unless otherwise directed by the Authority, upon conversion of the Interest Rate Mode of the Certificates to an Index Rate Period, the Trustee will withdraw the Certificates from the Book Entry System and authenticate and deliver the Certificates to the Holders thereof. The Book Entry System will not be in effect with respect to the Certificates during an Index Rate Period unless otherwise directed by the applicable Bank.

(b) Unless otherwise directed by the Authority, upon conversion of the Interest Rate Mode of the Certificates from an Index Rate Period to another Interest Rate Mode, the Certificates will be issued pursuant to a Book Entry System and ownership of all such Certificates will be registered in the registration books maintained by the Trustee pursuant to Section 2.13 in the name of Cede & Co., as nominee of DTC, or such other nominee as DTC may request. The Trustee and the Authority may treat DTC (or its nominee) as the sole and exclusive owner of the Certificates registered in its name for the purposes of payment of the principal and interest with respect to such Certificates, selecting any Certificates or portions thereof to be prepaid, giving any notice permitted or required to be given to an Owner hereunder, registering the transfer of Certificates, obtaining any consent or other action to be taken by the Owners and for all other purposes whatsoever; and neither the Trustee nor the Authority will be affected by any notice to the contrary. Neither the Trustee, the City, nor the Authority will have any responsibility or obligation to any Participant (which will mean, for purposes of this Section 2.12, securities brokers and dealers, banks, trust companies, clearing corporations and other entities, some of whom directly or indirectly own DTC), any person claiming a beneficial ownership interest in the Certificates under or through DTC or any Participant, or any other person which is not shown on the registration records as being an Owner, with respect to (i) the accuracy of any records maintained by DTC or any Participant, (ii) the payment by DTC or any Participant of any amount in respect of the principal or interest represented by such Certificates, (iii) any notice which is permitted or required to be given to the Owners hereunder, (iv) the selection by DTC or any Participant of any person to receive payment in the event, if any, of a partial prepayment of the Certificates, or (v) any consent given or other action taken by DTC as Owner. The Trustee will pay all principal and premium, if any, and interest with respect to the Certificates only at the times, to the accounts, at the addresses and otherwise in accordance with the Representation Letter. Upon delivery by DTC to the Trustee of written notice to the effect that DTC has determined to substitute a new nominee in place of its then existing nominee, the Certificates will be transferable to such new nominee in accordance with subsection (f) of this Section 2.12.

(c) In the event that the City or the Authority determines that it is in the best interests of the Beneficial Owners of the Certificates that they be able to obtain Certificates, the Trustee will, upon the written instruction of the Authority, so notify DTC, whereupon DTC will notify the Participants of the availability through DTC of Certificates. In such event, the Certificates will be transferable in accordance with subsection (f) of this Section 2.12. DTC may determine to discontinue providing its services with respect to the Certificates at any time by giving written notice of such discontinuance to the Authority and the Trustee and discharging its responsibilities with respect thereto under applicable law. In such event, the Certificates will be

transferable in accordance with subsection (f) of this Section 2.12. Whenever DTC requests the Authority and the Trustee to do so, the Trustee and the Authority will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of all certificates evidencing the Certificates then Outstanding. In such event, the Certificates will be transferable to such securities depository in accordance with subsection (f) of this Section 2.12, and thereafter, all reference in this Trust Agreement to DTC or its nominee will be deemed to refer to such successor securities depository and its nominee, as appropriate.

(d) Notwithstanding any other provision of this Trust Agreement to the contrary, so long as all Certificates Outstanding are registered in the name of any nominee of DTC, all payments with respect to the principal and interest represented by each such Certificate and all notices with respect to each such Certificate will be made and given, respectively, to DTC as provided in the Representation Letter.

(e) The Authority, and if requested, the City, will execute and deliver the Representation Letter and, in connection with any successor nominee for DTC and any successor depository, enter into comparable arrangements, and will have the same rights with respect to its actions thereunder as it has with respect to its actions under this Trust Agreement.

(f) In the event that any transfer or exchange of Certificates is authorized under subsection (b) or (c) of this Section 2.12, such transfer or exchange will be accomplished upon receipt by the Trustee from the registered owner thereof of the Certificates to be transferred or exchanged and appropriate instruments of transfer to the permitted transferee, all in accordance with the applicable provisions of Section 2.11. In the event Certificates are issued to holders other than Cede & Co., its successor as nominee for DTC as holder of all the Certificates, another securities depository as holder of all the Certificates, or the nominee of such successor securities depository, the provisions of this Trust Agreement will also apply to, among other things, the registration, exchange and transfer of the Certificates and the method of payment of principal, premium, if any, and interest with respect to the Certificates.

(g) Notwithstanding the foregoing, if any Certificate is tendered but not remarketed, with the result that such Certificate becomes a Bank Certificate, the Trustee and the Authority will, if requested by the Credit Facility Provider, take all such actions as are necessary to remove the Certificate from the full book-entry system of the Depository and to (i) register such tendered but not remarketed Certificates in the name of the Credit Facility Provider or its nominee, as applicable, and (ii) register tendered but remarketed Certificates in the name of the purchaser thereof, or their nominee. If removed from the book-entry system of the Depository, Bank Certificates may be held at the option of the Credit Facility Provider, by the Tender Agent on behalf of, and for the benefit of, the Credit Facility Provider. If removed from the book-entry system of the Depository, upon the remarketing of Bank Certificates, or upon the request of the Credit Facility Provider with respect to Bank Certificates, the Trustee and the Authority will take all such actions necessary to return the Certificates to the full book-entry system of DTC upon remarketing.

SECTION 2.13. Certificate Registration Books. The Trustee will keep at its Trust Office, sufficient books for the registration and transfer of the Certificates, which books will be available for inspection by the City and the Authority at reasonable hours and under reasonable conditions upon reasonable notice; and upon presentation for such purpose the Trustee will, under such reasonable regulations as it may prescribe, register or transfer the Certificates on

such books as hereinabove provided. The Trustee will, upon written request, make copies of the foregoing available to any Owner or his agent duly authorized in writing.

SECTION 2.14. Temporary Certificates. The Certificates may be initially delivered in temporary form exchangeable for definitive Certificates when ready for delivery, which temporary Certificates will be printed, lithographed or typewritten, will be of such denominations as may be determined by the Trustee, will be in fully registered form and will contain such reference to any of the provisions hereof as may be appropriate. Every temporary Certificate will be executed and delivered by the Trustee upon the same conditions and terms and in substantially the same manner as definitive Certificates. If the Trustee executes and delivers temporary Certificates, it will execute and deliver definitive Certificates without delay, and thereupon the temporary Certificates may be surrendered at the Trust Office of the Trustee, in exchange for such definitive Certificates, and until so exchanged such temporary Certificates will be entitled to the same benefits hereunder as definitive Certificates executed and delivered hereunder.

SECTION 2.15. Certificates Mutilated, Lost, Destroyed or Stolen. If any Certificate will become mutilated, the Trustee, at the expense of the Owner thereof, will execute and deliver a new Certificate of like tenor, payment date and number in exchange and substitution for the Certificate so mutilated, but only upon surrender to the Trustee of the Certificate so mutilated. Every mutilated Certificate so surrendered to the Trustee will be canceled by it. If any Certificate will be lost, destroyed or stolen, evidence of such loss, destruction or theft may be submitted to the Trustee, and if such evidence is satisfactory to the Trustee an indemnity satisfactory to the Trustee will be given, the Trustee, at the expense of the Owner thereof, will execute and deliver a new Certificate of like tenor, numbered as the Trustee will determine, in lieu of and in substitution for the Certificate so lost, destroyed or stolen. The Trustee may require payment of a sum not exceeding the actual cost of preparing each new Certificate executed and delivered by it under this Section and of the expenses which may be incurred by it under this Section. Any Certificate executed and delivered under the provisions of this Section in lieu of any Certificate alleged to be lost, destroyed or stolen will be equally and proportionately entitled to the benefits hereof with all other Certificates secured hereby, and the Trustee will not be required to treat both the original Certificate and any replacement Certificate as being Outstanding for the purpose of determining the amount of Certificates which may be executed and delivered hereunder or for the purpose of determining any percentage of Certificates Outstanding hereunder, but both the original and replacement Certificate will be treated as one and the same. Notwithstanding any other provision of this Section, in lieu of executing and delivering a new Certificate for a Certificate which has been lost, destroyed or stolen and which has matured or will mature within 30 days after the Trustee has received all required indemnity and payments on account of a lost, destroyed or stolen Certificate, the Trustee may make payment of such Certificate to the Owner thereof if so instructed by the Authority.

SECTION 2.16. Calculation Agent. During the Initial Period, the Calculation Agent will be the Bank, and thereafter will be such person as the Authority may appoint with the consent of the Bank and meeting the requirements of this Section. Any Calculation Agent which is not also the Bank will designate its principal office and signify its acceptance of the duties and obligations imposed upon it hereunder by a written instrument of acceptance delivered to the Authority and the Trustee in which the Calculation Agent will agree to perform all calculations and provide all notices required of the Calculation Agent under this Trust Agreement.

The Calculation Agent will be a corporation duly organized under the laws of the United States of America or any state or territory thereof and will be authorized by law to perform all the duties imposed upon it by this Trust Agreement. The Calculation Agent may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving at least 60 days' notice to the Authority, the Trustee, the Tender Agent, the Remarketing Agent, and the Credit Facility Provider, if any. Upon receipt of such notice, during any Interest Rate Mode in which the services of a Calculation Agent are required under this Trust Agreement, the Authority will diligently seek to appoint a successor Calculation Agent to assume the duties of the Calculation Agent on the effective date of the prior Calculation Agent's resignation. In the event that the Authority will fail to appoint a successor Calculation Agent in a timely manner when required under this Trust Agreement, the Trustee will petition any court of competent jurisdiction for the appointment of a successor Calculation Agent, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Calculation Agent. The Calculation Agent may be removed at any time by written notice from the Authority to the Trustee, the Tender Agent, the Bank, the Liquidity Facility Provider, if any, and the Credit Facility Provider, if any, and the Remarketing Agent, *provided* that such removal will not be effective until a successor Calculation Agent assumes such position in accordance with the provisions hereof.

The Trustee will, within 30 days of the resignation or removal of the Calculation Agent or the appointment of a successor Calculation Agent, give notice thereof by first class mail, to the registered owners of the Certificates.

Promptly after determining any interest rate required to be determined by the Calculation Agent under this Trust Agreement, the Calculation Agent will provide notice to the Trustee, the Bank, if applicable, the Tender Agent, the Remarketing Agent and any requesting Holder.

SECTION 2.17. Bank Certificates. Except as otherwise provided in the Credit Facility Agreement with notice to the Trustee, Bank Certificates will be registered in the name of the Credit Facility Provider or its nominee, will constitute Bank Certificates and will not be transferred and re-registered until the provisions in the following paragraph are satisfied.

Bank Certificates will not be resold or re-registered in the name of any other party except pursuant to the Credit Facility Agreement, unless, prior to such resale or registration: (i) the Credit Facility Provider has been reimbursed for any amount drawn under the Credit Facility and (ii) the Trustee receives written confirmation from the Credit Facility Provider that the amount drawn under the Credit Facility has been reinstated. Bank Certificates will not be entitled to the benefits of the Credit Facility.

Bank Certificates will represent interest at the rates and be payable to the Credit Facility Provider as set forth in the Credit Facility Agreement. Following any remarketing of Bank Certificates, the resulting Certificates will not be entitled to the rate established for Bank Certificates under the Credit Facility Agreement.

SECTION 2.18. Unremarketed Certificates. Notwithstanding anything in this Trust Agreement to the contrary, (a) each Unremarketed Certificate will evidence interest with respect to the outstanding principal amount thereof at the Purchaser Rate applicable to such Unremarketed Certificate in accordance with the Agreement relating to such Unremarketed Certificate (as calculated by the Calculation Agent in accordance with such Agreement) for each day from and including the day such Certificate becomes an Unremarketed Certificate to and excluding the day such Certificate ceases to be an Unremarketed Certificate or is paid in full, (b) interest with respect to each Unremarketed Certificate will be calculated on the basis of a 360 day year, as applicable to the Purchaser Rate, in accordance with the Agreement relating to such Unremarketed Certificate and the actual number of days elapsed, and (c) interest with respect to each Unremarketed Certificate will be payable on an Interest Payment Date. A Certificate will cease to be an Unremarketed Certificate only if such Unremarketed Certificate is remarketed and transferred or such Unremarketed Certificate is redeemed in full.

ARTICLE III

ISSUANCE OF CERTIFICATES; USE OF PROCEEDS

SECTION 3.01. Delivery of Certificates. The Trustee is hereby authorized to execute and deliver the Certificates to the Bank upon receipt of a Request of the Authority and upon receipt of the proceeds of sale thereof.

SECTION 3.02. Deposit of Proceeds of the Certificates and Other Moneys; Establishment of Funds and Accounts. On the Closing Date, the Trustee will establish a temporary account named the "2008A Refunding Account" to be utilized for accumulating the moneys needed to prepay the 2008A Certificates. Proceeds of the Certificates and other available moneys described below will be deposited as follows on the Closing Date:

(a) Certificate Proceeds. On the Closing Date, the Trustee will allocate the proceeds received from the sale of the Certificates in the amount of \$90,000,000 (equal to the par amount of the Certificates) as follows:

- (i) \$84,331,023.85 for deposit in the 2008A Refunding Account.
- (ii) \$274,729.92 for deposit in the Cost of Issuance Fund;
- (iii) \$5,394,246.23 for deposit in the 2012 Parity Reserve Account;

(b) 2008A Available Moneys. On or before the Closing Date, the Trustee, as trustee for the 2008A Certificates, will transfer \$5,672,074.51 from the 2008 Parity Reserve Account to the 2008A Refunding Account.

(c) Prepayment of 2008A Certificates. The Trustee, in its capacity as Trustee for the 2008A Certificates, will apply, on November 7, 2012, the total amount deposited in the 2008A Refunding Account (being \$90,003,098.36), to pay (or to reimburse the credit provider for) the prepayment price (being the amount of \$90,003,098.36) of the 2008A Certificates being prepaid on such date.

(d) Residual Available Moneys. After making the above transfers and deposits and redeeming the 2008A Certificates, the Trustee, in its capacity as Trustee for the 2008A Certificates, will transfer any other moneys remaining in any funds or accounts held under the 2008 Trust Agreement or any excess in the 2008A Refunding Account to the 2012 Debt Service Fund.

The Authority hereby directs the Trustee to make the transfers required above.

The Trustee may, at its option, establish and maintain a temporary account or accounts in connection with the deposit and transfer of the proceeds of the Certificates.

SECTION 3.03. Cost of Issuance Fund. There is hereby created a fund to be known as the "Roseville Finance Authority Refunding Revenue Certificates, 2012 Cost of Issuance Fund" (the "Cost of Issuance Fund"), which the Authority hereby covenants and agrees to cause to be maintained and which will be held in trust by the Trustee. The moneys in the Cost of Issuance Fund will be used solely for the purpose of the payment of Costs of Issuance upon receipt by the Trustee of Requests of the Authority therefor, on or after the Closing Date. Any funds

remaining in the Cost of Issuance Fund on January 7, 2013, will be transferred by the Trustee (a) first to the 2012 Parity Reserve Account to the extent the amount on deposit therein is less than the Reserve Fund Requirement, and (b) second, to the 2012 Debt Service Fund.

SECTION 3.04. Reserve Account. The Trustee will establish a 2012 Parity Reserve Account, which is to be initially funded in an aggregate amount equal to the Reserve Fund Requirement for such Certificates. An amount equal to the Reserve Fund Requirement in the form of either: (i) cash or Permitted Investments; or (ii) a reserve fund credit instrument meeting the requirements set forth in the definition of Reserve Fund Requirement under the Contract for the account of the 2012 Parity Reserve Account, will be maintained in the 2012 Parity Reserve Account at all times. Any deficiency in the 2012 Parity Reserve Account will be replenished from Net Revenues to the extent available hereunder.

ARTICLE IV

PREPAYMENT; PURCHASE AND TENDER OF CERTIFICATES

SECTION 4.01. Terms of Special and Mandatory Prepayment.

(a) The Certificates are subject to mandatory prepayment in part from Sinking Fund Installments to be made by the Authority on February 1, 2023 and on each February 1 thereafter up to and including February 1, 2035, at a Prepayment Price equal to the principal amount thereof plus accrued interest, if any, to the prepayment date without premium, as follows:

<u>February 1</u>	<u>Principal Amount</u>
2023	\$4,875,000
2024	5,700,000
2025	5,925,000
2026	6,150,000
2027	6,400,000
2028	6,625,000
2029	6,900,000
2030	7,175,000
2031	7,450,000
2032	7,725,000
2033	8,050,000
2034	8,350,000
2035	8,675,000

(b) Unremarketed Certificates are subject to special mandatory prepayment by the Authority, at a redemption price equal to 100% of the principal amount of the Certificates to be redeemed plus accrued interest thereon (at the Purchaser Rate) to but not including the date of such redemption, on the dates, in the amounts and in the manner set forth in the applicable Agreement.

(c) Bank Certificates are subject to special mandatory prepayment in accordance with the terms of the applicable Credit Facility or Credit Facility Agreement.

SECTION 4.02. Terms of Optional Prepayment. The Certificates are subject to optional prepayment prior to their respective stated date of maturity, upon notice as hereinafter provided, from prepayments of 2012 Payments made by the City pursuant to the 2012 Supplemental Contract, as follows:

(a) Whenever the Interest Rate Mode is the Daily Rate or Weekly Rate, the Certificates will be subject to prepayment prior to their stated maturity at the option of the City, in whole or in part on any Business Day (in such amounts as may be specified by the City), by lot, at a Prepayment Price of the principal amount thereof, plus accrued interest thereon to the date fixed for prepayment, without premium.

(b) Whenever the Interest Rate Mode is the Index Rate, the Certificates are subject to prepayment prior to their stated maturity at the option of the City, in whole or in part on any Interest Payment Date with respect to such Certificates (in such amounts as may be specified

by the City) at a Prepayment Price of the principal amount thereof, plus accrued interest thereon to the date fixed for prepayment, without premium, plus any additional amount set forth in an Agreement, if any; provided that, the payment of any additional amount set forth in an Agreement will not be a condition precedent to the redemption of such Certificates and the Trustee will not be responsible for collecting such amounts.

(c) Whenever the Interest Rate is the Commercial Paper Rate, the Certificates will be subject to prepayment prior to their stated maturity at the option of the City, in whole or in part, on the Interest Payment Date for each Commercial Paper Rate Period, at a Prepayment Price of the principal amount thereof, plus accrued interest thereon to the date fixed for prepayment, without premium.

(d) Whenever the Interest Rate Mode is the Long-Term Rate, the Certificates will be subject to prepayment prior to their stated maturity at the option of the City, in whole or in part (in such amounts as may be specified by the City), by lot:

(i) on the final Interest Payment Date for such Long-Term Rate Period, at a Prepayment Price of the principal amount thereof plus accrued interest thereon to the date fixed for prepayment, without premium; and

(ii) prior to the end of the then current Long-Term Rate Period at any time during the prepayment periods and at the Prepayment Prices set forth below, plus interest accrued thereon, if any, to the date fixed for prepayment below, plus interest accrued thereon, if any, to the date fixed for prepayment:

<u>Original Length of Current Long-Term Rate Period (Years)</u>	<u>Commencement of Prepayment Period</u>	<u>Prepayment Price as Percentage of Principal</u>
More than 12 years	Sixth anniversary of commencement of Long-Term Rate Period	102% declining by 1/2% on each succeeding anniversary of the first day of the prepayment period until reaching 100% and thereafter 100%
More than 9 but equal to or less than 12 years	Fourth anniversary of commencement of Long-Term Rate Period	102% declining by 1/2% on each succeeding anniversary of the first day of the prepayment period until reaching 100% and thereafter 100%
More than 6 but equal to or less than 9 years	Third anniversary of commencement of Long-Term Rate Period	101-1/2% declining by 1/2% on each succeeding anniversary of the first day of the prepayment period until reaching 100% and thereafter 100%
More than 3 but equal to or less than 6 years	Second anniversary of commencement of Long-Term Rate Period	101% declining by 1/2% on each succeeding anniversary of the first day of the prepayment period until reaching 100% and thereafter 100%
3 years or less	Noncallable	Noncallable

If the City has given notice of a change in the Long-Term Rate Period or notice of Conversion of the Interest Rate Mode to the Long-Term Rate pursuant to Section 2.06(b) and, at least forty (40) days prior to such change in the Long-Term Rate Period for the Certificates or such Conversion of an Interest Rate Mode for the Certificates to the Long-Term Rate the Authority or the City has provided to the Trustee (i) a certification of the Remarketing Agent to the effect that the foregoing schedule is not consistent with Prevailing Market Conditions and (ii) a Favorable Opinion of Special Counsel, the foregoing prepayment periods and prepayment

prices may be revised, effective as of the date of such change in the Long-Term Rate Period or the Conversion Date, as determined by the Remarketing Agent in its judgment, taking into account the then Prevailing Market Conditions as set forth in such certification, which will be appended by the Trustee to its counterpart of this Trust Agreement. Any such revision of the prepayment periods and prepayment prices will not be considered an amendment of or a supplement to this Trust Agreement and will not require the consent of any Owner or any other person or entity. In the event of prepayment pursuant to Section 4.01(a) or (b), the Authority will provide the Trustee with a revised sinking fund schedule giving effect to the prepayment so completed.

SECTION 4.02A. Purchase in lieu of Prepayment. In lieu of prepayment of Certificates as provided in Section 4.01 and 4.02, amounts held by the Trustee for such prepayment may be applied by the Trustee to the purchase of prepayment at public or private sale as and when and at such prices (including brokerage, accrued interest and other charges) at the direction of the Authority or the City received by the Trustee at least 75 days prior to the selection of the Certificates for prepayment, but such purchase price must not exceed the prepayment price that would be payable if such Certificates were prepaid.

SECTION 4.03. Selection of Certificates for Prepayment. Whenever provision is made in this Trust Agreement for the prepayment of less than all of the Certificates within a maturity, the Trustee will select the Certificates to be prepaid within that maturity by lot in any manner that the Trustee in its sole discretion will deem appropriate and fair. Any Bank Certificates will be prepaid in accordance with the applicable provisions of the Credit Facility and will be prepaid before any other Certificates.

SECTION 4.04. Notice of Prepayment. The Authority will give written notice of any prepayment to the Trustee at least forty-five (45) days prior to the date of prepayment (unless a shorter time shall be acceptable to the Trustee). Notice of prepayment will be mailed by the Trustee by first class mail, not less than thirty (30) days (fifteen (15) days if the Interest Rate Mode for such Certificates is the Index Rate) nor more than sixty (60) days prior to the prepayment date, to the respective Owners of any Certificates designated for prepayment at their addresses appearing on the Certificate registration books of the Trustee. Any Certificate that is remarketed subsequent to a notice of prepayment being delivered, but prior to the date of such prepayment, will be delivered to the purchaser thereof accompanied by such notice. The Trustee will also give notice of prepayment by overnight mail or by such other method acceptable to the Credit Facility Provider and such institutions to such securities depositories and/or securities information services as will be designated in a Certificate of the Authority. Each notice of prepayment will state the date of such notice, the Closing Date of the Certificates, the prepayment date, the Prepayment Price, the place or places of prepayment (including the name and appropriate address or addresses of the Trustee), the CUSIP numbers, if any, and, in the case of Certificates to be prepaid in part only, the respective portions of the principal amount thereof to be prepaid. Each such notice will also state that on said date there will become due and payable on each of said Certificates the Prepayment Price thereof or of said specified portion of the principal amount thereof in the case of a Certificate to be prepaid in part only, together with interest accrued thereon to the prepayment date, and that from and after such prepayment date interest thereon will cease to accrue, and will require that such Certificates be then surrendered.

Failure by the Trustee to give notice pursuant to this Section 4.04 to any one or more of the securities information services or depositories designated by the Authority, or the insufficiency of any such notice will not affect the sufficiency of the proceedings for prepayment.

Failure by the Trustee to mail notice of prepayment pursuant to this Section 4.04 to any one or more of the respective Owners of any Certificates designated for prepayment will not affect the sufficiency of the proceedings for prepayment with respect to the Owners to whom such notice was mailed.

Notice of prepayment of Certificates will be given by the Trustee, at the expense of the Authority.

Conditional notice of optional prepayment may be given at the direction of the Authority or the City, provided however that prior to or contemporaneously with any withdrawal or rescission of any notice of prepayment, the Trustee and the Tender Agent receive written confirmation from the Credit Facility Provider of the full reinstatement, if any, of the Credit Facility.

Any notice given pursuant to this Section 4.04 may be rescinded by written notice given to the Trustee by the Authority no later than five (5) Business Days prior to the date specified for prepayment. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such prepayment was given pursuant to this Section 4.04.

SECTION 4.05. Partial Prepayment of Certificates. Upon surrender of any Certificate prepaid in part only, the Authority will execute (but need not prepare) and the Trustee will execute and deliver to the Owner thereof, at the expense of the Authority, a new Certificate or Certificates of authorized denominations, equal in aggregate principal amount to the unprepaid portion of the Certificate surrendered.

SECTION 4.06. Effect of Prepayment. Notice of prepayment having been duly given as aforesaid, and moneys for payment of the Prepayment Price of, together with interest accrued to the prepayment date on, the Certificates (or portions thereof) so called for prepayment being held by the Trustee, on the prepayment date designated in such notice, the Certificates (or portions thereof) so called for prepayment will become due and payable at the Prepayment Price specified in such notice and interest accrued thereon to the prepayment date, interest with respect to the Certificates so called for prepayment will cease to accrue, said Certificates (or portions thereof) will cease to be entitled to any benefit or security under this Trust Agreement, and the Owners of said Certificates will have no rights in respect thereof except to receive payment of said Prepayment Price and accrued interest to the date fixed for prepayment from funds held by the Trustee for such payment.

All Certificates prepaid pursuant to the provisions of this Article will be canceled upon surrender thereof and delivered to or upon the request of the Authority.

SECTION 4.07. Purchase of Certificates. For purposes of this Section 4.07, the Trustee is authorized and directed to draw upon the Credit Facility in accordance with the terms thereof, to place the amounts thus received in the Certificate Payment Fund and to proceed as follows:

(a) Purchase of the Certificates on Demand of Owner.

(i) During Daily Rate Period. If the Interest Rate Mode is the Daily Rate, any Certificate will be purchased on the demand of the owner thereof on any Business Day during a Daily Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date upon written notice or Electronic Notice

given to the Trustee, at its Trust Office not later than 10:00 a.m. (New York City time) on the Purchase Date specified in such owner's demand for purchase, which notice (a) states the number and principal amount (or portion thereof) of such Certificate to be purchased, (b) states the Purchase Date on which such Certificate will be purchased and (c) irrevocably requests such purchase and agrees to deliver such Certificate, duly endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 noon (New York City time) on such Purchase Date.

(ii) During Weekly Rate Period. If the Interest Rate Mode is the Weekly Rate, any Certificate will be purchased on the demand of the owner thereof on any Business Day during a Weekly Rate Period at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date, upon written notice to the Trustee, at its Trust Office at or before 5:00 p.m. (New York City time) on a Business Day not later than the seventh day prior to the Purchase Date, which notice (a) states the number and principal amount (or portion thereof) of such Certificate to be purchased, (b) states the Purchase Date on which such Certificate will be purchased and (c) irrevocably requests such purchase and agrees to deliver such Certificate, duly endorsed in blank for transfer, with all signatures guaranteed, to the Trustee at or prior to 12:00 Noon (New York City time) on such Purchase Date.

(iii) Notwithstanding any other provision of this Section 4.07(a), the Owner of a Certificate may demand purchase of a portion of such Certificate only if the portion to be purchased and the portion to be retained by such owner each will be in an Authorized Denomination.

(b) Mandatory Purchases of Certificates.

(i) Mandatory Purchase on Bank Purchase Date. The Certificates will be subject to mandatory purchase on each Bank Purchase Date.

(ii) Mandatory Purchase on Conversion Date. The Certificates will be subject to mandatory purchase on each Conversion Date other than a Conversion Date converting the Interest Rate Mode from a Daily Rate to a Weekly Rate or from a Weekly Rate to a Daily Rate (unless such Conversion Date is already a Bank Purchase Date, in which case no separate mandatory tender by operation of this subparagraph (ii) shall occur).

(iii) Mandatory Purchase on Day After End of Commercial Paper Rate Period or Long-Term Rate Period. Whenever the Interest Rate Mode for a Certificate is the Commercial Paper Rate or the Long-Term Rate, such Certificate will be subject to mandatory purchase on the Business Day following the end of each Commercial Paper Rate Period or Long-Term Rate Period, as the case may be, for such Certificate at a purchase price equal to the principal amount thereof plus accrued interest, if any, to the Purchase Date. The Trustee will notify the affected Owners at least 30 days prior to the end of each Long-Term Rate Period that the Certificates will be purchased on the Business Day following the end of such Long-Term Rate Period and that if any owner will fail to deliver a Certificate for purchase with an appropriate instrument of transfer to the Trustee for purchase on said date, and if the Trustee is in receipt of the purchase price therefor, any such Certificate not delivered will nevertheless be deemed purchased on such date and will cease to accrue interest with respect to and from such date; provided, however, that no such notice need be given if the Trustee has mailed a notice

to the affected Owners pursuant to either Section 2.06(c) or Section 2.07(c). No notice of mandatory purchase following the end of a Commercial Paper Rate Period will be required to be given to the Owners.

(iv) Mandatory Purchase Upon Delivery of Alternate Credit Facility. The Certificates will be subject to mandatory purchase from a draw on the then-existing Credit Facility on the effective date of an Alternate Credit Facility.

(v) Mandatory Tender Upon Failure to Renew Credit Facility. The Certificates will be purchased on the fifth Business Day preceding the date of expiration of the Credit Facility if a notice of renewal of the Credit Facility is not delivered by the Credit Facility Provider to the Trustee at least 25 days prior to the scheduled expiration of the Credit Facility.

(vi) Mandatory Tender Upon Termination of Credit Facility. The Certificates will be purchased on the Business Day preceding the date of termination of the Credit Facility.

(vii) Mandatory Tender Upon Default Under Credit Facility Agreement. The Certificates secured by a Credit Facility will also be purchased on any Business Day within 7 days (but not later than a Business Day prior to the date of expiration of the Credit Facility) after receipt by the Trustee of written notification from the Credit Facility Provider that an event of default under the Credit Facility Agreement or non-reinstatement of the Credit Facility has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Certificates.

Notice of a mandatory tender required by subsections (i) through (vi) above will be given in accordance with Section 4.09 hereof at least 20 days prior to the date of mandatory tender, or, in the event the Trustee does not have notice of the occurrence of the event which requires mandatory tender at least 25 days prior to the date of mandatory tender, notice will be given as soon as practicable upon receipt of notice by the Trustee.

On the date of mandatory tender, the DTC Participant or Owner of such Certificate will tender such Certificate for purchase and such Certificate will be purchased or deemed purchased as provided in Section 4.08 hereof at a Purchase Price equal to the principal amount thereof plus accrued interest thereon.

SECTION 4.08. General Provisions Relating to Tenders.

(a) Certificate Payment Fund. Moneys in the Certificate Payment Fund established under Section 5.05 will be held in trust only for the benefit of the Owners of tendered Certificates who will thereafter be restricted exclusively to the moneys held in such fund for the satisfaction of any claim for the Purchase Price of such tendered Certificates.

(b) Deposit of Certificates. The Trustee agrees to hold all Certificates delivered to it pursuant to Section 4.07 of this Trust Agreement in trust for the benefit of the respective Owners which will have so delivered such Certificates until moneys representing the Purchase Price of such Certificates have been delivered to such Owner in accordance with the provisions of this Trust Agreement and until such Certificates will have been delivered by the Trustee in accordance with Section 4.08(f). As used herein: the term "Purchased Certificate" means any Certificate purchased under Section 4.07; the term "Purchase Date" means the date the

Purchased Certificates are to be purchased under Section 4.07; and the term "Purchase Price" of any Purchased Certificate means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Purchased Certificate is an Interest Payment Date, the Purchase Price thereof will be the principal amount thereof, and interest with respect to such Purchased Certificate will be paid to the Owner of such Purchased Certificate pursuant to this Trust Agreement.

Any Purchased Certificates which are subject to mandatory tender for purchase in accordance with Section 4.07(b) which are not presented to the Trustee on the Purchase Date and any Purchased Certificates which are the subject of a notice pursuant to Section 4.07(a) which are not presented to the Trustee on the Purchase Date, will, in accordance with the provisions of Section 4.10, be deemed to have been purchased upon the deposit of moneys equal to the Purchase Price thereof into any or all of the accounts of the Certificate Payment Fund.

(c) Remarketing of Certificates.

(i) Immediately upon its receipt, but not later than 10:15 a.m. (New York City time) on the Purchase Date specified in a notice from an Owner pursuant to Section 4.07(a)(i) of this Trust Agreement, and not later than 10:00 a.m. (New York City time) on the sixth Business Day prior to the Purchase Date specified in a notice from an Owner pursuant to Section 4.07(a)(ii) of this Trust Agreement, the Trustee will notify the Remarketing Agent, the City, the Credit Facility Provider, and the Authority by telephone, promptly confirmed in writing, or by telecopy, of such receipt, specifying the principal amount of Certificates for which it has received a notice pursuant to Section 4.07(a) of this Trust Agreement, the names of the Owners thereof and the date on which such Certificates are to be purchased in accordance with Section 4.07(a).

(ii) As soon as practicable, but in no event later than 11:30 a.m. (New York City time) on the Purchase Date in the case of Certificates to be purchased pursuant to Section 4.07(a)(i) and by no later than 4:00 p.m. (New York City time) on the last Business Day prior to the Purchase Date in the case of Certificates to be purchased pursuant to Sections 4.07(a)(ii) and 4.07(b), the Remarketing Agent will inform the Trustee and the Credit Facility Provider by telephone, promptly confirmed in writing, of the principal amount of Purchased Certificates for which the Remarketing Agent has identified prospective purchasers and of the name, address and taxpayer identification number of each such purchaser, the principal amount of Purchased Certificates to be purchased and the Authorized Denominations in which such Purchased Certificates are to be delivered, the aggregate Purchase Price of the Purchased Certificates, and as to the projected Funding Amount. Upon receipt from the Remarketing Agent of such information, the Trustee will prepare Purchased Certificates in accordance with such information received from the Remarketing Agent for the registration of transfer and redelivery to the Remarketing Agent.

The term "Funding Amount" is hereby defined to mean an amount equal to the difference between (a) the total Purchase Price of those Purchased Certificates to be purchased pursuant to Section 4.07, and (b) the Purchase Price of those Purchased Certificates to be purchased pursuant to Section 4.07 with respect to which the Remarketing Agent expects to transfer, or to cause to be transferred, immediately available funds to the Trustee by 11:45 a.m. (New York City time) on the Purchase Date, or expects to commit to be delivered to the Trustee by not later than 2:30 p.m., New York City time on the Purchase Date. .

As used herein, the term "Purchase Price" of any Purchased Certificate means the principal amount thereof plus accrued interest to, but not including, the Purchase Date; provided, however, that if the Purchase Date for any Purchased Certificate is an Interest Payment Date, the Purchase Price thereof will be the principal amount thereof, and interest with respect to such Certificate will be paid to the Owner of such Certificate pursuant to this Trust Agreement.

The Remarketing Agent will deliver the proceeds of the remarketing of the Certificates to the Trustee by 11:45 a.m., New York City time, on the Purchase Date or alternatively, will commit to deliver to the Trustee by said time a commitment to deliver said proceeds to the Trustee not later than 2:30 p.m., New York City time on the Purchase Date.

The Trustee will draw on the Credit Facility pursuant to the terms thereof or of the respective Credit Facility Agreement (or, if at any time there is an Alternate Credit Facility, then pursuant to the requirements of such Alternate Credit Facility) by 12:00 p.m. New York City time, on the Purchase Date in the amount necessary to provide to the Trustee or the Tender Agent the balance of the funds needed to purchase tendered Certificates on the Purchase Date, such balance will be determined based upon notification provided to the Trustee pursuant to Section 4.08(c)(ii) hereof; provided however in the event the Trustee has not received any funds or commitment to deliver funds from the Remarketing Agent by such time, the Trustee will draw the full amount of the Purchase Price. Such moneys will be used only to pay the Purchase Price as provided herein, and if not so used will be promptly returned to the Credit Facility Provider. If the Certificates are not Book-Entry Certificates, all amounts received from a draw under the Credit Facility will be transferred immediately by the Trustee to the Tender Agent to purchase tendered Certificates on the Purchase Date. Until applied to pay the Purchase Price or returned to the Credit Facility Provider, all such amounts will be deposited in a separate, segregated account of the Trustee and until so applied will be held uninvested in trust for the benefit of the Owners tendering such Certificates for purchase.

Any Purchased Certificates which are subject to mandatory tender for purchase in accordance with Section 4.07(b) which are not presented to the Trustee on the Purchase Date and any Purchased Certificates which are the subject of a notice pursuant to Section 4.07(a) which are not presented to the Trustee on the Purchase Date, will, in accordance with the provisions of Section 4.10, be deemed to have been purchased upon the deposit of moneys equal to the Purchase Price thereof into any or all of the accounts of the Certificate Payment Fund.

Notwithstanding anything in this Trust Agreement to the contrary, there will be no remarketing of Certificates pursuant to this Trust Agreement

(1) if there occurs and is continuing an Event of Default as described in Section 10.01(a) or (b), or

(2) upon receipt by the Trustee of written notification from the Credit Facility Provider that an event of default under the Credit Facility Agreement has occurred and is continuing and instructing the Trustee to call for a mandatory tender of the Certificates, or

(3) for the period during which the Trustee has notice that the amount available to be drawn under the Credit Facility will not or has not been reinstated, or

- (4) at any time when no Credit Facility is in effect.

The Trustee will give immediate notice to the Remarketing Agent, the Tender Agent, the Authority, the City, the Bank, the Credit Facility Provider and the Owners of the (i) occurrence and continuation of any of the Events of Default set forth in paragraph (1) above, or the termination of the Credit Facility, and that, as a result, no remarketing of Certificates are permitted to this Article, and (ii) the curing of any of such Events of Default or reinstatement of the Credit Facility and that, as a result, remarketing is again permitted under this Article.

(d) Deposits of Funds. The Trustee will deposit all proceeds received from the Remarketing Agent pursuant to this Section 4.09(d) and amounts received from the Credit Facility Provider pursuant to Section 5.08 as all or part of the Purchase Price in trust for the tendering Owners in the Certificate Payment Fund established under Section 5.05. In holding such proceeds and moneys, the Trustee will be acting on behalf of such Owners by facilitating purchase of the Certificates and not on behalf of the Authority and will not be subject to the control of any of them. Subject to the provisions of Section 4.09(c), following the discharge of the lien created by Section 5.01 of this Trust Agreement or after payment in full of the Certificates, the Trustee will pay any moneys remaining in any account of the Certificate Payment Fund directly to the persons for whom such money is held upon presentation of evidence reasonably satisfactory to the Trustee that such person is rightfully entitled to such money and the Trustee will not pay such amounts to any other person.

(e) Disbursements; Payment of Purchase Price. Moneys delivered to the Trustee on a Purchase Date will be applied at or before 4:00 p.m. (New York City time) on such Purchase Date to pay the Purchase Price of Purchased Certificates in immediately available funds and, to the extent not so applied on such date, will be held in the Certificate Payment Fund for the benefit of the Owners of the Purchased Certificates which were to have been purchased. The order of priority for use of such moneys delivered will be, first, from proceeds of remarketing; second, from draws on the Credit Facility; and third, from other available moneys.

Any moneys held by the Trustee in the Certificate Payment Fund remaining unclaimed by the Owners of the Purchased Certificates which were to have been purchased for two (2) years after the respective Purchase Date for such Purchased Certificates will be paid, upon the written request of the Authority, against written receipt therefor. The Owners of Purchased Certificates who have not yet claimed money in respect of such Certificates will thereafter be entitled to look only to the Trustee, to the extent it will hold moneys on deposit in the Certificate Payment Fund or the Authority to the extent moneys have been transferred in accordance with this Section.

If the Remarketing Agent has not received remarketing proceeds with respect to all of the Certificates to be remarketed on a Purchase Date or the Certificates are not Book-Entry Certificates or the Certificates are Bank Certificates, the proceeds of the remarketing of such Certificates received by the Remarketing Agent will be transferred by the Remarketing Agent to the Tender Agent or the Trustee, as applicable, no later than 12:00 noon (New York City time) on the Purchase Date and, upon receipt thereof, the Tender Agent or the Trustee, as applicable, will immediately apply such proceeds to the payment of the Purchase Price of Certificates to the Beneficial Owners or Owners thereof or, to the Credit Facility Provider in the case of the remarketing of Certificates which constitute Bank Certificates. In making payments to the Credit Facility Provider, the Trustee may conclusively assume that the Credit Facility Provider has not been repaid from any other sources.

(f) Delivery of Purchased Certificates and Bank Certificates.

(i) The Remarketing Agent will give telephonic or telegraphic notice, promptly confirmed by a written notice, to the Trustee on each date on which Certificates will have been purchased pursuant to Section 4.07, specifying the principal amount of such Certificates, if any, sold by it pursuant to Section 4.08(c) along with a list of such purchasers showing the names and denominations in which such Certificates will be registered, and the addresses and social security or taxpayer identification numbers of such purchasers. By 1:30 p.m. (New York City time) on the Purchase Date in the case of Certificates to be purchased pursuant to Section 4.07(a)(i) and by 12:00 noon (New York City time) in the case of Certificates to be purchased pursuant to Sections 4.07(a)(ii) and 4.07(b), a principal amount of Certificates equal to the amount of Purchased Certificates purchased with moneys from the Certificate Payment Fund will be made available by the Trustee to the Remarketing Agent against payment therefor in immediately available funds. The Trustee will prepare each Certificate to be so delivered in such names as directed by the Remarketing Agent.

(ii) A principal amount of Certificates equal to the amount of Certificates purchased from moneys on deposit in the Certificate Payment Fund will be delivered on the day of such purchase by the Trustee to or as directed by the Authority. The Trustee will register such Certificates in the name of the Authority or as otherwise directed by the Authority.

(iii) Certificates purchased with moneys obtained by a drawing on the Credit Facility ("Bank Certificates") will be registered in the name of the Credit Facility Provider or its nominee on the registration books of DTC, with respect to Book-Entry Certificates, or held by the Tender Agent or as directed in writing by the Credit Facility Provider. The Remarketing Agent will seek to remarket any Bank Certificates prior to remarketing any other Certificates tendered for purchase. The proceeds of any remarketing of Bank Certificates will be delivered to the Trustee and transferred to the Credit Facility Provider. Upon receipt by the Trustee of funds representing the proceeds of the remarketing of Bank Certificates, Certificates in place of such Bank Certificates so purchased will be made available for pick-up by the Remarketing Agent for subsequent delivery to the purchasers thereof, or the ownership interest will be transferred to the new DTC Participants on the books of DTC. Prior to or contemporaneously with such delivery, the proceeds of such remarketing will have been or will be delivered to the Trustee and transferred to the Credit Facility Provider, and the Trustee and the Tender Agent will have received written confirmation from the Credit Facility Provider of the reinstatement of the Credit Facility.

(iv) Certificates offered for purchase on a Bank Purchase Date but not purchased will continue to be held by the Bank in accordance with the Agreement. Such Unremarketed Certificates will evidence interest at the Purchaser Rate.

SECTION 4.09. Notice of Mandatory Tender for Purchase. In connection with any mandatory tender for purchase of Certificates in accordance with Section 4.07(b), the Trustee will give the notice provided herein as a part of the notice given pursuant to Sections 2.04(c), 2.05(c), 2.06(c) or 2.07(c) or other applicable notice requirement provided herein. Such notice will state: (a) that the Purchase Price of any Certificate so subject to mandatory tender for purchase will be payable only upon surrender of such Certificate to the Trustee at its Trust

Office, accompanied by an instrument of transfer thereof, in form satisfactory to the Trustee, executed in blank by the Owner thereof or by the Owner's duly-authorized attorney, with such signature guaranteed by a commercial bank, trust company or member firm of the New York Stock Exchange; (b) that all Certificates so subject to mandatory tender for purchase will be purchased on the mandatory purchase date which will be explicitly stated; and (c) that in the event that any Owner of a Certificate so subject to mandatory tender for purchase will not surrender such Certificate to the Trustee for purchase on such mandatory purchase date, then such Certificate will be deemed to be an Undelivered Certificate, and that no interest will accrue thereon on and after such mandatory purchase date and that the Owner thereof will have no rights under this Trust Agreement other than to receive payment of the Purchase Price thereof.

SECTION 4.10. Irrevocable Notice Deemed to be Tender of Certificate; Undelivered Certificates.

(a) The giving of notice by a Owner of a Certificate as provided in Section 4.07(a) will constitute the irrevocable tender for purchase of each such Certificate with respect to which such notice will have been given, regardless of whether such Certificate is delivered to the Trustee for purchase on the relevant purchase date as provided in this Article IV.

(b) The Trustee may refuse to accept delivery of any such Certificates for which a proper instrument of transfer has not been provided; such refusal, however, will not affect the validity of the purchase of such Certificate as herein described. For purposes of this Article IV, the Trustee for the Certificates will determine timely and proper delivery of such Certificates and the proper endorsement of such Certificates. Such determination will be binding on the Owners of such Certificates and the Authority, absent manifest error. If any Owner of a Certificate who will have given notice of tender of purchase pursuant to Section 4.07(a) or any Owner of a Certificate subject to mandatory tender for purchase pursuant to Section 4.07(b) will fail to deliver such Certificate to the Trustee at the place and on the applicable date and at the time specified, or will fail to deliver such Certificate properly endorsed, such Certificate will constitute an Undelivered Certificate. If funds in the amount of the Purchase Price of the Undelivered Certificate are available for payment to the Owner thereof on the date and at the time specified, from and after the date and time of that required delivery, (a) the Undelivered Certificate will be deemed to be purchased and will no longer be deemed to be Outstanding under this Trust Agreement; (b) interest will no longer accrue with respect thereto; and (c) funds in the amount of the Purchase Price of the Undelivered Certificate will be held by the Trustee for such Certificate for the benefit of the Owner thereof, to be paid on delivery (and proper endorsement) of the Undelivered Certificate to the Trustee at its Trust Office. Any funds held by the Trustee as described in clause (c) of the preceding sentence will be held uninvested.

SECTION 4.11. Remarketing of Certificates; Notice of Interest Rates.

(a) Upon a mandatory tender or notice of the tender for purchase of Certificates other than pursuant to Section 4.07(b)(i) or (vii), the Remarketing Agent will offer for sale and use its best efforts to sell such Certificates, any such sale to be made on the date of such purchase in accordance with this Article IV at a price equal to the principal amount thereof plus accrued interest, if any, thereon to the Purchase Date. The Remarketing Agent will not remarket any Certificate during an Event of Default under Section 10.01(a) or (b). The Remarketing Agent agrees that it will not sell any Certificates purchased pursuant to this Article IV to the City or the Authority or to any person who controls, is controlled by, or is under common control with the Authority.

(b) The Remarketing Agent will offer for sale and use its best efforts to sell the Bank Certificates at a price equal to the principal amount thereof plus accrued interest to the date of purchase (based on the rate per annum that would have been applicable to such Certificates if they were not Bank Certificates). The Remarketing Agent will not remarket any Certificate during an Event of Default under Section 10.01(a) or (b) or following a mandatory tender pursuant to Section 4.07(b)(vii). The Certificates will not be delivered upon remarketing unless the Trustee will have received a written confirmation from the Credit Facility Provider that the Credit Facility is reinstated in accordance with its terms to the full amount of the then Required Stated Amount.

(c) The Remarketing Agent will determine the rate of interest to be evidenced by the Certificates during each Interest Period other than an Index Period as provided in Article II hereof and will furnish to the Trustee and to the City and the Authority upon request, on the date of determination each rate of interest so determined by telephone, telecopy or readily accessible electronic means, promptly confirmed in writing.

SECTION 4.12. Notices Upon Delivery of Alternate Credit Facility. Whenever the Authority or the City has delivered to the Trustee notice of delivery of an Alternate Credit Facility, it will be accompanied by a form of notice, stating:

- (i) the name of the issuer of the Alternate Credit Facility,
- (ii) the date on which the Alternate Credit Facility will become effective,
- (iii) the rating expected to apply to the Certificates after the Alternate Credit Facility is delivered, and
- (iv) if the Certificates represent interest at a Variable Interest Rate, that such Certificates will be subject to mandatory tender for purchase on the effective date of the Alternate Credit Facility.

The Trustee will mail such notice to all Owners of the Certificates, with a copy to the Credit Facility Provider, at least 15 days prior to the effective date of the Alternate Credit Facility.

ARTICLE V

2012 PAYMENTS

SECTION 5.01. 2012 Payments Held in Trust. The 2012 Payments will be held in trust by the Trustee in Eligible Accounts for the benefit of the Owners from time to time of the Certificates, but will nonetheless be disbursed, allocated and applied solely for the uses and purposes provided herein.

SECTION 5.02. Deposit of 2012 Payments. The Trustee hereby agrees to establish, maintain and hold in trust the 2012 Debt Service Fund, for so long as any Certificates will be Outstanding hereunder. All 2012 Payments received by the Trustee will be immediately deposited in the 2012 Debt Service Fund and will be disbursed and applied only as hereinafter provided.

SECTION 5.03. Establishment and Maintenance of Accounts for Use of Money in the 2012 Debt Service Fund. Notwithstanding the following provisions of this Section 5.03, so long as the Trustee draws on the Credit Facility for payments of principal and interest with respect to the Certificates, such principal and interest will be paid from the 2012 Credit Facility Account and amounts in the 2012 Debt Service Fund will first be used to reimburse the Credit Facility Provider for draws on the Credit Facility used to pay such principal and interest. In the event the Credit Facility Provider fails to allow a draw under the Credit Facility for any reason, the moneys in the 2012 Debt Service Fund will be used for direct payment of the Certificates as provided below and such failure to allow a draw will not in itself trigger an acceleration of the principal amount represented by the Certificates or a mandatory tender of the Certificates.

Subject to Section 6.20, all money in the 2012 Debt Service Fund will be set aside by the Trustee in the following respective special accounts within the 2012 Debt Service Fund (each of which is hereby created and each of which the Trustee hereby agrees and covenants to maintain) in the following order of priority:

- (i) 2012 Interest Account, and
- (ii) 2012 Principal Payment Account (with a 2012 Principal Subaccount and a 2012 Sinking Fund Subaccount therein).

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

(a) 2012 Interest Account. On the Business Day immediately preceding each Interest Payment Date, commencing with the December 3, 2012, Interest Payment Date, the Trustee will set aside from the 2012 Debt Service Fund and deposit in the 2012 Interest Account that amount of money which is equal to the amount of interest evidenced and represented by the Certificates becoming due and payable on such Interest Payment Date.

No deposit need be made in the 2012 Interest Account if the amount contained therein is at least equal to the aggregate amount of interest evidenced and represented by the Certificates becoming due and payable on such Interest Payment Date.

All money in the 2012 Interest Account will be used and withdrawn by the Trustee solely for the purpose of paying the interest as it will become due and payable (including accrued interest evidenced and represented by any Certificates purchased or prepaid prior to their respective Principal Payment Date).

(b) 2012 Principal Payment Account. On the Business Day immediately preceding each Principal Payment Date, the Trustee will set aside from the 2012 Debt Service Fund and deposit in the 2012 Principal Subaccount in the 2012 Principal Payment Account an amount of money equal to the principal amount evidenced and represented by the Outstanding Serial Certificates with a Principal Payment Date of such February 1 and in the 2012 Sinking Fund Subaccount in the 2012 Principal Payment Account the amount of all Sinking Fund Installments required to be made on such February 1.

No deposit need be made in the 2012 Principal Payment Account if the amount contained in the 2012 Principal Subaccount therein is at least equal to the aggregate amount of the principal evidenced and represented by the Outstanding Serial Certificates with a Principal Payment Date of such February 1 and the amount contained in the 2012 Sinking Fund Subaccount therein is at least equal to the aggregate amount of all Sinking Fund Installments required to be made on such February 1.

All money in the 2012 Principal Subaccount in the 2012 Principal Payment Account will be used and withdrawn by the Trustee solely for the purpose of paying the principal evidenced and represented by the Serial Certificates as they will become due and payable, whether at their respective Principal Payment Dates or on prior prepayment, and all money in the 2012 Sinking Fund Subaccount in the 2012 Principal Payment Account will be used and withdrawn by the Trustee only to purchase or to prepay or to pay Term Certificates, and with respect to the 2012 Sinking Fund Subaccount, on each Sinking Fund Installment date, the Trustee will apply the Sinking Fund Installment required on that date to the prepayment (or the payment at Principal Payment Date, as the case may be) of the Term Certificates upon the notice and in the manner provided in Article II; provided, that at any time prior to giving such notice of such prepayment, the Trustee may, upon the Request of the Authority and receipt of moneys sufficient therefor, purchase for cancellation of Term Certificates at public or private sale as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the 2012 Interest Account) as may be directed in a Request of the Authority, except that the purchase price (excluding accrued interest) will not exceed the prepayment price that would be payable for such Term Certificates upon prepayment by application of such Sinking Fund Installment, and if during the twelve-month period immediately preceding any Sinking Fund Installment date the Trustee has so purchased Term Certificates, such Certificates so purchased will be applied to the extent of the full principal amount evidenced and represented thereby to reduce the Sinking Fund Installment.

SECTION 5.04. Parity Reserve Fund. The Trustee hereby agrees and covenants to maintain the Parity Reserve Fund established under the 1997 Trust Agreement so long as the Contract has not been discharged in accordance with its terms or any Certificates remain Outstanding hereunder notwithstanding that the Parity Reserve Fund is no longer maintained under the 1997 Trust Agreement. There is hereby established within the Parity Reserve Fund the "2012 Parity Reserve Account." Upon receipt of the proceeds of the Certificates in accordance with Section 3.02 hereof, the Trustee will deposit in the 2012 Parity Reserve Account an amount which, when added to the amount then on deposit in the Parity Reserve Fund, equals the Reserve Fund Requirement. Thereafter, the Trustee will deposit in the 2012 Parity Reserve Account such other amounts transferred to the Trustee by the City pursuant to

Section 2.04(b)(2) of the Master Contract, as directed by the Authority in a Request of the Authority. Moneys on deposit in the 2012 Parity Reserve Account will be transferred by the Trustee to the 2012 Debt Service Fund to pay principal and interest evidenced and represented by the Certificates on any Interest Payment Date in the event amounts on deposit therein are insufficient for such purposes. The Trustee will also, from such amounts on deposit in the 2012 Parity Reserve Account, transfer or cause to be transferred to the debt service fund established under the 1997 Trust Agreement and any applicable debt service fund established under a trust agreement under which any obligations are issued in connection with a supplement to the Master Contract, without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without discrimination or preference, that sum or sums, if any, equal to the amount required to be deposited therein pursuant to the 1997 Trust Agreement or such trust agreement under which any obligations are issued in connection with a supplement to the Master Contract.

Interest earnings on amounts on deposit in the 2012 Parity Reserve Account, and any amount in the 2012 Parity Reserve Account in excess of the amount which, when added to the amount in the Parity Reserve Fund equals the Reserve Fund Requirement, unless needed to pay debt service on any obligations issued pursuant to the Master Contract or to replenish the Parity Reserve Fund, or unless subject to rebate requirements pursuant to Section 2.06 of the 2012 Supplemental Contract, will be withdrawn from the 2012 Parity Reserve Account and transferred, upon written request of the Authority submitted to the Trustee, to the City for deposit in the Revenue Fund established under the Contract. Any withdrawals of excess amounts in either or both of the Parity Reserve Fund, the 2012 Parity Reserve Account and any accounts established in connection with other Parity Obligations which are attributable to other-than interest earnings will be allocated and withdrawn, upon written request of the Authority submitted to the Trustee, from the amount on deposit in the Parity Reserve Fund, the 2012 Parity Reserve Account and any accounts established in connection with other Parity Obligations pro-rata, based on the portion of the Reserve Fund Requirement originally deposited in the Parity Reserve Fund from such Parity Obligations, in the 2012 Parity Reserve Account from the Certificates, and in such other accounts established in connection with other Parity Obligations from proceeds of such Parity Obligations, except that to the extent that the reduction is attributable in whole or in part to any particular Parity Obligations, the Parity Reserve Fund will be reduced by the portion of the total reduction that is reasonably attributable to such Parity Obligations, and the 2012 Parity Reserve Account will be reduced by the portion of the total reduction that is reasonably attributable to the Certificates and the accounts established in connection with the other Parity Obligations will be reduced by the portion of the total reduction that is reasonably attributable to such other Parity Obligations, all as set forth in the written request of the Authority to the Trustee with respect to such allocation and withdrawal.

SECTION 5.05. Remarketing Account and Credit Facility Account. In connection with Certificates subject to an Interest Rate Mode other than an Index Rate or a Long-Term Rate, there will be established with and maintained by the Tender Agent a separate trust fund to be designated "Certificate Payment Fund." The Tender Agent will further establish within the Certificate Payment Fund a separate trust account to be referred to herein as a "Remarketing Account", a separate trust account to be referred to herein as a "2012 Credit Facility Account".

Upon receipt of the proceeds of a remarketing of Certificates on a Purchase Date, the Tender Agent will deposit such proceeds in the Remarketing Account of the Certificate Payment Fund for application to the Purchase Price of such Certificates in accordance with Section 4.07 and, if the Tender Agent is not a paying agent with respect to such Certificates, will transmit such proceeds to the Trustee for such application. Notwithstanding the foregoing, upon receipt

of the proceeds of a remarketing of Bank Certificates, the Tender Agent will immediately pay such proceeds to the Credit Facility Provider.

If a Credit Facility is in effect with respect to any Certificates, the Trustee will create within the Certificate Payment Fund a separate account called the "2012 Credit Facility Account," into which all moneys drawn under the Credit Facility will be deposited and disbursed. The Authority will not have any right title or interest in the 2012 Credit Facility Account. The 2012 Credit Facility Account will be established and maintained by the Trustee and held uninvested and in trust apart from all other moneys and securities held under this Trust Agreement or otherwise, and over which the Trustee will have the exclusive and sole right of withdrawal for the exclusive benefit of the Owners of the Certificates with respect to which such drawing was made.

SECTION 5.06. Deposit and Investments of Money in Accounts and Funds. Subject to Section 3.02(f), 4.08(c), 5.05(b) and 6.03, and any other exceptions herein, all money held by the Trustee in any of the accounts or funds established pursuant hereto will be invested in Permitted Investments at the Request of the Authority filed with the Trustee which such Permitted Investments will, as nearly as practicable, mature on or before the dates on which such money is anticipated to be needed for disbursement hereunder, and the Trustee will have no liability or responsibility for any loss resulting from any investment made in accordance herewith; provided, that if no such Written Request is received by the Trustee, the Trustee will hold such money in cash, uninvested. Subject to Sections 5.03, 5.04 and 6.20, all interest or profits received on any money so invested will be deposited in the 2012 Debt Service Fund. Investments purchased with funds on deposit in the Parity Reserve Fund will have an average aggregate weighted term to maturity not greater than five years.

For investment purposes only, the Trustee may commingle the funds and accounts established hereunder, but will account for each separately. All investments of amounts deposited in any fund or account created by or pursuant to this Trust Agreement, or otherwise containing proceeds of the Certificates will be acquired, disposed of, and valued (as of the date that valuation is required by this Trust Agreement or the Code) at Fair Market Value.

The Authority acknowledges that to the extent regulations of the Comptroller of the Currency or other applicable regulatory entity grant the Authority the right to receive brokerage confirmations of security transactions as they occur, the Authority specifically waives receipt of such confirmations to the extent permitted by law. The Trustee will furnish the Authority periodic cash transaction statements which include detail for all investment transactions made by the Trustee hereunder.

The Trustee or any of its affiliates may act as sponsor, principal, agent, advisor or manager in connection with any investments made by the Trustee hereunder.

The Trustee will not be liable for any loss from any Permitted Investments acquired, held or disposed of in accordance herewith.

SECTION 5.07. Assignment to Trustee, Enforcement of Obligations.

(a) The Authority hereby transfers, assigns and sets over to the Trustee all of the 2012 Payments and any and all rights and privileges it has under the Contract, including, without limitation, the right to collect and receive directly all of the 2012 Payments and the right to enforce the provisions of the Contract; and any 2012 Payments collected or received by the

Authority will be deemed to be held, and to have been collected or received, by the Authority as the agent of the Trustee, and will forthwith be paid by the Authority to the Trustee. The Trustee also will, subject to the provisions of this Trust Agreement, take all steps, actions and proceedings required to be taken as provided in any Opinion of Special Counsel delivered to it, reasonably necessary to maintain in force for the benefit of the Owners of the Certificates the Trustee's rights in and priority to the following security granted to it for the payment of the Certificates: the Trustee's rights as assignee of the 2012 Payments under the Contract and as beneficiary of any other rights to security for the Certificates which the Trustee may receive in the future.

(b) The Trustee may, in performing the obligations set forth in Section 5.07(a) above, rely and will be protected in acting or refraining from acting upon an Opinion of Special Counsel furnished by the City.

SECTION 5.08. Credit Facility.

(a) Maintenance and Use of Credit Facility. (i) The Trustee will hold and maintain the Credit Facility, if any, for the benefit of the Owners until the Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility.

The Trustee will enforce all terms, covenants and conditions of the Credit Facility, including drawing on the Credit Facility as required to provide for all payments of principal of and interest with respect to, Prepayment Price and Purchase Price of Certificates (other than Bank Certificates), amounts due on acceleration upon an Event of Default, and all other provisions thereof relating to the payment of draws on, and reinstatement of amounts that may be drawn under, the Credit Facility, and will not consent to, agree to or permit any amendment or modification of the Credit Facility which would materially adversely affect the rights or security of the Owners of the Certificates.

If at any time during the term of the Credit Facility any successor Trustee is appointed and qualified under this Trust Agreement, the resigning or removed Trustee will request that the Credit Facility Provider transfer the Credit Facility to the successor Trustee. If the resigning or removed Trustee fails to make this request, the successor Trustee will do so before accepting appointment.

When the Credit Facility expires in accordance with its terms or is replaced by an Alternate Credit Facility, the Trustee will immediately surrender the Credit Facility to the Credit Facility Provider.

(ii) The Trustee will draw moneys under the Credit Facility in accordance with the terms thereof in an amount necessary to make full and timely payments of (i) principal of and interest with respect to and Prepayment Price of the Certificates (other than Bank Certificates) during the Weekly Rate Period, Daily Rate Period or Commercial Paper Rate Period (when the Certificates in a Commercial Paper Rate are covered by a Credit Facility) when due at maturity, prepayment or acceleration and (ii) Purchase Price required to be made pursuant hereto.

(iii) If at any time there will have been delivered to the Trustee an Alternate Credit Facility meeting the requirements of hereof, then the Trustee will accept such Alternate Credit Facility, draw on the existing Credit Facility to the extent required pursuant to the provisions thereof and hereof for payment of the Purchase Price, and after such draw has been honored, surrender the existing Credit Facility to the Credit Facility Provider, in accordance with the terms

of such Credit Facility, for cancellation. The existing Credit Facility will be returned to the Credit Facility Provider only after the Credit Facility Provider has honored any draws required to pay the Purchase Price in accordance with the terms hereof.

If at any time there cease to be any Certificates Outstanding hereunder, the Trustee will promptly surrender the Credit Facility to the Credit Facility Provider, in accordance with the terms of the Credit Facility, for cancellation. The Trustee will comply with the procedures set forth in the Credit Facility relating to the termination thereof.

(b) Alternate Credit Facility. (i) During any Interest Rate Mode other than the Index Rate or Long-Term Rate, the Authority will maintain or cause to be maintained the Credit Facility or an Alternate Credit Facility.

(ii) The Authority has the option, which can be exercised at any time, to provide for the delivery of an Alternate Credit Facility. Unless the Certificates are to be converted to an Index Rate or Long-Term Rate, prior to the expiration or termination of an existing Credit Facility the Authority is required to provide for the delivery of an Alternate Credit Facility. An Alternate Credit Facility will be (i) an irrevocable letter of credit or other irrevocable credit facility, (ii) issued by a commercial bank, savings institution or other financial institution, and (iii) the terms of which will, to the extent dictated by the terms of the Certificates, be the same as or similar to the existing Credit Facility; provided, that the expiration date of such Alternate Credit Facility will be a date not earlier than one year from its date of issuance (subject to earlier termination upon payment of all Certificates in full or provision for such payment in accordance with Section 11.03 of this Trust Agreement).

The procedures and requirements for providing an Alternate Credit Facility are:

(1) at least 25 days prior to the expiration of the existing Credit Facility, the Authority will cause to be provided to the Trustee:

(a) a draft of a Favorable Opinion of Special Counsel (a signed opinion will be delivered on and dated the effective date of the Alternate Credit Facility),

(b) a draft of an opinion of counsel to the provider of the Alternate Credit Facility to the effect that such Alternate Credit Facility is enforceable in accordance with its terms, except to the extent that the enforceability thereof may be limited by bankruptcy, reorganization or similar laws limiting the enforceability of creditors' rights generally and except that no opinion need be expressed as to the availability of any discretionary equitable remedies, (a signed opinion will be delivered on and dated the effective date of the Alternate Credit Facility), and

(2) actual delivery to the Trustee of an Alternate Credit Facility, together with executed copies of the legal opinions in subsections (1)(a) and (1)(b) above, will be made on a Business Day at least 5 days prior to the expiration date of an existing Credit Facility, and

(3) notice thereof to the Owners of the Certificates pursuant to Section 4.12.

ARTICLE VI

COVENANTS OF THE AUTHORITY AND THE TRUSTEE

SECTION 6.01. Compliance with Trust Agreement. The Trustee will not execute or deliver any Certificates in any manner other than in accordance with the provisions hereby; and the Authority will not suffer or permit any default by it to occur hereunder, but will faithfully comply with, keep, observe and perform all the agreements and covenants to be observed or performed by it contained herein and in the Certificates.

SECTION 6.02. Observance of Laws and Regulations. The Authority will faithfully comply with, keep, observe and perform all valid and lawful obligations or regulations now or hereafter imposed on it by contract, or prescribed by any law of the United States of America or of the State of California, or by any officer, board or commission having jurisdiction or control, as a condition of the continued enjoyment of each and every franchise, right or privilege now owned or hereafter acquired by it, including its right to exist and carry on its businesses, to the end that such franchises, rights and privileges will be maintained and preserved and will not become abandoned, forfeited or in any manner impaired.

SECTION 6.03. Tax Covenants. The Authority hereby covenants with the Owners of the Certificates that, notwithstanding any other provisions of this Trust Agreement, it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of interest evidenced and represented by the Certificates under Section 103 of the Tax Code. The Authority will not, directly or indirectly, use or permit the use of proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Tax Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of interest evidenced and represented by the Certificates.

The Authority will not take any action, or fail to take any action, if any such action or failure to take action would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Tax Code, and in furtherance thereof, will not make any use of the proceeds of the Certificates or any of the property financed or refinanced with proceeds of the Certificates, or any portion thereof, or any other funds of the Authority, that would cause the Certificates to be "private activity bonds" within the meaning of Section 141 of the Tax Code. To that end, so long as any Certificates are Outstanding, the Authority, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Tax Code and all regulations of the United States Department of the Treasury issued thereunder, to the extent such requirements are, at the time, applicable and in effect. The Authority will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Tax Code and the continued qualification of the Certificates as "governmental bonds."

The Authority will not, directly or indirectly, use or permit the use of any proceeds of any Certificates, or of any property financed or refinanced thereby, or other funds of the Authority, or take or omit to take any action, that would cause the Certificates to be "arbitrage bonds" within the meaning of Section 148 of the Tax Code. To that end, the Authority will comply with all requirements of Section 148 of the Tax Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the Certificates.

The Authority will not make any use of the proceeds of the Certificates or any other funds of the Authority, or take or omit to take any other action, that would cause the Certificates to be "federally guaranteed" within the meaning of Section 149(b) of the Tax Code.

In furtherance of the foregoing tax covenants, the Authority covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants will survive payment in full or defeasance of the Certificates.

SECTION 6.04. Accounting, Records and Reports. The Trustee will keep or cause to be kept proper books of record and accounts in which complete and correct entries will be made of all transactions made by the Trustee relating to the receipts, disbursements, allocation and application of the 2012 Payments and the proceeds of the Certificates, and such books will be available for inspection by the Authority, at reasonable hours and under reasonable conditions. Not more than 180 days after the close of each Fiscal Year, the Trustee will furnish or cause to be furnished to the Authority a complete financial statement, which may be in the form of the Trustee's statements, covering receipts, disbursements, allocation and application of 2012 Payments received by the Trustee for such Fiscal Year. The Authority will keep or cause to be kept such information as required under the Tax Certificate.

SECTION 6.05. Prosecution and Defense of Suits. The Authority will defend against every suit, action or proceeding at any time brought against the Trustee upon any claim to the extent arising out of the receipt, application or disbursement of any of the 2012 Payments and the proceeds of the Certificates or to the extent involving the failure of the Authority to fulfill its obligations hereunder; provided that the Trustee or any affected Owner at its election may appear in and defend any such suit, action or proceeding. The Authority will indemnify and hold harmless the Trustee against any and all liability claimed or asserted by any person to the extent arising out of such failure by the Authority, and will indemnify and hold harmless the Trustee against any attorney's fees or other expenses which it may incur in connection with any litigation to which it may become a party by reason of its actions hereunder, except for any loss, cost, damage or expense resulting from the active or passive negligence, willful misconduct or breach of duty by the Trustee. Notwithstanding any contrary provision hereof, this covenant will remain in full force and effect even though all Certificates secured hereby may have been fully paid and satisfied.

SECTION 6.06. Amendments to Contract. Except for any Supplemental Contract delivered in accordance with the terms of the Contract, the Authority will not supplement, amend, modify or terminate any of the terms of the Contract, or consent to any such supplement, amendment, modification or termination, without the prior written consent of the Trustee, which such consent will be given only if (a) such supplement, amendment, modification or termination will not materially adversely affect the interests of the Owners or result in any material impairment of the security hereby given for the payment of the Certificates, or (b) the Trustee first obtains the written consent of the Owners of a majority in aggregate principal amount evidenced and represented by the Certificates then Outstanding to such supplement, amendment, modification or termination; provided, however, that no such supplement, amendment, modification or termination will reduce the amount of 2012 Payments to be made to the Authority or the Trustee by the City pursuant to the Contract, or extend the time for making such 2012 Payments in any manner that would require the amendment of the Trust Agreement in any manner not in compliance with Section 6.01.

SECTION 6.07. Further Assurances. Whenever and so often as reasonably requested to do so by the Trustee or any Owner, the Authority will promptly execute and deliver or cause to be executed and delivered all such other and further assurances, documents or instruments, and promptly do or cause to be done all such other and further things as may be necessary or reasonably required in order to further and more fully vest in the Trustee and the Owners all rights, interests, powers, benefits, privileges and advantages conferred or intended to be conferred upon them hereby.

SECTION 6.08. Bank Purchase Date. Prior to any Bank Purchase Date, the Authority will use its best efforts to (a) convert the Certificates to another Interest Rate Mode and remarket the Certificates pursuant to Section 4.11, (b) convert the Certificates to a new Index Rate and enter into a revised Agreement with the Bank or a new Agreement with a subsequent Bank with respect to the Certificates, (c) otherwise refinance or prepay the Certificates pursuant to the terms of this Trust Agreement.

ARTICLE VII

MODIFICATION AND AMENDMENT OF THE TRUST AGREEMENT

SECTION 7.01. Amendment by Consent of Owners. This Trust Agreement and the rights and obligations of the Authority and of the Owners of the Certificates may be modified or amended at any time by a Supplemental Trust Agreement which will become binding when the written consent of the Credit Facility Provider (so long as the Credit Facility is outstanding and the Credit Facility Provider is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Credit Facility Provider) and the Owners of a majority in aggregate principal amount of the Certificates then Outstanding (except the consent of the Owners will not be necessary so long as the Credit Facility is outstanding and the Credit Facility Provider is not wrongfully dishonoring any drawings thereunder), exclusive of Certificates disqualified as provided in Section 7.03, or the Bank (during an Index Rate Period or at any time that Certificates evidence interest at the Purchaser Rate) are filed with the Trustee. No such modification or amendment will (a) extend the maturity of or reduce the interest rate on any Certificate or otherwise alter or impair the obligation of the Authority to pay the principal, interest or prepayment premiums at the time and place and at the rate and in the currency provided therein of any Certificate without the express written consent of the Credit Facility Provider and the Owner of such Certificate or the Bank (during an Index Rate Period), (b) reduce the percentage of Certificates required for the written consent to any such amendment or modification, or (c) without its written consent thereto, modify any of the rights or obligations of the Trustee.

SECTION 7.02. Amendment Without Consent of Owners. This Trust Agreement and the rights and obligations of the Authority and of the Owners of the Certificates may also be modified or amended at any time by a Supplemental Trust Agreement which will become binding upon execution and delivery, without consent of the Bank (during an Index Rate Period) or any Owners, but only to the extent permitted by law and only for any one or more of the following purposes-

(a) to add to the covenants and agreements of the Authority in this Trust Agreement contained, other covenants and agreements thereafter to be observed, or to limit or surrender any rights or power herein reserved to or conferred upon the Authority; or

(b) to make such provisions for the purpose of curing any ambiguity, or of curing, correcting or supplementing any defective provision contained in this Trust Agreement, or in any other respect whatsoever as the Authority may deem necessary or desirable, provided under any circumstances that such modifications or amendments will not adversely affect the interests of the Owners of the Certificates or the Swap Counterparty;

(c) to make such additions, deletions or modifications as may be necessary or desirable to assure exemption from federal income taxation of interest with respect to the Certificates.

(d) to modify, alter, amend or supplement this Trust Agreement in any other respect including amendments which would otherwise be described in Section 7.01, if such amendments will take effect:

- (1) on a mandatory tender date in connection with the purchase of tendered Certificates;
 - (2) on a Conversion Date; or
 - (3) during a Weekly Rate if notice of the proposed amended or supplemental indenture is given to Certificate Owners (in the same manner as notices of prepayment are given) at least 30 days before the effective date of such amendment, modification, alteration or supplement and, on or before such effective date, the Certificate Owners have the right to demand purchase of the Certificates pursuant to Section 4.07; or
- (e) to provide for the issuance of one or more additional series of Certificates; or
 - (f) to implement a Conversion of the Interest Rate Mode; or
 - (g) to provide for a Credit Facility or clarify certain terms of a Credit Facility.

SECTION 7.03. Disqualified Certificates. Certificates owned or held by or for the account of the Authority (but excluding Certificates held in any employees' retirement fund) will not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Certificates in this article provided for, and will not be entitled to consent to, or take any other action in this article provided for. Upon request of the Trustee, the Authority will specify in a certificate to the Trustee those Certificates disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

SECTION 7.04. Endorsement or Replacement of Certificates After Amendment. After the effective date of any action taken as herein above provided, the Authority may determine that the Certificates will bear a notation, by endorsement in form approved by the Authority, as to such action, and in that case upon demand of the Owner of any Certificate Outstanding at such effective date and presentation of his Certificate for that purpose at the Trust Office of the Trustee, a suitable notation as to such action will be made on such Certificate. If the Authority will so determine, new Certificates so modified as, in the opinion of the Authority, will be necessary to conform to such Owners' action, will be prepared and executed, and in that case, upon demand of the Owner of any Certificate Outstanding at such effective date, such new Certificates will be exchanged at the Trust Office of the Trustee, without cost to each Owner, for Certificates then Outstanding, upon surrender of such Outstanding Certificates.

SECTION 7.05. Amendment by Mutual Consent. The provisions of this Article VII will not prevent any Owner from accepting any amendment as to the particular Certificate held by him, provided that due notation thereof is made on such Certificate.

ARTICLE VIII

THE REMARKETING AGENT AND THE TENDER AGENT

SECTION 8.01. Remarketing Agent.

(a) Upon Conversion of any of the Certificates to the Daily Rate, Weekly Rate, Long-Term Rate or Commercial Paper Rate at a time when no Remarketing Agent is serving as Remarketing Agent for the Certificates, the Authority will appoint a Remarketing Agent for such Certificates. The Remarketing Agent will be authorized by law to perform all the duties imposed upon it hereby. The Remarketing Agent or any successor will signify its acceptance of the duties and obligations imposed upon it hereunder by a Remarketing Agreement under which the Remarketing Agent will agree to:

(i) determine the interest rates applicable to such Certificates and give notice to the Trustee of such rates and periods in accordance with Article II hereof;

(ii) keep such books and records as will be consistent with prudent industry practice; and

(iii) use its best efforts to remarket Certificates in accordance with this Trust Agreement and the terms hereof.

The Remarketing Agent will hold all amounts received by it in accordance with any remarketing of Certificates pursuant to Section 4.11 in trust only for the benefit of the Owners of tendered Certificates and will not commingle such amounts with any other moneys.

(b) Each Remarketing Agent will be (i) a member of the National Association of Securities Dealers, Inc., having a capitalization of at least \$50,000,000, and (ii) authorized by law to perform all the duties imposed upon it by this Trust Agreement and the Remarketing Agreement.

(c) The Remarketing Agent may at any time resign and be discharged of the duties and obligations created by this Trust Agreement by giving at least 30 days' written notice to the Authority and the Trustee (with a copy of such notice mailed by certified mail to each of the Certificate owners). A Remarketing Agent may be removed at any time at the direction of the Authority, by an instrument signed by the Authority and filed at least 30 days prior to such removal with the Remarketing Agent, the Credit Provider and the Trustee.

(d) Any corporation, association, partnership or firm which succeeds to the business of the Remarketing Agent as a whole or substantially as a whole, whether by sale, merger, consolidation or otherwise, will thereby become vested with all the property, rights and powers of such Remarketing Agent hereunder.

(e) In the event that the Remarketing Agent will resign, be removed or be dissolved, or if the property or affairs of the Remarketing Agent will be taken under control of any state or federal court or administrative body because of bankruptcy or insolvency, or for any other reason, and the Authority will not have appointed its successor within thirty (30) days, the Trustee will apply to a court of competent jurisdiction for such appointment.

SECTION 8.02. Tender Agent. The Tender Agent and any successor to the Tender Agent will be a bank having trust powers, a national banking association, or trust company organized and doing business under the laws of the United States of America or any state and at all times when the Certificates are not Book-Entry Certificates will have an office for servicing the Certificates in New York, New York.

The Tender Agent may resign by notifying the Authority, the Trustee, the Credit Facility Provider, the Remarketing Agent and the Owners at least 30 days before the effective date of such resignation. The Trustee may, with the consent of the Credit Facility Provider, remove the Tender Agent and appoint a successor by notifying the Tender Agent, the Remarketing Agent and the Authority.

No removal or resignation of the Tender Agent will be effective until the successor has delivered an acceptance of its appointment to the Trustee and the predecessor Tender Agent.

In the event of the resignation or removal of the Tender Agent, such Tender Agent will pay over, assign and deliver any moneys held by it as Tender Agent to its successor, or if there is no successor, to the Trustee. If for any reason there is no Tender Agent or the party acting as Tender Agent is unable to perform its duties hereunder, the Trustee will act as Tender Agent.

SECTION 8.03. Several Capacities. Anything herein to the contrary notwithstanding, the same entity may serve hereunder as the Trustee, the Calculation Agent, the Market Agent, the Remarketing Agent and the Tender Agent, and in any combination of such capacities to the extent permitted by law. Any such entity may in good faith buy, sell, own, hold and deal in any of the Certificates and may join in any action which any Owners may be entitled to take with like effect as if such entity were not appointed to act in such capacity under this Trust Agreement.

ARTICLE IX THE TRUSTEE

SECTION 9.01. Appointment of Trustee. The Bank of New York Mellon Trust Company, N.A., in San Francisco, California, a national banking association organized and existing under the laws of the United States, is hereby appointed Trustee by the Authority for the purpose of receiving all moneys required to be deposited with the Trustee hereunder and to allocate, use and apply the same as provided in this Trust Agreement. The Authority agrees that it will maintain a Trustee having a corporate trust office in California, with a combined capital and surplus, or in the case of a bank, national banking association or trust company which is a member of a bank holding company system, the related bank holding company will have a combined capital and surplus, of at least One Hundred Million Dollars (\$100,000,000), and subject to supervision or examination by federal or State authority, so long as any Certificates are Outstanding. If such bank, national banking association or trust company publishes a report of condition at least annually pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purpose of this Section 9.01 the combined capital and surplus of such bank, national banking association or trust company or bank holding company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee is hereby authorized to pay the Certificates when duly presented for payment at maturity, or on prepayment or purchase prior to maturity, and to cancel all Certificates upon payment thereof. The Trustee will keep accurate records of all funds administered by it and of all Certificates paid and discharged.

SECTION 9.02. Acceptance of Trusts. The Trustee hereby accepts the trusts imposed upon it by this Trust Agreement, and agrees to perform said trusts, but only upon and subject to the following express terms and conditions:

(a) The Trustee, prior to the occurrence of an Event of Default and after curing all Events of Default which may have occurred, undertakes to perform such duties and only such duties as are specifically set forth in this Trust Agreement and no implied duties will read into this Trust Agreement against the Trustee. In case an Event of Default hereunder has occurred (which has not been cured or waived) the Trustee may exercise such of the rights and powers vested in it by this Trust Agreement, and will use the same degree of care and skill in their exercise, as a prudent and reasonable man would exercise or use under the circumstances in the conduct of his own affairs.

(b) The Trustee may execute any of the trusts or powers hereof and perform the duties required of it hereunder by or through attorneys, agents, or receivers but will not be answerable for the selection of the same if appointed with due care, and will be entitled to advice of counsel concerning all matters of trust and its duty hereunder.

(c) The Trustee will not be responsible for any recital herein, or in the Certificates, or for the validity or priority of this Trust Agreement or any of the supplements thereto or instruments of further assurance, or for the sufficiency of the security for the Certificates issued hereunder or intended to be secured hereby and the Trustee will not be bound to ascertain or inquire as to the observance or performance of any covenants, conditions or agreements on the part of the Authority hereunder. The Trustee will not be responsible or liable for any loss suffered in connection with any investment of funds made by it in accordance with Section 5.06.

(d) The Trustee will not be accountable for the use of any proceeds of sale of the Certificates delivered hereunder. The Trustee may become the Owner of Certificates secured hereby with the same rights which it would have if not the Trustee; may acquire and dispose of other certificates or evidence of indebtedness of the Authority with the same rights it would have if it were not the Trustee; and may act as a depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the rights of Owners of Certificates, whether or not such committee will represent the Owners of the majority in principal amount of the Certificates then Outstanding.

(e) In the absence of bad faith on its part, the Trustee will be protected in acting upon and will incur no liability in acting or refraining from acting upon, any notice, request, consent, certificate, order, affidavit, letter, telegram, facsimile transmission, electronic mail or other paper or document believed by it to be genuine and correct and to have been signed or sent by the proper person or persons. The Trustee will not be required to ascertain or verify the accuracy or completeness of any factual statement or conclusion made in any notice, request, consent, certificate, order, affidavit, letter telegram, facsimile transmission, electronic mail or other paper or documentation believed by the Trustee to be genuine and to have been signed or presented by the proper person or persons. Any action taken or omitted to be taken by the Trustee in good faith and without negligence pursuant to this Trust Agreement upon the request or authority or consent of any person who at the time of making such request or giving such authority or consent is the Owner of any Certificate, will be conclusive and binding upon all future Owners of the same Certificate and upon Certificates issued in exchange therefor or in place thereof. The Trustee will not be bound to recognize any person as an Owner of any Certificate or to take any action at his request unless the ownership of such Certificate by such person will be reflected on the Certificate Registration Books.

(f) As to the existence or non-existence of any fact or as to the sufficiency or validity of any instrument, paper or proceeding, the Trustee will be entitled to rely upon a Certificate of the Authority as sufficient evidence of the facts therein contained and prior to the occurrence of an Event of Default hereunder of which the Trustee has been given notice or is deemed to have notice, as provided in Section 9.02(h) hereof, will also be at liberty to accept a similar certificate to the effect that any particular dealing, transaction or action is necessary or expedient, but may at its discretion secure such further evidence deemed by it to be necessary or advisable, but will in no case be bound to secure the same. The Trustee may accept a Certificate of the Authority to the effect that an authorization in the form therein set forth has been adopted by the Authority, as conclusive evidence that such authorization has been duly adopted and is in full force and effect.

(g) The permissive right of the Trustee to do things enumerated in this Trust Agreement will not be construed as a duty and it will not be answerable for other than its negligence or willful misconduct. The immunities and exceptions from liability of the Trustee will extend to its officers, directors, employees and agents.

(h) The Trustee will not be required to take notice or be deemed to have notice of any Event of Default hereunder except failure by the Authority to make any of the payments to the Trustee required to be made by the Authority pursuant hereto or failure by the Authority to file with the Trustee any document required by this Trust Agreement to be so filed subsequent to the issuance of the Certificates, unless the Trustee will be specifically notified in writing of such default by the Authority or by the Owners of at least twenty-five percent (25%) in aggregate principal amount of the Certificates then Outstanding and all notices or other instruments required by this Trust Agreement to be delivered to the Trustee must, in order to be effective, be

delivered at the Trust Office of the Trustee, and in the absence of such notice so delivered the Trustee may conclusively assume there is no Event of Default hereunder except as aforesaid.

(i) At any and all reasonable times the Trustee, and its duly authorized agents, attorneys, experts, engineers, accountants and representatives, will have the right fully to inspect the Electric System, including all books, papers and records of the Authority pertaining to the Electric System and the Certificates, and to take such memoranda from and with regard thereto as may be desired but which is not privileged by statute or by law.

(j) The Trustee will not be required to give any bond or surety in respect of the execution of the said trusts and powers or otherwise in respect of the premises.

(k) Notwithstanding anything elsewhere in this Trust Agreement with respect to the execution of any Certificates, the withdrawal of any cash, the release of any property, or any action whatsoever within the purview of this Trust Agreement, the Trustee will have the right, but will not be required, to demand any showings, certificates, opinions, appraisals or other information, or corporate action or evidence thereof, as may be deemed desirable for the purpose of establishing the right of the Authority to the execution of any Certificates, the withdrawal of any cash, or the taking of any other action by the Trustee.

(l) Before taking the action referred to in Section 10.02 (other than pursuant to an Event of Default under Section 10.01(e)) the Trustee may require that a satisfactory indemnity bond be furnished for the reimbursement of all expenses to which it may be put and to protect it against all liability, except liability which is adjudicated to have resulted from its negligence or willful misconduct in connection with any such action.

(m) All moneys received by the Trustee will, until used or applied or invested as herein provided, be held in trust for the purposes for which they were received but need not be segregated from other funds except to the extent required by law. The Trustee will not be under any liability for interest with respect to any moneys received hereunder except such as may be agreed upon.

(n) The Trustee will not be liable for any error of judgment made in good faith by an officer or employee of the Trustee unless the Trustee was negligent in ascertaining the pertinent facts.

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

(p) The Trustee will provide Moody's with any information in the possession of the Trustee which Moody's reasonably requests in order to evaluate a decision regarding maintaining its rating on the Certificates.

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

(r) Whenever in the administration of the trusts imposed upon it by this Trust Agreement the Trustee will deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Certificate of the Authority, and such Certificate will be full warrant to the Trustee for any action taken or suffered in good faith under the provisions of this Trust Agreement in reliance upon such Certificate, but in its discretion the Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(s) The Trustee will have no responsibility or liability with respect to any information, statements or recital in any offering memorandum or other disclosure material prepared or distributed with respect to the issuance of these Bonds.

(t) The Trustee may consult with counsel, who may be counsel of or to the Authority, with regard to legal questions, and the opinion of such counsel will be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

SECTION 9.03. Fees, Charges and Expenses of Trustee. The Trustee will be entitled to payment and reimbursement for reasonable fees for its services rendered hereunder and all advances, agent fees and counsel fees (including expenses) and other expenses reasonably and necessarily made or incurred by the Trustee in connection with such services. Upon the occurrence of an Event of Default hereunder, but only upon an Event of Default, the Trustee will have a first lien with right of payment prior to payment of any Certificate upon the amounts held hereunder for the foregoing fees, charges and expenses incurred by it respectively; provided, that such lien will not attach to the proceeds of remarketing of the Certificates, nor from amounts resulting from a draw on the Credit Facility.

SECTION 9.04. Notice to Owners of Default. If an Event of Default hereunder occurs with respect to any Certificates, of which the Trustee has been given or is deemed to have notice, as provided in Section 9.02(h) hereof, then the Trustee will promptly give written notice thereof by first-class mail to the Credit Facility Provider and the Owner of each such Certificate, unless such Event of Default will have been cured before the giving of such notice; provided, however, that unless such Event of Default consists of the failure by the Authority to make any

payment of principal and interest when due, the Trustee may elect not to give such notice if and so long as the Trustee in good faith determines that it is in the best interests of the Certificate Owners not to give such notice.

SECTION 9.05. Intervention by Trustee. In any judicial proceeding to which the Authority is a party which, in the opinion of the Trustee and its counsel, has a substantial bearing on the interests of Owners of any of the Certificates, the Trustee may intervene on behalf of such Certificate Owners, and subject to Section 9.02 (l) hereof, will do so if requested in writing by the Owners of at least twenty-five percent (25%) in aggregate principal amount of such Certificates then Outstanding.

SECTION 9.06. Removal of Trustee. The Credit Facility Provider (so long as the Credit Facility is outstanding and the Credit Facility Provider is not wrongfully dishonoring any properly presented and conforming drawings thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Credit Facility Provider) or the Owners of a majority in aggregate principal amount of the Outstanding Certificates may at any time, and the Authority may so long as no Event of Default will have occurred and then be continuing, remove the Trustee initially appointed, and any successor thereto, by an instrument or concurrent instruments in writing delivered to the Trustee (where applicable), whereupon the Authority, the Credit Facility Provider or such Owners, as the case may be, will appoint a successor or successors thereto; provided that any such successor will be a bank or trust company meeting the requirements set forth in Section 9.01 hereof.

SECTION 9.07. Resignation by Trustee. The Trustee and any successor Trustee may at any time resign by giving thirty (30) days' written notice by registered or certified mail to the Authority. Upon receiving such notice of resignation, the Authority will promptly appoint a successor Trustee. Any resignation or removal of the Trustee and appointment of a successor Trustee will become effective upon acceptance of appointment by the successor Trustee. Upon such acceptance, the Authority will cause notice thereof to be given by first class mail to the Certificate Owners at their respective addresses set forth on the Certificate Registration Books. No resignation of the Trustee will take effect until a successor is appointed and has accepted.

SECTION 9.08. Appointment of Successor Trustee. No resignation or removal of the Trustee will become effective until a successor has been appointed and has accepted the duties of Trustee. In the event of the removal or resignation of the Trustee pursuant to Sections 9.06 or 9.07, respectively, the Authority will promptly appoint a successor Trustee. In the event the Authority will for any reason whatsoever fail to appoint a successor Trustee within forty-five (45) days following the delivery to the Trustee of the instrument described in Section 9.06 or within forty-five (45) days following the receipt of notice by the Authority pursuant to Section 9.07, the Trustee may apply to a court of competent jurisdiction for the appointment of a successor Trustee meeting the requirements of Section 9.01. Any such successor Trustee appointed by such court will become the successor Trustee hereunder notwithstanding any action by the Authority purporting to appoint a successor Trustee following the expiration of such forty-five-day period.

SECTION 9.09. Merger or Consolidation. Any company into which the Trustee may be merged or converted or with which it may be consolidated, or any company resulting from any merger, conversion or consolidation to which it will be a party, or any company to which the Trustee may sell or transfer all or substantially all of its corporate trust business (provided that such company will be eligible under Section 9.01), will be the successor to the Trustee and vested with all of the title to the trust estate and all of the trusts, powers, discretions, immunities,

privileges and all other matters as was its predecessor, without the execution or filing of any paper or further act, anything herein to the contrary notwithstanding.

SECTION 9.10. Concerning any Successor Trustee. Every successor Trustee appointed hereunder will execute, acknowledge and deliver to its predecessor and also to the Authority an instrument in writing accepting such appointment hereunder and thereupon such successor, without any further act, deed or conveyance, will become fully vested with all the estates, properties, rights, powers, trusts, duties and obligations of its predecessors; but such predecessor will, nevertheless, on the Request of the Authority, or of its successor, execute and deliver an instrument transferring to such successor all the estates, properties, rights, powers and trusts of such predecessor hereunder; and every predecessor Trustee will deliver all securities and moneys held by it as the Trustee hereunder to its successor. Should any instrument in writing from the Authority be required by any successor Trustee for more fully and certainly vesting in such successor the estate, rights, powers and duties hereby vested or intended to be vested in the predecessor, any and all such instruments in writing will, on request, be executed, acknowledged and delivered by the Authority.

SECTION 9.11. Appointment of Co-Trustee. It is the purpose of this Trust Agreement that there will be no violation of any law of any jurisdiction (including particularly the law of the State) denying or restricting the right of banking corporations or associations to transact business as Trustee in such jurisdiction. It is recognized that in the case of litigation under this Trust Agreement, and in particular in case of the enforcement of the rights of the Trustee on default, or in the case the Trustee deems that by reason of any present or future law of any jurisdiction it may not exercise any of the powers, rights or remedies herein granted to the Trustee or hold title to the properties, in trust, as herein granted, or take any other action which may be desirable or necessary in connection therewith, it may be necessary that the Trustee appoint an additional individual or institution as a separate or co-trustee. The following provisions of this Section 6.11 are adopted to these ends.

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

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

SECTION 9.12. Indemnification; Limited Liability of Trustee. The Authority will indemnify and hold the Trustee harmless from and against all claims, losses, costs, expenses, liabilities and damages including legal fees and expenses arising from the exercise and

performance of its duties hereunder. Such indemnity will survive the defeasance of the Certificates and the resignation or removal of the Trustee hereunder. No provision in this Trust Agreement will require the Trustee to risk or expend its own funds or otherwise incur any financial liability hereunder. The Trustee will not be liable for any action taken or omitted to be taken by it in accordance with the direction of a majority of the Owners of the principal amount of Certificates Outstanding relating to the time, method and place of conducting any proceeding or remedy available to the Trustee under this Trust Agreement.

ARTICLE X

EVENTS OF DEFAULT AND REMEDIES OF CERTIFICATE OWNERS

SECTION 10.01. Events of Default. The following events will be Events of Default hereunder:

(a) Default in the due and punctual payment of the principal of any Certificate when and as the same will become due and payable, whether at maturity as therein expressed, by proceedings for prepayment, by declaration or otherwise;

(b) Default in the due and punctual payment of any installment of interest with respect to any Certificate when and as such interest installment will become due and payable;

(c) Default by the Authority in the observance of any other of the covenants, agreements or conditions on its part in this Trust Agreement or in any Parity Obligations Instrument or in the Certificates contained, and such default will have continued for a period of sixty (60) days after the Authority will have been given notice in writing of such default by the Trustee; or

(d) The filing by the Authority of a petition or answer seeking reorganization or arrangement under the federal bankruptcy laws, insolvency, liquidation, debt adjustment or similar laws affecting the rights of creditors generally, or any other applicable law of the United States of America, or a debt moratorium, debt adjustment, debt restructuring or comparable restriction with respect to debt of the Authority, or if a court of competent jurisdiction will approve a petition, filed with or without the consent of the Authority, seeking reorganization under the federal bankruptcy laws or any other applicable law of the United States of America, or if, under the provisions of any other law for the relief or aid of debtors, any court of competent jurisdiction will assume custody or control of the Authority or of the whole or any substantial part of its property.

(e) If the Trustee receives written notice from the Credit Facility Provider that an event of default has occurred and is continuing under the Credit Facility Agreement and instructing the Trustee to accelerate the Certificates.

(f) During an Index Rate Period or in the event any Certificates constitute Unremarketed Certificates, if the Trustee receives written notice from the Bank that an event of default has occurred and is continuing under the Agreement, which notice may in addition instruct the Trustee to accelerate the Certificates.

SECTION 10.02. Remedies; Rights of Owners. Upon the occurrence of an Event of Default, the Trustee may pursue any available remedy, at law or in equity to enforce the payment of the principal of, premium, if any, and interest with respect to the Outstanding Certificates, and to enforce any rights of the Trustee under or with respect to this Trust Agreement and the Contract.

Notwithstanding any other provision of this Trust Agreement, the Trustee may not declare an event of default, cause an acceleration of the payment of the amounts payable under

this Trust Agreement or the Certificates or exercise any remedy above without the prior written consent of the Credit Facility Provider (so long as the Credit Facility is in effect and the Credit Facility Provider has not dishonored any properly presented and conforming draw thereunder or any amounts for reimbursement of draws under the Credit Facility remain owing to the Credit Facility Provider) or the Bank (so long as any Certificates evidence interest at an Index Rate or the Purchaser Rate). In the event of an acceleration of the due date of the Certificates, interest will cease to accrue upon declaration of acceleration and the acceleration may be waived if the Trustee receives written notice from the Credit Facility Provider that the Event of Default has been cured or waived and the Credit Facility has been fully reinstated. In the event the declaration of an Event of Default is rescinded, notice of such rescission will be given to the Authority, the Credit Facility Provider, the Bank, S&P, Moody's and Fitch.

If an Event of Default will have occurred and be continuing and if requested so to do by the Credit Facility Provider, the Bank or the Owners of at least twenty-five percent (25%) in aggregate principal amount of Outstanding Certificates and indemnified as provided in Section 9.02 (l), the Trustee will be obligated to exercise such one or more of the rights and powers conferred by this Article X, as the Trustee, being advised by counsel, will deem most expedient in the interests of the Owners.

No remedy by the terms of this Trust Agreement conferred upon or reserved to the Trustee (or to the Owners) is intended to be exclusive of any other remedy, but each and every such remedy will be cumulative and will be in addition to any other remedy given to the Trustee or to the Owners hereunder or now or hereafter existing at law or in equity.

No delay or omission to exercise any right or power accruing upon any Event of Default will impair any such right or power or will be construed to be a waiver of any such Event of Default or acquiescence therein; such right or power may be exercised from time to time as often as may be deemed expedient.

The Swap Counterparty will receive immediate notice of any default specified in Section 10.01(a) or 10.01(b), and notice of any other default known to the Trustee or the Authority within 30 days of the Trustee's or the Authority's actual knowledge thereof.

The Swap Counterparty will be included as a party in interest and as a party entitled to (i) notify the Authority, the Trustee, if any, or any applicable receiver, of the occurrence of an Event of Default and (ii) request the Trustee or receiver to intervene in judicial proceedings that affect the Certificates or the security therefor. The Trustee or receiver will be required to accept notice of an Event of Default from the Swap Counterparty.

All moneys received, other than from drawings on the Credit Facility, by the Trustee pursuant to any right given or action taken under the provisions of this Article X will be applied by the Trustee in the order following upon presentation of the several Certificates and the stamping thereon of the payment if only partially paid or upon the surrender thereof if fully paid -

First, to the payment of the fees, costs and expenses of the Trustee hereunder (including, but not limited to, the costs and expenses of itself and its counsel) and, after such payment to the Trustee, of the Credit Facility Provider and of the Owners in declaring such Event of Default, including reasonable compensation to its or their agents, attorneys and counsel.

Second, to the payment of the whole amount then owing and unpaid with respect to the Certificates for principal and interest, with interest with respect to the overdue principal and installments of interest at the rate or rates specified in the respective Certificates (but such interest with respect to overdue installments of interest will be paid only to the extent funds are available therefor following payment of principal and interest and interest with respect to overdue principal, as aforesaid), and in case such moneys will be insufficient to pay in full the whole amount so owing and unpaid with respect to the Certificates, then to the payment of such principal and interest without preference or priority of principal over interest, or of interest over principal, or of any installment of interest over any other installment of interest, ratably to the aggregate of such principal and interest.

SECTION 10.03. Power of Trustee to Control Proceedings. In the event that the Trustee, upon the happening of an Event of Default, will have taken any action, by judicial proceedings or otherwise, pursuant to its duties hereunder, whether upon its own discretion or upon the request of the Credit Facility Provider, the Bank or the Owners of a majority in principal amount of the Certificates then Outstanding, it will have full power, in the exercise of its discretion for the best interests of the Credit Facility Provider, the Bank and the Owners of the Certificates, with respect to the continuance, discontinuance, withdrawal, compromise, settlement or other disposal of such action; provided, however, that the Trustee will not, unless there no longer continues an Event of Default, discontinue, withdraw, compromise or settle, or otherwise dispose of any litigation pending at law or in equity, if at the time there has been filed with it a written request signed by the Credit Facility Provider, the Bank or the Owners of a majority in principal amount of the Outstanding Certificates hereunder opposing such discontinuance, withdrawal, compromise, settlement or other disposal of such litigation. Any suit, action or proceeding which any Owner of Certificates will have the right to bring to enforce any right or remedy hereunder may be brought by the Trustee for the equal benefit and protection of all Owners of Certificates similarly situated and the Trustee is hereby appointed (and the successive respective Owners of the Certificates issued hereunder, by taking and holding the same, will be conclusively deemed so to have appointed it) the true and lawful attorney-in-fact of the respective Owners of the Certificates for the purpose of bringing any such suit, action or proceeding and to do and perform any and all acts and things for and on behalf of the respective Owners of the Certificates as a class or classes, as may be necessary or advisable in the opinion of the Trustee as such attorney-in-fact.

SECTION 10.04. Appointment of Receivers. Upon the occurrence of an Event of Default hereunder, and upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Trustee, the Credit Facility Provider, the Bank and of the Owners under this Trust Agreement, the Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Revenues and other amounts pledged hereunder, pending such proceedings, with such powers as the court making such appointment will confer.

SECTION 10.05. Non-Waiver. Nothing in this Article X or in any other provision of this Trust Agreement, or in the Certificates, will affect or impair the obligation of the Authority, which is absolute and unconditional, to pay the interest with respect to and principal of the Certificates to the respective Owners of the Certificates and the Swap Periodic Payments to the Swap Counterparty at the respective dates of maturity, as herein provided, out of the Revenues and other moneys herein pledged for such payment.

A waiver of any default or breach of duty or contract by the Trustee or any Owners will not affect any subsequent default or breach of duty or contract, or impair any rights or remedies on any such subsequent default or breach. No delay or omission of any Owner of any of the

Certificates to exercise any right or power accruing upon any default will impair any such right or power or will be construed to be a waiver of any such default or an acquiescence therein; and every power and remedy conferred upon the Trustee or Owners by the Bond Law or by this Article X may be enforced and exercised from time to time and as often as will be deemed expedient by the Trustee or the Owners, as the case may be.

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

SECTION 10.06. Rights and Remedies of Owners. No Owner of any Certificate issued hereunder will have the right to institute any suit, action or proceeding at law or in equity, for any remedy under or upon this Trust Agreement, unless (a) such Owner will have previously given to the Trustee written notice of the occurrence of an Event of Default; (b) the Owners of a majority in aggregate principal amount of all the Certificates then Outstanding will have made written request upon the Trustee to exercise the powers hereinbefore granted or to institute such action, suit or proceeding in its own name; (c) said Owners will have tendered to the Trustee indemnity reasonably acceptable to the Trustee against the costs, expenses and liabilities to be incurred in compliance with such request; and (d) the Trustee will have refused or omitted to comply with such request for a period of sixty (60) days after such written request will have been received by, and said tender of indemnity will have been made to, the Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Owner of Certificates of any remedy hereunder; it being understood and intended that no one or more Owners of Certificates will have any right in any manner whatever by his or their action to enforce any right under this Trust Agreement, except in the manner herein provided, and that all proceedings at law or in equity to enforce any provision of this Trust Agreement will be instituted, had and maintained in the manner herein provided and for the equal benefit of all Owners of the Outstanding Certificates.

The right of any Owner of any Certificate to receive payment of the principal of and interest and premium (if any) on such Certificate as herein provided or to institute suit for the enforcement of any such payment, will not be impaired or affected without the written consent of such Owner, notwithstanding the foregoing provisions of this Section or any other provision of this Trust Agreement.

Notwithstanding the foregoing or any other provision of this Trust Agreement, during any Index Rate Period, the Bank will be entitled to exercise all of the powers, consents, rights and remedies to which the Owners of a majority in aggregate principal amount of Certificates then Outstanding are entitled hereunder, including the right, at any time, by an instrument in writing executed and delivered to the Trustee, to direct the time, method and place of conducting all remedial proceedings on behalf of the Owners available to the Trustee under this Trust Agreement to be taken in connection with the enforcement of the terms of this Trust Agreement or exercising any trust or power conferred on the Trustee by this Trust Agreement.

SECTION 10.07. Termination of Proceedings. In case the Trustee will have proceeded to enforce any right under this Trust Agreement by the appointment of a receiver or otherwise, and such proceedings will have been discontinued or abandoned for any reason, or will have been determined adversely, then and in every such case, the Authority, the Trustee, the Credit

Facility Provider and the Owners will be restored to their former positions and rights hereunder, respectively, with regard to the property subject to this Trust Agreement, and all rights, remedies and powers of the Trustee will continue as if no such proceedings had been taken.

SECTION 10.08. Right of Bank to Require Assignment by Trustee. At any time during an Index Rate Period, upon the occurrence and during the continuance of an Event of Default, the Bank, if it is then the sole Owner of all of the Certificates then Outstanding, shall have the right, at its option, exercised by delivery of a written instrument to the Trustee with a copy to the Authority, to require the Trustee to assign to the Bank all of the rights, powers, and prerogatives of the Trustee under the Trust Agreement to enforce the provisions of this Trust Agreement, exercise any remedies and otherwise take actions and institute proceedings for the benefit of and on behalf of the Owners, and the Trustee covenants and agrees that upon its release and indemnification with respect to any action or failure to act of the Bank subsequent to the aforesaid assignment, it shall execute and deliver all such documents as are necessary to accomplish the foregoing and vest such rights, remedies and title in the Bank.

ARTICLE XI
MISCELLANEOUS

SECTION 11.01. Limited Liability of the Authority. Notwithstanding anything in this Trust Agreement contained, the Authority will not be required to advance any moneys derived from any source of income other than the Revenues for the payment of the Swap Periodic Payments, the principal of or interest with respect to the Certificates, or any premiums upon the prepayment thereof, or for the performance of any covenants herein contained (except to the extent any such covenants are expressly payable hereunder from the Revenues). The Authority may, however, advance funds for any such purpose, provided that such funds are derived from a source legally available for such purpose and may be used by the Authority for such purpose without incurring indebtedness.

SECTION 11.02. Benefits of Trust Agreement Limited to Parties. Nothing in this Trust Agreement, expressed or implied, is intended to give to any person other than the Authority, the Trustee, the Bank, the Credit Facility Provider and the Owners of the Certificates, any right, remedy or claim under or by reason of this Trust Agreement. Any covenants, stipulations, promises or agreements in this Trust Agreement contained by and on behalf of the Authority will be for the sole and exclusive benefit of the Trustee, the Bank and the Owners of the Certificates.

SECTION 11.03. Discharge of Trust Agreement. When the obligations of the City under the Contract will cease pursuant to Article VI of the Contract (except for the right of the Trustee and the obligation of the City to have the money and securities mentioned therein applied to the payment of Payments as therein set forth), and the obligations of the City under the Credit Facility and Credit Facility Agreement will cease pursuant to the terms thereof, then and in that case the obligations created by this Trust Agreement will thereupon cease, determine and become void except for the right of the Owners and the obligation of the Trustee to apply such moneys and securities to the payment of the Certificates as herein set forth and the right of the Trustee to collect any fees or expenses due hereunder and the Trustee will turn over to the City, as an overpayment of 2012 Payments, all balances remaining in any other funds or accounts other than moneys and Federal Securities held for the payment of the Certificates at maturity or on prepayment, which moneys and Federal Securities will continue to be held by the Trustee in trust for the benefit of the Owners and will be applied by the Trustee to the payment, when due, of the principal and interest and premium if any represented by the Certificates, and after such payment, this Trust Agreement will become void, except for the Authority's obligation to indemnify the Trustee pursuant to any provision of this Trust Agreement.

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

Whenever in this Trust Agreement or the Contract it is provided or permitted that there be deposited with or held in trust by the Trustee money or securities (certified to be sufficient by a report of an Independent Certified Public Accountant verifying the sufficiency of the escrow established to pay the Certificates in full on the maturity or prepayment date) in the necessary amount to pay or prepay any Certificates, the money or securities to be so deposited or held

may include money or securities held by the Trustee in the funds and accounts established pursuant to this Trust Agreement and will be --

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

(b) Federal Securities which are not subject to prepayment except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form), the principal of and interest with respect to which when due will provide, in its opinion of an Independent Certified Public Accountant, delivered to the Trustee, money sufficient to pay the principal plus prepayment premium, if any, plus all accrued interest to maturity or to the prepayment date, as the case may be, represented by the Certificates to be paid or prepaid, as such amounts become due, provided that, in the case of Certificates which are to be prepaid prior to the maturity thereof, notice of such prepayment will have been given as in Article III provided or provision satisfactory to the Trustee will have been made for the giving of such notice; provided, in each case, that the Trustee will have been irrevocably instructed (by the terms of this Trust Agreement and the Contract or by written request of the City) to apply such money to the payment of such principal plus prepayment premium, if any, plus interest represented by such Certificates.

For defeasance of Certificates bearing interest other than for a Long-Term Rate Period ending on or after the date of prepayment, interest amounts to be provided pursuant to subsection (a) or (b) above will be calculated at the Maximum Rate.

Notwithstanding anything contained herein to the contrary, in the event that the interest or the principal evidenced and represented by any of the Certificates will be paid by the Credit Facility Provider pursuant to the Credit Facility, such Certificates will remain Outstanding hereunder for all purposes, will not be defeased or otherwise satisfied and will not be considered paid, and the assignment and pledge hereof and all agreements, covenants and other obligations of the City under the Contract assigned to the Trustee for the benefit of the Credit Facility Provider will continue to exist and will run to the benefit of the Credit Facility Provider, and the Credit Facility Provider will be subrogated to the rights of such Owners.

Anything contained herein to the contrary notwithstanding, any money held by the Trustee in trust for the payment and discharge of any of the Certificates which remains unclaimed for two (2) years after the date when such Certificates have become due and payable, either at their stated Payment Dates or by call for prepayment prior to Payment Date, if such money was held by the Trustee at such date, or for two (2) years after the date of deposit of such money if deposited with the Trustee after the date when such Certificates have become due and payable, will be repaid by the Trustee to the City as its absolute property free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the City for the payment of the 2012 Payments evidenced and represented by the Certificates; provided, however, that before being required to make any such payment to the City, the Trustee will at the request of and at the expense of the City, cause to be mailed to all Owners and the Securities Depositories and the Information Services a notice that such money remains unclaimed and that, after a date named in such notice, which date will

not be less than thirty (30) days after the date of the first publication of each such notice, the balance of such money then unclaimed will be returned to the City.

SECTION 11.04. Content of Certificates. Every certificate with respect to compliance with a condition or covenant provided for in this Trust Agreement will include (a) a statement that the person or persons making or giving such certificate have read such covenant or condition and the definitions herein relating thereto; (b) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate are based; (c) a statement that, in the opinion of the signers, they have made or caused to be made such examination or investigation as is necessary to enable them to express an informed opinion as to whether or not such covenant or condition has been complied with; and (d) a statement as to whether, in the opinion of the signers, such condition or covenant has been complied with.

Any such certificate made or given by an officer of the Authority may be based, insofar as it relates to legal matters, upon a certificate or opinion of or representations by counsel, unless such officer knows that the certificate or opinion or representations with respect to the matters upon which his certificate may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous. Any such certificate or opinion or representation made or given by counsel may be based, insofar as it relates to factual matters, on information with respect to which is in the possession of the Authority, upon the certificate or opinion of or representations by an officer or officers of the Authority, unless such counsel knows that the certificate or opinion or representations with respect to the matters upon which his certificate, opinion or representation may be based, as aforesaid, are erroneous, or in the exercise of reasonable care should have known that the same were erroneous.

SECTION 11.05. Execution of Documents by Owners. Any request, consent or other instrument required by this Trust Agreement to be signed and executed by Owners may be in any number of concurrent writings of substantially similar tenor and may be signed or executed by such Owners in person or by agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, will be sufficient for any purpose of this Trust Agreement and will be conclusive in favor of the Trustee and of the Authority if made in the manner provided in this Section 12.05.

The fact and date of the execution by any person of any such request, consent or other instrument or writing may be proved by the affidavit of a witness of such execution or by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the person signing such request, consent or other instrument or writing acknowledged to him the execution thereof.

The ownership of Certificates will be provided by the Certificate Registration Books.

Any request, consent or vote of the Owner of any Certificate will bind every future Owner of the same Certificate and the Owner of any Certificate issued in exchange therefor or in lieu thereof, in respect of anything done or suffered to be done by the Trustee or the Authority in pursuance of such request, consent or vote.

In determining whether the Owners of the requisite aggregate principal amount of Certificates have concurred in any demand, request, direction, consent or waiver under this Trust Agreement, Certificates which are owned or held by or for the account of the Authority (but excluding Certificates held in any employees' retirement fund) will be disregarded and deemed

not to be Outstanding for the purpose of any such determination, provided, however, that for the purpose of determining whether the Trustee will be protected in relying on any such demand, request, direction, consent or waiver, only Certificates which the Trustee knows to be so owned or held will be disregarded. Upon request of the Trustee, the Authority will specify in a certificate to the Trustee those Certificates disqualified pursuant to this Section and the Trustee may conclusively rely on such certificate.

In lieu of obtaining any demand, request, direction, consent or waiver in writing, the Trustee may call and hold a meeting of the Owners upon such notice and in accordance with such rules and obligations as the Trustee considers fair and reasonable for the purpose of obtaining any such action.

SECTION 11.06. Waiver of personal Liability. No officer, agent or employee of the Authority will be individually or personally liable for the payment of the interest with respect to or principal of the Certificates; but nothing herein contained will relieve any such officer, agent or employee from the performance of any official duty provided by law.

SECTION 11.07. Partial Invalidity. If any one or more of the covenants or agreements, or portions thereof, provided in this Trust Agreement on the part of the Authority (or of the Trustee) to be performed should be contrary to law, then such covenant or covenants, such agreement or agreements, or such portions thereof, will be null and void and will be deemed separable from the remaining covenants and agreements or portions thereof and will in no way affect the validity of this Trust Agreement or of the Certificates; but the Owners will retain all rights and benefits accorded to them under the Bond Law or any other applicable provisions of law. The Authority hereby declares that it would have entered into this Trust Agreement and each and every other section, paragraph, subdivision, sentence, clause and phrase hereof and would have authorized the issuance of the Certificates pursuant hereto irrespective of the fact that any one or more sections, paragraphs, subdivisions, sentences, clauses or phrases of this Trust Agreement or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 11.08. Destruction of Cancelled Certificates. Whenever in this Trust Agreement provision is made for the surrender to the Authority of any Certificates which have been paid or cancelled pursuant to the provisions of this Trust Agreement, the Trustee will destroy such Certificates and furnish to the Authority a certificate of such destruction.

SECTION 11.09. Funds and Accounts. Any Fund or Account required by this Trust Agreement to be established and maintained by the Authority or the Trustee may be established and maintained in the accounting records of the Authority or the Trustee, as the case may be, either as a Fund or an Account, and may, for the purpose of such records, any audits thereof and any reports or statements with respect thereto, be treated either as a Fund or as an Account. All such records with respect to all such Funds and Accounts held by the Authority will at all times be maintained in accordance with generally accepted accounting principles and all such records with respect to all such Funds and Accounts held by the Trustee will be at all times maintained in accordance with corporate trust industry practices; in each case with due regard for the protection of the security of the Certificates and the rights of every Owner thereof and the Swap Counterparty.

SECTION 11.10. Notices. Any notice, request, complaint, demand, communication or other paper will be sufficiently given and will be deemed given when delivered or mailed by registered or certified mail, postage prepaid, or sent by telegram, addressed as follows: if to the

Authority, to Roseville Finance Authority c/o Director of Environmental Utilities of the City of Roseville, 2005 Hilltop Circle, Roseville, CA 95747, if to the Trustee, at 100 Pine Street, Suite 3100, San Francisco, CA 94111, Attention: Corporate Trust Department; if to the Bank, at 633 W. Fifth Street, 25th Floor, Los Angeles, CA 90071, Attention: Ashley Martin, tel: 213.615.6241, fax: 213.615.6199; if to S&P, at Standard & Poor's, 55 Water Street, 38th Floor, New York, New York, 10041, Attention: Municipal Structured Surveillance, tel: 212.438.2021, fax: 212.438.2151, email: pubfin_structured@sandp.com; if to Moody's; Moody's Investors Service, Attn: Municipal Structured Products Group, 7 World Trade Center at 250 Greenwich Street, Public Finance Group - 23rd Floor, New York, NY 10007; if to Fitch, at Fitch Ratings, Municipal Structured Finance, 1 State Street Plaza, New York, NY 10004, and if to the Credit Facility Provider, at the address provided in the Credit Facility Agreement.

In addition to any other notices to be given under this Trust Agreement, the Trustee will give notice to S&P, Moody's and Fitch of the following events: (i) termination, extension, substitution and expiration of the Credit Facility, (ii) redemption in whole, acceleration, mandatory tender, and defeasance of the Certificates, (iii) material changes in the Trust Agreement or Credit Facility documents, (iv) substitution of the Trustee, Remarketing Agent, Paying Agent or Tender Agent, (v) Conversion.

The Authority and the Trustee may designate any further or different addresses to which subsequent notices, certificates or other communications will be sent.

SECTION 11.11. Unclaimed Moneys. Anything in this Trust Agreement to the contrary notwithstanding, any moneys held by the Trustee in trust for the payment and discharge of any of the Certificates which remain unclaimed for two (2) years after the date when interest with respect to or principal of such Certificates has become due and payable, either at their stated Maturity Dates or by call for earlier prepayment, if such moneys were held by the Trustee at such date, or for two (2) years after the date of deposit of such moneys if deposited with the Trustee after said date when interest with respect to or principal of such Certificates becomes due and payable, will, at the Request of the Authority, be repaid by the Trustee to the Authority, as its absolute property and free from trust, and the Trustee will thereupon be released and discharged with respect thereto and the Owners will look only to the Authority for the payment of such Certificates; provided, however, that before being required to make any such payment to the Authority, the Trustee will, at the expense of the Authority, cause to be mailed to the Owners of all such Certificates, at their respective addresses appearing on the Certificate Registration Books, a notice that said moneys remain unclaimed and that, after a date named in said notice, which date will not be less than thirty (30) days after the date of mailing of such notice, the balance of such moneys then unclaimed will be returned to the Authority.

SECTION 11.12. Execution in Several Counterparts. This Trust Agreement may be executed in any number of counterparts and each of such counterparts will for all purposes be deemed to be an original; and all such counterparts, or as many of them as the Authority and the Trustee will preserve undestroyed, will together constitute but one and the same instrument.

SECTION 11.13. Governing Law. This Trust Agreement will be construed and governed in accordance with the laws of the State of California.

SECTION 11.14. Binding Effect; Successors; Benefits Limited to Parties. This Trust Agreement will be binding upon and inure to the benefit of the parties and their respective successors and assigns. Whenever herein either the Authority or the Trustee is named or referred to, such reference will be deemed to include the successors or assigns thereof, and all

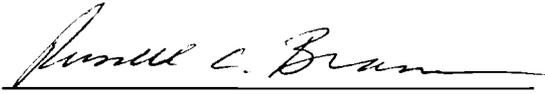
the covenants and agreements contained herein by or on behalf of the Authority or the Trustee will bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not. Nothing herein expressed or implied is intended or will be construed to confer upon, or to give to, any person or entity, other than the Authority, the Trustee, the Bank, the Swap Counterparty (to the extent provided in the Swap Agreement) or the Owners, any right, remedy or claim hereunder or by reason hereof or of any covenant, condition or stipulation contained herein. All covenants, stipulations, promises and agreements contained herein by or on behalf of the Authority will be for the sole and exclusive benefit of the Authority, the Trustee, the Swap Counterparty (to the extent provided in the Swap Agreement), the Bank and the Owners.

SECTION 11.15. Headings. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, will be solely for convenience of reference and will not affect the meaning, construction or effect hereof. All references herein to "Articles", "Sections", and other subdivisions are to the corresponding Articles, Sections or subdivisions hereof; and the words "herein", "hereof", "hereunder" and other words of similar import refer to this Trust Agreement as a whole and not to any particular Article, Section or subdivision hereof.

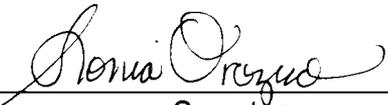
SECTION 11.16. Waiver of Notice. Whenever the giving of notice by mail or otherwise is required hereunder, the giving of such notice may be waived in writing by the person entitled to receive such notice and in any case the giving or receipt of such notice will not be a condition precedent to the validity of any action taken in reliance upon such waiver.

IN WITNESS WHEREOF, ROSEVILLE FINANCE AUTHORITY has caused this Trust Agreement to be signed in its name by its Treasurer and attested by its Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trust created hereunder, has caused this Trust Agreement to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

ROSEVILLE FINANCE AUTHORITY

By: 
Treasurer

Attest:

By: 
Secretary

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

By: _____
Authorized Officer

IN WITNESS WHEREOF, ROSEVILLE FINANCE AUTHORITY has caused this Trust Agreement to be signed in its name by its Treasurer and attested by its Secretary, and THE BANK OF NEW YORK MELLON TRUST COMPANY, N.A., in token of its acceptance of the trust created hereunder, has caused this Trust Agreement to be signed in its corporate name by its officer identified below, all as of the day and year first above written.

ROSEVILLE FINANCE AUTHORITY

By: _____
Treasurer

Attest:

By: _____
Secretary

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

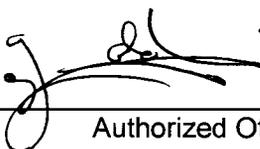
By:  _____
Authorized Officer

EXHIBIT A

FORM OF 2012 CERTIFICATE

**ELECTRIC SYSTEM REVENUE REFUNDING CERTIFICATES OF PARTICIPATION,
SERIES 2012**

**Evidencing and Representing a Proportionate Interest of the Owner Hereof
in 2012 Payments to be made by the City of Roseville**

**[The Transferability of this Certificate is Restricted as Described in Section 2.11
of the Trust Agreement]**

No. R-_____

\$90,000,000

<u>Certificate Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
November 7, 2012	February 1, 2035	Variable

REGISTERED OWNER: U.S. Bank National Association

PRINCIPAL SUM: \$90,000,000

THIS IS TO CERTIFY that the registered owner set forth above of this Electric System Revenue Certificate of Participation, Series 2012 (the "Certificate"), is the owner of a proportionate interest in the rights to receive 2012 Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Master Installment Purchase Contract executed and entered into as of November 1, 1997 (the "Master Contract"), as supplemented by that certain 2012 Supplemental Installment Purchase Contract, executed and entered into as of November 1, 2012, each by and between the City of Roseville, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") and the Roseville Finance Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority") (which Master Contract as so supplemented and previously supplemented is referred to herein as the "Contract"), all of which rights to receive such 2012 Payments have been assigned by the Authority to The Bank of New York Mellon Trust Company, N. A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or any other association or corporation which may at any time be substituted in place of the original trustee as provided the Trust Agreement hereinafter mentioned (the "Trustee"). Capitalized terms used in this Certificate not otherwise defined herein will have the meanings given such terms in the Trust Agreement hereinafter mentioned or in the Contract.

The Registered Owner stated above, or registered assigns (the "Owner"), is entitled to receive, on the Maturity Date stated above, the Principal Amount stated above, subject to

the terms of the Installment Sale Agreement, which represents a portion of the Installment Payments designated as principal coming due on the Installment Payment Date (as defined in the Installment Sale Agreement) immediately preceding the Maturity Date. The Owner is also entitled to receive on each Interest Payment Date as described in that certain Trust Agreement dated as of November 1, 2012 (the "Trust Agreement") by and between the Authority and the Trustee, subject to the terms of the Trust Agreement, an interest installment on such principal installment at the rate per annum calculated as provided herein and in the Trust Agreement, to and including the Maturity Date or the date of prepayment, whichever is earlier, representing the Owner's fractional share of the Installment Payments designated as interest coming due with respect to each of the Interest Payment Dates defined in the Trust Agreement.

Amounts due on this Certificate in respect of principal and premium, if any, are payable in lawful money of the United States of America upon the surrender thereof at the corporate trust office of the Trustee (or any successors thereto), or any paying agent appointed by the Trustee. Amounts representing interest are payable by check mailed to the owner of the Certificate at such owner's address as it appears on the Certificate register as of the Regular Record Date preceding the day such payment is due, or by wire transfer to any Owner of \$1,000,000 or more of Certificates to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the first day of the month preceding the day such payment is due. Payments of defaulted interest, if any, with respect to such Certificate will be paid by check to the registered owner of such Certificate as provided in the Trust Agreement.

Interest with respect to this Certificate will be payable at a Daily Rate, the Weekly Rate, the Commercial Paper Rate or the Index Rate, as provided in the Trust Agreement. This Certificate will initially represent interest at a LIBOR Index Rate. If the interest rate mode is subsequently adjusted, this Certificate will be subject to mandatory tender for purchase, as described herein, except no mandatory tender is applicable between Daily Rate and Weekly Rate modes. Capitalized terms not defined herein will have the meanings ascribed to them in the Trust Agreement.

The Certificates are initially executed and delivered in denominations of \$250,000 and any larger denomination constituting an integral multiple of \$5,000.

The Trustee has no obligation or liability to the Owners to make payments of principal or interest with respect to the Certificates, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the Certificate owners the various funds and accounts established under the Trust Agreement.

The Certificates are subject to optional, special and mandatory sinking fund prepayment, optional and mandatory tender and purchase as provided in the Trust Agreement. The Certificates are subject to mandatory prepayment in part from Sinking Fund Installments to be made by the City on February 1, 2023 and on each February 1 thereafter up to and including February 1, 2035, at a Prepayment Price equal to the principal amount thereof plus accrued interest, if any, to the prepayment date without premium, as follows:

<u>February 1</u>	<u>Principal Amount</u>
2023	\$4,875,000
2024	5,700,000
2025	5,925,000
2026	6,150,000
2027	6,400,000
2028	6,625,000
2029	6,900,000
2030	7,175,000
2031	7,450,000
2032	7,725,000
2033	8,050,000
2034	8,350,000
2035	8,675,000

Copies of the Trust Agreement and the Contract are on file at the principal corporate trust office of the Trustee, and reference to the Trust Agreement and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the registered owners of the Certificates, and the limitations on such rights and remedies.

The City is obligated under the Contract to pay the 2012 Payments (as defined in the 2012 Supplement to the Master Contract) from the Net Revenues (as such term is defined in the Master Contract), derived from the operation of its Electric System (as defined in the Master Contract). The obligations of the City to pay the 2012 Payments from the Net Revenues do not constitute obligations of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligations of the City to pay the 2012 Payments from the Net Revenues does not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consents of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended with the written consent or without the consent of the Certificate owners under certain circumstances; provided that no such amendment will materially adversely affect the interests of the owners of the Certificates or will impair the right of any owner to receive in any case such owner's principal and interest payments in accordance with such owner's Certificate.

Registration of this Certificate is transferable by the Owner hereof, in person or by such Owner's attorney duly authorized in writing, at the aforesaid offices of the Trustee, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such registration of transfer a new Certificate or Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor. The City and the Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate will be overdue, and will not be

affected by any notice to the contrary. This Certificate will not be entitled to any benefit under the Trust Agreement or become valid for any purpose until it has been duly executed and delivered by the Trustee.

The Trustee has no obligation or liability to the registered owners of the Certificates to make payments of principal or interest with respect to the Certificates, except from funds held by the Trustee under the Trust Agreement. The Trustee's primary obligations are to administer, for the benefit of the registered owners of the Certificates, the various funds and accounts established under the Trust Agreement. The Trustee is not responsible for the recitals of fact in this Certificate.

The City has certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of California, the Installment Sale Agreement and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of this Certificate, exist, have happened and have been performed in due time, form and manner as required by law.

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

Execution Date: November 7, 2012

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

By: _____
Authorized Signatory

[FORM OF ASSIGNMENT TO APPEAR ON CERTIFICATES]

For value received the undersigned do(es) hereby sells, assigns and transfers unto

Name, Address and Tax Identification or Social Security Number of Assignee

the within-registered Certificate and hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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

EXHIBIT B

FORM OF PURCHASER LETTER

Re: \$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation, Series 2012

Ladies and Gentlemen:

_____ ("*Purchaser*") has agreed to purchase the above-referenced Certificates of Participation (the "*Certificates*") in the amount of \$90,000,000 which were issued pursuant to a Trust Agreement between The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*") and the Roseville Finance Authority (the "*Authority*"), dated as of November 1, 2012 (together with any amendments and supplements or modifications thereto, the "*Trust Agreement*"). The Purchaser is purchasing the Certificates pursuant to a Continuing Covenant Agreement dated as of October 1, 2012, between the City of Roseville, California (the "*City*") and the Purchaser and a Certificate Purchase Agreement dated as of the date hereof among the Authority, the City and the Bank. All capitalized terms used herein, but not defined herein, shall have the respective meanings set forth in the Trust Agreement. The undersigned, an authorized representative of the Purchaser, hereby represents to you that:

1. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits represented by the purchase of the Certificates.

2. The Purchaser has authority to purchase the Certificates and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Certificates.

3. The Purchaser is a commercial bank organized under the laws of [the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country], has a combined capital and surplus, determined as of the date hereof, of not less than \$5,000,000,000, and is able to bear the economic risks of purchasing the Certificates.

4. The Purchaser understands that an official statement, prospectus, offering circular, or other comprehensive offering statement has not been provided with respect to the Certificates. The Purchaser has made its own inquiry and analysis with respect to the City, the Certificates and the security therefor, and other material factors affecting the security for and payment of the Certificates.

5. The Purchaser acknowledges that it has reviewed information, including financial statements and other financial information, regarding the City, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Certificates and the security therefor, so that it has been able to make an informed decision to purchase the Certificates; provided, however, that this letter

shall not constitute a waiver of any rights or remedies the Purchaser may have with respect to any untrue information it may have received or any material information which was withheld from its review.

6. The Purchaser understands that the Certificates: (i) are not registered under the 1933 Act and are not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (ii) are not listed on any stock or other securities exchange, and (iii) have not been rated by any credit rating agency.

7. The Purchaser understands that (a) the Certificates are limited obligations of the Authority, payable solely from funds and moneys pledged and assigned under the Trust Agreement, and that the liabilities and obligations of the Authority with respect to the Certificates are expressly limited as set forth in the Trust Agreement and related documents, (b) the Certificates are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision thereof and that the Authority has no taxing power, and (c) the Certificates do not and will not represent or constitute a general obligation or a pledge of the faith and credit of the Authority or the City, the State of California or any political subdivision thereof.

8. The Certificates are being acquired by the Purchaser for its own account and not with a present view toward resale or distribution; provided, however, that the Purchaser reserves the right to sell, transfer or redistribute the Certificates, but agrees that any such sale, transfer or distribution by the Purchaser shall be to a Person:

(a) that is an affiliate of the Purchaser;

(b) that is a trust or other custodial arrangement established by the Purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers; or

(c) that the Purchaser reasonably believes is a qualified institutional buyer that executes and delivers a letter substantially in the form of this letter.

Execution Copy

MASTER INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of November 1, 1997

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MASTER INSTALLMENT PURCHASE CONTRACT

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

W I T N E S S E T H:

WHEREAS, the City is authorized by law to acquire and construct facilities for the generation and transmission of electricity for its electric utility system; and

WHEREAS, the Authority is authorized by law to enter into contracts to pay the costs and expenses of acquiring and constructing facilities for the generation and transmission of electricity; and

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

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

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

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

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in this section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any opinion or report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Accountant's Report

"Accountant's Report" means a report signed by an Independent Certified Public Accountant.

Adjusted Annual Debt Service

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

Adjusted Annual Net Revenues

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

Adjusted Annual Revenues

"Adjusted Annual Revenues" means, for any Fiscal Year or any designated twelve (12) month period in question, the Revenues during such Fiscal Year or twelve (12) month period plus, for the purposes of determining compliance with Section 4.12 only, the amounts on deposit in the Rate Stabilization Fund (or any other unrestricted funds of the Electric System designated by the City Council by resolution and available for the purpose of paying Maintenance and Operation Costs and/or Annual Debt Service for such Fiscal Year or twelve (12) month period), as of the first day of such Fiscal Year or twelve (12) month period minus, for the purposes of determining compliance with Section 4.12 only, earnings from the investments in the Parity Reserve Fund that are deposited in the Electric Revenue Fund in such Fiscal Year or twelve (12) month period.

Annual Debt Service

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

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

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

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

(1) Counterparty Obligated to Pay Actual Variable Interest Rate on Variable Interest Rate Parity Obligations. If the Payment Agreement obligates a Qualified Counterparty to make payments to the City based on the actual Variable Interest Rate on a Parity Obligation that would, but for the Payment Agreement, be treated as a Variable Interest Rate Parity Obligation and

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

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

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

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

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

(105%) of the fixed interest rate specified by the Payment Agreement to be paid by the City, and payments by the Qualified Counterparty to the City will be based on a rate equal to the actual variable interest rate on the Variable Interest Rate Parity Obligation.

(4) Certain Payment Agreements May be Disregarded.

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

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

(1) City Obligated to Make Payments Based on Fixed Interest Rate.

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

(2) City Obligated to Make Payments Based on Variable Interest Rate Index.

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

(3) Certain Payment Agreements May be Disregarded.

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

(E) Balloon Parity Obligations. For purposes of calculating Annual Debt Service on any Balloon Parity Obligations, it shall be assumed that the principal of those Balloon Parity Obligations, together with interest thereon at a rate equal to the assumed RBI-based rate, will be amortized in equal annual installments over a term of thirty (30) years from the date of issuance.

Authority

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

Average Annual Debt Service

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

Balloon Parity Obligation

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

Business Day

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

Certificate of the City

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

City

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

Code

"Code" means the Internal Revenue Code of 1986, and the regulations issued thereunder, as the same may be amended from time to time, and any successor provisions of

law. Reference to a particular section of the Code shall be deemed to be a reference to any successor to any such section.

Contracts

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

Electric Revenue Fund

"Electric Revenue Fund" means the City of Roseville Electric Utility Fund continued pursuant to Section 2.04.

Electric Service

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

Electric System

"Electric System" means the electric public utility system of the City, comprising all electric generation, transmission and distribution facilities and all general plant facilities related thereto now owned by the City and all other properties, structures or works for the generation, transmission or distribution of electricity hereafter acquired by the City, including all contractual rights for electricity or the transmission thereof, together with all additions, betterments, extensions or improvements to such facilities, properties, structures or works or any part thereof hereafter acquired.

Engineer's Report

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

Event of Default

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

Federal Securities

"Federal Securities" means direct obligations of, or obligations the interest on and principal of which are unconditionally guaranteed by, the United States of America, including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America and including a receipt, certificate or any other evidence of any ownership interest in such an obligation, or in specified portions thereof (which may consist of specified portions of interest thereon).

Finance Director

"Finance Director" means the Finance Director of the City.

Fiscal Year

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

Generally Accepted Accounting Principles

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

Improvement Fund

"Improvement Fund" means the City of Roseville Electric System Improvement Fund established pursuant to Section 2.02 hereof.

Independent Certified Public Accountant

"Independent Certified Public Accountant" means any certified public accountant or firm of such accountants duly licensed and entitled to practice and practicing as such under the laws of the State, appointed and paid by the City, and who, or each of whom --

- (1) is in fact independent according to the Statement of Auditing Standards No. 1 and not under the domination of the City;
- (2) does not have a substantial financial interest, direct or indirect, in the operations of the City; and
- (3) is not connected with the City as a director, officer or employee of the City, but who may be regularly retained to audit the accounting records of and make reports thereon to the City.

Independent Engineer

"Independent Engineer" means any registered engineer or firm of registered engineers of national reputation generally recognized to be well qualified in engineering matters relating to public electric utility systems, appointed and paid by the City, and who or each of whom --

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

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

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

Maintenance and Operation Costs

"Maintenance and Operation Costs" means the costs paid or incurred by the City for maintaining and operating the Electric System, determined in accordance with Generally Accepted Accounting Principles, including, but not limited to, (a) all costs of electric energy and power generated or purchased by the City for resale, costs of transmission, fuel supply and water supply in connection with the foregoing, (b) all reasonable expenses of management and repair and other expenses necessary to maintain and preserve the Electric System in good repair and working order, (c) all administrative costs of the City that are charged directly or apportioned to the operation of the Electric System, such as salaries and wages of employees, overhead, taxes (if any) and insurance premiums, and (d) all other reasonable and necessary costs of the City or charges required to be paid by it to comply with the terms hereof or of any resolution authorizing the execution of any Contract or of such Contract or of any resolution authorizing the issuance of any Parity Obligations or of such Parity Obligations, such as compensation, reimbursement and indemnification of the trustee, remarketing agent or surety costs for any such Contracts or Parity Obligations, letter of credit fees for any such Contracts or Parity Obligations, fees and expenses of Independent Certified Public Accountants and Independent Engineers; but excluding in all cases depreciation, replacement and obsolescence charges or reserves therefor and amortization of intangibles. Anything contained herein to the contrary notwithstanding, "Maintenance and Operation Costs" shall include all amounts required to be paid by the City under contracts with a joint powers agency for the purchase of capacity, energy, transmission capability or any other commodity or service in connection with the foregoing, which contract requires payments by the City to be made thereunder to be treated as Maintenance and Operation Costs.

Master Contract

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

Maximum Annual Debt Service

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

Maximum Annual Payments

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

Moody's

"Moody's" means Moody's Investors Service, a corporation duly organized and existing under and by virtue of the laws of the State of Delaware, and its successors or assigns, except that if such corporation shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then "Moody's" shall be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

Net Proceeds

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

Net Revenues

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

1997 Trust Agreement

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

Opinion of Counsel

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

Outstanding

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

Parity Bank Agreements

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

Parity Obligation Payment Fund

"Parity Obligation Payment Fund" means the City of Roseville Electric System Parity Obligation Payment Fund established pursuant to Section 2.04.

Parity Obligations

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

Parity Payment Agreement

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

Parity Reserve Fund

"Parity Reserve Fund" means the City of Roseville Electric System Parity Reserve Fund referred to in Section 2.04.

Payment Agreement

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

Payment Agreement Payments

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

Payment Agreement Receipts

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

Payment Date

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

Payments

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

Permitted Investments

"Permitted Investments" means, except as otherwise provided in any Supplemental Contract, any of the following obligations if and to the extent that they are permissible investments of funds of the City as stated in its current investment policy and to the extent then permitted by law:

- (1) Federal Securities;
- (2) Bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act and bonds of any federal home loan bank established under said act; bonds, debentures, participation certificates or other obligations of the Government National Mortgage Association or the Federal National Mortgage Association established under the National Housing Act, as amended;
- (3) Demand deposits, time certificates of deposit or negotiable certificates of deposit issued by a state or nationally chartered bank or trust company, including the Trustee and its affiliates, or a state or national savings and loan association, provided that such certificates of deposit shall be (i) continuously and fully insured by the Federal Deposit Insurance Corporation or (ii) issued by any bank or trust company organized under the laws of any state of the United States, or any national banking association (including the Trustee), having a combined capital and surplus of at least \$500,000,000, whose non-guaranteed senior debt is rated "A1" or equivalent or better by the Rating Agencies and such certificates shall have maturities of six months or less;
- (4) Any repurchase agreement with any bank or trust company organized under the laws of any state of the United States (including the Trustee and its affiliates) or any national banking association or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, which agreement is secured at all times by collateral security described in

clause (1) or (2) of this definition and in which the Trustee has a perfected security interest, and which collateral (a) is held by the Trustee or a third party agent on behalf of the Trustee, (b) is not subject to liens or claims of third parties, (c) has a market value determined as frequently and in an amount sufficient to satisfy the collateralization levels required by the Rating Agencies, and (d) failure to maintain the requisite collateral level will require the liquidation of the collateral;

(5) Bankers' acceptances which are issued by a bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee and its affiliates) rated "A" or equivalent or better by the Rating Agencies; provided, that such banker's acceptances may not exceed 270 days' maturity;

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

(7) Bonds, notes, warrants or other evidence of indebtedness of any of the states of the United States or of any political subdivision or public agency thereof which are rated in the highest short-term or one of the two highest long-term rating categories by the Rating Agencies;

(8) Any investment agreement with (i) any bank or trust company organized under the laws of any state of the United States or any national banking association (including the Trustee and its affiliates) or government bond dealer reporting to, trading with and recognized as a primary dealer by, the Federal Reserve Bank of New York, having a combined capital and surplus of at least \$100,000,000 and that is rated at least "AA" or equivalent by the Rating Agencies, or (ii) any corporation that is rated at least "AA" or equivalent by the Rating Agencies and is organized and operating within the United States of America and has total assets in excess of five hundred million dollars (\$500,000,000); provided, that the form of such investment agreement shall have been approved by the Rating Agencies;

(9) Government money market portfolios or money market funds (including portfolios or funds of the Trustee and its affiliates) restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, which portfolios shall have an "Am" or "Am-G" or equivalent or higher rating by the Rating Agencies;

(10) Tax-exempt securities rated "AAA" or equivalent by the Rating Agencies, for which the interest and principal has been provided by an escrow deposit which, in the opinion of an Independent Certified Public Accountant, is fully sufficient to pay the principal of and interest and redemption premium, if any, on such tax-exempt securities at their stated maturity or redemption date;

(11) A taxable or tax-exempt government money market portfolio (including portfolios of the Trustee and its affiliates) restricted to obligations with maturities of one year or less, and either issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States of America or rated "AAA" or equivalent by the Rating Agencies;

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

(13) The investment pool operated by or on behalf of the County of Placer;
and

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

Project

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

Qualified Counterparty

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

Rate Stabilization Fund

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

Rating Agencies

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

RBI

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

Request of the City

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

Reserve Fund Requirement

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

Revenues

"Revenues" means all gross income and revenue received or receivable by the City from the ownership or operation of the Electric System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by the City for the Electric Service and the other services and facilities of the Electric System and all proceeds of insurance covering business interruption loss relating to the Electric System and all other income and revenue howsoever derived by the City from the ownership or operation of the Electric System or arising from the Electric System, including all Payment Agreement Receipts, and including all income from the deposit or investment of any money in the Electric Revenue Fund, but excluding (i) proceeds of taxes, (ii) refundable deposits made to establish credit and advances or contributions in aid of construction and line extension fees, and (iii) any charges collected by any person to amortize or otherwise relating to the payment of the uneconomic portion of costs associated with assets and obligations ("stranded costs") of the Electric System or of any joint powers agency in which the City participates which the City has dedicated to the payment of obligations other than Contracts, the payments of which obligations will be applied to or pledged to or otherwise set aside for the reduction or retirement of outstanding obligations of the City or any joint powers agency in which the City participates relating to such "stranded costs" of the City or of any such joint powers agency to the extent such "stranded costs" are attributable to, or the responsibility of, the City.

S&P

"S&P" means Standard & Poor's Ratings Services, a division of The McGraw Hill Companies, Inc., a corporation duly organized and existing under and by virtue of the laws of the State of New York, and its successors or assigns, except that if such entity shall be dissolved or liquidated or shall no longer perform the services of a municipal securities rating agency, then "S&P" shall be deemed to refer to any other nationally recognized municipal securities rating agency rating Parity Obligations at the Request of the City.

State

"State" means the State of California.

Subordinate Obligations

"Subordinate Obligations" means obligations of the City authorized and executed by the City under applicable law, the payments under and pursuant to which are payable from Net Revenues, subject and subordinate to payments under and pursuant to Parity Obligations and are payable from any fund established for the purpose of paying debt service on such Subordinate Obligations.

Supplemental Contracts

"Supplemental Contracts" means all installment purchase contracts of the City supplemental to the Master Contract and authorized and executed by the City under and

pursuant to the Master Contract and applicable law, the installment payments under and pursuant to which are payable from Net Revenues on a parity.

Trust Agreements

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

Trustee

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

Variable Interest Rate

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

Variable Interest Rate Parity Obligations

"Variable Interest Rate Parity Obligations" means, for any period of time, any Parity Obligations that bear a Variable Interest Rate during such period, except that Parity Obligations shall not be treated as Variable Interest Rate Parity Obligations if the net economic effect of interest rates on particular Payments or Parity Obligations and interest rates on other Payments of the same Supplemental Contract or Parity Obligations, as set forth in such Supplemental Contract or Parity Obligations, or the net economic effect of a Payment Agreement with respect to particular Parity Obligations, in either case is to produce obligations that bear interest at a fixed interest rate, and Supplemental Contracts with respect to which a Payment Agreement is in force shall be treated as Variable Interest Rate Parity Obligations if the net economic effect of the Payment Agreement is to produce obligations that bear interest at a Variable Interest Rate, all in accordance with the definition of "Annual Debt Service" set forth in this Section 1.01.

ARTICLE II

ACQUISITION, CONSTRUCTION AND SALE OF PROJECTS; FUNDS

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

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

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

SECTION 2.03. Rate Stabilization Fund. There is hereby established a City of Roseville Electric System Rate Stabilization Fund (the "Rate Stabilization Fund"), which fund the City hereby agrees to maintain so long as any Parity Obligations remain unpaid. The City may at any time deposit in the Rate Stabilization Fund any Net Revenues after providing for the payment of Parity Obligations and any other money received and available to be used therefor, and the City may at any time withdraw any or all of the money from the Rate.

Stabilization Fund for any legal purpose. All interest or other earnings upon deposits in the Rate Stabilization Fund shall be accounted for as Revenues. Notwithstanding the foregoing, no Revenues shall be deposited in the Rate Stabilization Fund to the extent that such amount was included by the City in Adjusted Annual Net Revenues for purposes of determining compliance with Section 3.01 or Section 4.12 and deduction of the amounts to be deposited in the Rate Stabilization Fund would have caused noncompliance with such section.

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

(b) In order to carry out and effectuate the obligation of the City contained herein and in all Supplemental Contracts to pay the Payments, the City agrees and covenants that all Revenues received by it shall be deposited when and as received in the City of Roseville Electric Utility Fund (the "Electric Revenue Fund"), which fund shall be a continuation of the Electric Utility Fund established by the City and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to Section 2.05 hereof) so long as any Parity Obligations remain unpaid, and all money on deposit in the Electric Revenue Fund shall be applied and used only as provided herein. The City shall pay all Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operation Costs the payment of which is not then immediately required) from the Electric Revenue Fund as they become due and payable, and all remaining money on deposit in the Electric Revenue Fund shall be set aside and deposited by the City at the following times in the following order of priority:

(1) **Parity Obligation Payment Fund Deposits.** On or before the third Business Day before each date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable under any Parity Payment Agreement, the City shall, from the money in the Electric Revenue Fund, deposit in the City of Roseville Electric System Parity Obligation Payment Fund (the "Parity Obligation Payment Fund"), which fund is hereby established and which fund the City agrees and covenants to maintain separate and apart from other moneys of the City (subject to Section 2.05 hereof) so long as any Parity Obligations remain unpaid, a sum equal to the amount of interest and principal becoming due and payable under all Parity Obligations on such due date, plus the net payments due on all Parity Payment Agreements on such due date, except that no such deposit need be made if the City then holds money in the Parity Obligation Payment Fund at least equal to the amount of interest and principal becoming due and payable under all Parity Obligations on the next succeeding date on which interest or principal becomes due and payable under any Parity Obligation plus the net payments due on all Parity

Payment Agreements on such next succeeding due date. Moneys on deposit in the Parity Obligation Payment Fund shall be transferred by the City to make and satisfy the payments due on the next applicable date on which interest or principal becomes due and payable under any Parity Obligation or any net payment becomes due and payable under any Parity Payment Agreement at least one Business Day prior to such next applicable due date.

(2) Parity Reserve Fund Deposits. On or before the third Business Day before each Payment Date, the City shall, from the remaining money on deposit in the Electric Revenue Fund after deposits and transfers pursuant to paragraph (1) above, transfer to the Trustee for deposit in the Parity Reserve Fund established pursuant to Section 3.04 of the 1997 Trust Agreement, that sum, if any, necessary to restore the Parity Reserve Fund to an amount equal to the Reserve Fund Requirement. The City shall also, from such remaining moneys in the Electric Revenue Fund, transfer or cause to be transferred to any applicable reserve fund or account for any Parity Obligations for which a separate reserve has been funded pursuant to Section 3.02(5)(b), without preference or priority between transfers made pursuant to this sentence and the preceding sentence, and in the event of any insufficiency of such moneys ratably without any discrimination or preference, the sum or sums, if any, equal to the amount required to be deposited therein pursuant to such Parity Obligations.

After making the foregoing deposits and transfers hereinabove required to be made, the City may apply any remaining money in the Electric Revenue Fund for any lawful purpose of the City, including for the payment of any Subordinate Obligations in accordance with the instruments authorizing such Subordinate Obligations; provided, however, that no moneys in the Electric Revenue Fund shall be applied to the payment of any Subordinate Obligations in any Fiscal Year unless amounts on deposit in the Electric Revenue Fund shall be sufficient to make the transfers hereinabove required to be made in such Fiscal Year.

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

The City may commingle any of the funds or accounts (except for funds held in any rebate fund, which shall be held separately) established pursuant hereto into a separate fund or funds for investment purposes only; provided however, that all funds or accounts held by the City hereunder shall be accounted for separately notwithstanding such commingling. For the purpose of determining the amount in any such fund or account, all Permitted Investments

credited to such fund or account shall be valued, except as otherwise provided herein, at the lower of cost or market value (inclusive of all interest accrued but not paid).

ARTICLE III

EXECUTION OF PARITY OBLIGATIONS AND OTHER OBLIGATIONS

SECTION 3.01. Conditions for the Execution of Parity Obligations. The City may at any time execute any Parity Obligation, the payments of which are payable from the Net Revenues on a parity with the Payments due under the Supplemental Contracts provided herein, provided there shall be on file with the Trustee:

(a) a Certificate of the City demonstrating that during any twelve (12) consecutive calendar months out of the immediately preceding eighteen (18) calendar month period, the Adjusted Annual Net Revenues were at least equal to one hundred ten percent (110%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligation proposed to be executed; or

(b) an Engineer's Report showing that projected Adjusted Annual Net Revenues during the succeeding five (5) complete Fiscal Years beginning with the first Fiscal Year following issuance of such Parity Obligations in which interest is not capitalized in whole or in part from the proceeds of Parity Obligations, is at least equal to one hundred ten percent (110%) of the Maximum Annual Debt Service for all existing Parity Obligations plus the Parity Obligations proposed to be executed.

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

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

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

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

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

similar laws relating to the enforcement of creditors' rights), and (b) such Parity Obligation has been duly and validly authorized and issued in accordance herewith;

(4) A Certificate of the City or an Engineer's Report as required pursuant to Section 3.01(a) or (b), whichever is applicable, containing such statements as may be reasonably necessary to show compliance with the requirements of Section 3.01(a) or (b), as the case may be;

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

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

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

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

ARTICLE IV

COVENANTS OF THE CITY

SECTION 4.01. Compliance with Contracts. The City will punctually pay the Payments in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate the Contracts or fail to make any Payment required by a Contract for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Projects or the Electric System, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained in the Contracts required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected with any Contract or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm,

earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lockouts, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

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

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

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

SECTION 4.05. Prompt Acquisition and Construction of the Projects. The City will take all necessary and appropriate steps to acquire and construct the Projects in a timely fashion, unforeseeable delays beyond the reasonable control of the City only excepted, and in conformity with law.

SECTION 4.06. Maintenance and Operation of the Electric System; Budgets. The City will maintain and preserve the Electric System in good repair and working order at all times and will operate the Electric System in an efficient and economical manner and will pay all Maintenance and Operation Costs as they become due and payable. The City will adopt and file with the Authority, not later than October 1 of each year, a budget approved by the City Council setting forth the estimated Maintenance and Operation Costs for the then current Fiscal Year and will take such action as may be necessary to include all Payments required to be made hereunder in its annual budget; provided, that any such budget may be amended at

any time during any Fiscal Year and such amended budget shall be filed by the City with the Authority.

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

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

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

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

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

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

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

SECTION 4.10. Protection of Security and Rights of the Authority. The City will preserve and protect the security of the Payments under the Contracts and the rights of the

Authority to the Payments under the Contracts and will warrant and defend such rights against all claims and demands of all persons.

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

SECTION 4.12. Amount of Rates and Charges. The City will at all times fix, prescribe and collect rates and charges for the services, facilities and electricity of the Electric System during each Fiscal Year which are reasonably fair and nondiscriminatory and which will be at least sufficient to yield Adjusted Annual Net Revenues for such Fiscal Year equal to at least one hundred ten percent (110%) of Adjusted Annual Debt Service for such Fiscal Year. The City may make adjustments from time to time in such fees and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless the Adjusted Annual Net Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this section.

SECTION 4.13. Collection of Rates and Charges. The City will have in effect at all times rules and regulations requiring each consumer or customer located on any premises connected with the Electric System to pay the rates and charges applicable to the Electric Service provided to such premises and providing for the billing thereof and for a due date and a delinquency date for each bill. The City will not permit any part of the Electric System or any facility thereof to be used or taken advantage of free of charge by any corporation, firm or person, or by any public agency (including the United States of America, the State of California and any city, county, district, political subdivision, public corporation or agency of any thereof). Nothing herein shall prevent the City, in its sole and exclusive discretion, from permitting other parties from selling electricity to retail customers within the service area of the Electric System; provided, however, that permitting such sales shall not relieve the City of its obligations hereunder.

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

SECTION 4.15. Further Assurances. The City will adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of the Contracts and for the

better assuring and confirming unto the Authority of the rights and benefits provided to it in the Contracts.

ARTICLE V

EVENTS OF DEFAULT AND REMEDIES

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

- (1) if default shall be made in the due and punctual payment of any payment on any Parity Obligation when and as the same shall become due and payable;
- (2) if default shall be made by the City in the performance of any of the agreements or covenants contained herein or in any Parity Obligation required to be performed by it, and such default shall have continued for a period of sixty (60) days after the City shall have been given notice in writing of such default by the Authority; or
- (3) if the City shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of the City seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of the City or of the whole or any substantial part of its property;

then and in each and every such case during the continuance of such Event of Default specified in clause (1) above, the Authority shall, and for any other such Event of Default the Authority may, by notice in writing to the City, declare the entire principal amount of the unpaid Payments and the accrued interest thereon to be due and payable immediately, and upon any such declaration the same shall become immediately due and payable, anything contained herein to the contrary notwithstanding. This subsection is subject to the condition, however, that if at any time after the entire principal amount of the unpaid Payments and the accrued interest thereon shall have been so declared due and payable and before any judgment or decree for the payment of the money due shall have been obtained or entered the City shall deposit with the Authority a sum sufficient to pay the unpaid principal amount of the Payments or the unpaid principal amount of any payments under any Parity Obligation referred to in clause (1) above due and payable prior to such declaration and the accrued interest thereon, with interest on such overdue installments at the rate or rates applicable to such unpaid principal amounts of the Payments if paid in accordance with their terms, and the reasonable expenses of the Authority, and any and all other defaults known to the Authority

(other than in the payment of the entire principal amount of the unpaid Payments and the accrued interest thereon due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Authority or provision deemed by the Authority to be adequate shall have been made therefor, then and in every such case the Authority, by written notice to the City, may rescind and annul such declaration and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default or shall impair or exhaust any right or power consequent thereon.

SECTION 5.02. Application of Net Revenues upon Acceleration. All Net Revenues upon the date of the declaration of acceleration by the Authority as provided in Section 5.01 and all Net Revenues thereafter received shall be applied in the following order --

First, to the payment of the costs and expenses of the Authority, if any, in carrying out the provisions of this article, including reasonable compensation to its agents, accountants and counsel and including any indemnification expenses;

Second, to the payment of the interest then due and payable on the entire principal amount of the unpaid Parity Obligations, and, if the amount available shall not be sufficient to pay in full all such interest then due and payable, then to the payment thereof ratably, according to the amounts due thereon without any discrimination or preference; and

Third, to the payment of the unpaid principal amount of the Parity Obligations which has become due and payable, whether on the original due date or upon acceleration, with interest on the overdue principal and interest amounts of the unpaid Parity Obligations at the rate or rates of interest then applicable to such Parity Obligations if paid in accordance with their terms, and, if the amount available shall not be sufficient to pay in full all the amounts due with respect to the Parity Obligations on any date, together with such interest, then to the payment thereof ratably, according to the principal amount due on such date, without any discrimination or preference.

Net Revenues may also be applied to make payments required under any Parity Payment Agreement on a parity with the payments under paragraphs **Second** and **Third** above, to the extent and in the manner provided by the terms of such Parity Obligation relating to such Parity Payment Agreement.

SECTION 5.03. Other Remedies. The Authority shall have the right --

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

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

(c) by suit in equity upon the happening of an Event of Default to require the City and its directors officers and employees to account as the trustee of an express trust.

SECTION 5.04. Non-Waiver. Nothing in this article or in any other provision hereof shall affect or impair the obligation of the City, which is absolute and unconditional, to pay the Payments from the Net Revenues to the Authority at the respective due dates or upon acceleration or prepayment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied in the Contracts.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by law or by this article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

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

SECTION 5.05. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.

ARTICLE VI

DISCHARGE OF OBLIGATIONS

SECTION 6.01. Discharge of Obligations.

(a) If the City shall pay or cause to be paid all the Payments at the times and in the manner provided herein, the right, title and interest of the Authority herein and the obligations of the City hereunder and under all Supplemental Contracts shall cease, terminate, become void and be completely discharged and satisfied.

(b) Any unpaid principal installment of any of the Payments shall on its payment date or date of prepayment be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if the City makes payment of such Payment and the prepayment premium, if applicable, in the manner provided herein.

(c) All or any portion of unpaid principal installments of the Payments shall, prior to their payment dates or dates of prepayment, be deemed to have been paid within the meaning of and with the effect expressed in subsection (a) of this section if (i) there shall have been deposited with the Trustee either money in an amount which shall be sufficient, or Federal Securities which are not subject to redemption except by the holder thereof prior to maturity (including any such securities issued or held in book-entry form) or municipal obligations which have been defeased under irrevocable escrow instructions with Federal Securities and which are rated in the highest rating category by the Rating Agencies, the interest on and principal of which when paid will provide money which, together with money, if any, deposited with the Trustee, shall be sufficient (as evidenced by a report of an Independent Certified Public Accountant regarding such sufficiency) to pay when due the principal installments of such Payments or such portions thereof on their payment dates or their dates of prepayment, as the case may be, the interest installments of such Payments due on and prior to such payment dates or dates of prepayment, and the prepayment premiums, if any, applicable thereto, and (ii) an Opinion of Counsel is filed with the Trustee to the effect that the action taken pursuant to this subsection will not cause the interest installments of such Payments so paid to be includable in gross income under the Code for federal income tax purposes.

(d) After the payment of all Payments and prepayment premiums, if any, as provided in this section, and payment in full of all fees and expenses of the Authority, the Authority, upon request of the City, shall cause an accounting for such period or periods as may be requested by the City to be prepared and filed with the City and the Authority and shall execute and deliver to the City all such instruments as may be necessary or desirable to evidence such total discharge and satisfaction of the Contracts, and the Authority shall pay over and deliver to the City, as an overpayment of Payments, all such money or investments held by it pursuant hereto other than such money and such investments as are required for the payment or prepayment of the Payments and interest installments of such Payments and the prepayment premiums, if any, applicable thereto, which money and investments shall continue to be held in trust for the payment thereof.

ARTICLE VII

MISCELLANEOUS

SECTION 7.01. Liability of City Limited to Net Revenues. Notwithstanding anything contained herein, the City shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payment of the Payments or for the performance of any agreements or covenants required to be performed by it contained herein. The City may, however, advance moneys for any such purpose so long as such moneys are

derived from a source legally available for such purpose and may be legally used by the City for such purpose.

The obligation of the City to make the Payments is a special obligation of the City payable solely from the Net Revenues as provided herein. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payment of the Payments.

SECTION 7.02. Benefits of Contracts Limited to Parties. Nothing contained in any Contract, expressed or implied, is intended to give to any person other than the Authority (and the Trustee, as the assignee of the Authority's rights hereunder) or the City any right, remedy or claim under or pursuant thereto, and any agreement or covenant required herein to be performed by or on behalf of the Authority (and the Trustee, as the assignee of the Authority's rights hereunder) or the City shall be for the sole and exclusive benefit of the other party; provided, that with respect to enforcing the Trustee's rights hereunder, the Trustee shall be a third party beneficiary hereof and shall have the right to enforce the obligations of the City hereunder.

SECTION 7.03. Successor Is Deemed Included in all References to Predecessor. Whenever either the Authority or the City is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in the Authority or the City, and all agreements and covenants required hereby to be performed by or on behalf of the Authority or the City shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

SECTION 7.04. Waiver of Personal Liability. No director, officer or employee of the City shall be individually or personally liable for the payment of the Payments, but nothing contained herein shall relieve any director, officer or employee of the City from the performance of any official duty provided by any applicable provisions of law or by the terms of the Contracts.

SECTION 7.05. Article and Section Headings, Gender and References. The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections," "Exhibits" and other subdivisions or clauses are to the corresponding articles, sections, exhibits, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Master Contract as a whole and not to any particular article, section, exhibit, subdivision or clause hereof.

SECTION 7.06. Partial Invalidity. If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of the Authority or the City shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity

hereof. The Authority and the City hereby declare that they would have executed the Master Contract, and each and every other article, section, paragraph, subdivision, sentence, clause and phrase hereof irrespective of the fact that any one or more articles, sections, paragraphs, subdivisions, sentences, clauses or phrases hereof or the application thereof to any person or circumstance may be held to be unconstitutional, unenforceable or invalid.

SECTION 7.07. Net Contract. The Contracts shall be deemed and construed to be net contracts, and the City shall pay absolutely net during the term hereof the Payments and all other payments required under the Contracts, free of any deductions and without abatement, diminution or set-off whatsoever.

SECTION 7.08. California Law. The Contracts shall be construed and governed in accordance with the laws of the State of California.

SECTION 7.09. Indemnification. The City shall, to the full extent then permitted by law, indemnify, protect, hold harmless, save and keep harmless the Authority and the Trustee and their directors, officers and employees from and against any and all liability, obligations, losses, claims and damages whatsoever, regardless of the cause thereof, and expenses in connection therewith, including, without limitation, counsel fees and expenses, penalties and interest arising out of or as the result of (i) the entering into of the Contracts, the acquisition, construction, installation and use of any of the Projects and each portion thereof or any accident in connection with the operation, use, condition or possession of any of the Projects or any portion thereof resulting in damage to property or injury to or death to any person including, without limitation, any claim alleging latent and other defects, whether or not discoverable by the City or the Authority, (ii) any claim for patent, trademark or copyright infringement, (iii) any claim arising out of strict liability in tort, (iv) without negligence or wilful misconduct, the Trustee's acceptance or administration of the trust under the Trust Agreements, or the exercise or performance of any of its powers or duties thereunder or hereunder; or (v) any untrue statement or alleged untrue statement of any material fact or omission or alleged omission to state a material fact necessary to make the statements made, in light of the circumstances under which they were made, not misleading in any official statement or other offering circular utilized in connection with the sale of any bonds or other evidences of indebtedness issued under the Trust Agreements. The indemnification arising under this section shall continue in full force and effect notwithstanding the full payment of all obligations hereunder or the termination hereof for any reason. The City agrees not to withhold or abate any portion of the payments required pursuant hereto by reason of any defects, malfunctions, breakdowns or infirmities of any of the Projects. The City and the Authority mutually agree to promptly give notice to each other of any claim or liability hereby indemnified against following either's learning thereof. The rights to indemnification from the City hereunder shall survive the termination hereof or the resignation or removal of the Trustee.

SECTION 7.10. Funds. Any fund required to be established and maintained herein by the City may be established and maintained in the accounting records of the City either as an account or a fund and may, for the purpose of such accounting records, any audits thereof and any reports or statements with respect thereto, be treated either as an account or a fund;

but all such records with respect to any such fund shall at all times be maintained in accordance with sound accounting practice.

SECTION 7.11. Notices. All written notices to be given hereunder shall be given by mail to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other party in writing from time to time, namely:

If to the City:

City of Roseville
311 Vernon Street
Roseville, CA 95678
Attention: Finance Director

If to the Authority:

Roseville Finance Authority
c/o City of Roseville
311 Vernon Street
Roseville, CA 95678
Attention: Finance Director

SECTION 7.12. Effective Date. All Contracts shall become effective upon their execution and delivery, and shall terminate when the Payments provided therein shall have been fully paid (or provision for the payment thereof shall have been made pursuant to Article VI).

SECTION 7.13. Execution in Counterpart. The Master Contract may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

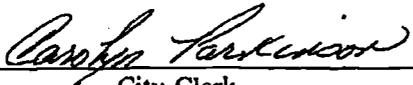
IN WITNESS WHEREOF, the parties hereto have executed and attested the Master Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

By 
City Manager

(SEAL)

Attest:

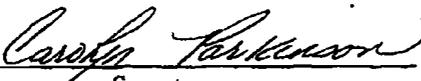

City Clerk

ROSEVILLE FINANCE AUTHORITY

By 
Executive Director

(SEAL)

Attest:


Secretary



Execution Copy

1997 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of November 1, 1997

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1997 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

The 1997 Supplemental Installment Purchase Contract (the "1997 Supplemental Contract"), dated as of November 1, 1997, by and between the City of Roseville, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

W I T N E S S E T H :

WHEREAS, the City and the Authority have entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, to finance and refinance the costs of various additions, betterments and improvements to the Electric System of the City; and

WHEREAS, the City has determined that the foregoing is necessary and proper for City purposes; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 1997 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 1997 Supplemental Contract;

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

ARTICLE I

DEFINITIONS

SECTION 1.01. Definitions. Unless the context otherwise requires, the terms defined in Section 1.01 of the Master Contract or in this section shall for all purposes hereof and of any opinion or report or other document mentioned herein or therein have the meanings defined herein or therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

1987 Installment Purchase Contract

"1987 Installment Purchase Contract" means that certain Installment Purchase Contract, dated as of February 1, 1987, by and between the City and Roseville 1985 Capital Services, Inc.

1997 Certificate Insurer

"1997 Certificate Insurer" shall mean Ambac Assurance Corporation, a Wisconsin-domiciled stock insurance company, as issuer of the 1997 Certificate Insurance Policy.

1997 Certificate Insurance Policy

"1997 Certificate Insurance Policy" shall mean the municipal bond insurance policy issued by the 1997 Certificate Insurer insuring the payment when due of the principal and interest evidenced and represented by the 1997 Certificates as provided therein.

1997 Certificates

The term "1997 Certificates" means the Electric System Revenue Certificates of Participation, Series 1997, evidencing and representing proportionate interests of the owners thereof in the 1997 Payments to be made by the City, executed and delivered pursuant to the Trust Agreement.

1997 Payment Date

"1997 Payment Date" means February 1 and August 1 of each year, commencing February 1, 1998.

1997 Payments

"1997 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof.

1997 Project

The term "1997 Project" means (i) the refinancing of the costs of the project financed with the proceeds of the Prior Certificates, being a 230-kV substation adjacent to the City's 60-kV Berry Street Receiving Station, improvements to said Receiving Station and the Elverta-Roseville No. 2 transmission line; and (ii) the financing of the costs of the Fiddymont Substation project, being the construction and acquisition of substation and transmission facilities as well as certain modifications and improvements to existing systems, designed to accomplish the interconnection of the Fiddymont Substation to Western's transmission system, which consists of three 230 kV circuit breakers, three terminal 230 kV ring bus, one 230/60 kV 90/120/150 mva power transformer, four 60 kV circuit breakers, a 60 kV main and auxiliary bus and two outgoing 60 kV circuits, and all reports, surveys and feasibility studies relating to any of the foregoing.

1997 Rebate Fund

"1997 Rebate Fund" means the City of Roseville Electric System 1997 Rebate Fund established pursuant to Section 2.06 of the 1997 Supplemental Contract.

1997 Supplemental Contract

"1997 Supplemental Contract" means this 1997 Supplemental Installment Purchase Contract, executed and entered into as of November 1, 1997, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

1997 Supplemental Contract Payment Account

"1997 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.03 of the 1997 Supplemental Contract.

Prior Certificates

"Prior Certificates" means the \$13,355,000 original principal amount of the Refunding Certificates of Participation, evidencing and representing proportionate interests of the owners thereof in installment payments to be made by the City to Roseville 1985 Capital Services, Inc. under and pursuant to the 1987 Installment Purchase Contract.

Tax Certificate

"Tax Certificate" means the Tax Certificate concerning certain matters pertaining to the use and investment of proceeds of the 1997 Certificates executed and delivered by the City on the date of initial delivery of the 1997 Certificates, including any and all exhibits attached thereto.

Trust Agreement

"Trust Agreement" means that certain Trust Agreement, dated as of November 1, 1997, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

ARTICLE II

TERMS OF THE 1997 SUPPLEMENTAL CONTRACT

SECTION 2.01. Authority for the 1997 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of the 1997 Supplemental Contract and has found, as a result of such review, and hereby finds and determines that all acts,

conditions and things required by law to exist, happen or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 1997 Supplemental Contract in the manner and form provided herein for the financing and refinancing of the costs of the 1997 Project.

SECTION 2.02. Purpose of the 1997 Supplemental Contract. The City hereby transfers to the Authority the portion of the 1997 Project referenced in clause (i) of the definition thereof for the purpose of acquiring the 1997 Project from the Authority hereunder. The City agrees to acquire the 1997 Project from the Authority pursuant to the terms hereof, to cause the acquisition and construction of the portion of the 1997 Project referenced in clause (ii) of the definition thereof as agent for the Authority in accordance with Section 2.01 of the Master Contract, and to provide for the defeasance of all payments due under the 1987 Installment Purchase Contract in accordance with the terms hereof and of the Trust Agreement. Immediately upon completion of each separate component of the 1997 Project, all right, title and interest in and to each such component of the 1997 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

SECTION 2.03. Payment of the 1997 Supplemental Contract. There is hereby established within the Parity Obligation Payment Fund, the 1997 Supplemental Contract Payment Account. On or before the third Business Day immediately preceding each 1997 Payment Date, the City shall, from the money in the Electric Revenue Fund, deposit in the 1997 Supplemental Contract Payment Account a sum equal to the amount of the interest and principal components of the 1997 Payments becoming due and payable under the 1997 Supplemental Contract on the next succeeding 1997 Payment Date, except that no such deposit need be made if the amount then on deposit in the 1997 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 1997 Payments becoming due and payable under the 1997 Supplemental Contract on the next succeeding 1997 Payment Date; and all money on deposit in the 1997 Supplemental Contract Payment Account shall be transferred by the City to the Trustee on the Business Day immediately preceding each 1997 Payment Date to make and satisfy the 1997 Payment due on such 1997 Payment Date in accordance with the Master Contract. On or before the third Business Day preceding each 1997 Payment Date, the City shall from the money in the Electric Revenue Fund, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the amount in the Parity Reserve Fund to the Reserve Fund Requirement, except no such deposit need be made if the amount then on deposit in the Parity Reserve Fund is at least equal to the Reserve Fund Requirement.

SECTION 2.04. Payment of 1997 Payments. The City shall, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 1997 Project the sum of Eleven Million Eight Hundred Eighty Thousand Dollars (\$11,880,000), without offset or deduction of any kind, by paying the principal installments of the 1997 Payments annually on February 1 in each year in accordance with Exhibit A attached hereto and incorporated herein, together with interest installments of the 1997 Payments, which interest installments shall be paid semiannually in the amounts and on the 1997 Payment Dates in

accordance with Section 2.03 hereof and Exhibit A attached hereto and incorporated herein and which interest shall constitute interest paid on the principal amount of the City's obligation hereunder.

The obligation of the City to pay the 1997 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 1997 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 1997 Payments required to be paid by it under this section when due, whether or not the Electric System or any part thereof (including the 1997 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

SECTION 2.05. Prepayment of 1997 Payments. The City may prepay from any source of available funds on any date on or after February 1, 2008, all or any part of the principal amount of the unpaid 1997 Payments becoming due and payable on or after February 1, 2009, in such order of prepayment as the City may determine, at the following prepayment price (expressed as a percentage of the principal amount of the 1997 Payments to be prepaid), plus accrued interest to the date of prepayment, namely:

<u>Prepayment Period</u> <u>(both dates inclusive)</u>	<u>Prepayment Price</u>
February 1, 2008, through January 31, 2009	101.0%
February 1, 2009, through January 31, 2010	100.5
February 1, 2010, and thereafter	100.0

Before making any prepayment pursuant to this section, the City shall give written notice to the Authority specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than fifty (50) days from the date such notice is given; provided, that notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under this article, until the 1997 Payments shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VI of the Master Contract).

SECTION 2.06. 1997 Rebate Fund. The City hereby agrees to establish and maintain, so long as any 1997 Payments remain unpaid, a fund separate from any other fund established and maintained hereunder designated the City of Roseville Electric System 1997 Rebate Fund (the "1997 Rebate Fund"). All amounts at any time on deposit in the 1997 Rebate Fund shall be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under the Master Contract and the 1997 Supplemental Contract and shall be governed by this section and by the Tax Certificate.

(1) Within 45 days of the end of each Certificate Year (as such term is defined in the Tax Certificate), (i) the City shall calculate or cause to be calculated with respect to the 1997 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Certificate Year, and (ii) the City shall deposit to the 1997 Rebate Fund from amounts on deposit in the Electric Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the 1997 Rebate Fund to be equal to the "rebate amount" so calculated.

The City shall not be required to deposit any amount to the 1997 Rebate Fund in accordance with preceding sentence if the amount on deposit in the 1997 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 1997 Rebate Fund to the extent permitted under paragraph (2) of this section.

The City shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the 1997 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 1997 Certificates (including amounts treated as proceeds of the 1997 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 1997 Rebate Fund after payment of all the 1997 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this section, or provision made therefor, including accrued interest, shall be transferred by the City to the Electric Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this section to the requirement to calculate the "rebate amount" and make deposits to the 1997 Rebate Fund, the City shall pay to the United States, from amounts on deposit in the 1997 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 1997 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any

income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this section shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 1997 Rebate Fund, the amount in the 1997 Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 1997 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this section, but prior to any deposit made under said subsection, the amount on deposit in the 1997 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City shall transfer the excess from the 1997 Rebate Fund to the Revenue Fund.

(7) The City shall retain records of all determinations made hereunder until six years after the final payment or discharge of all 1997 Certificates.

(8) Notwithstanding anything in the Master Contract or the 1997 Supplemental Contract to the contrary, the Rebate Requirement shall survive the payment in full or discharge of the 1997 Certificates and the 1997 Payments.

SECTION 2.07. Tax Covenants. The City hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 1997 Payments constituting interest under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the 1997 Supplemental Contract or any of the property financed or refinanced with proceeds of the 1997 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 1997 Payments constituting interest.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 1997 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 1997 Supplemental Contract or any of the property financed or refinanced with proceeds of the 1997 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 1997 Certificates or other obligations delivered in connection with the 1997 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 1997 Payments are unpaid, the City, with respect to such proceeds and property and such

other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 1997 Supplemental Contract as "governmental bonds."

The City shall not, directly or indirectly, use or permit the use of any proceeds of the 1997 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 1997 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 1997 Supplemental Contract.

The City shall not make any use of the proceeds of the 1997 Supplemental Contract or any other funds of the City, or take or omit to take any other action, that would cause the 1997 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or discharge of the 1997 Certificates and the 1997 Payments.

SECTION 2.08. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Certificate to be delivered by the City in connection with the execution and delivery of the 1997 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with the Continuing Disclosure Certificate shall not be considered an Event of Default under the Master Contract or hereunder.

SECTION 2.09. Provisions Related to the 1997 Certificate Insurance Policy. For so long as, and only during such time as, the 1997 Certificate Insurance Policy is in effect and the 1997 Certificate Insurer is not in default thereunder, the following provisions shall be in effect, and any conflict between the provisions of this Section and the provisions of any other Section hereof shall be governed by the provisions of this Section:

(a) For purposes of investing and valuing amounts in the Electric Revenue Fund and the 1997 Supplemental Contract Payment Account of the Parity Obligation Payment Fund representing the 1997 Payments, "Permitted Investments" shall have the meaning ascribed to such term in the Trust Agreement relating to the 1997 Certificates.

(b) The City shall provide the 1997 Certificate Insurer with the following information, such notice to be delivered at the address for the 1997 Certificate Insurer set forth in the Trust Agreement relating to the 1997 Certificates:

(1) as soon as practicable after the filing thereof with the Authority, a copy of any financial statement of the City and a copy of any audit and annual report of the City delivered by the City pursuant to Section 4.09(b)(1) of the Master Contract and a copy of any report or notice required to be filed with a National Repository and/or State Repository pursuant to the Continuing Disclosure Certificate to be delivered by the City in connection with the execution and delivery of the 1997 Certificates (and as such terms are defined in such Continuing Disclosure Certificate); and

(2) such additional information as the 1997 Certificate Insurer it may reasonably request in writing.

(c) As long as any 1997 Payments remain unpaid, the City will permit the 1997 Certificate Insurer to discuss the affairs, finances and accounts of the City or any information the 1997 Certificate Insurer may reasonably request regarding the security for the 1997 Certificates with appropriate officers of the City, and the City will permit the 1997 Certificate Insurer to have access to and to make copies of all books and records relating to accounting for and payment of the 1997 Payments at any reasonable time during normal business hours.

(d) Any acceleration of the unpaid 1997 Payments pursuant to Section 5.01 of the Master Contract or any annulment thereof shall be subject to the prior written consent of the 1997 Certificate Insurer.

(e) Notwithstanding anything contained herein to the contrary, in the event that any interest and/or principal components of the 1997 Payments evidenced and represented by the 1997 Certificates shall be paid by the 1997 Certificate Insurer pursuant to the 1997 Certificate Insurance Policy, the 1997 Payments evidenced and represented by such 1997 Certificates shall remain unpaid hereunder for all purposes, shall not be discharged or otherwise satisfied and shall not be considered paid by the City, and the assignment and pledge thereof and all agreements, covenants and other obligations of the City hereunder with respect thereto shall continue to exist and shall run to the benefit of the 1997 Certificate Insurer.

SECTION 2.10. Terms of the 1997 Supplemental Contract Subject to the Master Contract. Every term and condition contained in the Master Contract shall apply to the 1997 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 1997 Supplemental Contract.

SECTION 2.11. Assignment of the 1997 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the Trust Agreement, all of the 1997

Payments and any and all rights and privileges it has under the Master Contract and hereunder.
The Trustee shall not assume any responsibility for any duties or covenants or warranties of the
Authority hereunder.

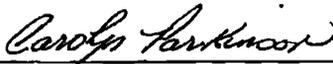
IN WITNESS WHEREOF, the parties hereto have executed and attested the 1997 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

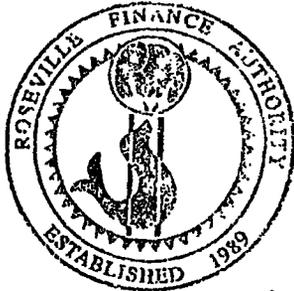
CITY OF ROSEVILLE

By 
City Manager

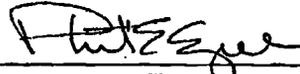
(SEAL)

Attest:


City Clerk



ROSEVILLE FINANCE AUTHORITY

By 
Treasurer

Attest:


Secretary

EXHIBIT A

Schedule of 1997 Payments

<u>1997 Payment Date</u>	<u>Principal Installment</u>	<u>Interest Installment</u>	<u>Total 1997 Payments</u>
02/01/98	\$1,485,000.00	\$132,469.38	\$1,617,469.38
08/01/98		238,208.75	238,208.75
02/01/99	1,400,000.00	238,208.75	1,638,208.75
08/01/99		210,208.75	210,208.75
02/01/00	1,450,000.00	210,208.75	1,660,208.75
08/01/00		181,208.75	181,208.75
02/01/01	1,510,000.00	181,208.75	1,691,208.75
08/01/01		150,253.75	150,253.75
02/01/02	260,000.00	150,253.75	410,253.75
08/01/02		144,793.75	144,793.75
02/01/03	270,000.00	144,793.75	414,793.75
08/01/03		138,988.75	138,988.75
02/01/04	285,000.00	138,988.75	423,988.75
08/01/04		132,718.75	132,718.75
02/01/05	295,000.00	132,718.75	427,718.75
08/01/05		126,081.25	126,081.25
02/01/06	310,000.00	126,081.25	436,081.25
08/01/06		118,912.50	118,912.50
02/01/07	325,000.00	118,912.50	443,912.50
08/01/07		111,275.00	111,275.00
02/01/08	340,000.00	111,275.00	451,275.00
08/01/08		102,775.00	102,775.00
02/01/09	355,000.00	102,775.00	457,775.00
08/01/09		93,900.00	93,900.00
02/01/10	375,000.00	93,900.00	468,900.00
08/01/10		84,525.00	84,525.00
02/01/11	390,000.00	84,525.00	474,525.00
08/01/11		74,287.50	74,287.50
02/01/12	415,000.00	74,287.50	489,287.50
08/01/12		63,393.75	63,393.75
02/01/13	435,000.00	63,393.75	498,393.75
08/01/13		51,975.00	51,975.00
02/01/14	460,000.00	51,975.00	511,975.00
08/01/14		39,900.00	39,900.00
02/01/15	480,000.00	39,900.00	519,900.00
08/01/15		27,300.00	27,300.00
02/01/16	505,000.00	27,300.00	532,300.00
08/01/16		14,043.75	14,043.75
02/01/17	535,000.00	14,043.75	549,043.75

EXECUTION VERSION

1999 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of August 1, 1999

W/25

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1999 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

The 1999 Supplemental Installment Purchase Contract (the "1999 Supplemental Contract"), dated as of August 1, 1999, by and between the City of Roseville, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the City and the Authority have entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, and a 1997 Supplemental Installment Purchase Contract dated as of November 1, 1997, to finance and refinance the costs of various improvements to the Electric System of the City; and

WHEREAS, the City and the Authority desire to finance the costs of various additional improvements to the Electric System of the City, and in connection therewith to enter into a 1999 Supplemental Installment Purchase Contract (the "1999 Supplemental Contract") pursuant to the Master Contract; and

WHEREAS, the City has determined that the foregoing is necessary and proper for City purposes; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 1999 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 1999 Supplemental Contract;

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

**ARTICLE I
DEFINITIONS**

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in Section 1.01 of the Master Contract or in this section shall for all purposes hereof and of any opinion or report or other document mentioned herein or therein have the meanings defined herein or therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

1999 Certificate Insurer

"1999 Certificate Insurer" shall mean Financial Security Assurance, Inc., as issuer of the 1999 Certificate Insurance Policy.

1999 Certificate Insurance Policy

"1999 Certificate Insurance Policy" shall mean the municipal bond insurance policy issued by the 1999 Certificate Insurer insuring the payment when due of the principal and interest evidenced and represented by the 1999 Certificates as provided therein.

1999 Certificates

The term "1999 Certificates" means the Electric System Revenue Certificates of Participation, Series 1999, evidencing and representing proportionate interests of the owners thereof in the 1999 Payments to be made by the City, executed and delivered pursuant to the Trust Agreement.

1999 Payment Date

"1999 Payment Date" means February 1 and August 1 of each year, commencing February 1, 2000.

1999 Payments

"1999 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof.

1999 Project

"1999 Project" means capital improvements to the City's electric system, including electric transmission and distribution system improvements as identified in, but not limited to, Roseville Electric's Capital Improvement Program for the 1999-2000 through 2001-2002 fiscal years; which Capital Improvement Program includes circuit and substation capacity additions, circuit upgrades and replacements and circuit control, protection and measurement devices and equipment, and all reports, surveys and feasibility studies relating to any of the foregoing.

1999 Project Account

"1999 Project Account" means subaccount of the Improvement Fund established under the Trust Agreement pursuant to Section 2.06(a) of the 1999 Supplemental Contract.

1999 Rebate Fund

"1999 Rebate Fund" means the City of Roseville Electric System 1999 Rebate Fund established pursuant to Section 2.06 of the 1999 Supplemental Contract.

1999 Supplemental Contract

"1999 Supplemental Contract" means this 1999 Supplemental Installment Purchase Contract, executed and entered into as of August 1, 1999, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

1999 Supplemental Contract Payment Account

"1999 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.03 of the 1999 Supplemental Contract.

Parity Obligation Payment Fund

"Parity Obligation Payment Fund" means the fund by that name established pursuant to Section 2.03 of the 1999 Supplemental Contract.

Tax Certificate

"Tax Certificate" means the Tax and Non-Arbitrage Certificate concerning certain matters pertaining to the use and investment of proceeds of the 1999 Certificates executed and delivered by the City on the date of initial delivery of the 1999 Certificates, including any and all exhibits attached thereto.

Trust Agreement

"Trust Agreement" means that certain Trust Agreement, dated as of August 1, 1999, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

ARTICLE II
TERMS OF THE 1999 SUPPLEMENTAL CONTRACT

SECTION 2.01 Authority for the 1999 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of the 1999 Supplemental Contract and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 1999 Supplemental Contract in the manner and form provided herein for the financing of the costs of the 1999 Project.

SECTION 2.02 Purpose of the 1999 Supplemental Contract. The City hereby transfers to the Authority the 1999 Project for the purpose of acquiring the 1999 Project from the Authority hereunder. The City agrees to acquire the 1999 Project from the Authority pursuant to the terms hereof, to cause the acquisition and construction of the 1999 Project as

agent for the Authority in accordance with Section 2.01 of the Master Contract and in accordance with the terms hereof and of the Trust Agreement. Immediately upon completion of each separately acquirable component of the 1999 Project, all right, title and interest in and to each such component of the 1999 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

SECTION 2.03 Payment of the 1999 Supplemental Contract. The City hereby establishes a Parity Obligation Payment Fund, and within such fund, the 1999 Supplemental Contract Payment Account. On or before the third Business Day immediately preceding each 1999 Payment Date, the City shall, from the money in the Electric Revenue Fund, deposit in the 1999 Supplemental Contract Payment Account a sum equal to the amount of the interest and principal components of the 1999 Payments becoming due and payable under the 1999 Supplemental Contract on the next succeeding 1999 Payment Date, except that no such deposit need be made if the amount then on deposit in the 1999 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 1999 Payments becoming due and payable under the 1999 Supplemental Contract on the next succeeding 1999 Payment Date; and all money on deposit in the 1999 Supplemental Contract Payment Account shall be transferred by the City to the Trustee on the third Business Day preceding each 1999 Payment Date to make and satisfy the 1999 Payment due on such 1999 Payment Date in accordance with the Master Contract. On or before the third Business Day preceding each 1999 Payment Date, the City shall from the money in the Electric Revenue Fund, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the amount in the Parity Reserve Fund to the Reserve Fund Requirement, except no such deposit need be made if the amount then on deposit in the Parity Reserve Fund is at least equal to the Reserve Fund Requirement.

SECTION 2.04 Payment of 1999 Payments. The City shall, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 1999 Project the sum of Twenty-One Million Six Hundred Thirty Thousand Dollars (\$21,630,000), without offset or deduction of any kind, by paying the principal installments of the 1999 Payments annually on February 1 in each year in accordance with Exhibit A attached hereto and incorporated herein, together with interest installments of the 1999 Payments, which interest installments shall be paid semiannually in the amounts and on the 1999 Payment Dates in accordance with Section 2.03 hereof and Exhibit A attached hereto and incorporated herein and which interest shall constitute interest paid on the principal amount of the City's obligation hereunder.

The obligation of the City to pay the 1999 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 1999 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 1999 Payments required to be paid by it under this section when due, whether or not the Electric System or any part thereof (including the 1999 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

SECTION 2.05 Prepayment of 1999 Payments. The City may prepay from any source of available funds on any date on or after August 1, 2009, all or any part of the principal amount of the unpaid 1999 Payments becoming due and payable on or after February 1, 2010, in such order of prepayment as the City may determine, at the following prepayment price (expressed as a percentage of the principal amount of the 1999 Payments to be prepaid), plus accrued interest to the date of prepayment, namely:

<u>Prepayment Period</u> <u>(both dates inclusive)</u>	<u>Prepayment Price</u>
August 1, 2009, through July 31, 2010	101%
August 1, 2010, and thereafter	100

Before making any prepayment pursuant to this section, the City shall give written notice to the Authority specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than fifty (50) days from the date such notice is given; provided, that notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under this article, until the 1999 Payments shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VI of the Master Contract).

SECTION 2.06 Establishment of 1999 Funds and Accounts.

(a) **1999 Project Account.** There is hereby established the "1999 Project Account" of the Improvement Fund, which account the City requests to be held and maintained by the Trustee pursuant to the Trust Agreement until the completion of the acquisition and construction of the 1999 Project. Moneys in the 1999 Project Account shall be used and withdrawn by the City to pay the costs of the 1999 Project (or to reimburse the City for such costs) upon receipt of a Request of the City and shall otherwise be administered in accordance with the Trust Agreement. Upon closing of the 1999 Project Account in accordance with the terms of the Trust Agreement, any moneys remaining therein and returned to the City pursuant to the Trust Agreement shall be deposited into the Electric Revenue Fund.

(b) **1999 Rebate Fund.** The City hereby agrees to establish and maintain, so long as any 1999 Payments remain unpaid, a fund separate from any other fund established and maintained hereunder designated the City of Roseville Electric System 1999 Rebate Fund (the "1999 Rebate Fund"). All amounts at any time on deposit in the 1999 Rebate Fund shall be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under the Master Contract and the 1999 Supplemental Contract and shall be governed by this section and by the Tax Certificate.

(1) Within 45 days of the end of each Certificate Year (as such term is defined in the Tax Certificate), (i) the City shall calculate or cause to be calculated with respect to the 1999 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Certificate Year, and (ii) the City shall deposit to the 1999 Rebate Fund

from amounts on deposit in the Electric Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the 1999 Rebate Fund to be equal to the "rebate amount" so calculated.

The City shall not be required to deposit any amount to the 1999 Rebate Fund in accordance with preceding sentence if the amount on deposit in the 1999 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 1999 Rebate Fund to the extent permitted under paragraph (2) of this section.

The City shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the 1999 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 1999 Certificates (including amounts treated as proceeds of the 1999 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a 1½% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 1999 Rebate Fund after payment of all the 1999 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this section, or provision made therefor, including accrued interest, shall be transferred by the City to the Electric Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this section to the requirement to calculate the "rebate amount" and make deposits to the 1999 Rebate Fund, the City shall pay to the United States, from amounts on deposit the 1999 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 1999 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this section shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 1999 Rebate Fund, the amount in the 1999 Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 1999 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this section, but prior to any deposit made under said subsection, the amount on deposit in the 1999 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City shall transfer the excess from the 1999 Rebate Fund to the Revenue Fund.

(7) The City shall retain records of all determinations made hereunder until six years after the final payment or discharge of all 1999 Certificates.

(8) Notwithstanding anything in the Master Contract or the 1999 Supplemental Contract to the contrary, the Rebate Requirement shall survive the payment in full or discharge of the 1999 Certificates and the 1999 Payments.

SECTION 2.07 Tax Covenants. The City hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 1999 Payments constituting interest under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the 1999 Supplemental Contract or any of the property financed or refinanced with proceeds of the 1999 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 1999 Payments constituting interest.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 1999 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 1999 Supplemental Contract or any of the property financed or refinanced with proceeds of the 1999 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 1999 Certificates or other obligations delivered in connection with the 1999 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 1999 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 1999 Supplemental Contract as "governmental bonds."

The City shall not, directly or indirectly, use or permit the use of any proceeds of the 1999 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in

connection with the 1999 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 1999 Supplemental Contract.

The City shall not make any use of the proceeds of the 1999 Supplemental Contract or any other funds of the City, or take or omit to take another action, that would cause the 1999 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or discharge of the 1999 Certificates and the 1999 Payments.

SECTION 2.08 Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement to be delivered by the City in connection with the execution and delivery of the 1999 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Master Contract or hereunder.

SECTION 2.09 Provisions Related to the 1999 Certificate Insurance Policy. For so long as, and only during such time as, the 1999 Certificate Insurance Policy is in effect and the 1999 Certificate Insurer is not in default thereunder, the following provisions shall be in effect, and any conflict between the provisions of this Section and the provisions of any other Section hereof shall be governed by the provisions of this Section:

(a) For purposes of investing and valuing amounts in the Electric Revenue Fund and the 1999 Supplemental Contract Payment Account of the Parity Obligation Payment Fund representing the 1999 Payments, "Permitted Investments" shall have the meaning ascribed to such term in the Trust Agreement relating to the 1999 Certificates.

(b) The City shall provide the 1999 Certificate Insurer with the following information, such notice to be delivered at the address for the 1999 Certificate Insurer set forth in the Trust Agreement relating to the 1999 Certificates:

(i) as soon as practicable after the filing thereof with the Authority, a copy of any financial statement of the City and a copy of any audit and annual report of the City delivered by the City pursuant to Section 4.09(b)(1) of the Master Contract and a copy of any report or notice required to be filed with a National Repository and/or State Repository pursuant to the Continuing Disclosure Agreement to be delivered by the City in connection with the execution and delivery of the 1999 Certificates (and as such terms are defined in such Continuing Disclosure Agreement); and

(ii) such additional information as the 1999 Certificate Insurer may reasonably request in writing.

(c) As long as any 1999 Payments remain unpaid, the City will permit the 1999 Certificate Insurer to discuss the affairs, finances and accounts of the City or any information the 1999 Certificate Insurer may reasonably request regarding the security for the 1999 Certificates with appropriate officers of the City, and the City will permit the 1999 Certificate Insurer to have access to and to make copies of all books and records relating to accounting for and payment of the 1999 Payments at any reasonable time during normal business hours.

(d) Any acceleration of the unpaid 1999 Payments pursuant to Section 5.01 of the Master Contract or any annulment thereof shall be subject to the prior written consent of the 1999 Certificate Insurer.

(e) Notwithstanding anything contained herein to the contrary, in the event that any interest and/or principal components of the 1999 Payments evidenced and represented by the 1999 Certificates shall be paid by the 1999 Certificate Insurer pursuant to the 1999 Certificate Insurance Policy, the 1999 Payments evidenced and represented by such 1999 Certificates shall remain unpaid hereunder for all purposes, shall not be discharged or otherwise satisfied and shall not be considered paid by the City, and the assignment and pledge thereof and all agreements, covenants and other obligations of the City hereunder with respect thereto shall continue to exist and shall run to the benefit of the 1999 Certificate Insurer.

(f) the full amount of Parity Obligations shall be included in the calculation of Annual Debt Service in the event the date of calculation is within twenty-four months of the actual maturity date of such Parity Obligations.

add. v. Baller payments

(g) Any Qualified CounterParty or the guarantor thereof must have unsecured senior debt obligations rated at least "A+" by S&P and "A1" by Moody's.

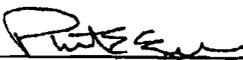
S. 495

SECTION 2.10 Terms of the 1999 Supplemental Contract Subject to the Master Contract. Every term and condition contained in the Master Contract shall apply to the 1999 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 1999 Supplemental Contract.

SECTION 2.11 Assignment of the 1999 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the Trust Agreement, all of the 1999 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee shall not assume any responsibility for any duties or covenants or warranties of the Authority hereunder.

IN WITNESS WHEREOF, the parties hereto have executed and attested the 1999 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

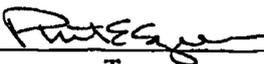
By 
Finance Director

(SEAL)

Attest:

City Clerk

ROSEVILLE FINANCE AUTHORITY

By 
Treasurer

Attest:

Secretary

EXHIBIT A

Schedule of 1999 Payments

<u>1999 Payment Date (February 1)</u>	<u>Principal Installment</u>	<u>Interest Installment</u>	<u>Total 1999 Payments</u>
2000		\$561,150.00	\$561,150.00
2001		1,122,300.00	1,122,300.00
2002	\$425,000	1,122,300.00	1,547,300.00
2003	445,000	1,105,300.00	1,550,300.00
2004	460,000	1,087,055.00	1,547,055.00
2005	480,000	1,067,735.00	1,547,735.00
2006	500,000	1,047,335.00	1,547,335.00
2007	520,000	1,025,835.00	1,545,835.00
2008	545,000	1,002,955.00	1,547,955.00
2009	570,000	977,885.00	1,547,885.00
2010	595,000	950,810.00	1,545,810.00
2011	630,000	922,250.00	1,552,250.00
2012	655,000	890,750.00	1,545,750.00
2013	690,000	858,000.00	1,548,000.00
2014	720,000	823,500.00	1,543,500.00
2015	765,000	785,700.00	1,550,700.00
2016	805,000	745,537.50	1,550,537.00
2017	840,000	703,275.00	1,543,275.00
2018	1,450,000	659,175.00	2,109,175.00
2019	1,530,000	579,425.00	2,109,425.00
2020	1,615,000	495,275.00	2,110,275.00
2021	1,700,000	406,450.00	2,106,450.00
2022	1,795,000	312,950.00	2,107,950.00
2023	1,895,000	214,225.00	2,109,225.00
2024	2,000,000	110,000.00	2,110,000.00

EXECUTION COPY

2002 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of December 1, 2002

11125.10 025330 AGMT

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2002 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

The 2002 Supplemental Installment Purchase Contract (the "2002 Supplemental Contract"), dated as of December 1, 2002, by and between the City of Roseville, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the City and the Authority have entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, a 1997 Supplemental Installment Purchase Contract, dated as of November 1, 1997 (the "1997 Supplemental Contract"), and a 1999 Supplemental Installment Purchase Contract, dated as of August 1, 1999 (the "1999 Supplemental Contract"), to finance and refinance the costs of various improvements to the Electric System of the City; and

WHEREAS, the City and the Authority desire to finance the costs of certain additions, betterments and improvements to the City's Electric System, including a termination payment due in connection with cancellation of a certain power purchase agreement and to refinance a portion of the payment obligations and allocable financed capital improvements under the 1997 Supplemental Contract and the 1999 Supplemental Contract (the "2002 Financed Project"), and in connection therewith to enter into a 2002 Supplemental Installment Purchase Contract (the "2002 Supplemental Contract") pursuant to the Master Contract; and

WHEREAS, the City has determined that the foregoing is necessary and proper for City purposes; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 2002 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 2002 Supplemental Contract;

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

ARTICLE I.

DEFINITIONS

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in Section 1.01 of the Master Contract or in this section shall for all purposes hereof and of any opinion or report or other document mentioned herein or therein have the meanings defined

herein or therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

2002 Certificate Insurer

“2002 Certificate Insurer” shall mean Financial Security Assurance Inc., as issuer of the 2002 Certificate Insurance Policy.

2002 Certificate Insurance Policy

“2002 Certificate Insurance Policy” shall mean the municipal bond insurance policy issued by the 2002 Certificate Insurer insuring the payment when due of the principal and interest evidenced and represented by the 2002 Certificates as provided therein.

2002 Certificates

The term “2002 Certificates” means the Variable Rate Demand Electric System Revenue Certificates of Participation, Series 2002, evidencing and representing proportionate interests of the owners thereof in the 2002 Payments to be made by the City, executed and delivered pursuant to the Trust Agreement.

2002 Financed Project

The term “2002 Financed Project” means the costs of certain additions, betterments and improvements to the City’s Electric System, including a termination payment due in connection with cancellation of a certain power purchase agreement and the refunding of the Refunded Certificates (representing portions of the payment obligations under the 1997 Supplemental Agreement and the 1999 Supplemental Agreement).

2002 Payment Date

“2002 Payment Date” means each Interest Payment Date and each day on which payments of principal evidenced and represented by the Certificates become due (whether at maturity or because of prepayment or acceleration).

2002 Payments

“2002 Payments” means the Payments scheduled to be paid by the City under and pursuant to the terms hereof.

2002 Project

The term “2002 Project” means capital improvements to the City’s electric system, including (i) electric transmission and distribution system improvements as identified in Roseville Electric’s Capital Improvement Program for the fiscal years ending June 30, 2003 and 2004 and (ii) allocable portions of the capital improvements originally financed by the Refunded Certificates (consisting of portions of the 1997 Project under the 1999 Supplemental Agreement and portions of the 1999 Project under the 1999 Supplemental Agreement).

2002 Financed Project Account

“2002 Financed Project Account” means the subaccount of the Improvement Fund established under the Trust Agreement pursuant to Section 2.06(a) of the 2002 Supplemental Contract.

2002 Rebate Fund

“2002 Rebate Fund” means the City of Roseville Electric System 2002 Rebate Fund established pursuant to Section 2.06 of the 2002 Supplemental Contract.

2002 Supplemental Contract

“2002 Supplemental Contract” means this 2002 Supplemental Installment Purchase Contract, executed and entered into as of December 1, 2002, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

2002 Supplemental Contract Payment Account

“2002 Supplemental Contract Payment Account” means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.03 of the 2002 Supplemental Contract.

Interest Rate Swap Agreement

“Interest Rate Swap Agreement” means, collectively, the ISDA Master Agreement (including the Schedule thereto), a Credit Support Annex and a Confirmation, each dated December 17, 2002, between Morgan Stanley Capital Services Inc. and the City.

Parity Obligation Payment Fund

“Parity Obligation Payment Fund” means the fund by that name established pursuant to Section 2.04 of the Master Contract.

Tax Agreement

“Tax Agreement” means the Tax Regulatory Agreement concerning certain matters pertaining to the use and investment of proceeds of the 2002 Certificates executed and delivered by the City on the date of initial delivery of the 2002 Certificates, including any and all exhibits attached thereto.

Trust Agreement

“Trust Agreement” means that certain Trust Agreement, dated as of December, 2002, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

ARTICLE II.

TERMS OF THE 2002 SUPPLEMENTAL CONTRACT

Section 2.01. Authority for the 2002 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of the 2002 Supplemental Contract and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 2002 Supplemental Contract in the manner and form provided herein for the financing of the costs of the 2002 Financed Project.

The City and the Authority hereby designate the 2002 Payments due on January 1, 2004, January 1, 2005 and January 1, 2006 as Balloon Parity Obligations.

Section 2.02. Purpose of the 2002 Supplemental Contract. The City hereby transfers to the Authority the 2002 Project for the purpose of acquiring the 2002 Project from the Authority hereunder. The City agrees to acquire the 2002 Project from the Authority pursuant to the terms hereof, to cause the acquisition and construction of the 2002 Project as agent for the Authority in accordance with Section 2.01 of the Master Contract and in accordance with the terms hereof and of the Trust Agreement. Immediately upon completion of each separately acquirable component of the 2002 Project, all right, title and interest in and to each such component of the 2002 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

Section 2.03. Payment of the 2002 Supplemental Contract. The City hereby establishes the 2002 Supplemental Contract Payment Account within the Parity Obligation Payment Fund. On or before the third Business Day immediately preceding each 2002 Payment Date, the City shall, from the money in the Electric Revenue Fund, deposit in the 2002 Supplemental Contract Payment Account a sum equal to the amount of the interest and principal components of the 2002 Payments becoming due and payable under the 2002 Supplemental Contract on the next succeeding 2002 Payment Date, except that no such deposit need be made if the amount then on deposit in the 2002 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2002 Payments becoming due and payable under the 2002 Supplemental Contract on the next succeeding 2002 Payment Date; and all money on deposit in the 2002 Supplemental Contract Payment Account shall be transferred by the City to the Trustee on the third Business Day preceding each 2002 Payment Date to make and satisfy the 2002 Payment due on such 2002 Payment Date in accordance with the Master Contract. On or before the third Business Day preceding each 2002 Payment Date, the City shall from the money in the Electric Revenue Fund, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the amount in the Parity Reserve Fund to the Reserve Fund Requirement, except no such deposit need be made if the amount then on deposit in the Parity Reserve Fund is at least equal to the Reserve Fund Requirement.

Section 2.04. Payment of 2002 Payments. The City shall, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 2002

Project, without offset or deduction of any kind, the principal installments of the 2002 Payments in accordance with Exhibit A attached hereto and incorporated herein, together with interest installments of the 2002 Payments, which interest installments shall be paid in the amounts and on the 2002 Payment Dates in accordance with Section 2.03 hereof and Section 2.02 of the Trust Agreement, and which interest shall constitute interest paid on the principal amount of the City's obligation hereunder.

The obligation of the City to pay the 2002 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 2002 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 2002 Payments required to be paid by it under this section when due, whether or not the Electric System or any part thereof (including the 2002 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Section 2.05. Prepayment of 2002 Payments. The City may at any time prepay all or any part of the 2002 Payments payable under this 2002 Supplemental Contract by providing written notice at least five (5) days prior to the last day by which the Trustee is required to give notice pursuant to Section 2.04(e) of the Trust Agreement to the Trustee and the Authority specifying the date of such prepayment, for the purposes and at the prices set forth in Section 2.04 of the Trust Agreement, and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered by the City. All such prepayments shall be deposited in the 2002 Debt Service Fund and credited against the 2002 Payments in the order of their due date or, at the election of the City exercised in a Written Request of the City, used for the redemption of Outstanding Certificates of such maturities, in the amounts and on the redemption dates specified in such Written Request in compliance with the requirements of the Trust Agreement. Notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder until all of the Certificates have been fully paid and retired (or provision for payment thereof shall have been made as provided in Article VIII of the Trust Agreement).

Section 2.06. Establishment of 2002 Funds and Accounts.

(a) **2002 Financed Project Account.** There is hereby established the "2002 Financed Project Account" of the Improvement Fund, which account the City requests to be held and maintained by the Trustee pursuant to the Trust Agreement until the completion of the 2002 Financed Project. Moneys in the 2002 Financed Project Account shall be used and withdrawn by the City to pay the costs of the 2002 Financed Project (or to reimburse the City for such costs) upon receipt of a Request of the City (except that the portion of the proceeds of the 2002 Certificates to be deposited to the Escrow Funds shall be immediately so transferred as provided in Section 2.15 of the Trust Agreement) and shall otherwise be administered in accordance with the Trust Agreement. Upon closing of the 2002 Financed Project Account in accordance with the terms of the Trust Agreement, any moneys remaining therein and returned to the City pursuant to the Trust Agreement shall be deposited into the Electric Revenue Fund.

(b) **2002 Rebate Fund.** The City hereby agrees to establish and maintain, so long as any 2002 Payments remain unpaid, a fund separate from any other fund established and maintained hereunder designated the City of Roseville Electric System 2002 Rebate Fund (the "2002 Rebate Fund"). All amounts at any time on deposit in the 2002 Rebate Fund shall be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under the Master Contract and the 2002 Supplemental Contract and shall be governed by this section and by the Tax Agreement.

(1) Within 45 days of the end of each Certificate Year (as such term is defined in the Tax Agreement), (i) the City shall calculate or cause to be calculated with respect to the 2002 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Certificate Year, and (ii) the City shall deposit to the 2002 Rebate Fund from amounts on deposit in the Electric Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the 2002 Rebate Fund to be equal to the "rebate amount" so calculated.

The City shall not be required to deposit any amount to the 2002 Rebate Fund in accordance with preceding sentence if the amount on deposit in the 2002 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 2002 Rebate Fund to the extent permitted under paragraph (2) of this section.

The City shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the 2002 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 2002 Certificates (including amounts treated as proceeds of the 2002 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a 1 1/2% penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 2002 Rebate Fund after payment of all the 2002 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this section, or provision made therefor, including accrued interest, shall be transferred by the City to the Electric Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this section to the requirement to calculate the "rebate amount" and make deposits to the 2002 Rebate Fund, the City shall pay to the United States, from amounts on deposit the 2002 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 2002 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this section shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 2002 Rebate Fund, the amount in the 2002 Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 2002 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this section, but prior to any deposit made under said subsection, the amount on deposit in the 2002 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City shall transfer the excess from the 2002 Rebate Fund to the Revenue Fund.

(7) The City shall retain records of all determinations made hereunder until six years after the final payment or discharge of all 2002 Certificates.

(8) Notwithstanding anything in the Master Contract or the 2002 Supplemental Contract to the contrary, the Rebate Requirement shall survive the payment in full or discharge of the 2002 Certificates and the 2002 Payments.

Section 2.07. Tax Covenants. The City hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 2002 Payments constituting interest under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the 2002 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2002 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 2002 Payments constituting interest.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 2002 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 2002 Supplemental Contract or

any of the property financed or refinanced with proceeds of the 2002 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 2002 Certificates or other obligations delivered in connection with the 2002 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2002 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 2002 Supplemental Contract as "governmental bonds."

The City shall not, directly or indirectly, use or permit the use of any proceeds of the 2002 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 2002 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2002 Supplemental Contract.

The City shall not make any use of the proceeds of the 2002 Supplemental Contract or any other funds of the City, or take or omit to take another action, that would cause the 2002 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Agreement, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or discharge of the 2002 Certificates and the 2002 Payments.

Section 2.08. Provisions Related to the 2002 Certificate Insurance Policy. For so long as, and only during such time as, the 2002 Certificate Insurance Policy is in effect and the 2002 Certificate Insurer is not in default thereunder, the following provisions shall be in effect, and any conflict between the provisions of this Section and the provisions of any other Section hereof shall be governed by the provisions of this Section:

(a) For purposes of investing and valuing amounts in the Electric Revenue Fund and the 2002 Supplemental Contract Payment Account of the Parity Obligation Payment Fund representing the 2002 Payments, "Permitted Investments" shall have the meaning ascribed to such term in the Trust Agreement relating to the 2002 Certificates.

(b) The City shall provide the 2002 Certificate Insurer with the following information, such notice to be delivered at the address for the 2002 Certificate Insurer set forth in the Trust Agreement relating to the 2002 Certificates:

(i) as soon as practicable after the filing thereof with the Authority, a copy of the financial statement of the City and a copy of the audit and annual report of the City delivered by the City pursuant to Section 4.09(b)(1) of the Master Contract, a copy of the City's annual budget within 30 days of its adoption and a copy of any report or notice required to be filed with a National Repository and/or State Repository pursuant to the Continuing Disclosure Agreement to be delivered by the City in connection with the execution and delivery of the 2002 Certificates (and as such terms are defined in such Continuing Disclosure Agreement); and

(ii) such additional information as the 2002 Certificate Insurer may reasonably request in writing.

(c) As long as any 2002 Payments remain unpaid, the City will permit the 2002 Certificate Insurer to discuss the affairs, finances and accounts of the City or any information the 2002 Certificate Insurer may reasonably request regarding the security for the 2002 Certificates with appropriate officers of the City, and the City will permit the 2002 Certificate Insurer to have access to and to make copies of all books and records relating to accounting for and payment of the 2002 Payments at any reasonable time during normal business hours.

(d) Any acceleration of the unpaid 2002 Payments pursuant to Section 5.01 of the Master Contract or any annulment thereof shall be subject to the prior written consent of the 2002 Certificate Insurer.

(e) Notwithstanding anything contained herein to the contrary, in the event that any interest and/or principal components of the 2002 Payments evidenced and represented by the 2002 Certificates shall be paid by the 2002 Certificate Insurer pursuant to the 2002 Certificate Insurance Policy, the 2002 Payments evidenced and represented by such 2002 Certificates shall remain unpaid hereunder for all purposes, shall not be discharged or otherwise satisfied and shall not be considered paid by the City, and the assignment and pledge thereof and all agreements, covenants and other obligations of the City hereunder with respect thereto shall continue to exist and shall run to the benefit of the 2002 Certificate Insurer.

(f) The 2002 Certificate Insurer shall have the right to provide notice of covenant default under the Master Contract and this 2002 Supplemental Contract.

(g) The City and the Authority agree and acknowledge that any discharge or defeasance of the 2002 Payment obligations of the City as provided in Section 6.01 of the Master Contract shall require the defeasance of the Certificates in accordance with Section 9.02(k) of the Trust Agreement.

(h) Notwithstanding paragraph (E) of the definition of Annual Debt Service, the full amount of Parity Obligations shall be included in the calculation of Annual Debt Service in the event the date of calculation is within twenty-four months of the actual maturity date of such Parity Obligations, unless otherwise consented to by the 2002 Certificate Insurer.

(i) If interest and/or principal components of the 2002 Payments evidenced and represented by the 2002 Certificates is paid pursuant to a draw on the 2002 Certificate Insurance Policy, such payment obligations of the City shall remain unpaid under the Master Contract for

all purposes and the assignment and pledge thereof and all agreements, covenants and other obligations of the City under the Master Contract with respect thereto shall continue to exist and shall run to the benefit of the 2002 Certificate Insurer.

(j) The City shall not issue additional Parity Obligations under the Master Contract if an Event of Default (as defined in the Master Contract) has occurred and is continuing thereunder.

Section 2.09. Maintaining Liquidity Facility. The City agrees that at any time when the Certificates are in the Daily Mode, Weekly Mode or Term Mode, it will maintain a Liquidity Facility with a rating of at least "A-1" by S&P or "P-1" by Moody's (the "Minimum Ratings") that is acceptable to the 2002 Certificate Insurer in an amount equal to the Required Stated Amount with respect to such Certificates in the Daily Mode, Weekly Mode or Term Mode then Outstanding (other than Bank Certificates). The City shall replace such Liquidity Facility if the Liquidity Facility's rating is withdrawn, suspended or lowered below the Minimum Ratings. The City covenants that it will not voluntarily terminate a Liquidity Facility then in effect without either: (i) providing for an Alternate Liquidity Facility prior to the effective date of the termination; or (ii) converting the Daily Interest Rate, Weekly Interest Rate or Term Interest Rate to a Fixed Rate. If Certificates in the Daily Mode, Weekly Mode or Term Mode are then Outstanding, the Trustee shall not release the applicable Liquidity Facility until it has received the Alternate Liquidity Facility.

The City shall give written notice of its intention to terminate a Liquidity Facility and exercise its option to provide an Alternate Liquidity Facility to the Trustee, the applicable Remarketing Agent and the Credit Provider at least thirty (30) days before the proposed termination date of the Liquidity Facility and the effective date of such Alternate Liquidity Facility, and the Trustee shall mail notice of such intention not less than twenty (20) days before such proposed effective date to the Owners of Certificates in the Daily Mode, Weekly Mode or Term Mode. The City shall provide notice of any expiration, termination, extension or substitution of the Liquidity Facility to the Rating Agencies.

Section 2.10. Interest Rate Swap Agreement. The City and the Authority hereby agree and acknowledge that the Interest Rate Swap Agreement (except the obligations thereunder to post collateral under certain circumstances and to make payments upon any early termination or event of default) is a Parity Payment Agreement and Parity Obligation payable solely from and secured by a pledge of Net Revenues on a parity with all other existing and future Parity Obligations. The City and the Authority hereby agree and acknowledge that obligations under the Interest Rate Swap Agreement to post collateral under certain circumstances or to make payments upon early termination or event of default are Subordinate Obligations payable solely from Net Revenues of the Electric System and secured by a pledge of Net Revenues on a subordinate basis to the Parity Obligations. As provided and on the dates under Section 2.04 of the Master Contract, the City shall from the money in the Electric Revenue Fund deposit in the Parity Obligation Payment Fund a sum equal to the scheduled payments next due on the Interest Rate Swap Agreement.

The City shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payments due under the Interest Rate Swap Agreement or for

the performance of any agreements or covenants required to be performed by it contained in the Interest Rate Swap Agreement. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payments under the Interest Rate Swap Agreement.

Section 2.11. Terms of the 2002 Supplemental Contract Subject to the Master Contract. Every term and condition contained in the Master Contract shall apply to the 2002 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 2002 Supplemental Contract.

Section 2.12. Assignment of the 2002 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the Trust Agreement, all of the 2002 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee shall not assume any responsibility for any duties or covenants or warranties of the Authority hereunder.

IN WITNESS WHEREOF, the parties hereto have executed and attested the 2002 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

By: *Harold G. Bram*
Finance Director

Attest: *Donna Droyed*
Secretary

ROSEVILLE FINANCE AUTHORITY

By: *Harold G. Bram*
Treasurer

Attest: *Donna Droyed*
Secretary

APPROVED AS TO FORM:

By: _____
City Attorney

IN WITNESS WHEREOF, the parties hereto have executed and attested the 2002 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

By: _____
Finance Director

Attest:

Secretary

ROSEVILLE FINANCE AUTHORITY

By: _____
Treasurer

Attest:

Secretary

APPROVED AS TO FORM:

By: 
City Attorney

EXHIBIT A

Schedule of 2002 Payments*

<u>2002 Payment Date</u>	<u>Principal Installment</u>
2/01/2003	120,000
1/01/2004	4,360,000
2/01/2004	205,000
1/01/2005	4,510,000
2/01/2005	210,000
1/01/2006	5,145,000
2/01/2006	215,000
2/01/2007	225,000
2/01/2008	575,000
2/01/2009	595,000
2/01/2010	1,220,000
2/01/2011	1,260,000
2/01/2012	1,305,000
2/01/2013	1,345,000
2/01/2014	1,390,000
2/01/2015	1,440,000
2/01/2016	1,490,000
2/01/2017	1,535,000
2/01/2018	1,590,000
2/01/2019	1,645,000
2/01/2020	1,705,000
2/01/2021	1,755,000
2/01/2022	1,820,000
2/01/2023	1,880,000
2/01/2024	2,845,000

* Interest is initially at the Weekly Interest Rate

2004 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of July 1, 2004

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2004 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

The 2004 Supplemental Installment Purchase Contract (the "2004 Supplemental Contract"), dated as of July 1, 2004, by and between the City of Roseville, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the City and the Authority have entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"), a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"), and a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract") to finance and refinance the costs of various improvements to the Electric System of the City.

WHEREAS, the City and the Authority desire to finance the costs of various additional improvements to the Electric System of the City, and in connection therewith to enter into a 2004 Supplemental Installment Purchase Contract (the "2004 Supplemental Contract") pursuant to the Master Contract; and

WHEREAS, the City has determined that the foregoing is necessary and proper for City purposes; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 2004 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 2004 Supplemental Contract;

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

ARTICLE I DEFINITIONS

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in Section 1.01 of the Master Contract or in this section shall for all purposes hereof and of any opinion or report or other document mentioned herein or therein have the meanings

defined herein or therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

2004 Certificate Insurer

"2004 Certificate Insurer" shall mean Financial Security Assurance Inc., a New York stock insurance company, as issuer of the 2004 Certificate Insurance Policy, or any successor thereto or assignee thereof.

2004 Certificate Insurance Policy

"2004 Certificate Insurance Policy" shall mean the insurance policy issued by the 2004 Certificate Insurer guaranteeing the scheduled payment of principal and interest on the 2004 Certificates when due.

2004 Certificates

The term "2004 Certificates" means the Electric System Revenue Certificates of Participation, Series 2004, evidencing and representing proportionate interests of the owners thereof in the 2004 Payments to be made by the City, executed and delivered pursuant to the Trust Agreement.

2004 Payment Date

"2004 Payment Date" means February 1 and August 1 of each year, commencing February 1, 2005.

2004 Payments

"2004 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof.

2004 Project

"2004 Project" means capital improvements to the City's electric system, including electric transmission and distribution system improvements as identified in, but not limited to, Roseville Electric's Capital Improvement Program, which generally consist of capital improvement projects related to the City's power distribution system that are needed to maintain a reliable electric system and meet the demand of the City's increasing electricity load and for the 2004-05 and 2005-06 fiscal years are generally anticipated to include the following: construction of two new substations, 60 KV line extensions from/to existing and new substations and 60 KV line network improvements, capacitor upgrades and communications improvements, reconductoring of ten miles of 60 KV line to increase capacity, 12 KV Distribution line upgrades and extensions, cable and switching upgrades and improvements, new operations center for construction and maintenance staff, overhead to underground system conversion and upgrades, and substation expansion and upgrades, and all reports, surveys and feasibility studies relating to any of the foregoing.

2004 Project Account

"2004 Project Account" means the subaccount of the Improvement Fund established under the Trust Agreement pursuant to Section 2.06(a) of the 2004 Supplemental Contract.

2004 Rebate Fund

"2004 Rebate Fund" means the City of Roseville Electric System 2004 Rebate Fund established pursuant to Section 2.06 of the 2004 Supplemental Contract.

2004 Supplemental Contract

"2004 Supplemental Contract" means this 2004 Supplemental Installment Purchase Contract, executed and entered into as of July 1, 2004, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

2004 Supplemental Contract Payment Account

"2004 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.03 of the 2004 Supplemental Contract.

Parity Obligation Payment Fund

"Parity Obligation Payment Fund" means the fund by that name established pursuant to Section 2.03 of the 2004 Supplemental Contract.

Tax Certificate

"Tax Certificate" means the Tax and Non-Arbitrage Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2004 Certificates executed and delivered by the City on the date of initial delivery of the 2004 Certificates, including any and all exhibits attached thereto.

Trust Agreement

"Trust Agreement" means that certain Trust Agreement, dated as of July 1, 2004, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

**ARTICLE II
TERMS OF THE 2004 SUPPLEMENTAL CONTRACT**

SECTION 2.01 Authority for the 2004 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of the 2004 Supplemental Contract and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 2004 Supplemental Contract in the manner and form provided herein for the financing of the costs of the 2004 Project.

SECTION 2.02 Purpose of the 2004 Supplemental Contract. The City hereby transfers to the Authority the 2004 Project for the purpose of acquiring the 2004 Project from the Authority hereunder. The City agrees to acquire the 2004 Project from the Authority pursuant to the terms hereof, to cause the acquisition and construction of the 2004 Project as agent for the Authority in accordance with Section 2.01 of the Master Contract and in accordance with the terms hereof and of the Trust Agreement. Immediately upon completion of each separately acquirable component of the 2004 Project, all right, title and interest in and to each such component of the 2004 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

SECTION 2.03 Payment of the 2004 Supplemental Contract. The City hereby establishes a Parity Obligation Payment Fund, and within such fund, the 2004 Supplemental Contract Payment Account. On or before the third Business Day immediately preceding each 2004 Payment Date, the City shall, from the money in the Electric Revenue Fund, deposit in the 2004 Supplemental Contract Payment Account a sum equal to the amount of the interest and principal components of the 2004 Payments becoming due and payable under the 2004 Supplemental Contract on the next succeeding 2004 Payment Date, except that no such deposit need be made if the amount then on deposit in the 2004 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2004 Payments becoming due and payable under the 2004 Supplemental Contract on the next succeeding 2004 Payment Date; and all money on deposit in the 2004 Supplemental Contract Payment Account shall be transferred by the City to the Trustee on the third Business Day preceding each 2004 Payment Date to make and satisfy the 2004 Payment due on such 2004 Payment Date in accordance with the Master Contract. On or before the third Business Day preceding each 2004 Payment Date, the City shall from the money in the Electric Revenue Fund, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the amount in the Parity Reserve Fund to the Reserve Fund Requirement, except no such deposit need be made if the amount then on deposit in the Parity Reserve Fund is at least equal to the Reserve Fund Requirement.

SECTION 2.04 Payment of 2004 Payments. The City shall, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 2004 Project the sum of Thirty Nine Million Nine Hundred Forty Thousand Dollars (\$39,940,000), without offset or deduction of any kind, by paying the principal installments of the 2004 Payments annually on February 1 in each year in accordance with Exhibit A attached hereto and incorporated herein, together with interest installments of the 2004 Payments, which interest installments shall be paid semiannually in the amounts and on the 2004 Payment Dates in accordance with Section 2.03 hereof and Exhibit A attached hereto and incorporated herein and which interest shall constitute interest paid on the principal amount of the City's obligation hereunder.

The obligation of the City to pay the 2004 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 2004 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 2004 Payments required to be paid by it under this section when due, whether or not the Electric System or any part thereof (including the 2004 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

SECTION 2.05 Prepayment of 2004 Payments. The City may prepay from any source of available funds on any date on or after February 1, 2014, all or any part of the principal amount of the unpaid 2004 Payments becoming due and payable on or after February 1, 2015, in such order of prepayment as the City may determine, at a prepayment price equal to the principal amount evidenced and represented by the 2004 Payments called for prepayment, plus accrued and unpaid interest, if any, to the prepayment date, without premium.

Before making any prepayment pursuant to this section, the City shall give written notice to the Authority specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than fifty (50) days from the date such notice is given; provided, that notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder, including specifically its obligations under this article, until the 2004 Payments shall have been fully paid (or provision for payment thereof shall have been made pursuant to Article VI of the Master Contract).

SECTION 2.06 Establishment of 2004 Funds and Accounts.

(a) **2004 Project Account.** There is hereby established the "2004 Project Account" of the Improvement Fund, which account the City requests to be held and maintained by the Trustee pursuant to the Trust Agreement until the completion of the acquisition and construction of the 2004 Project. Moneys in the 2004 Project Account shall be used and withdrawn by the City to pay the costs of the 2004 Project (or to reimburse the City for such costs) upon receipt of a Request of the City and shall otherwise be administered in accordance with the Trust Agreement. Upon closing of the 2004 Project Account in accordance with the terms of the Trust Agreement, any moneys remaining therein and returned to the City pursuant to the Trust Agreement shall be deposited into the Electric Revenue Fund.

(b) **2004 Rebate Fund.** The City hereby agrees to establish and maintain, so long as any 2004 Payments remain unpaid, a fund separate from any other fund established and maintained hereunder designated the City of Roseville Electric System 2004 Rebate Fund (the "2004 Rebate Fund"). All amounts at any time on deposit in the 2004 Rebate Fund shall be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under the Master Contract and the 2004 Supplemental Contract and shall be governed by this section and by the Tax Certificate.

(1) Within 45 days of the end of each Certificate Year (as such term is defined in the Tax Certificate), (i) the City shall calculate or cause to be calculated with respect to the 2004 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Certificate Year, and (ii) the City shall deposit to the 2004 Rebate Fund from amounts on deposit in the Electric Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the 2004 Rebate Fund to be equal to the "rebate amount" so calculated.

The City shall not be required to deposit any amount to the 2004 Rebate Fund in accordance with the preceding sentence if the amount on deposit in the 2004 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 2004 Rebate Fund to the extent permitted under paragraph (2) of this section.

The City shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the 2004 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 2004 Certificates (including amounts treated as proceeds of the 2004 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 2004 Rebate Fund after payment of all the 2004 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this section, or provision made therefor, including accrued interest, shall be transferred by the City to the Electric Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this section to the requirement to calculate the "rebate amount" and make deposits to the 2004 Rebate Fund, the City shall pay to the United States, from amounts on deposit the 2004 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 2004 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this section shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 2004 Rebate Fund, the amount in the 2004 Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 2004 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this section, but prior to any deposit made under said subsection, the amount on deposit in the 2004 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City shall transfer the excess from the 2004 Rebate Fund to the Revenue Fund.

(7) The City shall retain records of all determinations made hereunder until six years after the final payment or discharge of all 2004 Certificates.

(8) Notwithstanding anything in the Master Contract or the 2004 Supplemental Contract to the contrary, the Rebate Requirement shall survive the payment in full or discharge of the 2004 Certificates and the 2004 Payments.

SECTION 2.07 Tax Covenants. The City hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 2004 Payments constituting interest under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the 2004 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2004 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 2004 Payments constituting interest.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 2004 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 2004 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2004 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 2004 Certificates or other obligations delivered in connection with the 2004 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2004 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 2004 Supplemental Contract as "governmental bonds."

The City shall not, directly or indirectly, use or permit the use of any proceeds of the 2004 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 2004 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2004 Supplemental Contract.

The City shall not make any use of the proceeds of the 2004 Supplemental Contract or any other funds of the City, or take or omit to take another action, that would cause the 2004 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or discharge of the 2004 Certificates and the 2004 Payments.

SECTION 2.08 Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement

to be delivered by the City in connection with the execution and delivery of the 2004 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Master Contract or hereunder.

SECTION 2.09 Provisions Related to the 2004 Certificate Insurance Policy. For so long as, and only during such time as, the 2004 Certificate Insurance Policy is in effect and the 2004 Certificate Insurer is not in default thereunder, the following provisions shall be in effect, and any conflict between the provisions of this Section and the provisions of any other Section hereof shall be governed by the provisions of this Section:

(a) For purposes of investing and valuing amounts in the Electric Revenue Fund and the 2004 Supplemental Contract Payment Account of the Parity Obligation Payment Fund representing the 2004 Payments, "Permitted Investments" shall have the meaning ascribed to such term in the Trust Agreement relating to the 2004 Certificates.

(b) The City shall provide the 2004 Certificate Insurer with the following information, such notice to be delivered at the address for the 2004 Certificate Insurer set forth in the Trust Agreement relating to the 2004 Certificates:

(i) as soon as practicable after the filing thereof with the Authority, a copy of any financial statement of the City and a copy of any audit and annual report of the City delivered by the City pursuant to Section 4.09(b)(1) of the Master Contract and a copy of any report or notice required to be filed with a National Repository and/or State Repository pursuant to the Continuing Disclosure Agreement to be delivered by the City in connection with the execution and delivery of the 2004 Certificates (and as such terms are defined in such Continuing Disclosure Agreement); and

(ii) such additional information as the 2004 Certificate Insurer may reasonably request in writing.

(c) As long as any 2004 Payments remain unpaid, the City will permit the 2004 Certificate Insurer to discuss the affairs, finances and accounts of the City or any information the 2004 Certificate Insurer may reasonably request regarding the security for the 2004 Certificates with appropriate officers of the City, and the City will permit the 2004 Certificate Insurer to have access to and to make copies of all books and records relating to accounting for and payment of the 2004 Payments at any reasonable time during normal business hours.

(d) Any acceleration of the unpaid 2004 Payments pursuant to Section 5.01 of the Master Contract or any annulment thereof shall be subject to the prior written consent of the 2004 Certificate Insurer.

(e) Notwithstanding anything contained herein to the contrary, in the event that any interest and/or principal components of the 2004 Payments evidenced and represented by the 2004 Certificates shall be paid by the 2004 Certificate Insurer pursuant to the 2004 Certificate Insurance Policy, the 2004 Payments evidenced and represented by such 2004 Certificates shall remain unpaid hereunder for all purposes, shall not be discharged or otherwise satisfied and shall not be considered paid by the City, and the assignment and pledge thereof and all agreements, covenants and other

obligations of the City hereunder with respect thereto shall continue to exist and shall run to the benefit of the 2004 Certificate Insurer.

(f) the full amount of Parity Obligations shall be included in the calculation of Annual Debt Service in the event the date of calculation is within twenty-four months of the actual maturity date of such Parity Obligations.

(g) Any Qualified Counterparty or the guarantor thereof must have unsecured senior debt obligations rated at least "A+" by S&P and "A1" by Moody's.

(h) The City agrees that it shall not issue Parity Obligations if an Event of Default has occurred and is continuing thereunder.

(i) Any discharge of the 2004 Payment obligations of the City as provided in Section 6.01 of the Master Contract shall require the discharge of 2004 Certificates in accordance with Section 9.02(k) of the Trust Agreement.

(j) The 2004 Certificate Insurer shall have the right to provide a notice of a covenant default under the Master Contract.

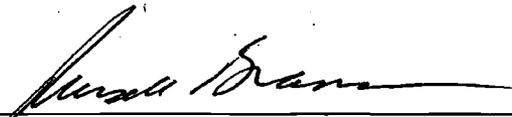
(k) The City shall pay or reimburse the 2004 Certificate Insurer any and all charges, fees, costs and expenses which the 2004 Certificate Insurer may reasonably pay or incur in connection with (i) the administration, enforcement, defense or preservation of any rights or security in the Trust Agreement, the Master Installment Purchase Contract or this 2004 Supplemental Contract; (ii) the pursuit of any remedies under the Trust Agreement, the Master Installment Purchase Contract or the 2004 Supplemental Contractor otherwise afforded by law or equity, (iii) any amendment, waiver or other action with respect to, or related to, the Trust Agreement, the Master Installment Purchase Contract or this 2004 Supplemental Contract, whether or not executed or completed, (iv) the violation by the Authority or the City of any law, rule or regulation, or any judgment, order or decree applicable to it or (v) any litigation or other dispute in connection with the Trust Agreement, the Master Installment Purchase Contract or this 2004 Supplemental Contractor the transactions contemplated thereby, other than amounts resulting from the failure of the 2004 Certificate Insurer to honor its obligations under the 2004 Certificate Insurance Policy.

SECTION 2.10 Terms of the 2004 Supplemental Contract Subject to the Master Contract. Every term and condition contained in the Master Contract shall apply to the 2004 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 2004 Supplemental Contract.

SECTION 2.11 Assignment of the 2004 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the Trust Agreement, all of the 2004 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee shall not assume any responsibility for any duties or covenants or warranties of the Authority hereunder.

IN WITNESS WHEREOF, the parties hereto have executed and attested the 2004 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

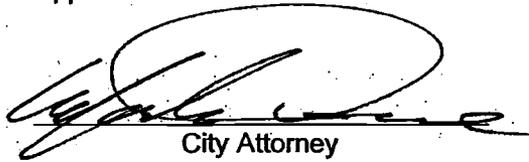
By 
Finance Director

(SEAL)

Attest:


City Clerk

Approved as to form:


City Attorney

ROSEVILLE FINANCE AUTHORITY

By 
Treasurer

Attest:


Secretary

EXHIBIT ASchedule of 2004 Payments

<u>2004 Payment Date (February 1)</u>	<u>Principal Installment</u>	<u>Interest Installment</u>	<u>Total 2004 Payments</u>
2005	\$ -0-	\$1,069,454.38	\$1,069,454.38
2006	-0-	1,944,462.50	1,944,462.50
2007	330,000	1,944,462.50	2,274,462.50
2008	335,000	1,934,562.50	2,269,562.50
2009	345,000	1,924,512.50	2,269,512.50
2010	355,000	1,912,437.50	2,267,437.50
2011	370,000	1,898,237.50	2,268,237.50
2012	380,000	1,883,437.50	2,263,437.50
2013	395,000	1,868,237.50	2,263,237.50
2014	405,000	1,852,437.50	2,257,437.50
2015	415,000	1,836,237.50	2,251,237.50
2016	430,000	1,819,118.76	2,249,118.76
2017	450,000	1,800,843.76	2,250,843.76
2018	465,000	1,781,156.26	2,246,156.26
2019	480,000	1,760,812.50	2,240,812.50
2020	495,000	1,739,212.50	2,234,212.50
2021	520,000	1,716,937.50	2,236,937.50
2022	535,000	1,692,237.50	2,227,237.50
2023	560,000	1,666,825.00	2,226,825.00
2024	-0-	1,640,225.00	1,640,225.00
2025	2,590,000	1,640,225.00	4,230,225.00
2026	2,730,000	1,504,250.00	4,234,250.00
2027	2,865,000	1,367,750.00	4,232,750.00
2028	3,010,000	1,224,500.00	4,234,500.00
2029	3,160,000	1,074,000.00	4,234,000.00
2030	3,315,000	916,000.00	4,231,000.00
2031	3,480,000	750,250.00	4,230,250.00
2032	3,655,000	576,250.00	4,231,250.00
2033	3,840,000	393,500.00	4,233,500.00
2034	4,030,000	201,500.00	4,231,500.00

2005 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of June 1, 2005

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2005 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

The 2005 Supplemental Installment Purchase Contract (the "2005 Supplemental Contract"), dated as of June 1, 2005, by and between the City of Roseville, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the City and the Authority have entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"), a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"), a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract") and a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "2004 Supplemental Contract") to finance and refinance the costs of various improvements to the Electric System of the City.

WHEREAS, the City and the Authority desire to finance the costs of various additional improvements to the Electric System of the City, and in connection therewith to enter into a 2005 Supplemental Installment Purchase Contract (the "2005 Supplemental Contract") pursuant to the Master Contract; and

WHEREAS, the City has determined that the foregoing is necessary and proper for City purposes; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 2005 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 2005 Supplemental Contract;

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

ARTICLE I DEFINITIONS

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in Section 1.01 of the Master Contract or in this section shall for all purposes hereof and of any opinion or report or other document mentioned herein or therein have the meanings defined herein or therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Interest Rate Swap Agreements

"Interest Rate Swap Agreements" means, collectively, (i) the ISDA Master Agreement (including the Schedule thereto), a Credit Support Annex and a Confirmation, each dated May 10, 2005, between Morgan Stanley Capital Services, Inc., New York and the City, and (ii) the ISDA Master Agreement (including the Schedule thereto), a Credit Support Annex and a Confirmation, each dated May 10, 2005, between Bear Stearns Financial Products Inc. and the City.

Parity Obligation Payment Fund

"Parity Obligation Payment Fund" means the fund by that name established pursuant to Section 2.04 of the Master Contract.

Series

"Series" means the respective Electric System Revenue Certificates of Participation, Series 2005A, the Electric System Revenue Certificates of Participation, Series 2005B, and the Electric System Revenue Certificates of Participation, Series 2005C.

Tax Certificate

"Tax Certificate" means the Tax and Non-Arbitrage Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2005 Certificates executed and delivered by the City on the date of initial delivery of the 2005 Certificates, including any and all exhibits attached thereto.

Trust Agreement

"Trust Agreement" means that certain Trust Agreement, dated as of June 1, 2005, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

2005 Certificate Insurer

"2005 Certificate Insurer" shall mean Financial Guaranty Insurance Company, a New York stock insurance company, as issuer of the 2005 Certificate Insurance Policy, or any successor thereto or assignee thereof.

2005 Certificate Insurance Policy

"2005 Certificate Insurance Policy" shall mean the insurance policy issued by the 2005 Certificate Insurer guaranteeing the scheduled payment of principal and interest on the 2005 Certificates when due.

2005 Certificates

The term "2005 Certificates" means collectively, the Electric System Revenue Certificates of Participation, Series 2005A, the Electric System Revenue Certificates of Participation, Series 2005B, and the Electric System Revenue Certificates of Participation,

Series 2005C evidencing and representing proportionate interests of the owners thereof in the 2005 Payments to be made by the City, executed and delivered pursuant to the Trust Agreement.

2005 Payment Date

"2005 Payment Date" means each Interest Payment Date and each day on which payments of principal evidenced and represented by the Certificates become due (whether at maturity or because of prepayment or acceleration).

2005 Payments

"2005 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof, which collectively are comprised of the "2005A Payments," the "2005B Payments" and the "2005C Payments," as described in Exhibit A hereto.

2005 Project

"2005 Project" means capital improvements to the City's electric system, including electric transmission and distribution system improvements as identified in, but not limited to, Roseville Electric's Capital Improvement Program, which generally consist of capital improvement projects related to the City's power distribution system that are needed to maintain a reliable electric system and meet the demand of the City's increasing electricity load and is generally anticipated to include the following: the acquisition and construction of the Roseville Energy Park, a natural gas-fired, combined-cycle electrical generating facility and related capital improvement projects of the City's power distribution system that are needed to maintain a reliable electric system and meet the demand of the City's increasing electricity load, and all reports, surveys and feasibility studies relating to any of the foregoing.

2005 Project Account

"2005 Project Account" means the subaccount of the Improvement Fund established under the Trust Agreement pursuant to Section 2.06(a) of the 2005 Supplemental Contract.

2005 Rebate Fund

"2005 Rebate Fund" means the City of Roseville Electric System 2005 Rebate Fund established pursuant to Section 2.06 of the 2005 Supplemental Contract.

2005 Supplemental Contract

"2005 Supplemental Contract" means this 2005 Supplemental Installment Purchase Contract, executed and entered into as of June 1, 2005, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

2005 Supplemental Contract Payment Account

"2005 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.03 of the 2005 Supplemental Contract.

**ARTICLE II
TERMS OF THE 2005 SUPPLEMENTAL CONTRACT**

SECTION 2.01. Authority for the 2005 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of the 2005 Supplemental Contract and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 2005 Supplemental Contract in the manner and form provided herein for the financing of the costs of the 2005 Project.

SECTION 2.02. Purpose of the 2005 Supplemental Contract. The City hereby transfers to the Authority the 2005 Project for the purpose of acquiring the 2005 Project from the Authority hereunder. The City agrees to acquire the 2005 Project from the Authority pursuant to the terms hereof, to cause the acquisition and construction of the 2005 Project as agent for the Authority in accordance with Section 2.01 of the Master Contract and in accordance with the terms hereof and of the Trust Agreement. Immediately upon completion of each separately acquirable component of the 2005 Project, all right, title and interest in and to each such component of the 2005 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

SECTION 2.03. Payment of the 2005 Supplemental Contract. The City hereby establishes a 2005 Supplemental Contract Payment Account within the Parity Obligation Payment Fund. On or before the fourth Business Day immediately preceding each 2005 Payment Date, the City shall, from the money in the Electric Revenue Fund, deposit in the 2005 Supplemental Contract Payment Account a sum equal to the amount of the interest and principal components of the 2005 Payments becoming due and payable under the 2005 Supplemental Contract on the next succeeding 2005 Payment Date, except that no such deposit need be made if the amount then on deposit in the 2005 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2005 Payments becoming due and payable under the 2005 Supplemental Contract on the next succeeding 2005 Payment Date; and all money on deposit in the 2005 Supplemental Contract Payment Account shall be transferred by the City to the Trustee on the fourth Business Day preceding each 2005 Payment Date to make and satisfy the 2005 Payment due on such 2005 Payment Date in accordance with the Master Contract. On or before the fourth Business Day preceding each 2005 Payment Date, the City shall from the money in the Electric Revenue Fund, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the amount in the Parity Reserve Fund to the Reserve Fund Requirement, except no such deposit need be made if the amount then on deposit in the Parity Reserve Fund is at least equal to the Reserve Fund Requirement.

SECTION 2.04. Payment of 2005 Payments. The City shall, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the

2005 Project the sum of Two Hundred Two Million Nine Hundred Thousand Dollars (\$202,900,000) comprised of three purchase price components in the amounts of \$52,900,000, \$90,000,000 and \$60,000,000, without offset or deduction of any kind, by paying the principal installments of the 2005 Payments in accordance with the three payment schedules set forth in Exhibit A attached hereto and incorporated herein, together with interest installments of the 2005 Payments, which interest installments shall be paid in the amounts and on the 2005 Payment Dates in accordance with Section 2.03 hereof and the three interest payment schedules set forth in Exhibit A attached hereto and incorporated herein and Section 2.02 and 2.03 of the Trust Agreement, and which interest shall constitute interest paid on the principal amount of the City's obligations hereunder.

The obligation of the City to pay the 2005 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 2005 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 2005 Payments required to be paid by it under this section when due, whether or not the Electric System or any part thereof (including the 2005 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

SECTION 2.05. Prepayment of 2005 Payments. The City may elect to pay all or part of the 2005A Payments which relate to any series of the Certificates with or without prepayment of any other series. Notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder until all of the Certificates have been fully paid and retired (or provision for payment thereof shall have been made as provided in Article VIII of the Trust Agreement).

The City may prepay from any source of available funds on any date on or after February 1, 2015, all or any part of the principal amount of the unpaid 2005A Payments becoming due and payable on or after February 1, 2016, in such order of prepayment as the City may determine, at a prepayment price equal to the principal amount evidenced and represented by the 2005A Payments called for prepayment, plus accrued and unpaid interest, if any, to the prepayment date, without premium. Before making any prepayment of 2005A Payments, the City shall give written notice to the Authority specifying the date on which the prepayment will be paid and the order thereof, which date shall be not less than forty (40) days from the date such notice is given.

The City may at any time prepay all or any part of the 2005B Payments or 2005C Payments payable under this 2005 Supplemental Contract by providing written notice as required pursuant to Section 3.04 of the Trust Agreement to the Trustee and the Authority specifying the date of such prepayment, for the purposes and at the prices set forth in Section 3.02 of the Trust Agreement, and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered by the City. All such prepayments shall be deposited in the 2005 Debt Service Fund and credited against the 2005B Payments or 2005C Payments, as applicable, in the order of their due date or, at the election of the City exercised in a Written Request of the City, used for the redemption of respective Outstanding 2005B Certificates or 2005C Certificates, as applicable, of such maturities, in the amounts and on the redemption dates specified in such Written Request in compliance with the requirements of the Trust Agreement.

SECTION 2.06. Establishment of 2005 Funds and Accounts.

(a) **2005 Project Account.** There is hereby established the "2005 Project Account" of the Improvement Fund, which account the City requests to be held and maintained by the Trustee pursuant to the Trust Agreement until the completion of the acquisition and construction of the 2005 Project. Moneys in the 2005 Project Account shall be used and withdrawn by the City to pay the costs of the 2005 Project (or to reimburse the City for such costs) upon receipt of a Request of the City and shall otherwise be administered in accordance with the Trust Agreement. Upon closing of the 2005 Project Account in accordance with the terms of the Trust Agreement, any moneys remaining therein and returned to the City pursuant to the Trust Agreement shall be deposited into the Electric Revenue Fund.

(b) **2005 Rebate Fund.** The City hereby agrees to establish and maintain, so long as any 2005 Payments remain unpaid, a fund separate from any other fund established and maintained hereunder designated the City of Roseville Electric System 2005 Rebate Fund (the "2005 Rebate Fund"). Within the 2005 Rebate Fund, the City establish and maintain, so long as any 2005A Payments, 2005B Payments or 2005C Payments remain unpaid, a separate respective 2005A Subaccount, 2005B Subaccount and 2005C Subaccount related to each Series. All amounts at any time on deposit in the 2005 Rebate Fund shall be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under the Master Contract and the 2005 Supplemental Contract and shall be governed by this section and by the Tax Certificate.

(1) Within 45 days of the end of each Certificate Year (as such term is defined in the Tax Certificate), (i) the City shall calculate or cause to be calculated with respect to each Series of Certificates under the 2005 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Certificate Year, and (ii) the City shall deposit to the 2005 Rebate Fund from amounts on deposit in the Electric Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the respective subaccounts of the 2005 Rebate Fund to be equal to the "rebate amount" so calculated.

With respect to each subaccount, the City shall not be required to deposit any amount to the 2005 Rebate Fund in accordance with the preceding sentence if the amount on deposit in the 2005 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 2005 Rebate Fund to the extent permitted under paragraph (2) of this section.

The City shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the 2005 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 2005 Certificates (including amounts treated as proceeds of the 2005 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to

an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 2005 Rebate Fund after payment of all the 2005 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this section, or provision made therefor, including accrued interest, shall be transferred by the City to the Electric Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this section to the requirement to calculate the "rebate amount" and make deposits to the 2005 Rebate Fund, the City shall pay to the United States, from amounts on deposit the 2005 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 2005 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this section shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 2005 Rebate Fund, the amount in the 2005 Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 2005 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this section, but prior to any deposit made under said subsection, the amount on deposit in the 2005 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City shall transfer the excess from the 2005 Rebate Fund to the Revenue Fund.

(7) The City shall retain records of all determinations made hereunder until six years after the final payment or discharge of all 2005 Certificates.

(8) Notwithstanding anything in the Master Contract or the 2005 Supplemental Contract to the contrary, the Rebate Requirement shall survive the payment in full or discharge of the 2005 Certificates and the 2005 Payments.

SECTION 2.07. Tax Covenants. The City hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 2005 Payments constituting interest under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the 2005 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2005 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 2005 Payments constituting interest.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 2005 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 2005 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2005 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 2005 Certificates or other obligations delivered in connection with the 2005 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2005 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 2005 Supplemental Contract as "governmental bonds."

The City shall not, directly or indirectly, use or permit the use of any proceeds of the 2005 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 2005 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2005 Supplemental Contract.

The City shall not make any use of the proceeds of the 2005 Supplemental Contract or any other funds of the City, or take or omit to take another action, that would cause the 2005 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or discharge of the 2005 Certificates and the 2005 Payments.

SECTION 2.08. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure

Agreement to be delivered by the City in connection with the execution and delivery of the 2005 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default under the Master Contract or hereunder.

SECTION 2.09. Provisions Related to the 2005 Certificate Insurance Policy. For so long as, and only during such time as, the 2005 Certificate Insurance Policy is in effect and the 2005 Certificate Insurer is not in default thereunder, the following provisions shall be in effect, and any conflict between the provisions of this Section and the provisions of any other Section hereof shall be governed by the provisions of this Section:

(a) In determining whether a payment default has occurred hereunder or under the Master Contract, no effect shall be given to payments made under the 2005 Certificate Insurance Policy.

(b) Any right to accelerate the 2005 Payments under the Master Contract shall be subject to the prior written consent of the 2005 Certificate Insurer, provided that the 2005 Certificate Insurer has not failed to comply with its payment obligations under the 2005 Certificate Insurance Policy.

(c) The 2005 Certificate Insurer shall receive immediate notice of any payment default under the Master Contract, and shall receive notice of an other default known to the City within thirty (30) days of the City's knowledge thereof.

(d) Any amendment or supplement to the Master Contract or this 2005 Supplemental Contract shall be subject to the prior written consent of the 2005 Certificate Insurer. Furthermore, any rating agency rating the 2005 Certificates, if any, shall receive written notice of each amendment or supplement and a copy thereof at least fifteen (15) days in advance of its execution or adoption. The 2005 Certificate Insurer shall be provided with a full transcript of all proceedings relating to the execution of any such amendment or supplement.

(e) The City shall, to the extent permitted by law, pay or reimburse the 2005 Certificate Insurer for any and all charges, fees, costs and expenses which the Series 2005 Certificate Insurer may reasonably pay or incur in connection with the following:

(i) the administration, enforcement, defense or preservation of any rights or security hereunder or under the Master Contract or the Trust Agreement,

(ii) the pursuit of any remedies hereunder, under the Master Contract or the Trust Agreement, or otherwise afforded by law or equity,

(iii) any amendment, waiver, or other action with respect to or related to the Trust Agreement or Master Contract or any hereunder whether or not executed or completed,

(iv) the violation by the City of an law, rule or regulation or any judgment, order or decree applicable to it,

(v) any advances or payments made by the 2005 Certificate Insurer to cure defaults of the City or the Authority hereunder, under the Master Contract or under the Trust Agreement,

(vi) any litigation or other dispute in connection with the Trust Agreement, the Master Contract or hereunder, or other transactions contemplated hereby or thereby, other than amounts resulting from the failure of the 2005 Certificate Insurer to honor its payment obligations under the 2005 Certificate Insurance Policy.

The 2005 Certificate Insurer reserves the right to charge a reasonable fee as a condition to executing any amendment, waiver or consent proposed in respect of the Master Contract, the Trust Agreement or hereunder. The obligations of the City to the 2005 Certificate Insurer shall survive discharge and termination of the Trust Agreement or the Master Contract.

SECTION 2.10. Interest Rate Swap Agreements. The City and the Authority hereby agree and acknowledge that the Interest Rate Swap Agreements (except the obligations thereunder to post collateral under certain circumstances and to make payments upon any early termination or event of default) are Parity Payment Agreements and Parity Obligations payable solely from and secured by a pledge of Net Revenues on a parity with all other existing and future Parity Obligations. The City and the Authority hereby agree and acknowledge that obligations under the Interest Rate Swap Agreements to post collateral under certain circumstances or to make payments upon early termination or event of default are Subordinate Obligations payable solely from Net Revenues of the Electric System and secured by a pledge of Net Revenues on a subordinate basis to the Parity Obligations. As provided and on the dates under Section 2.04 of the Master Contract, the City shall from the money in the Electric Revenue Fund deposit in the Parity Obligation Payment Fund a sum equal to the scheduled payments next due on the Interest Rate Swap Agreements. The City shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payments due under the Interest Rate Swap Agreement or for the performance of any agreements or covenants required to be performed by it contained in the Interest Rate Swap Agreements. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payments under the Interest Rate Swap Agreement.

SECTION 2.11. Maintaining Liquidity Facility. The City agrees that at any time when the 2005B Certificates or 2005C Certificates bear interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates, it will maintain a Liquidity Facility, as required by Section 4.06 of the Trust Agreement, with a rating that is acceptable to the 2005 Certificate Insurer in such amount as may be required by the 2005 Certificate Insurer and the Rating Agencies then rating the 2005B Certificates or 2005C Certificates. The City shall replace such Liquidity Facility if the Liquidity Facility's rating is withdrawn, suspended or lowered below a rating that is acceptable to the 2005 Certificate Insurer. The City covenants that it will not voluntarily terminate a Liquidity Facility then in effect without either: (i) providing for an Alternate Liquidity Facility prior to the effective date of the termination; or (ii) converting the Daily Interest Rate, Weekly Interest Rate or Certificate Interest Term Rate to a Long-Term Rate. If 2005B Certificates or 2005C Certificates bearing interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates are then Outstanding, the Trustee shall not release the applicable Liquidity Facility until it has received the Alternate Liquidity Facility. The City shall give written notice of its intention to terminate a Liquidity Facility and exercise its option to provide an Alternate Liquidity Facility to the Trustee, the applicable Remarketing Agent and the Liquidity Provider at least thirty (30) days before the proposed termination date of the Liquidity

Facility and the effective date of such Alternate Liquidity Facility, and the Trustee shall mail notice of such intention not less than twenty (20) days before such proposed effective date to the Owners of 2005B Certificates or 2005C Certificates bearing interest at the Weekly Interest Rate, the Daily Interest Rate or Bond Interest Term Rates. The City shall provide notice of any expiration, termination, extension or substitution of the Liquidity Facility to the Rating Agencies.

SECTION 2.12. Correction to the Master Contract. The definition of "Parity Obligations" in the Master Contract is corrected and amended to read in its entirety as follows:

"Parity Obligations" means all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Net Revenues equal to and on a parity with the charge and lien upon the Net Revenues for the payment of the Payments, including, except for purposes of application of Article III, (i) Parity Payment Agreements and (ii) Parity Bank Agreements (provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City).

SECTION 2.13. Terms of the 2005 Supplemental Contract Subject to the Master Contract. Every term and condition contained in the Master Contract shall apply to the 2005 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 2005 Supplemental Contract.

SECTION 2.14. Assignment of the 2005 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the Trust Agreement, all of the 2005 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee shall not assume any responsibility for any duties or covenants or warranties of the Authority hereunder.

IN WITNESS WHEREOF, the parties hereto have executed and attested the 2005 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

By *Muscul. Brann*
Administrative Services Director/Treasurer

Approved as to form:

[Signature]
City Attorney

(SEAL)

Attest:

[Signature]
City Clerk

ROSEVILLE FINANCE AUTHORITY

By *[Signature]*
Treasurer

Attest:

[Signature]
Secretary

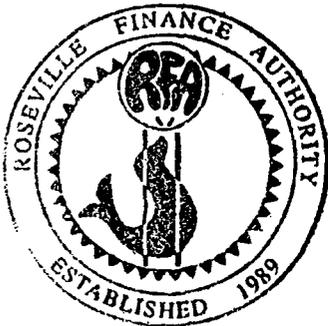


EXHIBIT A-1

Schedule of 2005A Payments

2005 Payment Date (Four Business Days Prior to)	Principal Installment	Interest Installment	Total 2005 Payments
6/30/06	-	\$1,429,833	\$1,429,833
12/30/06	-	1,219,763	-
6/30/07	-	1,219,763	2,439,525
12/30/07	-	1,219,763	-
6/30/08	\$ 450,000	1,219,763	2,889,525
12/30/08	-	1,213,013	-
6/30/09	925,000	1,213,013	3,351,025
12/30/09	-	1,199,138	-
6/30/10	1,375,000	1,199,138	3,773,275
12/30/10	-	1,178,513	-
6/30/11	3,210,000	1,178,513	5,567,025
12/30/11	-	1,122,338	-
6/30/12	3,325,000	1,122,338	5,569,675
12/30/12	-	1,059,994	-
6/30/13	3,450,000	1,059,994	5,569,988
12/30/13	-	973,744	-
6/30/14	3,625,000	973,744	5,572,488
12/30/14	-	910,306	-
6/30/15	3,750,000	910,306	5,570,613
12/30/15	-	816,556	-
6/30/16	3,935,000	816,556	5,568,113
12/30/16	-	718,181	-
6/30/17	4,135,000	718,181	5,571,363
12/30/17	-	614,806	-
6/30/18	4,340,000	614,806	5,569,613
12/30/18	-	506,306	-
6/30/19	4,560,000	506,306	5,572,613
12/30/19	-	392,306	-
6/30/20	4,790,000	392,306	5,574,613
12/30/20	-	272,556	-
6/30/21	5,025,000	272,556	5,570,113
12/30/21	-	146,931	-
6/30/22	5,275,000	146,931	5,568,863
12/30/22	-	15,056	-
6/30/23	730,000	15,056	760,113

EXHIBIT A-2

Schedule of 2005B Payments

Principal Amount: \$90,000,000
Initial Interest Rate Mode: Auction Rates*

Principal Payments Payable as Sinking Fund Prepayments:

<u>Mandatory Prepayment Date (February 1)</u>	<u>Amount To Be Prepaid</u>	<u>Mandatory Prepayment Date (February 1)</u>	<u>Amount To Be Prepaid</u>
2023	\$4,875,000	2030	\$7,175,000
2024	5,700,000	2031	7,450,000
2025	5,925,000	2032	7,725,000
2026	6,150,000	2033	8,050,000
2027	6,400,000	2034	8,350,000
2028	6,625,000	2035 (maturity)	8,675,000
2029	6,900,000		

* Interest Rate Mode is Subject to Changes; Initial Auction Information:

<u>Last Day of Initial Period</u>	<u>Length of Auction Period Generally</u>	<u>Initial Auction Date</u>	<u>Auction Date Generally</u>	<u>Initial Interest Payment Date</u>	<u>Interest Payment Date Generally</u>	<u>Final Maturity Date</u>
7/11/2005	7-day	7/11/2005	Monday	7/12/2005	Tuesday	2/1/2035

EXHIBIT A-3

Schedule of 2005C Payments

Principal Amount: \$60,000,000
Initial Interest Rate Mode: Auction Rates*

Principal Payments Payable as Sinking Fund Prepayments:

<u>Mandatory Prepayment Date (February 1)</u>	<u>Amount To Be Prepaid</u>	<u>Mandatory Prepayment Date (February 1)</u>	<u>Amount To Be Prepaid</u>
2008	\$ 550,000	2022	\$2,125,000
2009	1,075,000	2023	2,225,000
2010	1,625,000	2024	2,300,000
2011	1,500,000	2025	2,350,000
2012	1,600,000	2026	2,425,000
2013	1,650,000	2027	2,500,000
2014	1,700,000	2028	2,575,000
2015	1,750,000	2029	2,650,000
2016	1,775,000	2030	2,750,000
2017	1,850,000	2031	2,825,000
2018	1,900,000	2032	2,900,000
2019	1,975,000	2033	3,000,000
2020	2,025,000	2034	3,100,000
2021	2,100,000	2035 (maturity)	3,200,000

* Interest Rate Mode is Subject to Changes; Initial Auction Information:

<u>Last Day of Initial Period</u>	<u>Length of Auction Period Generally</u>	<u>Initial Auction Date</u>	<u>Auction Date Generally</u>	<u>Initial Interest Payment Date</u>	<u>Interest Payment Date Generally</u>	<u>Final Maturity Date</u>
7/13/2005	7-day	7/13/2005	Wednesday	7/14/2005	Thursday	2/1/2035

2008 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

by and between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of May 1, 2008

2008 Supplemental Installment Purchase Contract between the City of Roseville and Roseville Finance Authority, dated May 1, 2008.

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2008 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

The 2008 Supplemental Installment Purchase Contract (the "2008 Supplemental Contract"), dated as of May 1, 2008, by and between the City of Roseville, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the City and the Authority have entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"), a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"), a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract"), a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "2004 Supplemental Contract") and a 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005 (the "2005 Supplemental Contract") to finance and refinance the costs of various improvements to the Electric System of the City.

WHEREAS, the City and the Authority desire to refinance the costs of improvements to the Electric System of the City financed in 2005 through the 2005B Payments and 2005C Payments (as described in the 2005 Supplemental Contract), and in connection therewith to enter into a 2008 Supplemental Installment Purchase Contract (the "2008 Supplemental Contract") pursuant to the Master Contract; and

WHEREAS, the City has determined that the foregoing is necessary and proper for City purposes; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 2008 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 2008 Supplemental Contract;

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

ARTICLE I DEFINITIONS

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in Section 1.01 of the Master Contract or in this section shall for all purposes hereof and

of any opinion or report or other document mentioned herein or therein have the meanings defined herein or therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Interest Rate Swap Agreements

"Interest Rate Swap Agreements" means, collectively, (i) the ISDA Master Agreement (including the Schedule thereto) dated as of December 13, 2002, as amended and supplemented by the Amendment to ISDA Master Agreement dated as of March 30, 2005, and the Confirmation dated May 9, 2008, between the City and Morgan Stanley Capital Services, Inc., and (ii) the ISDA Master Agreement, dated as of May 1, 2008, the Schedule thereto dated as of May 1, 2008, the Credit Support Annex thereto dated as of May 1, 2008, and the Confirmation, dated May 9, 2008, between the City and Bank of America, N.A.

Parity Obligation Payment Fund

"Parity Obligation Payment Fund" means the fund by that name established pursuant to Section 2.04 of the Master Contract.

Series

"Series" means the respective Electric System Revenue Refunding Certificates of Participation, Series 2008A and the Electric System Revenue Refunding Certificates of Participation, Series 2008B.

Tax Certificate

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

Trust Agreement

"Trust Agreement" means that certain Trust Agreement, dated as of May 1, 2008, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

2005 Project

"2005 Project" means capital improvements to the City's electric system financed by the 2005B Payments and 2005C Payments described in the 2005 Supplemental Contract and refinanced by the 2008 Payments hereunder.

2008 Certificates

The term "2008 Certificates" means collectively, the Electric System Revenue Refunding Certificates of Participation, Series 2008A and the Electric System Revenue Refunding Certificates of Participation, Series 2008B evidencing and representing proportionate interests

of the owners thereof in the 2008 Payments to be made by the City, executed and delivered pursuant to the Trust Agreement.

2008 Payment Date

"2008 Payment Date" means each Interest Payment Date and each day on which payments of principal evidenced and represented by the 2008 Certificates become due (whether at maturity or because of prepayment or acceleration).

2008 Payments

"2008 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof, which collectively are comprised of the "2008A Payments" and the "2008B Payments," as described in Exhibit A hereto.

2008 Rebate Fund

"2008 Rebate Fund" means the City of Roseville Electric System 2008 Rebate Fund established pursuant to Section 2.06 of the 2008 Supplemental Contract.

2008 Supplemental Contract

"2008 Supplemental Contract" means this 2008 Supplemental Installment Purchase Contract, executed and entered into as of May 1, 2008, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

2008 Supplemental Contract Payment Account

"2008 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.03 of the 2008 Supplemental Contract.

**ARTICLE II
TERMS OF THE 2008 SUPPLEMENTAL CONTRACT**

SECTION 2.01. Authority for the 2008 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of the 2008 Supplemental Contract and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 2008 Supplemental Contract in the manner and form provided herein for the financing and refinancing of the costs of the 2008 Project.

SECTION 2.02. Purpose of the 2008 Supplemental Contract. The City hereby transfers to the Authority the 2005 Project for the purpose of refinancing the acquisition of the 2005 Project from the Authority. The City agrees to acquire the 2005 Project from the Authority pursuant to the terms hereof, to cause the acquisition of the 2005 Project as agent for the

Authority in accordance with Section 2.01 of the Master Contract and in accordance with the terms hereof and of the Trust Agreement. Immediately upon prepayment of the 2005B Certificates and 2005C Certificates described in the 2005 Supplemental Contract and execution and delivery of the 2008 Certificates, all right, title and interest in and to the 2005 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

SECTION 2.03. Payment of the 2008 Supplemental Contract. The City hereby establishes a 2008 Supplemental Contract Payment Account within the Parity Obligation Payment Fund. On or before the fourth Business Day immediately preceding each 2008 Payment Date, the City shall, from the money in the Electric Revenue Fund, deposit in the 2008 Supplemental Contract Payment Account a sum equal to the amount of the interest and principal components of the 2008 Payments becoming due and payable under the 2008 Supplemental Contract on the next succeeding 2008 Payment Date, except that no such deposit need be made if the amount then on deposit in the 2008 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2008 Payments becoming due and payable under the 2008 Supplemental Contract on the next succeeding 2008 Payment Date; and all money on deposit in the 2008 Supplemental Contract Payment Account shall be transferred by the City to the Trustee on the fourth Business Day preceding each 2008 Payment Date to make and satisfy the 2008 Payment due on such 2008 Payment Date in accordance with the Master Contract. On or before the fourth Business Day preceding each 2008 Payment Date, the City shall from the money in the Electric Revenue Fund, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the amount in the Parity Reserve Fund to the Reserve Fund Requirement, except no such deposit need be made if the amount then on deposit in the Parity Reserve Fund is at least equal to the Reserve Fund Requirement.

SECTION 2.04. Payment of 2008 Payments. The City shall, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 2005 Project the sum of One Hundred Fifty Four Million Five Hundred Thousand Dollars (\$154,500,000) comprised of two purchase price components in the amounts of \$90,000,000 and \$64,500,000, without offset or deduction of any kind, by paying the principal installments of the 2008 Payments in accordance with the two payment schedules set forth in Exhibit A attached hereto and incorporated herein, together with interest installments of the 2008 Payments, which interest installments shall be paid in the amounts and on the 2008 Payment Dates in accordance with Section 2.03 hereof and the two interest payment schedules set forth in Exhibit A attached hereto and incorporated herein and Article II of the Trust Agreement, and which interest shall constitute interest paid on the principal amount of the City's obligations hereunder.

The obligation of the City to pay the 2008 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 2008 Payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 2008 Payments required to be paid by it under this section when due, whether or not the Electric System or any part thereof (including the 2005 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments shall not be subject to reduction whether by offset, abatement or otherwise and shall not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Notwithstanding the provisions of this Section 2.04 and elsewhere herein, so long as the Trustee draws on the Credit Facility for payments of principal and interest on the 2008 Certificates, such principal and interest shall be paid from the 2008 Credit Facility Account and the 2008 Payments in such event shall first be used to reimburse the Bank for draws on the Credit Facility used to pay such principal and interest. In the event the Bank fails to allow a draw under the Credit Facility for any reason, the 2008 Payments shall be used for direct payment of the 2008 Certificates as provided herein and in the Trust Agreement.

SECTION 2.05. Prepayment of 2008 Payments. The City may elect to pay all or part of the 2008A Payments and/or 2008B Payments which relate to the respective Series of the 2008 Certificates, with or without prepayment of any other Series, on the same terms as set forth in Section 4.02 of the Trust Agreement for prepayment of the respective Series of 2008 Certificates. Notwithstanding any such prepayment, the City shall not be relieved of its obligations hereunder until all of the 2008 Certificates have been fully paid and retired (or provision for payment thereof shall have been made as provided in Section 11.03 of the Trust Agreement).

SECTION 2.06. Establishment of 2008 Funds and Accounts.

(a) [Reserved]

(b) 2008 Rebate Fund. The City hereby agrees to establish and maintain, so long as any 2008 Payments remain unpaid, a fund separate from any other fund established and maintained hereunder designated the City of Roseville Electric System 2008 Rebate Fund (the "2008 Rebate Fund"). Within the 2008 Rebate Fund, the City establish and maintain, so long as any 2008A Payments or 2008B Payments remain unpaid, a separate respective 2008A Subaccount and 2008B Subaccount related to each Series. All amounts at any time on deposit in the 2008 Rebate Fund shall be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts shall be free and clear of any lien under the Master Contract and the 2008 Supplemental Contract and shall be governed by this section and by the Tax Certificate.

(1) Within 45 days of the end of each Certificate Year (as such term is defined in the Tax Certificate), (i) the City shall calculate or cause to be calculated with respect to each Series of Certificates under the 2008 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Certificate Year, and (ii) the City shall deposit to the 2008 Rebate Fund from amounts on deposit in the Electric Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the respective subaccounts of the 2008 Rebate Fund to be equal to the "rebate amount" so calculated.

With respect to each subaccount, the City shall not be required to deposit any amount to the 2008 Rebate Fund in accordance with the preceding sentence if the amount on deposit in the 2008 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 2008 Rebate Fund to the extent permitted under paragraph (2) of this section.

The City shall not be required to calculate the "rebate amount," and shall not be required to deposit any amount to the 2008 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 2008 Certificates (including amounts treated as proceeds of the 2008 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 2008 Rebate Fund after payment of all the 2008 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this section, or provision made therefor, including accrued interest, shall be transferred by the City to the Electric Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this section to the requirement to calculate the "rebate amount" and make deposits to the 2008 Rebate Fund, the City shall pay to the United States, from amounts on deposit the 2008 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 2008 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this section shall be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and shall be accompanied by Internal Revenue Service Form 8038-T, which shall be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 2008 Rebate Fund, the amount in the 2008 Rebate Fund is not sufficient to make such payment when such payment is due, the City shall calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 2008 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this section, but prior to any deposit made under said subsection, the amount on deposit in the 2008 Rebate Fund exceeds the "rebate amount" calculated in

accordance with said subsection, the City shall transfer the excess from the 2008 Rebate Fund to the Revenue Fund.

(7) The City shall retain records of all determinations made hereunder until six years after the final payment or discharge of all 2008 Certificates.

(8) Notwithstanding anything in the Master Contract or the 2008 Supplemental Contract to the contrary, the Rebate Requirement shall survive the payment in full or discharge of the 2008 Certificates and the 2008 Payments.

SECTION 2.07. Tax Covenants. The City hereby covenants it shall not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 2008 Payments constituting interest under Section 103 of the Code. The City shall not, directly or indirectly, use or permit the use of proceeds of the 2008 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2008 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 2008 Payments constituting interest.

The City shall not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 2008 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, shall not make any use of the proceeds of the 2008 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2008 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 2008 Certificates or other obligations delivered in connection with the 2008 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2008 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City shall establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 2008 Supplemental Contract as "governmental bonds."

The City shall not, directly or indirectly, use or permit the use of any proceeds of the 2008 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 2008 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City shall comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2008 Supplemental Contract.

The City shall not make any use of the proceeds of the 2008 Supplemental Contract or any other funds of the City, or take or omit to take another action, that would cause the 2008 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants shall survive payment in full or discharge of the 2008 Certificates and the 2008 Payments.

SECTION 2.08. Continuing Disclosure. The City hereby covenants and agrees that, in the event continuing disclosure is required for the 2008 Certificates under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, it will undertake to comply with and carry out all applicable provisions for compliance therewith for such 2008 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with such continuing disclosure obligation shall not be considered an Event of Default under the Master Contract or hereunder.

SECTION 2.09. Interest Rate Swap Agreements. The City and the Authority hereby agree and acknowledge that the Interest Rate Swap Agreements (except the obligations thereunder to post collateral under certain circumstances and to make payments upon any early termination or event of default) are Parity Payment Agreements and Parity Obligations payable solely from and secured by a pledge of Net Revenues on a parity with all other existing and future Parity Obligations and for the purpose of Section 5.02 of the Master Contract shall be paid on a parity with the payments under paragraph "Second" therein. The City and the Authority hereby agree and acknowledge that obligations under the Interest Rate Swap Agreements to post collateral under certain circumstances or to make payments upon early termination or event of default are Subordinate Obligations payable solely from Net Revenues of the Electric System and secured by a pledge of Net Revenues on a subordinate basis to the Parity Obligations. As provided and on the dates under Section 2.04 of the Master Contract, the City shall from the money in the Electric Revenue Fund deposit in the Parity Obligation Payment Fund a sum equal to the scheduled payments next due on the Interest Rate Swap Agreements. The City shall not be required to advance any moneys derived from any source of income other than the Net Revenues for the payments due under the Interest Rate Swap Agreement or for the performance of any agreements or covenants required to be performed by it contained in the Interest Rate Swap Agreements. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payments under the Interest Rate Swap Agreement.

In the event a termination payment becomes due and payable under the Interest Rate Swap Agreements and the City has not paid the full amount of such payment on or prior to each date on which Net Revenues are available for release to the City pursuant to the last paragraph of Section 2.04 or Section 6.01 of the Master Contract, the City shall create and hold a fund known as the "Subordinate Obligation Payment Fund" and shall deposit therein from such Net Revenues available pursuant to the last paragraph of Section 2.04 or Section 6.01 of the Master Contract, before application by the City to any other lawful purpose of the City, an amount equal to the amount of all Subordinate Obligations then due and payable. All Net Revenues so deposited into the Subordinate Obligation Payment Fund shall, within 3 days of such deposit, be transferred, disbursed, allocated and applied by the City solely to the payment of Subordinate Obligations then due. After such payments due on Subordinate Obligations are paid, any excess amounts in the Subordinate Obligation Payment Fund shall be released for any lawful purpose of the City.

SECTION 2.10. Maintaining Credit Facility. The City agrees that throughout the term of this 2008 Supplemental Contract it will maintain or cause to be maintained the Credit Facility or an Alternate Credit Facility (as described in the Trust Agreement) to the extent

required under the Trust Agreement. The City has the option, which can be exercised at any time, to provide for the delivery of an Alternate Credit Facility meeting the requirements set forth in the Trust Agreement.

SECTION 2.11. Correction to the Master Contract. The definition of "Parity Obligations" in the Master Contract was corrected and amended in the 2005 Supplemental Contract to read in its entirety as follows:

"Parity Obligations" means all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Net Revenues equal to and on a parity with the charge and lien upon the Net Revenues for the payment of the Payments, including, except for purposes of application of Article III, (i) Parity Payment Agreements and (ii) Parity Bank Agreements (provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City).

SECTION 2.12. Terms of the 2008 Supplemental Contract Subject to the Master Contract. Every term and condition contained in the Master Contract shall apply to the 2008 Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 2008 Supplemental Contract.

SECTION 2.13. Assignment of the 2008 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the Trust Agreement, all of the 2008 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee shall not assume any responsibility for any duties or covenants or warranties of the Authority hereunder.

IN WITNESS WHEREOF, the parties hereto have executed and attested the 2008 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

By *Amuel C. Bran*
Administrative Services Director/Treasurer

Approved as to form:

Robert R. Schmitt, for
City Attorney

(SEAL)

Attest:

Donna Orzud
City Clerk

ROSEVILLE FINANCE AUTHORITY

By *Amuel C. Bran*
Treasurer

Attest:

Donna Orzud
Secretary

EXHIBIT A-1

Schedule of 2008A Payments

Principal Amount: \$90,000,000
Initial Interest Rate Mode: Weekly Variable Rate*

Principal Payments Payable as Sinking Fund Prepayments:

<u>February 1</u>	<u>Principal Amount</u>
2023	\$4,875,000
2024	5,700,000
2025	5,925,000
2026	6,150,000
2027	6,400,000
2028	6,625,000
2029	6,900,000
2030	7,175,000
2031	7,450,000
2032	7,725,000
2033	8,050,000
2034	8,350,000
2035	8,675,000

* Interest Rate Mode is Subject to Changes

EXHIBIT A-2

Schedule of 2008B Payments

Principal Amount: \$64,500,000
Initial Interest Rate Mode: Weekly Variable Rate*

Principal Payments Payable as Sinking Fund Prepayments:

<u>February 1</u>	<u>Principal Amount</u>	<u>February 1</u>	<u>Principal Amount</u>
2009	\$1,315,000	2023	\$2,385,000
2010	1,540,000	2024	1,885,000
2011	1,755,000	2025	710,000
2012	1,615,000	2026	2,675,000
2013	1,675,000	2027	2,765,000
2014	480,000	2028	2,890,000
2015	555,000	2029	2,990,000
2016	565,000	2030	3,100,000
2017	585,000	2031	3,225,000
2018	555,000	2032	3,360,000
2019	570,000	2033	3,465,000
2020	2,145,000	2034	6,320,000
2021	2,230,000	2035	10,820,000
2022	2,325,000		

* Interest Rate Mode is Subject to Changes

2012 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

between the

CITY OF ROSEVILLE

and the

ROSEVILLE FINANCE AUTHORITY

Executed and Entered Into as of November 1, 2012

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EXHIBIT A-1 SCHEDULE OF 2012 PAYMENTS

2012 SUPPLEMENTAL INSTALLMENT PURCHASE CONTRACT

The 2012 Supplemental Installment Purchase Contract (the "2012 Supplemental Contract"), dated as of November 1, 2012, between the City of Roseville, California, a charter city and municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California (the "City"), and the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under and by virtue of the laws of the State of California (the "Authority");

WITNESSETH:

WHEREAS, the City and the Authority have entered into a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997 (the "1997 Supplemental Contract"), a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999 (the "1999 Supplemental Contract"), a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002 (the "2002 Supplemental Contract"), a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004 (the "2004 Supplemental Contract"), a 2005 Supplemental Installment Purchase Contract executed and entered into as of June 1, 2005 (the "2005 Supplemental Contract"), a 2008 Supplemental Installment Purchase Contract executed and entered into as of May 1, 2008 (the "2008 Supplemental Contract"), a 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009 (the "2009 Supplemental Contract"), and a 2010 Supplemental Installment Purchase Contract executed and entered into as of October 1, 2010 (the "2010 Supplemental Contract") to finance and refinance the costs of various improvements to the Electric System of the City.

WHEREAS, the City and the Authority desire to refinance a portion of the costs of improvements to the Electric System of the City financed in 2005 through the 2005B Payments and 2005C Payments (as described in the 2005 Supplemental Contract) and previously refinanced through the 2008A Payments (as described in the 2008 Supplemental Contract), and in connection therewith to enter into a 2012 Supplemental Installment Purchase Contract (the "2012 Supplemental Contract") pursuant to the Master Contract; and

WHEREAS, the City has determined that the foregoing is necessary and proper for City purposes; and

WHEREAS, the City and the Authority have determined that all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of the 2012 Supplemental Contract do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into the 2012 Supplemental Contract;

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

ARTICLE I DEFINITIONS

SECTION 1.01 Definitions. Unless the context otherwise requires, the terms defined in Section 1.01 of the Master Contract or in this section will for all purposes hereof and of any opinion or report or other document mentioned herein or therein have the meanings defined herein or therein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

Continuing Covenant Agreement

"Continuing Covenant Agreement" has the meaning assigned to that term in the Trust Agreement.

Bank

"Bank" has the meaning assigned to that term in the Trust Agreement.

Interest Rate Swap Agreements

"Interest Rate Swap Agreements" means, collectively, (i) the ISDA Master Agreement (including the Schedule thereto) dated as of December 13, 2002, as amended and supplemented by the Amendment to ISDA Master Agreement dated as of March 30, 2005, and the Confirmation dated May 9, 2008, between the City and Morgan Stanley Capital Services, Inc., and (ii) the ISDA Master Agreement, dated as of May 1, 2008, the Schedule thereto dated as of May 1, 2008, the Credit Support Annex thereto dated as of May 1, 2012, and the Confirmation, dated May 9, 2008, between the City and Bank of America, N.A.

Parity Obligation Payment Fund

"Parity Obligation Payment Fund" means the fund by that name established pursuant to Section 2.04 of the Master Contract.

Tax Certificate

"Tax Certificate" means the Tax and Non-Arbitrage Certificate concerning certain matters pertaining to the use and investment of proceeds of the 2012 Certificates executed and delivered by the City on the date of initial delivery of the 2012 Certificates, including any and all exhibits attached thereto.

Trust Agreement

"Trust Agreement" means that certain Trust Agreement, dated as of November 1, 2012, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

2008 Project

"2008 Project" means capital improvements to the City's electric system financed or refinanced by the 2008A Payments and 2008B Payments described in the 2008 Supplemental Contract and refinanced in part by the 2012 Payments hereunder.

2012 Certificates

The term "2012 Certificates" means the Electric System Revenue Refunding Certificates of Participation, Series 2012 evidencing and representing proportionate interests of the owners thereof in the 2012 Payments to be made by the City, executed and delivered pursuant to the Trust Agreement.

2012 Payment Date

"2012 Payment Date" means each Interest Payment Date and each day on which payments of principal evidenced and represented by the 2012 Certificates become due (whether at maturity or because of prepayment or acceleration).

2012 Payments

"2012 Payments" means the Payments scheduled to be paid by the City under and pursuant to the terms hereof, as described in Exhibit A hereto.

2012 Rebate Fund

"2012 Rebate Fund" means the City of Roseville Electric System 2012 Rebate Fund established pursuant to Section 2.06 of the 2012 Supplemental Contract.

2012 Supplemental Contract

"2012 Supplemental Contract" means this 2012 Supplemental Installment Purchase Contract, executed and entered into as of November 1, 2012, by and between the City and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance herewith.

2012 Supplemental Contract Payment Account

"2012 Supplemental Contract Payment Account" means the account by that name within the Parity Obligation Payment Fund established pursuant to Section 2.03 of the 2012 Supplemental Contract.

ARTICLE II TERMS OF THE 2012 SUPPLEMENTAL CONTRACT

SECTION 2.01. Authority for the 2012 Supplemental Contract. The City has reviewed all proceedings heretofore taken relative to the authorization of the 2012 Supplemental Contract and has found, as a result of such review, and hereby finds and determines that all acts, conditions and things required by law to exist, happen or be performed precedent to and in connection with the execution hereof do exist, have happened and have been performed in due

time, form and manner as required by law, and the City is now duly authorized, pursuant to each and every requirement of law, to execute and enter into the 2012 Supplemental Contract in the manner and form provided herein for the financing and refinancing of the costs of the 2012 Project.

SECTION 2.02. Purpose of the 2012 Supplemental Contract. The City hereby transfers to the Authority the portion of the 2008 Project related to the 2008A Certificates for the purpose of refinancing the acquisition of the portion of the 2008 Project related to the 2008A Certificates. The City agrees to acquire the 2008 Project from the Authority pursuant to the terms hereof, to cause the acquisition of the 2008 Project as agent for the Authority in accordance with Section 2.01 of the Master Contract and in accordance with the terms hereof and of the Trust Agreement. Immediately upon prepayment of the 2008A Certificates described in the 2008 Supplemental Contract and execution and delivery of the 2012 Certificates, all right, title and interest in and to the respective portion of the 2008 Project shall transfer to the City from the Authority without any further action by the City or the Authority.

SECTION 2.03. Payment of the 2012 Supplemental Contract. The City hereby establishes a 2012 Supplemental Contract Payment Account within the Parity Obligation Payment Fund. On or before the fourth Business Day immediately preceding each 2012 Payment Date, the City will, from the money in the Electric Revenue Fund, deposit in the 2012 Supplemental Contract Payment Account a sum equal to the amount of the interest and principal components of the 2012 Payments becoming due and payable under the 2012 Supplemental Contract on the next succeeding 2012 Payment Date, except that no such deposit need be made if the amount then on deposit in the 2012 Supplemental Contract Payment Account is at least equal to the amount of the interest and principal components of the 2012 Payments becoming due and payable under the 2012 Supplemental Contract on the next succeeding 2012 Payment Date; and all money on deposit in the 2012 Supplemental Contract Payment Account will be transferred by the City to the Trustee on the fourth Business Day preceding each 2012 Payment Date to make and satisfy the 2012 Payment due on such 2012 Payment Date in accordance with the Master Contract. On or before the fourth Business Day preceding each 2012 Payment Date, the City will from the money in the Electric Revenue Fund, transfer to the Trustee for deposit in the Parity Reserve Fund that sum, if any, necessary to restore the amount in the Parity Reserve Fund to the Reserve Fund Requirement, except no such deposit need be made if the amount then on deposit in the Parity Reserve Fund is at least equal to the Reserve Fund Requirement.

SECTION 2.04. Payment of 2012 Payments. The City will, subject to any rights of prepayment provided in Section 2.05 hereof, pay the Authority as the purchase price for the 2008 Project the sum of \$90,000,000, without offset or deduction of any kind, by paying the principal installments of the 2012 Payments in accordance with the payment schedule set forth in Exhibit A attached hereto and incorporated herein, together with interest installments of the 2012 Payments, which interest installments will be paid in the amounts and on the 2012 Payment Dates in accordance with Section 2.03 hereof and the two interest payment schedules set forth in Exhibit A attached hereto and incorporated herein and Article II of the Trust Agreement, and which interest will constitute interest paid on the principal amount of the City's obligations hereunder.

The obligation of the City to pay the 2012 Payments is, subject to Section 7.01 of the Master Contract, absolute and unconditional, and until such time as the 2012 Payments will have been paid in full (or provision for the payment thereof will have been made pursuant to Article VI of the Master Contract), the City will not discontinue or suspend any 2012 Payments

required to be paid by it under this section when due, whether or not the Electric System or any part thereof (including the 2008 Project) is operating or operable, or its use is suspended, interfered with, reduced, curtailed or terminated in whole or in part, and such payments will not be subject to reduction whether by offset, abatement or otherwise and will not be conditional upon the performance or nonperformance by any party to any agreement for any cause whatsoever.

Notwithstanding the provisions of this Section 2.04 and elsewhere herein, in the event a Credit Facility is in effect with respect to the Certificate, so long as the Trustee draws on the Credit Facility for payments of principal and interest on the 2012 Certificates, such principal and interest will be paid from the 2012 Credit Facility Account and the 2012 Payments in such event will first be used to reimburse the Credit Facility Provider for draws on the Credit Facility used to pay such principal and interest. In the event the Credit Facility Provider fails to allow a draw under the Credit Facility for any reason, the 2012 Payments will be used for direct payment of the 2012 Certificates as provided herein and in the Trust Agreement.

SECTION 2.05. Prepayment of 2012 Payments. The City may elect to pay all or part of the 2012 Payments on the same terms as set forth in Section 4.02 of the Trust Agreement for prepayment of the 2012 Certificates. Notwithstanding any such prepayment, the City will not be relieved of its obligations hereunder until all of the 2012 Certificates have been fully paid and retired (or provision for payment thereof will have been made as provided in Section 11.03 of the Trust Agreement).

SECTION 2.06. Establishment of 2012 Funds and Accounts.

(a) 2012 Rebate Fund. The City hereby agrees to establish and maintain, so long as any 2012 Payments remain unpaid, a fund separate from any other fund established and maintained hereunder designated the City of Roseville Electric System 2012 Rebate Fund (the "2012 Rebate Fund"). All amounts at any time on deposit in the 2012 Rebate Fund will be held by the City to the extent required to satisfy the requirement to make rebate payments to the United States (the "Rebate Requirement") pursuant to Section 148 of the Code and the Treasury Regulations promulgated thereunder (the "Treasury Regulations"). Such amounts will be free and clear of any lien under the Master Contract and the 2012 Supplemental Contract and will be governed by this section and by the Tax Certificate.

(1) Within 45 days of the end of each Certificate Year (as such term is defined in the Tax Certificate), (i) the City will calculate or cause to be calculated with respect to the 2012 Supplemental Contract the amount that would be considered the "rebate amount" within the meaning of Section 1.148-3 of the Treasury Regulations, using as the "computation date" for this purpose the end of such Certificate Year, and (ii) the City will deposit to the 2012 Rebate Fund from amounts on deposit in the Electric Revenue Fund or other amounts received by the City, if and to the extent required, amounts sufficient to cause the balance in the 2012 Rebate Fund to be equal to the "rebate amount" so calculated.

The City will not be required to deposit any amount to the 2012 Rebate Fund in accordance with the preceding sentence if the amount on deposit in the 2012 Rebate Fund prior to the deposit required to be made under this paragraph (1) equals or exceeds the "rebate amount" calculated in accordance with the preceding sentence. Such excess may be withdrawn from the 2012 Rebate Fund to the extent permitted under paragraph (2) of this section.

The City will not be required to calculate the "rebate amount," and will not be required to deposit any amount to the 2012 Rebate Fund in accordance with this paragraph (1), with respect to all or a portion of the proceeds of the 2012 Certificates (including amounts treated as proceeds of the 2012 Certificates) (i) to the extent such proceeds satisfy the expenditure requirements of Section 148(f)(4)(g) or Section 148(f)(4)(C) of the Code or Section 1.148-7(d) of the Treasury Regulations, whichever is applicable, and otherwise qualify for the exception to the Rebate Requirement pursuant to whichever of said sections is applicable, (ii) to the extent such proceeds are subject to an election by the City under Section 148(f)(4)(C)(vii) of the Code to pay a penalty in lieu of arbitrage rebate in the event any of the percentage expenditure requirements of Section 148(f)(4)(C) are not satisfied, or (iii) to the extent such proceeds qualify for the exception to arbitrage rebate under Section 148(f)(4)(A)(ii) of the Code for amounts in a "bona fide debt service fund."

(2) Any funds remaining in the 2012 Rebate Fund after payment of all the 2012 Payments hereunder and any amounts described in clause (ii) of paragraph (3) of this section, or provision made therefor, including accrued interest, will be transferred by the City to the Electric Revenue Fund.

(3) Subject to the exceptions contained in paragraph (1) of this section to the requirement to calculate the "rebate amount" and make deposits to the 2012 Rebate Fund, the City will pay to the United States, from amounts on deposit the 2012 Rebate Fund,

(i) not later than 60 days after the end of (A) the fifth Certificate Year, and (B) each fifth Certificate Year thereafter, an amount that, together with all previous rebate payments, is equal to at least 90% of the "rebate amount" calculated as of the end of such Certificate Year in accordance with Section 1.148-3 of the Treasury Regulations; and

(ii) not later than 60 days after the payment of all 2012 Certificates, an amount equal to 100% of the "rebate amount" calculated as of the date of such payment (and any income attributable to the "rebate amount" determined to be due and payable) in accordance with Section 1.148-3 of the Treasury Regulations.

(4) Each payment required to be made pursuant to paragraph (3) of this section will be made to the Internal Revenue Service Center, Philadelphia, Pennsylvania 19255 on or before the date on which such payment is due, and will be accompanied by Internal Revenue Service Form 8038-T, which will be completed by or on behalf of the City.

(5) In the event that, prior to the time any payment is required to be made from the 2012 Rebate Fund, the amount in the 2012 Rebate Fund is not sufficient to make such payment when such payment is due, the City will calculate the amount of such deficiency and deposit an amount equal to such deficiency into the 2012 Rebate Fund prior to the time such payment is due.

(6) In the event that immediately following the calculation required by paragraph (1) of this section, but prior to any deposit made under said subsection, the

amount on deposit in the 2012 Rebate Fund exceeds the "rebate amount" calculated in accordance with said subsection, the City will transfer the excess from the 2012 Rebate Fund to the Revenue Fund.

(7) The City will retain records of all determinations made hereunder until six years after the final payment or discharge of all 2012 Certificates.

(8) Notwithstanding anything in the Master Contract or the 2012 Supplemental Contract to the contrary, the Rebate Requirement will survive the payment in full or discharge of the 2012 Certificates and the 2012 Payments.

SECTION 2.07. Tax Covenants. The City hereby covenants it will not take any action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the portion of the 2012 Payments constituting interest under Section 103 of the Code. The City will not, directly or indirectly, use or permit the use of proceeds of the 2012 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2012 Supplemental Contract, or any portion thereof, by any person other than a governmental unit (as such term is used in Section 141 of the Code), in such manner or to such extent as would result in the loss of exclusion from gross income for federal income tax purposes of the portion of the 2012 Payments constituting interest.

The City will not take any action, or fail to take any action, if any such action or failure to take action would cause any obligations delivered in connection with the 2012 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code, and in furtherance thereof, will not make any use of the proceeds of the 2012 Supplemental Contract or any of the property financed or refinanced with proceeds of the 2012 Supplemental Contract, or any portion thereof, or any other funds of the City, that would cause any of the 2012 Certificates or other obligations delivered in connection with the 2012 Supplemental Contract to be "private activity bonds" within the meaning of Section 141 of the Code. To that end, so long as any 2012 Payments are unpaid, the City, with respect to such proceeds and property and such other funds, will comply with applicable requirements of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, applicable and in effect. The City will establish reasonable procedures necessary to ensure continued compliance with Section 141 of the Code and the continued qualification of any obligations delivered in connection with the 2012 Supplemental Contract as "governmental bonds."

The City will not, directly or indirectly, use or permit the use of any proceeds of the 2012 Supplemental Contract, or of any property financed or refinanced thereby, or other funds of the City, or take or omit to take any action, that would cause any obligations delivered in connection with the 2012 Supplemental Contract to be "arbitrage bonds" within the meaning of Section 148 of the Code. To that end, the City will comply with all requirements of Section 148 of the Code and all regulations of the United States Department of the Treasury issued thereunder to the extent such requirements are, at the time, in effect and applicable to the 2012 Supplemental Contract.

The City will not make any use of the proceeds of the 2012 Supplemental Contract or any other funds of the City, or take or omit to take another action, that would cause the 2012 Supplemental Contract to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

In furtherance of the foregoing tax covenants, the City covenants that it will comply with the provisions of the Tax Certificate, which is incorporated herein as if fully set forth herein. These covenants will survive payment in full or discharge of the 2012 Certificates and the 2012 Payments.

SECTION 2.08. Continuing Disclosure. The City hereby covenants and agrees that, in the event continuing disclosure is required for the 2012 Certificates under Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, it will undertake to comply with and carry out all applicable provisions for compliance therewith for such 2012 Certificates. Notwithstanding any other provision of the Master Contract or hereof, failure of the City to comply with such continuing disclosure obligation will not be considered an Event of Default under the Master Contract or hereunder.

SECTION 2.09. Parity Agreements.

(a) Interest Rate Swap Agreements. The City and the Authority hereby agree and acknowledge that the Interest Rate Swap Agreements (except the obligations thereunder to post collateral under certain circumstances and to make payments upon any early termination or event of default) are Parity Payment Agreements and Parity Obligations payable solely from and secured by a pledge of Net Revenues on a parity with all other existing and future Parity Obligations and for the purpose of Section 5.02 of the Master Contract will be paid on a parity with the payments under paragraph "Second" therein. The City and the Authority hereby agree and acknowledge that obligations under the Interest Rate Swap Agreements to post collateral under certain circumstances or to make payments upon early termination or event of default are Subordinate Obligations payable solely from Net Revenues of the Electric System and secured by a pledge of Net Revenues on a subordinate basis to the Parity Obligations. As provided and on the dates under Section 2.04 of the Master Contract, the City will from the money in the Electric Revenue Fund deposit in the Parity Obligation Payment Fund a sum equal to the scheduled payments next due on the Interest Rate Swap Agreements. The City will not be required to advance any moneys derived from any source of income other than the Net Revenues for the payments due under the Interest Rate Swap Agreement or for the performance of any agreements or covenants required to be performed by it contained in the Interest Rate Swap Agreements. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payments under the Interest Rate Swap Agreement.

In the event a termination payment becomes due and payable under the Interest Rate Swap Agreements and the City has not paid the full amount of such payment on or prior to each date on which Net Revenues are available for release to the City pursuant to the last paragraph of Section 2.04 or Section 6.01 of the Master Contract, the City will create and hold a fund known as the "Subordinate Obligation Payment Fund" and will deposit therein from such Net Revenues available pursuant to the last paragraph of Section 2.04 or Section 6.01 of the Master Contract, before application by the City to any other lawful purpose of the City, an amount equal to the amount of all Subordinate Obligations then due and payable. All Net Revenues so deposited into the Subordinate Obligation Payment Fund will, within 3 days of such deposit, be transferred, disbursed, allocated and applied by the City solely to the payment of Subordinate Obligations then due. After such payments due on Subordinate Obligations are paid, any excess amounts in the Subordinate Obligation Payment Fund will be released for any lawful purpose of the City.

(b) Continuing Covenant Agreement. The City and the Authority hereby agree and acknowledge that obligations under the Agreement are Subordinate Obligations payable solely from Net Revenues of the Electric System and secured by a pledge of Net Revenues on a subordinate basis to the Parity Obligations. As provided and on the dates under Section 2.04 of the Master Contract, the City will from the money in the Electric Revenue Fund deposit in the Parity Obligation Payment Fund a sum equal to the scheduled payments next due on the Agreement. The City will not be required to advance any moneys derived from any source of income other than the Net Revenues for the payments due under the Agreement or for the performance of any agreements or covenants required to be performed by it contained in the Agreement. The general fund of the City is not liable, and neither the faith and credit nor the taxing power of the City is pledged, for the payments under the Agreement.

SECTION 2.10. Amendments to the Master Contract. (a) The definition of "Parity Obligations" in the Master Contract was corrected and amended in the 2005 Supplemental Contract to read in its entirety as follows:

"Parity Obligations" means all Supplemental Contracts and all other obligations hereafter incurred by the City the payment of which constitutes a charge and lien on the Net Revenues equal to and on a parity with the charge and lien upon the Net Revenues for the payment of the Payments, including, except for purposes of application of Article III, (i) Parity Payment Agreements and (ii) Parity Bank Agreements (provided that no amounts have been drawn under any such Parity Bank Agreements which have not been reimbursed by the City).

(b) The definition of "Annual Debt Service" in the Master Contract was amended in the 2010 Supplemental Contract to add after subsection "(E)" thereof, the following, provided however, this addition will only become operative at such time as the City no longer has outstanding payment obligations under any Supplemental Contracts entered into prior to the date of the 2010 Supplemental Contract:

"(F) Government Refundable Credits. For purposes of calculating Annual Debt Service for the purposes of determining compliance with Section 4.12 and conditions for the execution of Parity Obligations, it shall be assumed that the calculation of the actual amount of interest, as referred to in subsection (A) above, that is payable under any Parity Obligation is the net amount after deducting for any portion of such interest that the Federal government is obligated to pay (the "Refundable Credits") under a program which provides for interest subsidy payments to a governmental issuer of bonds, provided such Refundable Credits are pledged to such Parity Obligation and deposited directly with the trustee of such Parity Obligation; and provided further that such Refundable Credits shall not be included as "Revenues" in making such calculation.

(c) Section 3.02(5) of the Master Contract was deleted in the 2010 Supplemental Contract, provided however, the deletion will only become operative at such time as the City no longer has outstanding payment obligations under any Supplemental Contracts entered into prior to the date of the 2010 Supplemental Contract.

SECTION 2.11. Terms of the 2012 Supplemental Contract Subject to the Master Contract. Every term and condition contained in the Master Contract will apply to the 2012

Supplemental Contract with the same force and effect as if the same were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to the 2012 Supplemental Contract.

SECTION 2.12. Assignment of the 2012 Supplemental Contract. The City hereby acknowledges that the Authority, for good and valuable consideration, has transferred, assigned and sent over to the Trustee, pursuant to the provisions of the Trust Agreement, all of the 2012 Payments and any and all rights and privileges it has under the Master Contract and hereunder. The Trustee will not assume any responsibility for any duties or covenants or warranties of the Authority hereunder.

SECTION 2.13. Rights of Trustee.

(a) The City will pay all expenses, compensation and indemnification payable by the Authority to the Trustee under the Trust Agreement.

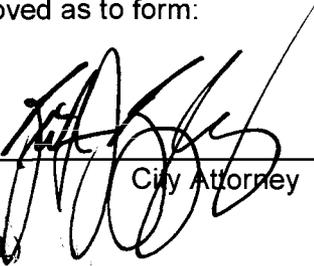
(b) To the extent that this 2012 Supplemental Contract confers upon or gives or grants the Trustee any right, remedy or claim under or by reason of this 2012 Supplemental Contract, the Trustee is hereby explicitly recognized as being a third-party beneficiary hereunder and may enforce any such right, remedy or claim conferred, given or granted hereunder.

IN WITNESS WHEREOF, the parties hereto have executed and attested the 2012 Supplemental Installment Purchase Contract by their officers thereunto duly authorized as of the day and year first written above.

CITY OF ROSEVILLE

By 
Assistant City Manager/Treasurer

Approved as to form:


City Attorney
(SEAL)

Attest:


City Clerk

ROSEVILLE FINANCE AUTHORITY

By 
Treasurer

Attest:


Secretary

EXHIBIT A

Schedule of 2012A Payments

Principal Amount: \$90,000,000
Initial Interest Rate Mode: Index Rate*

Principal Payments Payable as Sinking Fund Prepayments:

<u>February 1</u>	<u>Principal Amount</u>
2023	\$4,875,000
2024	5,700,000
2025	5,925,000
2026	6,150,000
2027	6,400,000
2028	6,625,000
2029	6,900,000
2030	7,175,000
2031	7,450,000
2032	7,725,000
2033	8,050,000
2034	8,350,000
2035	8,675,000

* Interest Rate Mode is Subject to Changes.

**\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012**

CERTIFICATE OF MAILING REPORT OF FINAL SALE

I, Tamara J. Bishop, Project Coordinator, of Jones Hall, A Professional Law Corporation, hereby state and certify that on the date hereof, for and on behalf of the City of Roseville, I caused to be mailed by first class mail, postage prepaid, a Report of Final Sale relating to the captioned financing to the California Debt and Investment Advisory Commission, P.O. Box 942809, Sacramento, California 94209-0001, a true copy of which Report is hereto attached.

Dated: November 8, 2012



Tamara J. Bishop,
Project Coordinator
Jones Hall, A Professional Law Corporation

REPORT OF FINAL SALE

California Debt and Investment Advisory Commission
915 Capitol Mall, Room 400, Sacramento, CA 95814
P.O. Box 942809, Sacramento, CA 94209-0001
Tel.: (916) 653-3269 FAX: (916) 654-7440

CDIAC #: 2012-1641

Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement (or alternate bond documents) to the Commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

ISSUER NAME: City of Roseville

(If pool bond, list participants)

ISSUE NAME: Electric System Revenue Refunding Certificates of Participation, Series 2012

IF THIS IS A POOLED FINANCING, WHICH ISSUANCE STATUTE IS IT AUTHORIZED UNDER?

1) Marks-Roos Local Bond Pooling Act 2) JPA Law 3) Installment Sales Agreement, Lease... 4) Housing Revenue Bond Law & Industrial Development Bond Law 5) Other _____

ACTUAL SALE DATE: 11/5/2012 PRINCIPAL SOLD: \$ 90,000,000.00
(Date Purchase Agreement Signed/Bid Acceptance)

DATED DATE: 11/07/2012

IS ANY PORTION OF THE DEBT FOR REFUNDING?¹

No Yes, refunding amount (including costs) \$ 90,000,000.00

Issuer Contact:

Name: Russell C. Branson Title: Assistant City Manager

Address: 311 Vernon Street City, State, Zip: Roseville, CA 95678

Phone: 916-774-5320 ISSUER LOCATED IN Placer COUNTY

E-Mail: rbranson@roseville.ca.us

Filing Contact: Name of Individual (representing: Bond Counsel, Issuer, Financial Advisor, or Lead Underwriter) who completed this form and may be contacted for information:

Name: David T. Fama, Esq. Firm/Agency: Jones Hall, A Professional Law Corporation

Address: 650 California Street, 18th Floor City, State, Zip: San Francisco, CA 94108-2722

Phone: 415-391-5780 Ext. 260 E-Mail: dfama@joneshall.com

Send acknowledgement/copies to: Michael Kelley E-Mail: mkelley@joneshall.com

Name of individual to whom an invoice for the CDIAC issue fee should be sent:²

Name: Ashley Martin Firm: US Bank National Association

Address: 633 W. Fifth Street, 25th Floor City, State, Zip: Los Angeles, CA 90071

Phone: (213) 615-6241 E-Mail: ashley.martin1@usbank.com

¹ Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at a private sale or on a negotiated basis instead of at public sale.

² This fee is authorized by Section 8856 of the California Government Code and is charged to the lead underwriter or purchaser of the issue. The fee is administratively set by the Commission. The current fee schedule may be obtained from CDIAC.

FINANCING PARTICIPANTS (Firm name)

FINANCIAL ADVISOR: The PFM Group
EAD UNDERWRITER/PURCHASER: US Bank National
BOND COUNSEL: Jones Hall, A Professional Law Corporation
CO-BOND COUNSEL:
TRUSTEE/PAYING AGENT: The Bank of New York Mellon Trust
PLACEMENT AGENT:

OFFICE LOCATION (City/State)

Arlington, VA
Los Angeles, CA
San Francisco, CA
Los Angeles, CA

MATURITY SCHEDULE

Attached Included in Official Statement

MATURITY STRUCTURE

Serial (S) Term (T)
Serial and term bonds or two or more term (B)

FINAL MATURITY DATE: 2/1/2035

FIRST OPTIONAL CALL DATE:

SENIOR/SUBORDINATE STRUCTURE Yes No

OFFICIAL STATEMENT/OFFERING MEMORANDUM:

Enclosed None prepared

WAS THE ISSUE INSURED OR GUARANTEED?

No
Bond Insurance (I)
Letter of Credit (L)
State Intercept Program (T)
Other (O)

GUARANTOR:

ENHANCEMENT EXPIRATION DATE:

INDICATE CREDIT RATING:

(For example, "AAA" or "Aaa")
Not Rated
Rated
Standard & Poor's:
Fitch:
Moody's:
Other:

REASON FOR NEGOTIATED REFUNDINGS

If the issue is a negotiated refunding, indicate the reason(s) why the bonds were issued at a private or negotiated versus a competitive sale.
(1) Timing of the sale provided more flexibility than a public sale
(2) More cost savings were expected to be realized than a public sale
(3) More flexibility in debt structure was available than a public sale
(4) Issuer able to work with participants familiar with issue/r than a public sale
(5) All of the above
(6) Other (please specify)

IS THE INTEREST ON THE DEBT EXEMPT FROM TAXATION?

Under State Law: No (taxable) Yes (tax-exempt)
Under Federal Law: No (taxable) Yes (tax-exempt)
If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax? Yes No

INTEREST TYPE:

NIC - Int. Cost: %
TIC - Int. Cost: %
Variable

CAPITAL APPRECIATION BOND: Yes No

ISSUANCE COSTS AND FEES:

Table with 2 columns: Fee Category and Amount. Rows include Management Fee, Total Takedown, Underwriter Expenses, Underwriter Spread or Discount, Bond Counsel (76,504.00), Co-Bond Counsel, Disclosure Counsel, Financial Advisor (55,000.00), Rating Agency, Credit Enhancement (94,000.00), Trustee Fee (3,000.00), Placement Agent (45,000.00), Other Expenses, Total Issuance Costs (273,504.00), ORIGINAL ISSUE PREMIUM, ORIGINAL ISSUE DISCOUNT, NET ORIGINAL ISSUE DISCOUNT/PREMIUM.



CALIFORNIA DEBT AND INVESTMENT ADVISORY COMMISSION

915 CAPITOL MALL ROOM 400
PO BOX 942809
SACRAMENTO, CA 94209-0001
TELEPHONE: (916) 653-3269
FAX: (916) 654-7440

September 26, 2012

TO: Mike Kelley
Jones Hall
650 California Street 18th Floor
San Francisco, CA 94108-2722

FROM: Mark Campbell, Executive Director

RE: ACKNOWLEDGEMENT OF REPORT OF PROPOSED DEBT ISSUANCE

California Government Code Section 8855 requires written notice to be given to the California Debt and Investment Advisory Commission (CDIAC) no later than 30 days prior to the proposed sale of any public agency debt issue.

CDIAC acknowledges receipt of your notice of the following proposed debt issuance:

CDIAC Number: 2012-1641
Issuer: Roseville
Project: Electric Sys Rev
Proposed Amount: \$90,000,000
Proposed Sale Date: October 24, 2012
Date Notice Received: September 19, 2012

Issuers may electronically file the Report of Final Sale through CDIAC's website, using the following information:

CDIAC Number: 2012-1641
Password: 67300

A CDIAC Number and Password will be provided for each electronic filing of the Report of Proposed Debt Issuance. This information is unique to this filing and must be used for any subsequent reporting under this CDIAC Number.

Please submit the Report of Final Sale and the Official Statement/Offering Memorandum or other Bond Documents in accordance with Government Code Section 8855 on this issue within 45 days of the signing of the bond purchase contract or the acceptance of a bid to purchase the debt, to www.treasurer.ca.gov/cdiac/reporting.asp under the heading "Reporting Forms". Official Statements/Offering Memorandums or other Bond Documents can be sent by e-mail to CDIAC_issuance@treasurer.ca.gov.

Any questions regarding reporting requirements may be directed to CDIAC's Data Unit at (916) 653-3269.

Cc: Russell Branson
Assistant City Manager

REPORT OF PROPOSED DEBT ISSUANCE

California Debt and Investment Advisory Commission
 915 Capitol Mall, Room 400, Sacramento, CA 95814
 P.O. Box 942809, Sacramento, CA 94209-0001
 Tel.: (916) 653-3269 FAX: (916) 654-7440

For Office Use Only

CDIAC NO.: _____

Completion and timely submittal of this form to the California Debt and Investment Advisory Commission (CDIAC) at the above address will assure your compliance with existing California State law and will assist in the maintenance of a complete database of public debt in California. Thank you for your cooperation.¹

ISSUER NAME: City of RosevilleISSUE NAME: Electric System Revenue Refunding Certificates of Participation, Series 2012

Please specify type/name of project: _____

PROPOSED SALE DATE: 10/24/2012 PRINCIPAL TO BE SOLD: \$90,000,000.00WILL A VALIDATION ACTION BE PURSUED: No Yes UnknownIS ANY PORTION OF THE DEBT FOR REFUNDING?²No Yes, proposed amount for refunding \$ 90,000,000.00**Issuer Contact:**Name: Russell C. BransonEmail: rbranson@roseville.ca.usTitle: Assistant City ManagerAddress: 311 Vernon Street, Roseville, CA 95678Phone: 916-774-5320Issuer Located In Placer

County

Filing Contact: Name of Individual (representing: Bond Counsel, Issuer, Financial Advisor, or Lead Underwriter) who completed this form and may be contacted for information:

Name: David T. Fama, Esq.n/Agency: Jones Hall, A Professional Law CorporationAddress: 650 California Street, 18th Floor, San Francisco, CA 94108-2722Phone: 415-391-5780 Ext. 260E-mail: dfama@joneshall.comSend acknowledgement/copies to: Michael KelleyE-mail: mkelley@joneshall.com**FINANCING PARTIPANTS:**BOND COUNSEL: Jones Hall, A Professional Law Corporation

FINANCIAL ADVISOR: _____

UNDERWRITER/PURCHASER: _____

IS THE INTEREST ON THE DEBT EXEMPT FROM TAXATION?Under State law: NO (taxable) YES (tax-exempt)Under Federal law: NO (taxable) YES (tax-exempt) If the issue is federally tax-exempt, is interest a specific preference item for the purpose of alternative minimum tax?

Yes, preference item No, not a preference item

TYPE OF SALE: Competitive NegotiatedIS THIS FINANCING A PRIVATE PLACEMENT? No Yes

¹ Section 8855(g) of the California Government Code requires the issuer of any proposed new public debt issue to give written notice of the proposed sale to the CDIAC no later than 30 days prior to the sale. Under California Government Code Section 8855(i), "The issuer of any new public debt issue shall, not later than 45 days after the signing of the bond purchase contract in a negotiated or private financing, or after the acceptance of a bid in a competitive offering, submit a report of final sale and official statement to the commission. The Commission may require information to be submitted in the report of final sale that is considered appropriate."

Section 53583(c)(2)(B) of the California Government Code requires that any local agency selling refunding bonds at private sale or on a negotiated basis shall send a written statement, within two weeks after the bonds are sold, to the CDIAC explaining the reasons why the local agency determined to sell the bonds at private sale or on a negotiated basis instead of at public sale.

TYPE OF DEBT INSTRUMENT

NOTE

- Bond anticipation (BAN)
- Grant obligation (GAN)
- Other note (Please specify below.) (OTHN)
- Revenue anticipation (RAN)
- Tax allocation (TALN)
- Tax and revenue anticipation (TRAN)
- Tax anticipation (TAN)

- Commercial paper (CP)
- Certificates of participation/leases (COPL)
- Other (Please specify below.) (OTH)

BOND

- Conduit revenue (Private obligor) (CRB)
- General obligation (GOB)
- Limited tax obligation (LTOB)
- Other bond (Please specify below.) (OTHB)
- Public lease revenue (PLRB)
- Revenue (Pool) (RB)
- Revenue (Public enterprise) (PERB)
- Sales tax revenue (STRB)
- Special assessment (SAB)
- Tax allocation (TAB)

Please specify if "Other note/Other bond/Other" was checked: _____

SOURCE(S) OF REPAYMENT

- | | |
|---|---|
| <ul style="list-style-type: none"> <input type="checkbox"/> Bond proceeds (BDPR) <input type="checkbox"/> General fund of issuing jurisdiction (GNFD) <input type="checkbox"/> Grants (GRNT) <input type="checkbox"/> Intergovernmental transfers other than grants (ITGV) <input type="checkbox"/> Local obligations (LOB) <input type="checkbox"/> Private obligor payments (POP) <input type="checkbox"/> Other (Please specify.) (OTHS): _____ | <ul style="list-style-type: none"> <input type="checkbox"/> Property tax revenues (PRTX) <input checked="" type="checkbox"/> Public enterprise revenues (PER) <input type="checkbox"/> Sales tax revenues (SATR) <input type="checkbox"/> Special assessments (SA) <input type="checkbox"/> Special tax revenues (SPTR) <input type="checkbox"/> Tax-increment (TI) |
|---|---|

PURPOSE(S) OF FINANCING

- | | |
|---|--|
| <ul style="list-style-type: none"> <input type="checkbox"/> Cash flow, interim financing (CFIF) <li style="padding-left: 20px;">Project, interim financing (PIF)
 <input type="checkbox"/> College/university housing (CUH) <input type="checkbox"/> Multifamily housing (MFH)³ <input type="checkbox"/> Single-family housing (SFH)³
 <input type="checkbox"/> Health care facilities (HCF) <input type="checkbox"/> Hospital (HOSP) <input type="checkbox"/> Other/multiple health care purposes (equipment; etc.)(OMHC)
 <input type="checkbox"/> College/university facility (CUF) <input type="checkbox"/> K-12 school facility (KSCH) <input type="checkbox"/> Other/multiple education uses (equipment, etc.)(OMED) <input type="checkbox"/> Student loans (SLC)
 <input type="checkbox"/> Redevelopment, multiple uses (RD)
 <input type="checkbox"/> Commercial development (CMDV) <input type="checkbox"/> Industrial development (INDV) <input type="checkbox"/> Pollution control (PC) | <ul style="list-style-type: none"> <input type="checkbox"/> Airport (APRT) <input type="checkbox"/> Bridges and highways (BRHI) <input type="checkbox"/> Convention center (CCTR) <input type="checkbox"/> Equipment (EQUF) <input type="checkbox"/> Flood control/storm drainage (FLDS) <input type="checkbox"/> Multiple capital improvements and public works (MCAP) <input type="checkbox"/> Other capital improvements and public works (OCAP) <input type="checkbox"/> Parking (PRKG) <input type="checkbox"/> Parks/open space (PRKO) <input type="checkbox"/> Ports and marinas (PRTS) <input checked="" type="checkbox"/> Power generation/transmission (PWR) <input type="checkbox"/> Prisons/jails/correctional facilities (PRSN) <input type="checkbox"/> Public building (PB) <input type="checkbox"/> Public transit (PTR) <input type="checkbox"/> Recreation and sports facilities (RCSP) <input type="checkbox"/> Seismic safety improvements/repair (SSI) <input type="checkbox"/> Solid waste recovery facilities (SWST) <input type="checkbox"/> Street construction and improvements (SCI) <input type="checkbox"/> Wastewater collection and treatment (WSTW) <input type="checkbox"/> Water supply/storage/distribution (WTR)
 <input type="checkbox"/> Insurance/pension funds (IPF) <input type="checkbox"/> Other than listed above (OTH) |
|---|--|

Please Specify type/name of project: Electric System Capital Improvements (Refunding)

³ Certain local government issuers of housing bonds are required to obtain a certification from the State Treasurer attesting to their compliance with the State housing reporting requirements prior to issuance of the bonds to finance single- or multifamily housing.

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

OFFICER'S CERTIFICATE OF THE CITY

The undersigned hereby states and certifies that:

(i) the undersigned is the duly appointed, qualified and acting Assistant City Manager/Treasurer of the City of Roseville, a charter city duly organized and validly existing under the Constitution and laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) the signatures set forth opposite the names and titles of the following persons are the true and correct specimen, or are the genuine, signatures of such persons, each of whom holds the office designated below:

<u>Name and Title</u>	<u>Signature</u>
Russell C. Branson, Assistant City Manager/Treasurer	
Sonia Orozco, City Clerk	

(iii) on October 3, 2012, at an open public meeting which was called, noticed and conducted in accordance with all applicable requirements of California law and at which a quorum was present and acting throughout, the City Council of the City duly adopted Resolution No. 12-386, entitled "Resolution Relating to Electric System Revenue Refunding Certificates of Participation, Series 2012, and the Direct Purchase Thereof by a Bank, Approving the Form of and Authorizing the Execution and Delivery of a 2012 Supplemental Installment Purchase Contract, and Bank Documentation in Connection Therewith; and Authorizing Certain Other Related Actions" (the "Resolution"), which Resolution has not been amended, supplemented, modified, rescinded or repealed and remains in full force and effect as of the date hereof;

(iv) the undersigned has reviewed that certain Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Roseville Finance Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee");

(v) by all necessary action, the City has duly authorized and approved the execution and delivery of, and the performance by the City of the obligations on its part contained in, the following agreements (collectively, the "Agreements"):

- (a) Certificate Purchase Agreement, dated November 7, 2012 (the "Purchase Agreement"), among U.S. Bank National Association, as purchaser (the "Purchaser"), the Authority and the City,
- (b) Continuing Covenant Agreement, dated as of November 1, 2012 (the "Continuing Covenant Agreement") between the City and the Purchaser,
- (c) Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), as supplemented by that certain 2012 Supplemental Installment Purchase Contract, dated as of November 1, 2012 (the "2012 Supplemental Contract"), each by and between the City and the Authority,

(vi) for and on behalf of the City, the within-named Assistant City Manager/Treasurer has executed the Agreements;

(vii) the representations and warranties of the City contained in the Agreements are true and correct in all material respects on and as of the date hereof with the same effect as if made on the date hereof, and the City has complied with and performed all of its covenants and agreements in the Agreements to be complied with and performed on or prior to the date hereof;

(ix) the Agreements have been duly authorized, executed and delivered by the City and, assuming due authorization and execution thereof by the respective parties thereto, constitute legal, valid and binding agreements of the City enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought;

(x) no litigation is pending (with the City having received service of process) or, to the City's knowledge, threatened in any court (a) in any way questioning the corporate existence of the City or the titles of the officers of the City to their respective offices; (b) seeking to restrain or enjoin the delivery of the above captioned certificates (the "Certificates"), or the collection of revenues pledged or to be pledged to pay the 2012 Payments; (c) in any way contesting or affecting the validity of the Certificates, the Trust Agreement or any of the Agreements; (d) in any way contesting or affecting the collection of said revenues or the pledge thereof, or contesting the powers of the City to cause the execution and delivery of the Certificates and the performance of its obligations contained therein or the execution and delivery of the Trust Agreement or the Agreements and the performance of its obligations contained therein or with respect thereto; (e) which would be likely to result in any material adverse change in the business, properties, assets or the financial condition of the City or to have a material adverse effect on the ability of the City to meet its obligations under any of the Trust Agreement or the Agreements or with respect to the Certificates;

(xi) that, (a) that there has been no event or circumstance since June 30, 2012, that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect (as defined in the Continuing Covenant Agreement), (b) that the representations and warranties contained in Article V of the Continuing Covenant Agreement and the other Agreements are true and correct in all material respects on the Effective Date (as

and the other Agreements are true and correct in all material respects on the Effective Date, (c) no event has occurred and is continuing, or would result from entry into the Agreements, which would constitute a Default or Event of Default and (d) since the dated date of the Rating Documentation, the unenhanced long-term debt ratings assigned to any Parity Obligation has not been withdrawn, suspended or reduced

(xii) the execution and delivery of the Agreements and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the City a breach of or default under, any agreement or other instrument to which the City is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the City is subject;

(xiii) all acts, conditions and things required by the Constitution and statutes of the State of California, and the Agreements to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, to exist, have happened and have been performed in due time, form and manner as required by law;

(xiv) the risk manager of the City has reviewed and is familiar with the provisions of Section 4.08 of the Master Contract and has compared the coverage provided by the City's existing insurance policies, or the availability thereof (and the City's existing self-insurance coverage, if any) with the provisions of the Master Contract and based upon such review, the undersigned certifies that the City's insurance meets the requirements set forth in the Master Contract; and

(xv) the City's employer identification number, for federal tax purposes, is 94-6000409.

Capitalized terms used herein and not otherwise defined have the meanings given them in the Trust Agreement.

Dated: November 7, 2012

CITY OF ROSEVILLE

By: 
Russell C. Branson,
Assistant City Manager/Treasurer

\$90,000,000
ELECTRIC SYSTEM REVENUE REFUNDING
CERTIFICATES OF PARTICIPATION, SERIES 2012
Evidencing and Representing a Proportionate Interest of the Owners
Thereof in 2012 Payments to be Made by the
CITY OF ROSEVILLE

CERTIFICATE AS TO ARBITRAGE

I, the undersigned Administrative Services Director/Treasurer of the City of Roseville, California (the "City"), being one of the officers of the City duly charged (by resolution of the City Council of the City), with others, with the responsibility for the delivery by the City of the 2012 Supplemental Installment Sale Agreement, dated as of November 1, 2012 (the "2012 Agreement"), supplementing a Master Installment Purchase Contract (the "Master Contract"), dated as of November 1, 1997, as supplemented by a 1997 Supplemental Installment Purchase Contract executed and entered into as of November 1, 1997, a 1999 Supplemental Installment Purchase Contract executed and entered into as of August 1, 1999, a 2002 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2002, a 2004 Supplemental Installment Purchase Contract executed and entered into as of July 1, 2004, a 2005 Supplemental Installment Purchase Contract dated as of June 1, 2005, a 2008 Supplemental Installment Sale Agreement, dated as of May 1, 2008, a 2009 Supplemental Installment Purchase Contract executed and entered into as of December 1, 2009, and a 2010 Supplemental Installment Purchase Contract executed and entered into as of October 1, 2010 (together the "Agreement"), between the Roseville Finance Authority (the "Authority") and the City, which Agreement is being delivered this date, hereby certify and covenant as follows:

(1) Purpose of Financing. The Agreement is being delivered by the City to enable the City to provide funds for the purpose of refunding on a current basis all of the outstanding 2008 Supplemental Installment Sale Agreement (the "2008 Agreement"), dated as of May 1, 2008, between the Authority, as seller, and the City, as purchaser. The 2008 Agreement was entered into for the purpose of refunding on a current basis a portion of the outstanding 2005 Supplemental Installment Sale Agreement (the "2005 Agreement"), dated as of June 1, 2005, between the Authority, as seller, and the City, as purchaser, which 2005 Agreement was entered into for the purpose of financing the costs of certain public facilities (the "Prior Project") constituting a part of the City's electric enterprise (the "Enterprise"), which Prior Project is more particularly described in the Certificate Regarding Use of Proceeds, dated the date hereof and included elsewhere in the transcript for the Agreement (the "Proceeds Certificate").

The 2008 Agreement provided for (i) installment payments (the "2008A Installment Payments") in a principal amount of \$90,000,000 (of which \$90,000,000 principal amount is outstanding and \$90,000,000 principal amount is being refunded with proceeds of the 2012 Agreement) and with respect to which 2008A Installment Payments, certificates of participation (the "2008A Certificates") were executed and delivered on the date of delivery of the 2008 Agreement; and (ii) installment payments ("2008B Installment Payments") in a principal amount of \$64,500,000 (all of which was previously refunded) and with respect to which 2008B

Installment Payments, certificates of participation (the "2008B Certificates") were executed and delivered on the date of delivery of the 2008 Agreement. After the prepayment of the 2008A Installment Payments and the 2008A Certificates, there will be no obligations remaining outstanding under the 2008 Agreement.

(2) Structure of Financing. Pursuant to the Agreement, the Authority agrees to sell the Prior Project to the City in consideration of the payment by the City to the Authority or its assignee of installment payments (the "Installment Payments") having an interest component and a total aggregate principal component of \$90,000,000, which amount is not in excess of the value of the Prior Project. Pursuant to the Master Contract, the Authority has assigned its rights to receive Installment Payments to The Bank of New York Mellon Trust Company, N.A., as assignee and as trustee (the "Trustee"). Pursuant to a Trust Agreement, dated as of the date of the Agreement (the "Trust Agreement"), between the Authority and the Trustee, the Trustee has agreed to execute and deliver its \$90,000,000 principal amount of Electric System Revenue Refunding Certificates of Participation Series 2012 (the "Certificates") representing direct, undivided and fractional interests of the owners thereof in the Installment Payments. Amounts received from the sale of the Certificates will be deposited by the Trustee in the respective funds and in the respective amounts set forth herein.

(3) Statement of Expectations. On the basis of the facts and estimates in existence on the date hereof, I reasonably expect the following with respect to the amount and use of gross proceeds of the Certificates:

(a) Amount Received from Sale of Certificates; No Aggregated Issues. The Certificates were sold to U.S. Bank National Association (the "Purchaser"), at their face amount (\$90,000,000). Of said amount, \$274,729.92 will be deposited in the Roseville Finance Authority Refunding Revenue Certificates, 2012 Cost of Issuance Fund (the "Cost of Issuance Fund"); \$5,394,246.23 will be deposited in the 2012 Parity Reserve Account of the Parity Reserve Fund (the "2012 Reserve Account"); and the remaining \$84,331,023.85 will be deposited in the Escrow Fund for the 2008A Certificates (the "Escrow Fund"). All of such Funds and Accounts are held by the Trustee. No tax-exempt debt has been sold within fifteen (15) days before or after the date the Certificates were sold that will be paid from substantially the same source of funds as the Installment Payments (excluding guarantees from unrelated parties).

(b) Cost of Issuance Fund. The proceeds of the Certificates deposited in the Cost of Issuance Fund will be used for payment of legal fees, printing costs and other costs of execution and delivery of the Agreement and the Certificates and will be fully expended promptly upon receipt of invoices. Amounts deposited in the Cost of Issuance Fund, if invested, will be invested without yield restrictions. Interest earnings and gains resulting from said investment will be retained in the Cost of Issuance Fund and used for the purposes thereof. Amounts, if any, remaining in the Cost of Issuance Fund on January 7, 2013, will be transferred (a) first to the 2012 Reserve Account to the extent the amount on deposit therein is less than the Reserve Requirement (as defined below), and (b) second, to the 2012 Debt Service Fund used for the payment of debt service with respect to the Certificates.

(c) Escrow Fund; Deposits and Investment. On the date hereof, concurrent with the deposit of proceeds of the Certificates in the amount of \$84,331,023.85 into the

Escrow Fund, the City will cause the Trustee to transfer to the Escrow Fund \$5,672,074.51 from that portion of the 2008 Parity Reserve Account of the Parity Reserve Fund (the "2008 Reserve Account") created for the 2008 Agreement and allocable to the 2008A Certificates, being a total deposit into the Escrow Fund of \$90,003,098.36. It is not expected that amounts on deposit in the Escrow Fund will be invested. However, if invested, said amounts will be invested at an unrestricted yield for a temporary period not exceeding 90 days after the date hereof.

(d) Escrow Fund; Use and Allocation of Amounts Deposited. Amounts deposited in the Escrow Fund will be used to pay the 2008A Installment Payments and interest with respect to the 2008A Certificates through the date hereof, and, on the date hereof, will be used to prepay the then outstanding principal component of 2008A Installment Payments and to redeem the then outstanding principal payable with respect to the 2008A Certificates of \$90,000,000 (there is no prepayment or redemption premium). Notwithstanding the foregoing, to the extent that such payments are made by a credit facility provider with respect to the 2008A Certificates, amounts in the Escrow Fund will be used to reimburse the credit facility provider. Amounts, if any, remaining in the Escrow Fund following prepayment of the 2008A Installment Payments and redemption of the 2008A Certificates will be transferred to the 2012 Debt Service Fund and used for payment of debt service with respect to the Certificates when and as due.

(e) Parity Reserve Fund; 2012 Reserve Account. After the deposit of proceeds of the Certificates in the 2012 Reserve Account and the transfer from the 2008 Reserve Account to the Escrow Fund as described above, the amount remaining in the Parity Reserve Fund held by the Trustee (\$16,493,250.00) will constitute the "Reserve Requirement". The City has previously elected to compute the "Reserve Requirement" for the Certificates and all future debt on parity with the Certificates on the basis of aggregate outstanding debt service of all obligations issued on a parity basis under the Master Agreement. The following are outstanding obligations issued on parity with the Certificates: (i) 2004 Certificates of Participation (the "2004 Certificates"), (ii) 2005 Certificates of Participation (the "2005 Certificates"), (iii) 2009 Certificates of Participation (the "2009 Certificates") and (iv) Electric System Revenue Refunding Bonds, Series 2010 (the "2010 Bonds" and together with the 2004 Certificates, the 2005 Certificates and the 2009 Certificates, the "Combined Parity Debt"). As set forth in the Schedules, the Reserve Requirement for the Combined Parity Debt is \$16,493,250.00, being maximum annual debt service on the Combined Parity Debt. The Reserve Requirement is less than 125% of average annual aggregate debt service on the Combined Parity Debt. The maximum annual 2012 Installment Payments was determined using an assumed fixed rate with respect to the 2012 Installment Payments of 3.48705% per annum (together the "Assumed Fixed Rate") as represented by Public Financial Management, Inc., as financial advisor (the "Financial Advisor"), (ii) one hundred. The Financial Advisor has represented that the establishment of the Reserve Account in the amount of the Reserve Requirement was vital to the marketing of the Certificates to the Purchaser. Amounts deposited in the Reserve Account will be invested without yield restrictions. Interest earnings and gains resulting from said investment will be retained in the Reserve Account in the event that the amount on deposit in such Fund is less than the Reserve Requirement and otherwise will be deposited in the Revenue Fund where it is expected to be spent for governmental purposes of the City within 6 months of the date of deposit therein.

(f) Debt Service Funds. Amounts in the Parity Obligation Payment Account (the "Payment Account") held by the City (see below) will be transferred as Installment Payments to the Trustee, will be deposited in the 2012 Debt Service Fund on the business day prior to each interest and principal payment, the Trustee will transfer moneys on deposit in the 2012 Debt Service Fund to the 2012 Interest Account and the 2012 Principal Payment Account, and said moneys will be used by the Trustee to make payments due with respect to the Certificates. Proceeds of a remarketing of the Certificates will be deposited in the Remarketing Account of the Certificate Payment Fund. The Payment Account; the 2012 Debt Service Fund including the 2012 Interest Account and the 2012 Principal Payment Account therein, the Certificate Purchase Fund and the Remarketing Account therein (together the "Debt Service Funds") have been established primarily to achieve a proper matching of revenues (consisting primarily of Net Revenues, as referenced in subparagraph (i) below and certain interest earnings) and debt service (that is, Installment Payments and payments with respect to the Certificates) due during each year that the Agreement is outstanding. Amounts deposited in the Debt Service Funds will be spent within thirteen (13) months of the date of deposit, and said Funds and Accounts will be depleted at least once a year except for a reasonable carryover amount not in excess of the greater of earnings on said Fund during the preceding bond year for the Agreement (below) or one-twelfth (1/12th) of Installment Payments during the preceding bond year for the Agreement. Amounts in the Debt Service Funds will be invested without yield restrictions. Interest earnings and gains resulting from investment of the Debt Service Funds will be retained in the respective Fund or Account and used for the payment of Installment Payments and payments with respect to the Certificates when and as due. Earnings on the debt service funds are not expected to exceed \$100,000 during any Bond Year.

(g) Pledge of Net Revenues; Revenue Fund. The City has pledged certain net revenues of the Enterprise (the "Net Revenues") to the payment of Installment Payments. Upon receipt, the Net Revenues will be deposited in the City of Roseville Electric Utility Fund (the "Revenue Fund") held by the City. On or before the fourth business day preceding each payment date on the Certificates, the City will transfer from the Revenue Fund into the Payment Account the amount of the next payment. Amounts in the Revenue Fund will be used for costs of maintenance, operation, repair and improvement of the Enterprise and other lawful purposes of the City. While on deposit in the Revenue Fund, there is no assurance that the Net Revenues will be available to pay Installment Payments or payments with respect to the Certificates if the City or the Enterprise encounters financial difficulties. Net Revenues and other amounts in the Revenue Fund, if invested, will be invested without yield restrictions.

(h) No Other Pledged Amounts or Investment-Type Property. Except as described herein, no amounts have been pledged to, or are reasonably expected to be used directly or indirectly to pay, Installment Payments and payments with respect to the Certificates, nor are there any amounts that have been reserved or otherwise set aside such that there is a reasonable assurance that such amounts will be available to pay Installment Payments and payments with respect to the Certificates. In addition, except as provided below, the City has not entered into, and does not reasonably expect to enter into, a hedge contract primarily for the purpose of reducing the City's risk of interest rate changes with respect to the Certificates.

(i) Swap Agreements. In order to reduce the risk of interest rate changes affecting the interest on the 2008A Certificates, the City has entered into an interest rate swap agreement dated May 9, 2008, with a notional principal amount of \$54,000,000 (the "Morgan Swap Agreement") with Morgan Stanley Capital Services Inc. ("Morgan"), and an interest rate swap agreement dated May 9, 2008, with a notional principal amount of \$36,000,000 (the "Bank of America Swap Agreement") with Bank of America, N.A. ("Bank of America"). Under the terms of the Morgan Swap Agreement and the Bank of America Swap Agreement (together the "Swap Agreements"), the City makes level payments to Morgan Stanley and Bank of America (together the "Swap Providers") based on a fixed interest rate of 3.321% per annum with respect to the Morgan Stanley Swap Agreement and a fixed interest rate of 3.364% per annum with respect to the Bank of America Swap Agreement (together the "Fixed Rates") and will receive payments at a variable interest rate based on 70.5% of 1-month LIBOR throughout the term of the Swap Agreements. The Swap Agreements will remain outstanding following the prepayment of the 2008A Certificates and the 2008 Agreement. In the event that it is determined that the Swap Agreement is a "qualified hedge," under section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), the City and the Authority hereby identify each Swap Agreement as a hedge with respect to the Agreement for purpose of section 148 of the Code..

(j) No Negative Pledges. There are no amounts held under any agreement requiring the maintenance of amounts at a particular level for the direct or indirect benefit of the owners of the Certificates or any guarantor of the Installment Payments, excluding for this purpose amounts in which the City may grant rights that are superior to the rights of the owners of the Certificates or any guarantor of the Installment Payments and amounts that do not exceed reasonable needs for which they are maintained and as to which the required level is tested no more frequently than every six (6) months and that may be spent without any substantial restriction other than a requirement to replenish the amount by the next testing date.

(k) No Replacement Proceeds. There are no amounts that have a sufficiently direct nexus to the Installment Payments or to the refunding program to conclude that the amounts would have been used for Installment Payments or for the refunding program if the proceeds of the Certificates were not being used for those purposes. The term of the Agreement is not longer than reasonably necessary for refunding of the 2008A Certificates in that the weighted average maturity of the Certificates representing that portion of the Agreement does not exceed one hundred twenty percent (120%) of the average reasonably expected remaining economic life of the Prior Project.

(l) No Improper Financial Advantage. The transaction contemplated herein does not represent an exploitation of the difference between tax-exempt and taxable interest rates to obtain a material financial advantage and does not overburden the tax-exempt bond market in that the execution and delivery of the Agreement and the Certificates is not occurring sooner than necessary, nor is the Agreement in a principal amount greater than necessary or to be outstanding longer than necessary, to accomplish the governmental purposes of the Agreement.

(m) Bond Year for the Agreement. The City hereby selects each period from May 2 through May 1 of the following calendar year as the bond years for the

Agreement, except that the first bond year will commence on the date hereof and the last bond year will end on the date of payment of the Installment Payments in full.

(n) Rebate Requirement. The City has covenanted in the Agreement to comply with requirements for rebate of excess investment earnings to the federal government to the extent applicable and acknowledges that the first payment of excess investment earnings, if any, is required to be rebated to the federal government no later than sixty (60) days after the end of the fifth (5th) bond year for the Agreement.

(o) Qualified Tender Bonds. The terms of the Certificates provide for a variable rate of interest. On the date upon which the interest rate applicable to the interest component of Installment Payments and to the interest payable with respect to the Certificates is changed, such change is preauthorized under the terms of the bond documents and, other than a conversion to a fixed rate to maturity, such interest rate is determined based upon remarketing of the Certificates at par. The Certificates bear interest at either a fixed interest rate or a variable interest rate that constitutes a qualified floating rate under §1.1275-5(b) of the Treasury Regulations. Interest on the Certificates is unconditionally payable at periodic intervals at least annually. The final maturity date of the Bonds is not longer than the lesser of 40 years or a period equal to 120% of the weighted average economic life of the Prior Project. The Certificates are subject to an optional tender right or a mandatory tender requirements ("Qualified Tender") under which a Certificate holder may tender the Certificates prior to the maturity thereof for the price of par. Upon a Qualified Tender, the City or its remarketing agent must use at least best efforts to remarket the Certificates. Certificates held by the City or any entity by or on behalf of the City other than pursuant to a Qualified Tender will be deemed extinguished upon acquisition. No provision is contained in the Trust Agreement permitting purchase of the Certificates by or on behalf of the City without retirement of the Certificates; however, a purchase of the Certificates by a third-party guarantor or a third-party liquidity facility provider will not cause a retirement of the Certificates.

(p) Yield of the Installment Payments. The yield of the Installment Payments will be determined on the basis of regularly scheduled Installment Payments, adjusted by assuming present value in lieu of certain principal payments in the case of Certificates constituting certain discounted term Certificates, if any, and by assuming certain early redemption of principal in the case of certain yield-to-call Certificates, if any, all discounted to \$90,000,000.00, representing the issue price of the Certificates (being the face amount of the Certificates). The Purchaser paid the price of par for the Certificates and has represented that it is buying the Certificates for its own account and does not plan to resell or otherwise transfer the Certificates or any interest in the Certificates.

(q) No Remaining Amounts. After the transfers referenced above, no funds remain in any account or fund established for payment of the 2008A Installment Payments or established from the proceeds of the 2008A Certificates.

(r) No Hedge Bonds. The Agreement does not constitute a "hedge bond" because the 2008 Agreement was not a hedge bond. The 2008 Agreement did not constitute a "hedge bond" because the 2005 Agreement was not a hedge bond. The 2005 Agreement was not a hedge bond because on the date of delivery of the 2005

Agreement, the City reasonably expected that not less than eighty-five percent (85%) of the proceeds of the 2005 Agreement would be expended within three (3) years of that date of delivery and not more than fifty percent (50%), if any, of the proceeds of the 2005 Agreement was invested in investments having a substantially guaranteed yield for four (4) or more years.

(4) Allocation and Accounting Procedures. The City will use a consistently applied accounting method to account for investments and expenditures of proceeds of the Certificates. Allocations of proceeds of the Certificates to expenditures will be made only with respect to a current outlay of cash for the expenditures. The City will not invest proceeds of the Certificates in a commingled fund in which the City owns more than 10% of the beneficial interest thereof. The City will maintain books and records until six years after the date of retirement or redemption of the Certificates sufficient to (i) establish the accounting method used, (ii) account for all investments of proceeds of the Certificates, and (iii) substantiate the allocation of proceeds of the Certificates to expenditures. In the event such allocations of proceeds of the Certificates to expenditures are not made within 60 days after the date five years after the date hereof, the City will use a specific tracing accounting method to account for investment and expenditures of proceeds of the Certificates.

On the basis of the foregoing, it is not expected that the proceeds of the Certificates will be used in a manner that would cause the Agreement to be an arbitrage bond within the meaning of section 148 of the Code and applicable regulations. To the best of my knowledge, information and belief, the expectations herein expressed are reasonable and there are no facts or estimates, other than those expressed herein, that would materially affect the expectations herein expressed.

DATED: November 7, 2012.

CITY OF ROSEVILLE

By: 
Russell C. Branson,
Assistant City Manager/Treasurer

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

CERTIFICATE REGARDING USE OF PROCEEDS

The undersigned is the Assistant City Manager/Treasurer of the City of Roseville (the "Issuer"), is authorized to execute this certificate on behalf of the Issuer, is knowledgeable with respect to the matters set forth herein, and hereby states and certifies as follows:

(1) Delivery of Certificates. On the date hereof, the City is entering into a 2012 Supplemental Installment Purchase Contract, dated as of November 1, 2012, supplementing that certain Master Installment Purchase Contract, dated as of November 1, 1997, each by and between the City and Roseville Finance Authority (the "Authority"), as supplemented (collectively, the "Contract"), under the terms of which the Authority is selling certain facilities to the City for a total principal amount of \$90,000,000, and in consideration thereof, the City is agreeing to make installment payments (the "Installment Payments").

Pursuant to a Trust Agreement, dated as of November 1, 2012, between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), (a) the Authority has assigned to the Trustee certain of its rights under the Contract, including its rights to receive Installment Payments; and (b) the Trustee will execute and deliver to the purchaser thereof the above captioned Series 2012 Certificates of Participation (the "Certificates") on the date of this Certificate.

(2) Refunding Account Deposits. Of the proceeds of the Certificates received on the Closing Date, \$84,331,023.85 will be deposited in a refunding account (the "Refunding Account"). Amounts on deposit in the Refunding Account will be used to refund the following series of Certificates (the "2008A Certificates"):

<u>Par Amount</u>	<u>Certificate Caption</u>
\$ 90,000,000	City of Roseville Electric System Revenue Refunding Certificates of Participation Series 2008A

The proceeds from the 2008A Certificates were used to refund the following series of certificates (the "Refunded Certificates"):

<u>Outstanding Par Amount</u>	<u>Certificate Caption</u>
\$90,000,000.00	City of Roseville Electric System Revenue Certificates of Participation, Series 2005B (Auction Rate Securities)

(3) Description of Prior Project. The Refunded Certificates financed the capital improvements (the "Prior Project") described in Part I of Exhibit A hereto attached and by this reference herein incorporated.

(4) Private Uses of Prior Project. Part II of Exhibit A describes:

(A) each use previously made (between the date the Refunded Certificates were issued and the Closing Date of the Certificates) and to be made in the future of the Prior Project by any private person or entity (that is, any entity *other than* (i) the Issuer, (ii) other non-federal governmental entities, or (iii) members of the public generally), and

(B) all payments (if any) directly or indirectly in respect of any use to be made of the Project by any private person or entity, previously made (between the date the Refunded Certificates were issued and the Closing Date of the Certificates) and to be made after the Closing Date.

(5) No Private Loans. No portion of the proceeds of the Certificates or the Refunded Certificates will be used, directly or indirectly, to make or finance a loan to any person (other than a State or local government unit).

(6) Expectations Regarding Project Use for Life of Certificates. The Issuer reasonably expects to use the Prior Project for the purposes referenced in the Exhibits attached hereto or for other governmental purposes of the Issuer during the entire term of the Certificates.

The Issuer acknowledges that, for the purposes hereof, proceeds of the Certificates used to refund the Refunded Certificates are deemed to be used for the same purposes as the proceeds of the Refunded Certificates (that is, the proceeds of the Certificates are deemed to have been used to finance the Prior Project).

(7) Practices and Procedures for Accounting for and Monitoring of Bond Proceeds. The Issuer agrees to implement the practices and procedures (the "Written Procedures") set forth in Exhibit B in order to assure that the proceeds of the Certificates are used in such a manner so as not to violate the provisions of the Internal Revenue Code of 1986, as amended, under which interest on the Certificates is excluded from federal income taxation, and to take remedial actions in the event of a violation. These Written Procedures generally account for and monitor (i) the expenditure and investment of Bond proceeds, (ii) the use of the Project financed with the proceeds of the Certificates, and (iii) any changes in the underlying structure of the Bond financing.

The Issuer acknowledges that Written Procedures in Exhibit B are not exclusive and covenants to comply with (1) all tax limitations and requirements imposed with respect to the Certificates and (2) all State and local legal requirements regarding the valid incurrence of debt and permitted uses of the proceeds of the Certificates. Unless otherwise set forth in the Written

Procedures or subsequently changed by the Issuer, Assistant City Manager/Treasurer will undertake post-issuance compliance relating to the Certificates.

Notwithstanding the foregoing, failure to perform any task set forth in the Written Procedures will not constitute an event of default under the Trust Agreement.

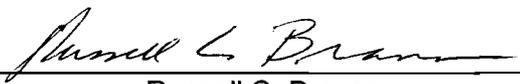
(8) Certifications.

(a) The above statements are made on the basis of the facts, estimates and circumstances in existence on the date hereof and the undersigned has exercised due diligence to assure that all material facts, estimates and circumstances relating to the above statements were made available to the undersigned and reviewed by the undersigned.

(b) To the best knowledge of the undersigned the above statements are reasonable and there are no other facts, estimates or circumstances, other than those set forth herein, that would materially affect the statements made herein.

(c) The undersigned is aware that Jones Hall, A Professional Law Corporation, is rendering an opinion on the date hereof substantially to the effect that the interest on the Certificates is excluded from gross income for federal income tax purposes and in rendering such opinion is relying upon the statements made in this Certificates and in the Exhibits attached to this Certificate.

IN WITNESS WHEREOF, I have hereunto set my name this 7th day of November 2012.



Russell C. Branson,
Assistant City Manager/Treasurer

EXHIBIT A

PART I. Detailed Description of Prior Project

The Prior Project generally consisted of the acquisition and construction of the Roseville Energy Park and related capital improvement projects of the City's power distribution system that are needed to maintain a reliable electric system and meet the demand of the City's increasing electricity load. The Roseville Energy Park is a nominal 120 megawatt (MW) generation facility to be located on 12 acres of a larger City-owned parcel of land off of Phillip Road about one mile west of Fiddyment Road.

The Prior Project is a natural gas-fired, combined-cycle generating plant with two Siemens combustion turbine-generators (CTGs), two Vogt heat recovery steam generators (HRSGs), a single condensing steam turbine generator (STG), a deaerating surface condenser, a four-cell mechanical draft cooling tower, and associated support equipment.

PART II. Description of Any Private Use of Prior Project

A. Describe each use previously made or to be made of the Prior Project by any private person or entity (that is, any entity *other than* (i) the Issuer, (ii) other non-federal governmental entities, or (iii) members of the public generally). For this purpose, "use" includes, without limitation, sales, leases or other use agreements with respect to the Prior Project with private, nongovernmental entities. "Use" of the Prior Project *does not include* uses by members of the general public within the meaning of §1.141-3(c) of the Treasury Regulations (the "Regulations").

None.

B. Payments to be made from the date of issue of the Refunded Certificates and expected to be made through the final maturity of the Certificates in respect of above uses.

None.

EXHIBIT B

PRACTICES AND PROCEDURES FOR POST ISSUANCE COMPLIANCE

General

The Issuer will take all appropriate action to assure that (i) no use of the proceeds of the Certificates, and no other event or action, will cause the Certificates to violate federal income tax limitations with respect to the exclusion of interest on the Certificates from federal income taxation, and (ii) all uses of proceeds of the Certificates comply with State and local legal requirements regarding the valid incurrence of debt and permitted uses of proceeds of the Certificates.

Without limiting the generality of the foregoing, the Issuer will take the following actions to account for and monitor (i) the expenditure and investment of Certificate proceeds, (ii) the use of the Prior Project refinanced with the proceeds of the Certificates, and (iii) any changes in the underlying structure of the Certificate financing. The Issuer has the discretion to make exceptions or to require additional procedures as it deems necessary or desirable. The Issuer reserves the right to modify these written procedures.

The Assistant City Manager/Treasurer (the "Responsible Officer") will undertake post-issuance compliance relating to the Certificates. The Responsible Officer is familiar with the provisions of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations (the "Regulations") governing the tax-exempt status of the Certificates. The Responsible Officer may delegate tasks to other officers or staff of the Issuer or to outside attorneys or other experts.

Initial Documentation Review

1. Upon receipt of the transcript for the Certificates, review the covenants of the Issuer with respect to the tax-exempt status of the Certificates, the use of proceeds certificate, the Certificate as to Arbitrage (the "Tax Certificate"), the verification report (if any) and any additional tax documentation. Confirm filing of the applicable 8038 form with the IRS.
2. Create a written schedule for due diligence reviews based upon expectations set forth in the transcribed documents.

Refunding

1. For advance refunding escrows, confirm that any scheduled purchases of State and Local Government Series or open market securities are made as scheduled.
2. On the redemption date, confirm that the Refunded Certificates have been redeemed and cancelled.

3. Promptly following the redemption date, confirm that all proceeds of the Certificates and all proceeds of the Refunded Certificates have been spent. Verify that excess proceeds, if any, of the Certificates do not exceed an amount permitted by the Regulations.

Allocation of Refunded Bond Proceeds to Expenditures

With respect to the proceeds of the Refunded Certificates, confirm that the following steps were taken and appropriate documentation retained:

1. No less often than every six months through completion of the Prior Project, monitor and document all expenditures from the Project Fund and make the relevant determinations set forth under "Arbitrage and Rebate" below.
2. Monitor and document reimbursement of expenditures paid from non-bond proceeds prior to the date of issue of the Refunded Certificates and verify compliance with §1.150-2 of the Regulations.
3. Allocate proceeds of Refunded Certificates to expenditures subject to §1.148-6(d) and §1.141-6(a) of the Regulations by 18 months after the later of the date the expenditure was made or the date the Prior Project was placed in service, but not later than the earlier of 5 years after the Certificates were issued or 60 days after the issue is retired. Use a consistent application of the same methodology for all expenditures of Refunded Bond proceeds. Document this allocation.

Non-governmental Uses of the Bond-Financed Facilities

No less than annually, take the following steps to review and document any non-governmental uses of the Prior Project:

1. Confer with personnel responsible for the Prior Project to identify, and discuss, any existing or planned use of Bond-financed or refinanced facilities, to ensure that those uses are consistent with all covenants and restrictions set forth in the Tax Certificate.
2. Monitor and document sales, leases or other use agreements with respect to the Prior Project with nongovernmental entities, not including uses by members of the general public within the meaning of §1.141-3(c) of the Regulations. Compute the percent of private business use or private payments or private security with respect to those nongovernmental uses.
3. Monitor and document management contracts (see e.g., Rev. Proc. 97-13) with nongovernmental entities.
4. Monitor and document other special legal entitlements with respect to the Bond-financed property (e.g., licenses, use agreements, easements, etc.).
5. Consult with legal counsel regarding any private use or proposed change in use with respect to the Prior Project.

Arbitrage and Rebate

1. If the Certificates are exempt from rebate, as set forth in the Tax Certificate, no rebate payments under Section 148(f) of the Tax Code will be required.
2. If Certificates are not exempt from rebate, hire a rebate calculation agent or perform rebate calculations internally.
3. Make any required rebate payments according to the following schedule:
 - a. The first installment is due 60 days after the end of 5th bond year.
 - b. Succeeding installments are due 60 days after end of every 5th bond year thereafter.
 - c. The final installment is due 60 days after retirement of the last bond of the issue.
4. Monitor expenditures of Bond proceeds for qualification for the 6 month rebate expenditure exception.
5. Consult with legal counsel before entering into any post-issuance credit enhancement transactions or any hedging transactions with respect to the Certificates or Bond proceeds.

Response to Noncompliance

1. Upon a determination of noncompliance, consult promptly with qualified bond counsel and other legal counsel and advisers to determine what course of actions can be taken to preserve the tax-exempt status of the Certificates.
2. If the noncompliance will be remediated under existing remedial action provisions or tax-exempt bond closing agreement programs contained in the Regulations or other published guidance from the IRS, determine the deadline for taking action and proceed with diligence to take the required remedial actions.
3. If remedial actions are unavailable, determine whether to make a submission to the Tax Exempt Certificates Voluntary Closing Agreement Program ("VCAP") under Internal Revenue Manual 7.2.3.

Record Retention

1. Retain records of accounting and monitoring with respect to the Refunded Certificates at least 3 years after the earlier of the maturity or redemption of the Certificates.
2. Retain records of all accounting and monitoring the Issuer carries out with respect to the Certificates for at least 3 years after the Certificates mature or are redeemed (whichever is earlier); however, if the Certificates are redeemed and refunded, the Issuer

will retain its records of accounting and monitoring at least 3 years after the earlier of the maturity or redemption of the Certificates which refunded the Certificates.

3. Maintain special records required by the safe harbor for investment contracts or defeasance escrows under §1.148-5 of the Regulations.

4. Maintain a record of the identification on the Issuer's books and records of any "qualified hedge" contract under §1.148-4(h)(2)(viii) and §1.148-11A(i)(3) of the Regulations.

5. Maintain a record of any election not to take depreciation on property required to be owned by a governmental unit which is leased to a nongovernmental entity as required by §1.103(n)-2T Q/A7 of the Regulations.

6. Maintain records of accounting for rebate for a period of at least 3 years after the earlier of the maturity or redemption of the Certificates.

Reissuance

A significant modification of the Bond documents may result in the Certificates being deemed refunded or "reissued". Such an event will require, among other things, the filing of new information returns with the federal government and the execution of a new arbitrage certificate. Qualified bond counsel should be consulted in the event of modification of the Bond documents.

Additional Procedures

The Issuer is encouraged, but is not required, to adopt additional written practices and procedures in order to further ensure that: due diligence reviews are completed at regular intervals; any officials or employees responsible for review or compliance have been adequately trained; all documents and records needed to substantiate compliance are retained; noncompliance is identified in a timely manner; and any noncompliance is corrected in a timely manner.

I hereby acknowledge that as Assistant City Manager/Treasurer of the Issuer, I have primary responsibility for implementation of these post-issuance procedures relating to the Certificates.

Acknowledgement:

By: 
Assistant City Manager/Treasurer

**\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012**

CERTIFICATE OF MAILING FORM 8038-G

I, Tamara J. Bishop, Project Coordinator, of Jones Hall, A Professional Law Corporation, hereby state and certify that on the date hereof, for and on behalf of the City of Roseville, I caused to be mailed by certified mail, postage prepaid, return receipt requested, an Information Return For Tax-Exempt Governmental Obligations Form 8038-G relating to the captioned financing to the Internal Revenue Service Center, Ogden, Utah 84201, a true copy of which Form 8038-G is hereto attached.

Dated: November 8, 2012



Tamara J. Bishop,
Project Coordinator
Jones Hall, A Professional Law Corporation

Information Return for Tax-Exempt Governmental Obligations

► Under Internal Revenue Code section 149(e)

► See separate instructions.

Caution: If the issue price is under \$100,000, use Form 8038-GC.

OMB No. 1545-0720

Part I Reporting Authority		If Amended Return, check here <input type="checkbox"/>
1 Issuer's name City of Roseville		2 Issuer's employer identification number (EIN) 94 6000409
3a Name of person (other than issuer) with whom the IRS may communicate about this return (see instructions)		3b Telephone number of other person shown on 3a
4 Number and street (or P.O. box if mail is not delivered to street address) 311 Vernon Street	Room/suite	5 Report number (For IRS Use Only) 3
6 City, town, or post office, state, and ZIP code Roseville, CA 95678		7 Date of issue 11/07/2012
8 Name of issue Electric System Revenue Refunding Certificates of Participation, Series 2012		9 CUSIP number none
10a Name and title of officer or other employee of the issuer whom the IRS may call for more information (see instructions) Russell C. Branson, Assistant City Manager/Trasurer		10b Telephone number of officer or other employee shown on 10a (916) 774-5319

Part II Type of Issue (enter the issue price). See the instructions and attach schedule.		
11 Education		11
12 Health and hospital		12
13 Transportation		13
14 Public safety		14
15 Environment (including sewage bonds)		15
16 Housing		16
17 Utilities	90,000,000	00
18 Other. Describe ►		18
19 If obligations are TANs or RANs, check only box 19a	<input type="checkbox"/>	
If obligations are BANs, check only box 19b	<input type="checkbox"/>	
20 If obligations are in the form of a lease or installment sale, check box	<input type="checkbox"/>	

Part III Description of Obligations. Complete for the entire issue for which this form is being filed.					
	(a) Final maturity date	(b) Issue price	(c) Stated redemption price at maturity	(d) Weighted average maturity	(e) Yield
21	2/1/2035	\$ 90,000,000.00	\$ 90,000,000.00	16.8103 years	VR %

Part IV Uses of Proceeds of Bond Issue (including underwriters' discount)					
22	Proceeds used for accrued interest				22
23	Issue price of entire issue (enter amount from line 21, column (b))				23 90,000,000 00
24	Proceeds used for bond issuance costs (including underwriters' discount)	24	274,729	92	
25	Proceeds used for credit enhancement	25			
26	Proceeds allocated to reasonably required reserve or replacement fund	26	5,394,246	23	
27	Proceeds used to currently refund prior issues	27	84,331,023	85	
28	Proceeds used to advance refund prior issues	28			
29	Total (add lines 24 through 28)				29 90,000,000 00
30	Nonrefunding proceeds of the issue (subtract line 29 from line 23 and enter amount here)				30 0 00

Part V Description of Refunded Bonds. Complete this part only for refunding bonds.	
31 Enter the remaining weighted average maturity of the bonds to be currently refunded	► 16.8103 years
32 Enter the remaining weighted average maturity of the bonds to be advance refunded	► years
33 Enter the last date on which the refunded bonds will be called (MM/DD/YYYY)	► 11/7/2012
34 Enter the date(s) the refunded bonds were issued (MM/DD/YYYY)	5/1/2008

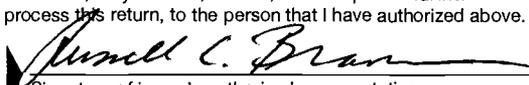
For Paperwork Reduction Act Notice, see separate instructions.

Cat. No. 63773S

Form **8038-G** (Rev. 9-2011)

Part VI Miscellaneous

35	Enter the amount of the state volume cap allocated to the issue under section 141(b)(5)	35	
36a	Enter the amount of gross proceeds invested or to be invested in a guaranteed investment contract (GIC) (see instructions)	36a	
b	Enter the final maturity date of the GIC ▶ _____		
c	Enter the name of the GIC provider ▶ _____		
37	Pooled financings: Enter the amount of the proceeds of this issue that are to be used to make loans to other governmental units	37	
38a	If this issue is a loan made from the proceeds of another tax-exempt issue, check box <input type="checkbox"/> and enter the following information:		
b	Enter the date of the master pool obligation ▶ _____		
c	Enter the EIN of the issuer of the master pool obligation ▶ _____		
d	Enter the name of the issuer of the master pool obligation ▶ _____		
39	If the issuer has designated the issue under section 265(b)(3)(B)(i)(III) (small issuer exception), check box ▶ <input type="checkbox"/>		
40	If the issuer has elected to pay a penalty in lieu of arbitrage rebate, check box ▶ <input type="checkbox"/>		
41a	If the issuer has identified a hedge, check here <input type="checkbox"/> and enter the following information:		
b	Name of hedge provider ▶ _____		
c	Type of hedge ▶ _____		
d	Term of hedge ▶ _____		
42	If the issuer has superintegrated the hedge, check box ▶ <input type="checkbox"/>		
43	If the issuer has established written procedures to ensure that all nonqualified bonds of this issue are remediated according to the requirements under the Code and Regulations (see instructions), check box ▶ <input checked="" type="checkbox"/>		
44	If the issuer has established written procedures to monitor the requirements of section 148, check box ▶ <input checked="" type="checkbox"/>		
45a	If some portion of the proceeds was used to reimburse expenditures, check here <input type="checkbox"/> and enter the amount of reimbursement ▶ _____		
b	Enter the date the official intent was adopted ▶ _____		

Signature and Consent	Under penalties of perjury, I declare that I have examined this return and accompanying schedules and statements, and to the best of my knowledge and belief, they are true, correct, and complete. I further declare that I consent to the IRS's disclosure of the issuer's return information, as necessary to process this return, to the person that I have authorized above.				
	 Signature of issuer's authorized representative	11/7/12 Date	Russell C. Branson, Assistant City Manager/Treasurer Type or print name and title		
Paid Preparer Use Only	Print/Type preparer's name David T. Fama, Esq.	Preparer's signature 	Date 11/7/12	Check <input type="checkbox"/> if self-employed PTIN P01083298	
	Firm's name ▶ Jones Hall, A Professional Law Corporation		Firm's EIN ▶ 94-2698987		
	Firm's address ▶ 650 California St, 18 Fl, San Francisco, CA 94108		Phone no. 415 391-5780		

November 7, 2012

Roseville Finance Authority
Roseville, California

U.S. Bank National Association
Los Angeles, California

Re: \$90,000,000 City of Roseville Electric System Revenue Refunding Certificates of Participation, Series 2012

Ladies and Gentlemen:

I am the City Attorney of the City of Roseville (the "City"), and as such, I have acted as counsel to the City in connection with the execution and delivery of the above captioned Certificates (the "Certificates"). In that connection, I have reviewed and am familiar with the executed Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Roseville Finance Authority (the "Authority") and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); the executed Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented by that certain 2012 Supplemental Installment Purchase Contract, dated as of November 1, 2012, each by and between the City and the Authority; the executed Certificate Purchase Agreement, dated November 7, 2012, among U.S. Bank National Association, as purchaser (the "Purchaser"), the Authority and the City; the Continuing Covenant Agreement, dated as of November 1, 2012 (the "Continuing Covenant Agreement") between the City and the Purchaser (the foregoing documents are collectively referred to herein as the "City Documents"); Resolution No. 12-386 adopted by the City Council of the City on October 3, 2012 (the "Resolution"); and such other documents and matters of fact and law as I have deemed necessary to render this opinion.

Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

1. The City is a charter city and municipal corporation duly organized and existing under and by virtue of the laws of the State of California.
2. The City Resolution approving and authorizing the execution and delivery of the documents to which it is a party was duly adopted at a meeting of the City Council of the City which was called and held pursuant to law and with all public notice required by law and at which a quorum was present and acting throughout, and the City Resolution is in full force and effect and has not been modified, amended or rescinded as of the date hereof.
3. The City has full power, authority and legal right to execute, deliver and perform the City Documents.

4. The execution, delivery and performance by the City of the City Documents have been duly authorized by all appropriate action and do not and will not (i) violate any provision of any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award presently in effect having applicability to the City or (ii) result in a breach of or constitute a default under any indenture or loan or credit agreement, lease or instrument to which it is a party or by which it or its properties may be bound or affected.

5. All authorizations, consents, approvals, licenses, exemptions of or registrations with any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, necessary to the valid execution, delivery or performance by the City of the City Documents have been obtained or effected, and are and will remain in full force and effect.

6. The City Documents constitute the legal, valid and binding obligations of the City enforceable against the City in accordance with their respective terms.

7. The Certificates will be entitled to the benefits of the Trust Agreement and shall evidence undivided interests of the owners thereof in the 2012 Payments (as defined in the Continuing Covenant Agreement).

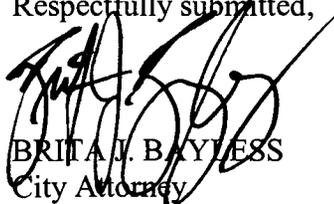
8. A valid first pledge of and charge and lien upon the Net Revenues (as defined in the Continuing Covenant Agreement) in favor of the Trustee exists with respect to the 2012 Payments and the Obligations of the City under the Continuing Covenant Agreement.

The enforceability of the City Documents may be limited by bankruptcy, insolvency, moratorium and similar laws or equitable principles affecting the rights of creditors generally.

This opinion is rendered only with respect to the laws of the State of California and the United States of America, and is addressed to the addressees named above. No other person is entitled to rely on this opinion, nor may you rely on it in connection with any transactions other than those described herein.

This letter is solely for the information of, and assistance to, the addressees named above and is not to be used, circulated, quoted or otherwise referred to in connection with the offering of the Certificates except that reference may be made to this letter in any list of closing documents pertaining to the sale of the 2012 Certificates.

Respectfully submitted,



BRITA J. BAYLESS
City Attorney



State of California
March Fong Eu
 Secretary of State

FILE NO. JP 986

FILED
 In the office of the Secretary of State
 of the State of California

JUL 31 1989

March Fong Eu
MARCH FONG EU, Secretary of State

(Office Use Only)

NOTICE OF A JOINT POWERS AGREEMENT
 (Government Code Section 6503.5 or 6503.7)

Instructions:

1. Complete and mail to: Secretary of State,
 P.O. Box 704, Sacramento, CA 95812-0704 (916) 324-6778
2. Include filing fee of \$5.00.
3. Do not include attachments, unless otherwise specified.

The name of the agency or entity created under the agreement and responsible for the administration of the agreement is: ROSEVILLE FINANCE AUTHORITY

Mailing address: 311 Vernon Street, Roseville, CA 95678

Provide a short title of the agreement if applicable: JOINT EXERCISE OF POWERS AGREEMENT
BY AND BETWEEN THE CITY OF ROSEVILLE AND THE REDEVELOPMENT AGENCY OF
THE CITY OF ROSEVILLE CREATING THE ROSEVILLE FINANCE AUTHORITY.

The public agencies party to the agreement are:

- (1) City of Roseville
- (2) Redevelopment Agency of the City of Roseville
- (3) _____

if more space is needed, continue on a separate sheet and attach it to this form.

The effective date of the agreement is: July 18, 1989

Provide a condensed statement of the agreement's purpose or the powers to be exercised: To assist
the City of Roseville in connection with the acquisition by the City
of its 1989 Public Facilities Project or any other public financing,
and to authorize all acts necessary or desirable in connection therewith.

Helen Florance
 Signature

Helen Florance, CMC, City Clerk
 Typed Name and Title



State of California

Bill Jones

Secretary of State

FILE NO. 977

FILED
In the office of the Secretary of State
of the State of California

SEP 29 1997

Bill Jones
BILL JONES, Secretary of State

(Office Use Only)

AMENDMENT TO A JOINT POWERS AGREEMENT (Government Code Section 6503.5 or 6503.7)

Instructions:

- Complete and mail to: Secretary of State, P.O. Box 944225, Sacramento, CA 94244-2250 (916) 653-3984
- Include filing fee of \$5.00.
- Do not include attachments.

Date of filing initial notice with the Secretary of State: July 31, 1989

File number of initial notice: 86

Name of Joint Powers agreement: Roseville Finance Authority

Address: 311 Vernon Street, Roseville, California 95678

Complete one or more boxes below. The agreement has been amended to:

Change the parties to the agreement as follows: _____

Change the name of the administering agency or entity as follows: _____

Change the purpose of the agreement or the powers to be exercised as follows: To clarify application of Marks-Roos Local Bond Pooling Act of 1985.

Change the short title of the agreement as follows: _____

Make other changes to the agreement as follows: _____

September 26, 1997

Date

Signature

Mark J. Doane, General Counsel

Typed Name and Title



State of California

Bill Jones

Secretary of State

AMENDED AND RESTATED

NOTICE OF A JOINT POWERS AGREEMENT

(Government Code Section 8503.5 or 8503.7)

Date of Initial Filing July 31 1989

File Number of Initial Notice 986

Instructions:

1. Complete and mail to: Secretary of State, P.O. Box 944225, Sacramento, CA 94244-2250 (916) 653-3984
2. Include filing fee of \$5.00.
3. Do not include attachments, unless otherwise specified.

FILE NO. 1016

FILED
In the Office of the Secretary of State
of the State of California

JUL 29 1998

BILL JONES, Secretary of State

(Office Use Only)

The name of the agency or entity created under the agreement and responsible for the administration of the agreement is: Roseville Finance Authority

Mailing Address: 311 Vernon Street, Roseville, California 95678

Provide a short title of the agreement if applicable: _____

Amended and Restated Joint Exercise of Powers Agreement

The public agencies party to the agreement are:

(1) City of Roseville

(2) Redevelopment Agency of the City of Roseville

(3) _____

If more space is needed, continue on a separate sheet and attach it to this form.

The effective date of the agreement is: June 18, 1997

Provide a condensed statement of the agreement's purpose or the powers to be exercised: _____

To provide a mechanism for the financing of public capital improvements.

Date: July 29, 1998

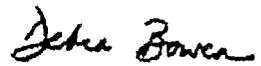
John T. Kennedy, Esq., Notary Public,
Kennedy, Brock & Elliott, LLP
Typed Name and Title



I hereby certify that the foregoing transcript of 63 page(s) is a full, true and correct copy of the original record in the custody of the California Secretary of State's office.

NOV 02 2012 

Date: _____



DEBRA BOWEN, Secretary of State



State of California
Bill Jones
Secretary of State

FILED
 In the office of the Secretary of State
 of the State of California
OCT 07 1997

 BILL JONES, Secretary of State
 (Office Use Only)

STATEMENT OF FACTS
ROSTER OF PUBLIC AGENCIES FILING
 (Government Code Section 53051)

Instructions:

1. Complete and mail to: Secretary of State,
 P.O. Box 944225, Sacramento, CA 94244-2250 (916) 653-3984
2. A street address must be given as the official mailing address or as
 the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, please include information on an 8½ X 11 page.

New Filing Update

Legal name of Public Agency: Roseville Finance Authority

Nature of Update: _____

County: Placer

Official Mailing Address: 311 Vernon Street, Roseville, California 95678

Name and Address of each member of the governing board:

Chairman, President or other Presiding Officer (Indicate Title): Treasurer

Name: Phil E. Ezell Address: 311 Vernon Street, Roseville, CA 95678

Secretary or Clerk (Indicate Title): Secretary

Name: Carolyn Parkinson Address: 311 Vernon Street, Roseville, CA 95678

Members:

Name: Claudia Gamar Address: 311 Vernon Street, Roseville, CA 95678

Name: Harry Grabb Address: 311 Vernon Street, Roseville, CA 95678

Name: Randy Graham Address: 311 Vernon Street, Roseville, CA 95678

Name: Mel Hamel Address: 311 Vernon Street, Roseville, CA 95678

Name: Pauline Roccucci Address: 311 Vernon Street, Roseville, CA 95678

Date: October 6, 1997


 Signature

Phil E. Ezell, Treasurer
 Typed Name and Title



State of California

Bill Jones

Secretary of State

STATEMENT OF FACTS

ROSTER OF PUBLIC AGENCIES FILING

(Government Code Section 53051)

FILED
In the office of the Secretary of State
of the State of California
AUG 18 1998
Bill Jones
BILL JONES, Secretary of State

(Office Use Only)

Instructions:

1. Complete and mail to: Secretary of State, P.O. Box 944225, Sacramento, CA 94244-2250 (916) 653-3984 Special Filings Unit
2. A street address must be given as the official mailing address or as the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, please include information on an 8 1/2 X 11 page.

New Filing Update

Legal name of Public Agency: Roseville Finance Authority
Roseville, CA 95678

Nature of Update: Change of Member

County: Placer

Official Mailing Address: 311 Vernon Street - Suite #208

Name and Address of each member of the governing board:

Chairman, President or other Presiding Officer (Indicate Title): Chair

Name: Claudia Gamar Address: 311 Vernon Street, Roseville, CA 95678

Secretary or Clerk (Indicate Title): Secretary

Name: Carolyn Parkinson Address: 311 Vernon Street, Roseville, CA 95678

Members:

Name: Harry Crabb Address: 311 Vernon Street, Roseville, CA

Name: Randy Graham Address: " " "

Name: Jim Gray Address: " " "

Name: Pauline Roccucci Address: " " "

Name: _____ Address: _____

Date: August 17, 1998

Carolyn Parkinson
Signature

Carolyn Parkinson, City Clerk
Typed Name and Title

**ADDENDUM TO STATEMENT OF FACTS
ADDITIONAL INFORMATION FOR PLACER COUNTY
(To be attached to Secretary of State Statement of Facts)**

District: Roseville Finance Authority

Date: August 17, 1998

Day/Time/Place of Board

Meetings: Annual Meetings: 1st Wed in June

Roseville City Council Chambers - 311 Vernon Street, Suite 208
Roseville, CA 95678

NAME	TRUSTEE AREA (If Applicable)	PHONE NUMBER	YEAR TERM EXPIRES
<u>Claudia Gamar, Chair</u>	<u></u>	<u>771-7456</u>	<u>1998</u>
<u>Harry Crabb, Member</u>	<u></u>	<u>782-3089</u>	<u>2000</u>
<u>Randy Graham, Member</u>	<u></u>	<u>786-5101</u>	<u>2000</u>
<u>Jim Gray, Member</u>	<u></u>	<u>786-7383</u>	<u>1998</u>
<u>Pauline Roccucci, Member</u>	<u></u>	<u>782-2708</u>	<u>1998</u>
<u></u>	<u></u>	<u></u>	<u></u>
<u></u>	<u></u>	<u></u>	<u></u>

Please Answer if applicable;

**ARE DIRECTORS IN YOUR DISTRICT ELECTED AT LARGE?
(ELECTED BY ALL THE VOTERS IN THE DISTRICT)**

Yes
YES/NO

**ARE DIRECTORS ELECTED BY DIST./DIV./WARD AREA ONLY?
(ELECTED BY VOTERS WITHIN THE DIST./DIV./WARD AREA)**

No
YES/NO

**Resignations
Since Last Report**

**Date
Effective**

Replacement

**Date
Effective**

Mel Hamel

6-11-97

Jim Gray

7/9/97



State of California
 Bill Jones
 Secretary of State

FILED
 In the office of the Secretary of State
 of the State of California

DEC 11 1998

Bill Jones
 BILL JONES, Secretary of State

(Office Use Only)

**STATEMENT OF FACTS
 ROSTER OF PUBLIC AGENCIES FILING**
 (Government Code Section 53051)

Instructions:

1. Complete and mail to: Secretary of State,
 P.O. Box 944225, Sacramento, CA 94244-2250 (916) 653-3984
 Special Filings Unit
2. A street address must be given as the official mailing address or as
 the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, please include information on an 8½ X 11 page.

New Filing Update

Legal name of Public Agency: Roseville Finance Authority

Nature of Update: Change of Members following November 3, 1998 Election

County: Placer

Official Mailing Address: 311 Vernon Street - Suite #208, Roseville, CA 95678

Name and Address of each member of the governing board:

Chairman, President or other Presiding Officer (Indicate Title): Chair

Name: Harry Crabb Address: 311 Vernon Street, Roseville, CA 95678

Secretary or Clerk (Indicate Title): Secretary

Name: Carolyn Parkinson Address: 311 Vernon Street, Roseville, CA 95678

Members:

Name: Harry Crabb Address: 311 Vernon St., Roseville, CA

Name: Claudia Gamar Address: " "

Name: Randy Graham Address: " "

Name: Earl Rush Address: " "

Name: Dan Goodhill Address: " "

Date: 12/10/98

Carolyn Parkinson
 Signature

Carolyn Parkinson, Secretary
 Typed Name and Title



State of California
Kevin Shelley
Secretary of State

STATEMENT OF FACTS
ROSTER OF PUBLIC AGENCIES FILING
 (Government Code Section 53051)

FILED
 In the office of the Secretary of State
 of the State of California

FEB 13 2003

Kevin Shelley
 KEVIN SHELLEY, SECRETARY OF STATE

(Office Use Only)

Instructions:

1. Complete and mail to: Secretary of State,
 P.O. Box 942877, Sacramento, CA 94277-0001 (916) 653-3984
2. A street address must be given as the official mailing address or as
 the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, please include information on an 8½ X 11 page.

New Filing Update

Legal name of Public Agency: Roseville Finance Authority

Reason for Update: Update members.

County: Placer

Official Mailing Address: 311 Vernon Street, Roseville, CA 95678

Name and Address of each member of the governing board:

Chairman, President or other Presiding Officer (Indicate Title): Chair

Name: Rocky Rockholm Address: 311 Vernon Street, Roseville, CA 95678

Secretary or Clerk (Indicate Title): Secretary

Name: Carolyn Parkinson Address: 311 Vernon Street, Roseville, CA 95678

Members:

Name: Rocky Rockholm Address: 311 Vernon Street, Roseville, CA 95678

Name: Gina Garbolino Address: 311 Vernon Street, Roseville, CA 95678

Name: Richard Roccucci Address: 311 Vernon Street, Roseville, CA 95678

Name: Earl Rush Address: 311 Vernon Street, Roseville, CA 95678

Name: Jim Gray Address: 311 Vernon Street, Roseville, CA 95678

Date: February 12, 2003

Sean Tierney
 Signature

Sean Tierney, Bond Counsel
 Typed Name and Title



**State of California
Secretary of State**

**STATEMENT OF FACTS
ROSTER OF PUBLIC AGENCIES FILING**
(Government Code Section 53051)

FILED
In the office of the Secretary of State
of the State of California

NOV - 8 2006

(Office Use Only)

Instructions:

1. Complete and mail to: Secretary of State,
P.O. Box 942877, Sacramento, CA 94277-0001 (916) 653-3984
2. A street address must be given as the official mailing address or as
the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, please include information on an 8½ X 11 page.

New Filing Update

Legal name of Public Agency: Roseville Finance Authority

Nature of Update: Update members.

County: Placer

Official Mailing Address: 311 Vernon Street, Roseville, CA 95678

Name and Address of each member of the governing board:

Chairman, President or other Presiding Officer (Indicate Title): Chair

Name: Gina Garbolino Address: 311 Vernon Street, Roseville, CA 95678

Secretary or Clerk (Indicate Title): Secretary

Name: Sonia Orozco Address: 311 Vernon Street, Roseville, CA 95678

Members:

Name: Gina Garbolino Address: Same as above.

Name: F. C. "Rocky" Rockholm Address: Same as above.

Name: John Allard Address: Same as above.

Name: Jim Gray Address: Same as above.

Name: Richard Roccucci Address: Same as above.

is: November 6, 2006


Signature

Stephen G. Melikian, Bond Counsel
Typed Name and Title



**State of California
Secretary of State**

**STATEMENT OF FACTS
ROSTER OF PUBLIC AGENCIES FILING**
(Government Code Section 53051)

FILED
In the office of the Secretary of State
of the State of California

NOV - 8 2007

(Office Use Only)

Instructions:

1. Complete and mail to: Secretary of State,
P.O. Box 942877, Sacramento, CA 94277-0001 (916) 653-3984
2. A street address must be given as the official mailing address or as
the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, please include information on an 8½ X 11 page.

New Filing Update

Legal name of Public Agency: Roseville Finance Authority

Nature of Update: Update members.

County: Placer

Official Mailing Address: 311 Vernon Street, Roseville, CA 95678

Name and Address of each member of the governing board:

~~Chairman, President or other Presiding Officer~~ (Indicate Title): Chair

Name: Jim Gray Address: 311 Vernon Street, Roseville, CA 95678

~~Secretary or Clerk~~ (Indicate Title): Secretary

Name: Sonia Orozco Address: 311 Vernon Street, Roseville, CA 95678

Members:

Name: Gina Garbolino Address: 311 Vernon Street, Roseville, CA 95678

Name: John Allard Address: 311 Vernon Street, Roseville, CA 95678

Name: Carol Garcia Address: 311 Vernon Street, Roseville, CA 95678

Name: Richard Roccucci Address: 311 Vernon Street, Roseville, CA 95678

Name: _____ Address: _____
Date: November 7, 2007

David T. Fama

Signature
David T. Fama, Bond Counsel

Typed Name and Title



**State of California
Secretary of State**

**STATEMENT OF FACTS
ROSTER OF PUBLIC AGENCIES FILING**
(Government Code Section 53051)

FILED
In the office of the Secretary of State
of the State of California

DEC - 1 2009

(Office Use Only)

Instructions:

1. Complete and mail to: Secretary of State,
P.O. Box 942877, Sacramento, CA 94277-0001 (916) 653-3984
2. A street address must be given as the official mailing address or as
the address of the presiding officer.
3. Complete addresses as required.
4. If you need additional space, please include information on an 8½ X 11 page.

New Filing Update

Legal name of Public Agency: Roseville Finance Authority

Nature of Update: Update members.

County: Placer

Official Mailing Address: 311 Vernon Street, Roseville, CA 95678

Name and Address of each member of the governing board:

Chairman, President or other Presiding Officer (Indicate Title): Chair

Name: Gina Garbolino Address: 311 Vernon Street, Roseville, CA 95678

Secretary or Clerk (Indicate Title): Secretary

Name: Sonia Orozco Address: 311 Vernon Street, Roseville, CA 95678

Members:

Name: <u>Pauline Roccucci</u>	Address: <u>311 Vernon Street, Roseville, CA 95678</u>
Name: <u>John Allard</u>	Address: <u>311 Vernon Street, Roseville, CA 95678</u>
Name: <u>Carol Garcia</u>	Address: <u>311 Vernon Street, Roseville, CA 95678</u>
Name: <u>Jim Gray</u>	Address: <u>311 Vernon Street, Roseville, CA 95678</u>
Name: _____	Address: _____

Date: December 1, 2009

David T Fama
Signature

David T. Fama, Bond Counsel
Typed Name and Title



I hereby certify that the foregoing transcript of 98 page(s) is a full, true and correct copy of the original record in the custody of the California Secretary of State's office.

NOV 02 2012 *DL*

Date: _____

Debra Bowen

DEBRA BOWEN, Secretary of State

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

**CERTIFICATE REGARDING EFFECTIVENESS OF AMENDED AND
RESTATED JOINT EXERCISE OF POWERS AGREEMENT**

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting Secretary of the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority") and operating pursuant to Articles 1 through 4 (commencing with Section 6500) of Chapter 5, Division 7, Title 1 of the California Government Code (the "Act") and pursuant to an Amended and Restated Joint Exercise of Powers Agreement, dated as of July 1, 1997 (the "Agreement"), by and between the City of Roseville and the Redevelopment Agency of the City of Roseville, and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) that attached hereto is a true, correct and complete copy of the Agreement, which Agreement has not been amended, modified or rescinded in any way and is in full force and effect as of the date hereof; and

(iii) that to the best of the undersigned's knowledge after due inquiry, all required filings have been made with the Secretary of State of the State of California, and the Authority is in good standing as a joint exercise of powers agency under the Act.

Dated: November 7, 2012

ROSEVILLE FINANCE AUTHORITY

By: 

Sonia Orozco,
Secretary

AMENDED AND RESTATED
JOINT EXERCISE OF POWERS AGREEMENT

This AMENDED AND RESTATED JOINT EXERCISE OF POWERS AGREEMENT, dated as of July 1, 1997, by and between the CITY OF ROSEVILLE, a municipal corporation duly organized and existing under and by virtue of the Constitution and the laws of the State of California (the "City"), and the REDEVELOPMENT AGENCY OF THE CITY OF ROSEVILLE, a public corporation duly organized and existing under and by virtue of the laws of the State of California (the "Agency");

W I T N E S S E T H:

WHEREAS, pursuant to Article 1 (commencing with Section 6500) of Chapter 5 of Division 7 of Title 1 of the Government Code of the State of California, the City and the Agency have entered into that certain Joint Exercise of Powers Agreement, dated as of July 1, 1989 (the "Original Agreement"), thereby creating a joint exercise of powers entity known as the Roseville Finance Authority (the "Authority");

WHEREAS, the City and the Agency now desire to amend and restate the Original Agreement in its entirety;

NOW, THEREFORE, the City and the Agency, for and in consideration of the mutual promises and agreements herein contained, do hereby amend and restate the Original Agreement such that the Agreement, as defined below, provides as follows:

SECTION 1. DEFINITIONS

Unless the context otherwise requires, the terms defined in this Section 1 shall for all purposes of the Agreement have the meanings herein specified.

Agency

The term "Agency" shall mean the Redevelopment Agency of the City of Roseville, a public corporation duly organized and existing under and by virtue of the laws of the State of California.

Agreement

The term "Agreement" shall mean the Joint Exercise of Powers Agreement, dated as of July 1, 1989, between the City and the Agency, as it shall be amended or restated from time to time (including as amended and restated by this Amended and Restated Joint Exercise of Powers Agreement).

Authority

The term "Authority" shall mean the Roseville Finance Authority created by this Agreement.

Board

The term "Board" shall mean the governing board of the Authority.

Bond Pooling Act

The term "Bond Pooling Act" shall mean the Marks-Roos Local Bond Pooling Act of 1985, constituting Article 4 (commencing with Section 6584) of the Law, as now or hereafter amended, or any other law hereafter legally available for use by the Authority in the authorization and issuance of Bonds to finance the acquisition of Obligations or Public Capital Improvements.

Bonds

The term "Bonds" shall mean bonds, notes, commercial paper, lease-purchase agreements, certificates of participation, floating rate and variable maturity securities, or other evidences of

indebtedness within the meaning of the term "bonds" as defined in Section 6585(c) of the Law issued by the Authority pursuant to the Bond Pooling Act.

City

The term "City" shall mean the existing municipal corporation known as the City of Roseville, a municipal corporation duly organized and existing under and by virtue of the Constitution and laws of the State of California.

Law

The term "Law" shall mean Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California.

Local Agency

The term "Local Agency" shall mean a "local agency" as defined in Section 6585(f) of the Law.

Obligation

The term "Obligation" shall mean any bond, note, commercial paper, lease-purchase agreement, certificate of participation, floating rate and variable maturity securities, or other evidences of indebtedness within the meaning of the term "bond" as defined in Section 6585(c) of the Law, which is purchased by the Authority from a Local Agency which is the issuer thereof at a public or negotiated sale or which is otherwise acquired by the Authority pursuant to the Bond Pooling Act or a trust agreement providing for the issuance of Bonds.

Project

The term "Project" shall mean those certain public facilities to be leased by the Authority to the City under the Project Lease.

Project Lease

The term "Project Lease" shall mean that certain lease between the Authority and the City, executed and entered into as of August 1, 1989.

Public Capital Improvement

The term "Public Capital Improvement" shall have the meaning given to such term in Section 6585(g) of the Law.

Working Capital

The term "Working Capital" shall have the meaning given to such term in Section 6585(i) of the Law.

SECTION 2. PURPOSE

The purpose of creating the Authority is to accomplish the purposes of the Law and the Bond Pooling Act, including the financing of Public Capital Improvements and the purchase of certain Obligations issued by the City, the Agency, or other public agencies or the sale of such Obligations or the issuance of Bonds of the Authority secured in whole or in part by such Obligations, or by any other designated source of revenues, all as permitted by the Law or the Bond Pooling Act.

SECTION 3. TERM

The Agreement shall continue in full force and effect until terminated by a supplemental written agreement of the City and the Agency; provided, that in no event shall the Agreement terminate until such time as all rental payments due under the Project Lease, all principal of and interest on Bonds, and all other amounts payable under the trust agreements pursuant to which such Bonds have been issued shall have been paid or provided for. In any event, the Authority

shall cause all records regarding its formation, existence, the Project, and proceedings pertaining to its termination to be retained for at least six (6) years following termination of the Authority.

SECTION 4. AUTHORITY

A. Creation of Authority

There is hereby created pursuant to the Law an agency and public entity to be known as the "Roseville Finance Authority." As provided in the Law, the Authority shall be a public entity separate from the City and the Agency. The debts, liabilities and obligations of the Authority shall not constitute debts, liabilities or obligations of the City or the Agency.

Within thirty (30) days after the effective date of the Agreement or any amendment hereto, the Authority will cause a notice of the Agreement or such amendment to be prepared and filed with the office of the Secretary of State of the State of California in the manner set forth in Section 6503.5 of the Law.

B. Governing Board

The Authority shall be administered by the Board, which shall consist of the members of the City Council of the City. The term of office of any member of the Board shall be equivalent to such member's term of office on the City Council.

Members of the Board shall not receive any compensation for serving as such, but shall be entitled to reimbursement for any expenses actually incurred in connection with serving as a member if the Board and the City shall determine that such expenses shall be reimbursed and there are unencumbered funds available for such purpose.

C. Meetings of Board

(1) Regular Meetings. The Board shall hold at least one regular meeting each year, and, by resolution, may provide for the holding of regular meetings at more frequent

intervals. The date upon which, and the hour and place at which, each such regular meeting shall be held shall be fixed by resolution of the Board.

(2) Legal Notice. All meetings of the Board shall be called, noticed, held and conducted subject to the provisions of the Ralph M. Brown Act (Chapter 9 of Part 1 of Division 2 of Title 5 of the Government Code of the State of California (Sections 54950-54961)) or any successor legislation hereinafter enacted.

(3) Minutes. The Secretary of the Authority shall cause minutes of all meetings of the Board to be kept and shall, as soon as possible after each meeting, cause a copy of the minutes to be forwarded to each member of the Board and to the City and the Agency.

(4) Quorum. A majority of the members of the Board shall constitute a quorum for the transaction of business, except that less than a quorum may adjourn meetings from time to time.

D. Officers; Duties

(1) The Mayor of the City shall serve as Chairperson of the Authority and the Vice-Mayor of the City shall serve as Vice-Chairperson of the Authority. The City Clerk shall serve as the Secretary of the Authority. The City Manager shall serve as Executive Director of the Authority.

(2) The Director of Finance of the City is hereby designated as Treasurer of the Authority. The Director of Finance is designated as the depository of the Authority to have custody of all the money of the Authority, from whatever source, and, as such, shall have the powers, duties and responsibilities specified in Section 6505.5 of the Law.

(3) The Director of Finance of the City, who performs the functions of auditor and controller for the City, is hereby designated as Controller of the Authority, and, as such, shall

have the powers, duties and responsibilities specified in Section 6505.5 of the Law. The Controller shall draw checks to pay demands against the Authority when the demands have been approved by the Authority.

(4) The City shall determine the charges to be made against the Authority for the services of the Treasurer and the Controller.

(5) The Treasurer and Controller of the Authority is designated as the public officer or person who has charge of, handles, or has access to any property of the Authority, and such officer shall file an official bond in the amount of \$25,000 as required by Section 6505.1 of the Law; provided, that such bond shall not be required if the Authority does not possess or own property or funds with an aggregate value of greater than \$500.00.

(6) The Treasurer and Controller of the Authority is hereby authorized and directed to prepare or cause to be prepared:

(a) a special audit as required pursuant to Section 6505 of the Government Code of the State of California every year during the term of the Agreement; and

(b) a report in writing on the first day of July, October, January, and April of each year to the Board, the City and the Agency, which report shall describe the amount of money held by the Treasurer and Controller of the Authority for the Board, the amount of receipts since the last such report, and the amount paid out since the first such report.

(7) The Board shall have the power to appoint such other officers and employees as it may deem necessary and to retain independent counsel, consultants and accountants.

SECTION 5. POWERS

The Authority shall have all powers common to the City and the Agency and all powers granted by applicable law, including, without limitation, the Law and the Bond Pooling Act, and is authorized, in its own name, to do all acts necessary to exercise such powers to fulfill the purposes of this Agreement. Without limiting the foregoing, the Authority shall have the power to do each of the following:

- A. Finance and refinance, through the issuance of Bonds or other instruments of indebtedness, Public Capital Improvements and Working Capital and other costs as permitted by the Law and the Bond Pooling Act.
- B. Purchase Obligations.
- C. Incur debts, liabilities, and obligations.
- D. Acquire, hold or dispose of real and personal property by lease, purchase, sale, eminent domain and other appropriate means.
- E. Receive contributions and donations of property, funds, services, and other forms of assistance from any source.
- F. Sue and be sued in its own name.
- G. Employ agents and employees.
- H. Acquire, construct, rehabilitate, remodel, install, manage, or operate buildings, works, or improvements.
- I. Lease real and personal property (including that of the City, the Agency, or any other Local Agency) as lessor and as lessee.
- J. Receive, collect, and disburse monies.

K. Invest money in the treasury of the Authority in the same manner and on the same conditions as Local Agencies pursuant to Government Code Section 53601.

L. Exercise all other powers necessary and proper to carry out the provisions of this Agreement.

For purposes of, and to the extent required by, Government Code Section 6509, in exercising its powers the Authority shall be subject to the restrictions upon the manner of exercising the powers of the Agency, except as otherwise authorized or permitted by the Law and the Bond Pooling Act.

SECTION 6. TERMINATION OF POWERS

The Authority shall continue to exercise the powers herein conferred upon it until the termination of the Agreement as provided in Section 3; provided, that in no event shall the Agreement be terminated or rescinded until such time as all rental payments due under the Project Lease, all principal of and interest on Bonds, and all other amounts payable under the trust agreements pursuant to which such Bonds have been issued shall have been paid or provided for.

SECTION 7. FISCAL YEAR

Unless and until changed by resolution of the Board, the fiscal year of the Authority shall be the period from July 1 of each year to and including the following June 30, except for the first fiscal year which shall be the period from July 1, 1989 to the following June 30.

SECTION 8. DISPOSITION OF ASSETS

At the end of the term hereof or upon the earlier termination of the Agreement as set forth in Section 6 hereof, all assets of the Authority shall be distributed to the City, subject to the provisions of Section 9 hereof.

SECTION 9. CONTRIBUTIONS AND ADVANCES

Contributions or advances of public funds and of personnel, equipment or property may be made to the Authority by the City and the Agency for any of the purposes of the Agreement. Payment of public funds may be made to defray the cost of any such contribution. Any such advance shall be made subject to repayment, and shall be repaid, in the manner agreed upon by the City or the Agency, as the case may be, and the Authority at the time of making such advance. It is mutually understood and agreed that neither the City nor the Agency has any obligation to make advances or contributions to the Authority to provide for the costs and expenses of administration of the Authority, even though either may do so. The City or the Agency may allow the use of personnel, equipment or property in lieu of other contributions or advances to the Authority. After termination of the Agreement pursuant to Section 3, any surplus money in possession of the Authority shall be returned to the City and the Agency in proportion to the unreimbursed contributions each has made.

SECTION 10. AGREEMENT NOT EXCLUSIVE

The Agreement shall not be exclusive and shall not be deemed to amend or alter the terms of other agreements between the City and the Agency, except as the terms of the Agreement may conflict therewith, in which case the terms of this Agreement shall prevail.

SECTION 11. ACCOUNTS AND REPORTS

The Authority shall establish and maintain such funds and accounts as may be required by good accounting practice. The books and records of the Authority shall be open to inspection at all reasonable times by the City and the Agency and their representatives. The Authority shall give an audited written report of all financial activities for each fiscal year to the City and to the Agency within 150 days after the close of each fiscal year.

So long as required by Section 6505.6 of the Government Code of the State of California, the Controller of the Authority shall either make, or contract with a certified public accountant or public accountant to make, an annual audit of the accounts and records of the Authority. In each case the minimum requirements of the audit shall be those prescribed by the State Controller for special districts under Section 26909 of the Government Code of the State of California and shall conform to generally accepted auditing standards. When such an audit of an account and records is made by a certified public accountant or public accountant, a report thereof shall be filed as public records with the City, the Agency and, if required by Section 6505.6 of the Government Code of the State of California, with the County Auditor/Controller of the County of Placer. Such report shall be filed within 12 months of the end of the fiscal year or years under examination.

Any costs of the audit, including contracts with, or employment of, certified public accountants or public accountants, in making an audit pursuant to this section shall be borne by the Authority and shall be a charge against any unencumbered funds of the Authority available for the purpose.

In any year the Authority may, by unanimous request of the Board, replace the annual special audit with an audit covering a two-year period.

SECTION 12. CONFLICT OF INTEREST CODE

The Authority by resolution shall adopt a Conflict of Interest Code as required by law.

SECTION 13. BREACH

If default shall be made by the City or the Agency in any covenant contained in the Agreement, such default shall not excuse either the City or the Agency from fulfilling its obligations under the Agreement and the City and the Agency shall continue to be liable for the

performance of all conditions herein contained. The City and the Agency hereby declare that the Agreement is entered into for the benefit of the Authority created hereby and the City and the Agency hereby grant to the Authority the right to enforce by whatever lawful means the Authority deems appropriate all of the obligations of each of the parties hereunder. Each and all of the remedies given to the Authority hereunder or by any law now or hereafter enacted are cumulative and the exercise of one right or remedy shall not impair the right of the Authority to any or all other remedies.

SECTION 14. SEVERABILITY

Should any part, term, or provision of the Agreement be decided by the courts to be illegal or in conflict with any law of the State of California, or otherwise be rendered unenforceable or ineffectual, the validity of the remaining parts, terms or provisions hereof shall not be affected thereby.

SECTION 15. SUCCESSORS; ASSIGNMENT

The Agreement shall be binding upon and shall inure to the benefit of the successors of the parties. Except to the extent expressly provided herein, neither party may assign any right or obligation hereunder without the consent of the other.

SECTION 16. AMENDMENT OF AGREEMENT

The Agreement may be amended by supplemental agreement executed by the City and the Agency at any time to provide for the financing of public capital improvements or projects whenever there are significant public benefits, as determined by the City and the Agency in accordance with the Law or for any other purpose; provided, that in no event shall the Agreement terminate until such time as all rental payments due under the Project Lease, all principal of and

interest on Bonds, and all other amounts payable under the trust agreements pursuant to which such Bonds have been issued shall have been paid or provided for.

SECTION 17. FORM OF APPROVALS

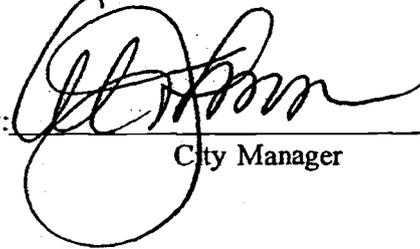
Whenever an approval is required in the Agreement, unless the context specifies otherwise, it shall be given, in the case of the City, by resolution duly and regularly adopted by the City Council of the City, and, in the case of the Agency, by resolution duly and regularly adopted by the Agency, and, in the case of the Authority, by resolution duly and regularly adopted by the Board. Whenever in the Agreement any consent or approval is required, the same shall not be unreasonably withheld.

SECTION 18. SECTION HEADINGS

All section headings contained herein are for convenience of reference only and are not intended to define or limit the scope of any provision of the Agreement.

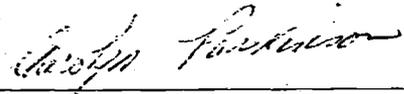
IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed and attested by their proper officers thereunto duly authorized, and their official seals to be hereto affixed, as of the day and year first above written.

CITY OF ROSEVILLE

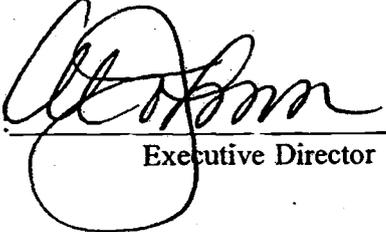
By: 
City Manager

[SEAL]

ATTEST:


City Clerk

REDEVELOPMENT AGENCY OF THE
CITY OF ROSEVILLE

By: 
Executive Director

ATTEST:


Secretary

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

OFFICER'S CERTIFICATE OF THE AUTHORITY

The undersigned hereby states and certifies that:

(i) the undersigned is the duly appointed, qualified and acting Treasurer of the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same on behalf of the Authority;

(ii) the signatures set forth opposite the names of the following persons are the true and correct specimens of, or are, the genuine signatures of such persons, each of whom holds the office designated below:

<u>Name and Title</u>	<u>Signature</u>
Russell C. Branson, Treasurer	
Sonia Orozco, Secretary	

(iii) on October 3, 2012, at an open public meeting which was called, noticed and conducted in accordance with all applicable requirements of California law and at which a quorum was present and acting throughout, the Board of Directors of the Authority duly adopted Resolution No.4-12, entitled "Resolution Relating to Electric System Revenue Refunding Certificates of Participation, Series 2012, Approving the Forms of and Authorizing the Execution and Delivery of a Supplemental Installment Purchase Contract and a Trust Agreement, in Connection Therewith; and Authorizing Certain Other Related Actions" (the "Resolution"), which Resolution has not been amended, supplemented, modified, rescinded or repealed and remains in full force and effect as of the date hereof;

(iv) by all necessary action, the Authority has duly authorized and approved the execution and delivery of, and the performance by the Authority of the obligations on its part contained in, the following agreements (collectively, the "Agreements"), relating to the above captioned certificates (the "Certificates"):

- (a) Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"),

- (b) Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented by that certain 2012 Supplemental Installment Purchase Contract, dated as of November 1, 2012, each by and between the City of Roseville (“the City”) and the Authority; and
- (c) Certificate Purchase Agreement, dated November 7, 2012 (the “Purchase Contract”), among U.S. Bank National Association, as purchaser (the “Purchaser”), the Authority and the City;

(v) for and on behalf of the Authority, the within-named Treasurer has executed the Agreements;

(vi) the Authority is a joint exercise of powers authority, duly organized and existing under the laws of the State of California, with full right, power and authority to execute, deliver and perform its obligations under the Agreements and to carry out and consummate the transactions on its part contemplated by the Agreements;

(vii) the representations and warranties of the Authority contained in the Agreements are true and correct in all material respects on and as of the date hereof as if made on the date hereof, and the Authority has complied with all of the terms and conditions of the Agreements required to be complied with by the Authority on or prior to the date hereof;

(viii) no litigation is pending (with the Authority having received service of process) or, to the Authority’s knowledge, threatened in any court (a) in any way questioning the corporate existence of the Authority or the titles of the officers of the Authority to their respective offices; (b) seeking to restrain or enjoin the delivery of the Certificates, or the collection of revenues pledged or to be pledged to pay the Payments; (c) in any way contesting or affecting the validity of the Certificates or any of the documents to which the Authority is a party; (d) in any way contesting or affecting the execution and delivery of the document to which the Authority is a party and the performance of its obligations contained therein or with respect thereto; (e) which would be likely to result in any material adverse change in the business, properties, assets or the financial condition of the Authority or to have a material adverse effect on the ability of the Authority to meet its obligations under any of the documents to which it is a party or with respect to the Certificates;

(ix) the Agreements have been duly authorized, executed and delivered by the Authority and, assuming due authorization and execution thereof by the respective parties thereto, constitute legal, valid and binding agreements of the Authority enforceable in accordance with their respective terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors’ rights generally and the application of equitable principles if equitable remedies are sought;

(x) the execution and delivery of the Agreements and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with, or constitute on the part of the Authority a breach of or default under, any agreement or other instrument to which the Authority is a party or by which it is bound or any existing law, regulation, court order or consent decree to which the Authority is subject; and

(xi) all acts, conditions and things required by the Constitution and statutes of the State of California, and the Agreements to exist, to have happened and to have been performed precedent to and in the delivery of the Certificates, to exist, have happened and have been

performed in due time, form and manner as required by law and that the Trustee is duly authorized to execute and deliver the Certificates, and that the amount of the Certificate is not in excess of the amount of the Certificates authorized to be executed and delivered under the Agreements.

[remainder of page left blank intentionally]

Capitalized terms used herein and not otherwise defined have the meanings given them in the Trust Agreement.

Dated: November 7, 2012

ROSEVILLE FINANCE AUTHORITY

By: 

Russell C. Branson,
Treasurer

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

WRITTEN REQUEST TO THE TRUSTEE

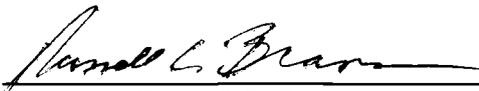
The undersigned hereby states and certifies that:

(i) the undersigned is the duly appointed, qualified and acting Treasurer of the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) pursuant to Section 3.01 of that certain Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the Authority hereby requests the Trustee to execute \$90,000,000 aggregate principal amount of Electric System Revenue Refunding Certificates of Participation, Series 2012, in the form attached to the Trust Agreement, evidencing and representing the proportionate interests of the owners thereof in installment payments to be made by the City of Roseville (the "City") to the Authority (the "Certificates") under that certain Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented by that certain 2012 Supplemental Installment Purchase Contract, dated as of November 1, 2012, each by and between the City and the Authority, and to deliver the Certificates to or upon the order of U.S. Bank National Association, as purchaser (the "Purchaser"), upon receipt by the Trustee of the purchase price of the Certificates in the amount set forth in that certain Certificate Purchase Agreement, dated November 7, 2012, among the Purchaser, the Authority and the City.

Dated: November 7, 2012

ROSEVILLE FINANCE AUTHORITY

By: 

Russell C. Branson,
Treasurer

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

REQUISITION NO. 1 FOR DISBURSEMENT
FROM COSTS OF ISSUANCE FUND

The undersigned hereby states and certifies that:

(i) the undersigned is the duly appointed, qualified and acting Treasurer of the Roseville Finance Authority, a joint exercise of powers authority duly organized and existing under the laws of the State of California (the "Authority"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same on behalf of the Authority;

(ii) pursuant to Section 3.03 of that certain Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), the undersigned hereby requests the Trustee to disburse from the Costs of Issuance Fund established under the Trust Agreement to the payee(s) designated on the attached Exhibit A, the respective sum set forth opposite each payee, for payment or reimbursement of the Costs of Issuance (as such term is defined in the Trust Agreement) described on said Exhibit A; and

(iii) the amounts to be disbursed herein are for Costs of Issuance properly chargeable to the Costs of Issuance Fund, and have not been the subject of a previous disbursement requisition.

Dated: November 7, 2012

ROSEVILLE FINANCE AUTHORITY

By: 
Russell C. Branson,
Treasurer

EXHIBIT A

COSTS OF ISSUANCE DISBURSEMENTS

<u>Payee Name and Address</u>	<u>Purpose of Obligation</u>	<u>Amount</u>
Public Financial Management, Inc. 4350 North Fairfax Drive, Suite 580 Arlington, VA 22203	Issuer Financial Advisor Services Rendered and Reimbursable Expenses	\$50,000.00*
PFM Asset Management	Fees related to determining Swap Termination Amounts	5,000.00*
Jones Hall, A Professional Law Corp. 650 California Street, 18th Floor San Francisco, CA 94108	Special Counsel Services Rendered and Reimbursable Expenses	76,504.00
Chapman Cutler 111 West Monroe Street Chicago, IL 60603	Bank Counsel Fees	45,000.00
The Bank of New York Mellon Trust Company 550 Kearny Street, Suite 600 San Francisco, CA 94108	Trustee Fees	2,600.00
Law Office of Samuel D. Waldman 64 Oak Knoll Ave San Anselmo, CA 94960	Trustee Counsel Fees	2,300.00
Morgan Stanley	Remarketing Fee	6,823.77*

* Not to exceed amount to be paid upon receipt of an invoice.



JONES HALL

November 7, 2012

650 California Street
18th Floor
San Francisco, CA 94108
t. 415.391.5780
f. 415.391.5784

Mr. Russell C. Branson,
Assistant City Manager
City of Roseville
311 Vernon Street
Roseville, CA 95678

RE: \$90,000,000 Electric System Revenue Refunding Certificates Of Participation, Series
2012 Evidencing And Representing A Proportionate Interest Of The Owners Thereof In
2012 Payments To Be Made By The City of Roseville

INVOICE

For Legal Services Rendered:

Bond Counsel: \$ 75,000.00

For Reimbursable Expenditures:

Delivery & Messenger	\$ 174.20	
Photocopies	102.80	
CD Preparation Costs	300.00	
Transcript Preparation Costs	<u>927.00</u>	
		<u>1,504.00</u>
		<u>\$ 76,504.00</u>

Instructions for Wire Transfer:
Comerica Bank
ABA No. 121137522
Two Embarcadero Center, Suite 300
San Francisco, CA 94111
For Credit : Jones Hall, APLC
Acct. No. 1894622537

Wire Transfer Instructions:

Include Invoice/Matter Number
BMO Harris Bank N.A.
Chapman and Cutler LLP Special Account
Account Number 2089522
ABA Number 071000288
SWIFT Address: HATRUS44

**Please Return this Page
with Payment to:**

P.O. Box 71291
Chicago, Illinois 60694

Employer ID #: 36-2153731

Matter No.: 1996289
Date: November 7, 2012
Invoice #: 1545559

INVOICE REMITTANCE

City of Roseville, California
Attention: Mr. Russ Branson
311 Vernon Street
Roseville, CA 95678

Re: \$90,000,000 City of Roseville Electric System Revenue
Refunding Certificates of Participation, Series 2012

For services rendered and expenses incurred as special counsel to U.S. Bank National Association, in connection with the above-referenced transaction, including the preparation and negotiation of the Continuing Covenant Agreement, the Certificate Purchase Agreement and the Purchaser Letter; the review and negotiation of the Trust Agreement, the Supplemental Installment Purchase Contract and the review of the opinions of counsel to the Authority, the City and special counsel; various discussions with bank officers; and other ancillary and related matters incident to the transaction including out-of-pocket expenses

Total Fees \$ 45,000.00

TOTAL THIS INVOICE \$ 45,000.00

Matter No.: 1996289
Date: November 7, 2012
Invoice #: 1545559

INVOICE

City of Roseville, California
Attention: Mr. Russ Branson
311 Vernon Street
Roseville, CA 95678

Re: \$90,000,000 City of Roseville Electric System Revenue
Refunding Certificates of Participation, Series 2012

For services rendered and expenses incurred as special counsel to U.S. Bank National Association, in connection with the above-referenced transaction, including the preparation and negotiation of the Continuing Covenant Agreement, the Certificate Purchase Agreement and the Purchaser Letter; the review and negotiation of the Trust Agreement, the Supplemental Installment Purchase Contract and the review of the opinions of counsel to the Authority, the City and special counsel; various discussions with bank officers; and other ancillary and related matters incident to the transaction including out-of-pocket expenses

Total Fees	\$ 45,000.00
TOTAL FEES, OTHER CHARGES AND DISBURSEMENTS	\$ 45,000.00



THE BANK OF NEW YORK MELLON

The Bank of New York Mellon Trust Company, N.A., 400 South Hope St., Suite 400, Los Angeles, CA 90071

November 7, 2012

Monty Hanks
City of Roseville
311 Vernon Street
Roseville, CA 95678

Re: **City of Roseville**
Roseville Electric 2012A Direct Purchase Restructuring

Fees and expenses for BNYM Services
in connection with the above financing:

Acceptance Fee:	\$ 600.00
Trustee Annual Administration:	\$ 2,000.00
	<hr/>
	\$ 2,600.00
TOTAL FEES & EXPENSES:	<u>\$ 2,600.00</u>

Remit Payment to:
The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite 400
Los Angeles, CA. 90071
Attn: Gonzalo Urey

400 South Hope Street, Suite 400 * Los Angeles, California 90071

LAW OFFICES OF
SAMUEL D. WALDMAN

64 OAK KNOLL DR.
SAN ANSELMO, CALIFORNIA 94960
TELEPHONE: (415) 459-4535
FACSIMILE: (415) 459-4747

November 7, 2012

Mr. Gonzolo Urey
The Bank of New York Mellon Trust Company, N.A.
400 South Hope Street, Suite #400
Los Angeles, CA 90071

Re: City of Roseville Electric system Revenue Refunding Certificates of Participation,
\$90,000,000 Series 2012

STATEMENT

Services rendered in connection with the certificate closing	\$2,250.00
Printing/copying	50.00
Total	\$2,300.00

Submit payment to:

Citibank, N.A.
ABA #: 321171184
Credit: A/C #:40021240391
Beneficiary: Samuel D. Waldman
Ref: Roseville COP-2012

November 7, 2012

City of Roseville
Roseville, California

U.S. Bank National Association
San Francisco, California

Re: \$90,000,000 City of Roseville Electric System Revenue Refunding Certificates of Participation, Series 2012

Ladies and Gentlemen:

I am the City Attorney of the City of Roseville (the "City"), and as such, I have acted as counsel to the Roseville Finance Authority (the "Authority") in connection with the execution and delivery of the above captioned Certificates (the "Certificates"). In that connection, I have reviewed and am familiar with the executed Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"); the executed Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented by that certain 2012 Supplemental Installment Purchase Contract, dated as of November 1, 2012, each by and between the City and the Authority; the executed Certificate Purchase Agreement, dated November 7, 2012, among U.S. Bank National Association, as purchaser (the "Purchaser"), the Authority and the City; the Continuing Covenant Agreement, dated as of November 1, 2012 between the City and the Purchaser (the foregoing documents are collectively referred to herein as the "Legal Documents"); Resolution No. 4-12, adopted by the Board of the Authority on October 3, 2012 (the "Authority Resolution"); and such other documents and matters of fact and law as I have deemed necessary to render this opinion.

As to questions of fact material to my opinion, I have relied upon representations of the Authority contained in the Legal Documents and in the certified proceedings and other certifications of public officials furnished to me, without undertaking to verify such facts by independent investigation.

Based on such review and such other considerations of law and fact as I believe to be relevant, I am of the opinion that:

1. The Authority is a joint exercise of powers agency duly organized, validly existing and in good standing under the laws of the State of California.
2. The Authority Resolution approving and authorizing the execution and delivery of the documents to which it is a party was duly adopted at a meeting of the Board of the Authority which was called and held pursuant to law and with all public notice required by law and at

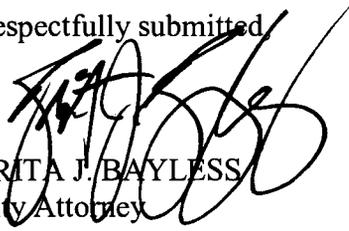
which a quorum was present and acting throughout, and the Authority Resolution is in full force and effect and has not been modified, amended or rescinded as of the date hereof.

3. The Authority has full legal power and authority to enter into the Legal Documents to which it is a party and to own its properties and to carry on its business as then conducted.

4. The Legal Documents to which the Authority is a party have been duly authorized, executed and delivered by the Authority and constitute legal, valid and binding agreements of the Authority, enforceable in accordance with their terms, subject to laws relating to bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and the application of equitable principles if equitable remedies are sought.

5. The execution and delivery of the Legal Documents to which the Authority is a party by the Authority, and performance by the Authority of its obligations thereunder, will not conflict with or result in a breach of any of the terms, conditions or provisions of any agreement or instrument to which the Authority is a party or by which it is bound or constitute a default thereunder, and all consents, approvals, authorizations and orders of a governmental or regulatory authority, if any, which are required to be obtained by the Authority for the consummation of the transactions contemplated thereby or as conditions precedent to the execution and delivery of the Certificates have been obtained (provided no opinion need be expressed as to any action required under state securities or blue sky laws in connection with the purchase or distribution of the Certificates by the Purchaser).

Respectfully submitted,



BRITA J. BAYLESS
City Attorney

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

OFFICER'S CERTIFICATE

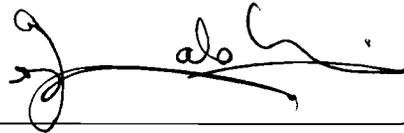
I do hereby certify that:

(i) I am the duly elected Officer of The Bank of New York Mellon Trust Company, N.A.; (the Company”);

(ii) attached hereto is a true, correct copy of Signing Authorities extracts from by-laws of the Company adopted by action of the Board of Directors of the Company and presently in effect;

(iii) attached hereto is a list of the persons who, as of the date hereof, are certain duly elected officers of the Company, which lists sets forth the title of each such officer next to his or her typed name, with which officers I am personally familiar; and

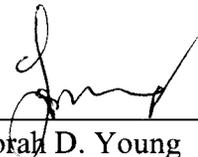
IN WITNESS WHEREOF, I have hereunto executed this Certificate as Vice President of the Company this 7th day of November, 2012.



Officer's Name: Gonzalo Urey
Title: Vice President

I hereby certify that as of the date hereof that Gonzalo Urey is the duly elected Officer of The Bank of New York Mellon Trust Company, N.A. and that the signature which appears on the foregoing pages is the signature of Gonzalo Urey and that it is a signature with which I am personally familiar and do certify as to its authenticity:

Dated: November 7, 2012



By: Deborah D. Young
Title: Vice President

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

I, the undersigned, Barbara J. Parrish, Assistant Secretary of The Bank of New York Mellon Trust Company, N.A., a national banking association organized under the laws of the United States (the "Association") and located in the State of California, DO HEREBY CERTIFY that the following individuals are duly appointed and qualified Officers of the Association:

<u>Officer</u>	<u>Title</u>	<u>Signing Authority</u>
<u>LOS ANGELES, CA (400 South Hope Street)</u>		
Frank P. Sulzberger	Managing Director	B1, H, J, N, P11
Maria E. Allison	Vice President and Assistant Secretary	A, C1, J, N, P1
John A. (Alex) Briffett	Vice President	A, C5, J, N, P2
Eladia Burgos	Vice President	C2, I1, I2, N, P11
Maria Rose Bystrom	Vice President & Assistant Secretary	A, C1, J, N, P1
Fanny Chen	Vice President	A, C5, J, N, P2
Gregory Chenail	Vice President	A, C2, J, N, P1
Patricia Cronin	Vice President	A, C5, J, P2
Christopher Davy	Vice President	A, C6, J, P2
Teresa Fructuoso	Vice President & Assistant Secretary	A, C2, J, P1
Evelyn T. Furukawa	Vice President & Assistant Secretary	A, C1, J, P1
Cristina D. Garchitorena	Vice President	A, C5, J, P2
Mark A. Golder	Vice President & Assistant Secretary	A, C2, J, P1
Lisa Infusino	Vice President	A, C2, J, N, P1
Christopher Johnson	Vice President	A, C5, J, N, P2
Daniel Marroquin	Vice President	A, C2, J, N, P2
Aaron Masters	Vice President	C2
Jose M. Matamoros	Vice President	A
Marina Meza	Vice President	A, C5, J, P2
Melinda Murrell	Vice President	A, C3, J, P2
Rena Kajita Nakashima	Vice President	A, C2, J, P2
Jacqueline Nowak	Vice President	A, C2, J, P1
Agnes Obando	Vice President	A, C2, J, N, P1
Linda G. Ojeda	Vice President & Assistant Secretary	A, C1, J, P1
Teresa Petta	Vice President	A, C2, J, N, P1
Aurora Quiazon	Vice President	A, C6, J, P2
Johanna Tokunaga	Vice President & Assistant Secretary	A, C2, J, N, P1
Raymond Torres	Vice President	A, C5, J, N, P2
Fe R. Tuzon	Vice President	A, C6, J, P2
Gonzalo Urey	Vice President	A, C5, J, N, P2
Deborah D. Young	Vice President	A, C2, J, P1
Melonee Young	Vice President	A, C2, J, N, P1
Karen Yu	Vice President	A, C5, J, N, P2
Kitty Kwong	Senior Associate	A, C5, J, N, P2
Zenaida (Gabby) Rodriguez	Senior Associate	A, C6, J, N, P2
Icela Arms	Associate	C2, I1, I2, N
Justin Bui	Associate	A, C3, J, N, P3

Alexander Dominguez	Associate	C2, I1, I2, N
Valere D. Jones-Shaw	Associate	A, C3, J, N
Ty Jamaal Jordan	Associate	C2, I1, I2, N
Amy Kung	Associate	A, C3, J, N
Alfredo Miranda	Associate	C2, I1, I2, N
Matthew Moon	Associate	A, C5, J, N, P2
Norma Nkala-Hendon	Associate	A, C5, J, N, P3
Teresita D. Sanchez	Associate	C3, P10

SAN FRANCISCO, CA (100 Pine Street, Suite 3100)

Antonio Nunes, Jr.	Managing Director	P9
Sheila A. Bowman	Vice President	A, C2, J, N, P2
Milly P. Canessa	Vice President	A, C2, J, N, P1
Janelle Farooque	Vice President	A, C5, J, N, P2
Josephine Libunao	Vice President & Assistant Secretary	A, C1, J, N, P1
Rosalinda B. Ronquillo	Vice President & Assistant Secretary	A, C2, J, P2
Julia (Jing) Sun	Vice President	C2, I1, I2, N, P11
Helen Hamilton Vial	Vice President	A, N
Gordon Fung	Associate	A, C3, J, N, P3
Regina Vernitskaya	Associate	C2, I1, I2, N
Wade Winkler	N/A	A, C4, J, N, P4

TEMPE, AZ (1225 W. Washington St., Suite 126)

Scott Blair	Vice President	A, C3, J, N, P2
Mark Krietemeyer	Vice President & Assistant Secretary	A, C2, J, N, P1
Deborah M. Scherer	Vice President	A, C2, J, N, P1
Nancy Wakefield	Vice President	A, C3, J, N, P2
Ashley Cornwell	Associate	C2, I1, I2, N
Laura A. Underwood	Associate	A, C3, J, N, P3

DENVER, CO (1775 Sherman Street)

Elmo Morales	Vice President	I1, I2
Ryan M. Pollihan	Vice President	A, C2, J, N, P2
Troy Pitman	Vice President	A, C3, J, N, P2

SEATTLE, WA (601 Union Street)

Roy H. Davis	Vice President	A, C2, J, N, P2
Kathleen Gylland	Vice President	A, C2, J, N, P2
Michael A. Jones	Vice President	A
Carol J. Nelson	Vice President & Assistant Secretary	A, C1, J, N, P10
Gene H. Romaine	Vice President	A, C5, J, N, P2
Perry Tobe	Vice President	A, C2, J, N, P2
Diem Lam	Associate	C2, I1, I2, N

I further certify that as of this date they have been authorized to sign on behalf of the Association in discharging or performing their duties in accordance with the senior and limited signing powers provided under Article V, Sections 5.2 and 5.3 of the By-Laws of the Association

and the paragraphs indicated above of the signing authority resolution of the Board of Directors of the Association.

Attached hereto are true and correct copies of excerpts of the By-Laws of the Association and the signing authority resolution, which have not been amended or revised since October 15, 2009 and are in full force and effect.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of The Bank of New York Mellon Trust Company, N.A. this 16th day of October 2012.


Barbara J. Parrish, Assistant Secretary

Extracts from By-Laws
of
The Bank of New York Mellon Trust Company, N.A.
As Amended through October 15, 2009

ARTICLE V
SIGNING AUTHORITIES

Section 5.1 Real Property. Real property owned by the Association in its own right shall not be deeded, conveyed, mortgaged, assigned or transferred except when duly authorized by a resolution of the Board. The Board may from time-to-time authorize officers to deed, convey, mortgage, assign or transfer real property owned by the Association in its own right with such maximum values as the Board may fix in its authorizing resolution.

Section 5.2. Senior Signing Powers. Subject to the exception provided in Section 5.1, the President and any Executive Vice President is authorized to accept, endorse, execute or sign any document, instrument or paper in the name of, or on behalf of, the Association in all transactions arising out of, or in connection with, the normal course of the Association's business or in any fiduciary, representative or agency capacity and, when required, to affix the seal of the Association thereto. In such instances as in the judgment of the President, or any Executive Vice President may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer to have the powers set forth in this section applicable only to the performance or discharge of the duties of such officer within his or her particular division or function. Any officer of the Association authorized in or pursuant to Section 5.3 to have any of the powers set forth therein, other than the officer signing pursuant to this Section 5.2, is authorized to attest to the seal of the Association on any documents requiring such seal.

Section 5.3. Limited Signing Powers. Subject to the exception provided in Section 5.1, in such instances as in the judgment of the President or any Executive Vice President, may be proper and desirable, any one of said officers may authorize in writing from time-to-time any other officer, employee or individual to have the limited signing powers or limited power to affix the seal of the Association to specified classes of documents set forth in a resolution of the Board applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function.

Section 5.4. Powers of Attorney. All powers of attorney on behalf of the Association shall be executed by any officer of the Association jointly with the President, any Executive Vice President, or any Managing Director, provided that the execution by such Managing Director of said Power of Attorney shall be applicable only to the performance or discharge of the duties of said officer within his or her particular division or function. Any such power of attorney may, however, be executed by any officer or officers or person or persons who may be specifically authorized to execute the same by the Board of Directors.

Section 5.5. Auditor. The Auditor or any officer designated by the Auditor is authorized to certify in the name of, or on behalf of the Association, in its own right or in a fiduciary or representative capacity, as to the accuracy and completeness of any account, schedule of assets, or other document, instrument or paper requiring such certification.

SIGNING AUTHORITY RESOLUTION

**Pursuant to Article V, Section 5.3 of the By-Laws
Adopted October 15, 2009**

RESOLVED that, pursuant to Section 5.3 of the By-Laws of the Association, authority be, and hereby is, granted to the President or any Executive Vice President, in such instances as in the judgment of any one of said officers may be proper and desirable, to authorize in writing from time-to-time any other officer, employee or individual to have the limited signing authority set forth in any one or more of the following paragraphs applicable only to the performance or discharge of the duties of such officer, employee or individual within his or her division or function:

(A) All signing authority set forth in paragraphs (B) through (I) below except Level C which must be specifically designated.

(B1) Individuals authorized to accept, endorse, execute or sign any bill receivable; certification; contract, document or other instrument evidencing, embodying a commitment with respect to, or reflecting the terms or conditions of, a loan or an extension of credit by the Association; note; and document, instrument or paper of any type, including stock and bond powers, required for purchasing, selling, transferring, exchanging or otherwise disposing of or dealing in foreign currency, derivatives or any form of securities, including options and futures thereon; in each case in transactions arising out of, or in connection with, the normal course of the Association's business.

(B2) Individuals authorized to endorse, execute or sign any certification; disclosure notice required by law; document, instrument or paper of any type required for judicial, regulatory or administrative proceedings or filings; and legal opinions.

(C1) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of \$500,000,000 with single authorization for all transactions.

(C2) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in excess of \$500,000,000*.

(C3) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$500,000,000.

(C4) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount in excess of \$100,000,000 but not to exceed \$500,000,000*.

(C5) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$100,000,000.

(C6) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$10,000,000.

(C7) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$5,000,000.

(C8) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$1,000,000.

(C9) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$250,000.

(C10) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$50,000.

(C11) Authority to accept, endorse, execute or sign or effect the issuance of any cashiers, certified or other official check; draft; order for payment of money; check certification; receipt; certificate of deposit; money transfer wire; and internal transfers resulting in a change of beneficial ownership; in each case, in an amount up to \$5,000.

*Dual authorization is required by any combination of senior officer and/or Sector Head approved designee for non-exempt transactions. Single authorization required for exempt transactions.

(D1) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$1,000,000.

(D2) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$250,000.

(D3) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$50,000.

(D4) Authority to accept, endorse, execute or sign any contract obligating the Association for the payment of money or the provision of services in an amount up to \$5,000.

(E) Authority to accept, endorse, execute or sign any guarantee of signature to assignments of stocks, bonds or other instruments; certification required for transfers and deliveries of stocks, bonds or other instruments; and document, instrument or paper of any type required in connection with any Individual Retirement Account or Keogh Plan or similar plan.

(F) Authority to accept, endorse, execute or sign any certificate of authentication as bond, unit investment trust or debenture trustee and on behalf of the Association as registrar and transfer agent.

(G) Authority to accept, endorse, execute or sign any bankers acceptance; letter of credit; and bill of lading.

(H) Authority to accept, endorse, execute or sign any document, instrument or paper of any type required in connection with the ownership, management or transfer of real or personal property held by the Association in trust or in connection with any transaction with respect to which the Association is acting in any fiduciary, representative or agency capacity, including the acceptance of such fiduciary, representative or agency account.

(I1) Authority to effect the external movement of free delivery of securities and internal transfers resulting in changes of beneficial ownership.

(I2) Authority to effect the movement of securities versus payment at market or contract value.

(J) Authority to either sign on behalf of the Association or to affix the seal of the Association to any of the following classes of documents: Trust Indentures, Escrow Agreements, Pooling and Servicing Agreements, Collateral Agency Agreements, Custody Agreements, Trustee's Deeds, Executor's Deeds, Personal Representative's Deeds, Other Real Estate Deeds for property not owned by the Association in its own right, Corporate Resolutions, Mortgage Satisfactions, Mortgage Assignments, Trust Agreements, Loan Agreements, Trust and Estate Accountings, Probate Petitions, responsive pleadings in litigated matters and Petitions in Probate Court with respect to Accountings, Contracts for providing customers with Association products or services.

(N) Individuals authorized to accept, endorse, execute or sign internal transactions only, (i.e., general ledger tickets); does not include the authority to authorize external money movements, internal money movements or internal free deliveries that result in changes of beneficial ownership.

(P1) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in excess of \$10,000,000.

(P2) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$10,000,000.

(P3) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$5,000,000.

(P4) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$1,000,000.

(P5) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$250,000.

(P6) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$100,000.

(P7) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$50,000.

(P8) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$25,000.

(P9) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$10,000.

(P10) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$5,000.

(P11) Authority to approve the payment of valid expenses as incurred to meet the obligations of the Association, excluding salary and other employee directed benefit payments; in each case, in an amount up to \$3,000.

RESOLVED, that any signing authority granted pursuant to this resolution may be rescinded by the President or any Executive Vice President and such signing authority shall terminate without the necessity of any further action when the person having such authority leaves the employ of the Association.

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

CERTIFICATE OF TRUSTEE

The undersigned hereby states and certifies that:

(i) the undersigned is an authorized officer of The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee") under that certain Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Roseville Finance Authority (the "Authority") and the Trustee, and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same on behalf of the Trustee;

(ii) the Trustee is duly organized and validly existing as a national banking association in good standing under the laws of the United States of America, having the full power and authority to enter into and perform its duties under the Trust Agreement and to execute and deliver the captioned Certificates of Participation (the "Certificates"), pursuant to the terms of the Trust Agreement;

(iii) the Trustee is duly authorized to enter into the Trust Agreement and which, when the Trust Agreement is duly executed and delivered by the Authority, will constitute the legal, valid and binding obligation of the Trustee in accordance with its terms;

(iv) the Trustee is duly authorized to execute and deliver the Certificates, and the Certificates have been duly executed and delivered by the Trustee, in accordance with the terms of the Trust Agreement;

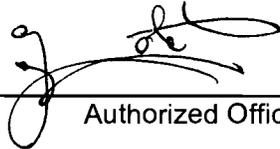
(v) no consent, approval, authorization or other action by any governmental or regulatory authority having jurisdiction over the Trustee that has not been obtained is or will be required for the execution and delivery of the Certificates, except as such may be required under the state securities or blue sky laws in connection with the distribution of the Certificates by the Purchaser;

(vi) the execution and delivery by the Trustee of the Trust Agreement and the Certificates, and compliance with the terms thereof will not conflict with, or result in a violation or breach of, or constitute a default under, any loan agreement, indenture bond, note, resolution or any other agreement or instrument to which the Trustee is a party or by which it is bound, or any law or any rule, regulation, order or decree of any court or governmental agency or body having jurisdiction over the Trustee or any of its activities or properties (except that no representation, warranty or agreement is made by the Trustee with respect to any Federal or state securities or blue sky laws or regulations), or (except with respect to the lien of the Trust Agreement) result in the creation or imposition of any lien, charge or other security interest or encumbrance of any nature whatsoever upon any of the property or assets of the Trustee; and

(vii) there is no action, suit, proceeding, inquiry or investigation at law or in equity, before or by any court or governmental agency, public board or body that has been served on the Trustee or, to the best knowledge of the Trustee, threatened against the Trustee which would affect the existence of the Trustee or seeking to prohibit, restrain or enjoin the execution and delivery of the Certificates or in any way contesting or affecting the validity or enforceability of the Certificates or the Trust Agreement or contesting the powers of the Trustee or its authority to enter into and perform its obligations under any of the foregoing, wherein an unfavorable decision, ruling or finding would adversely affect the transactions contemplated thereby, or which, in any way, would adversely affect the validity of the Certificates or the Trust Agreement or any agreement or instrument to which the Trustee is a party and which is used or contemplated for use in the consummation of the transactions contemplated thereby;

Dated: November 7, 2012

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

By:  _____
Authorized Officer

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

**TRUSTEE'S RECEIPT OF PROCEEDS,
OTHER FUNDS AND
ACKNOWLEDGMENT OF TRANSFER OF FUNDS**

The undersigned hereby states and certifies that:

(i) the undersigned is an authorized officer of The Bank of New York Mellon Trust Company, N.A., acting as trustee (the "Trustee") under that certain Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Roseville Finance Authority and the Trustee, and as such, is familiar with the facts herein certified and is authorized to certify the same;

(ii) on the date hereof, the Trustee received from U.S. Bank National Association, as purchaser (the "Purchaser") of the above-captioned Certificates of Participation (the "Certificates"), in immediately available funds, the amount of \$90,000,000 which represents the purchase price of the Certificates, and has deposited or transferred such amounts pursuant to the Trust Agreement as follows:

\$ 84,331,023.85	Deposited into the 2008A Refunding Account, to be used to pay the prepayment price of the 2008A Certificates on November 7, 2012
5,394,246.23	Deposited into the 2012 Parity Reserve Account,
<u>274,729.92</u>	Deposited into the Costs of Issuance Fund
<u>\$ 90,000,000.00</u>	TOTAL AMOUNT DEPOSITED THIS DATE

(iii) the purchase price of the 2012 Certificates has been calculated by the Purchaser and represented to the Trustee to be as follows:

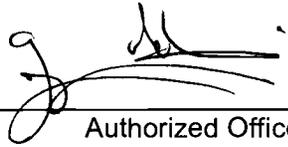
\$ 90,000,000.00	Principal Amount of the Certificates
<u>\$ 90,000,000.00</u>	TOTAL PURCHASE PRICE OF THE CERTIFICATES

(vi) on the date hereof, the Trustee, as trustee for the 2008A Certificates, has transferred \$5,672,074.51 from the 2008 Parity Reserve Account into the 2008A Refunding Account.

Capitalized terms used herein and not otherwise defined have the meanings given them in the Trust Agreement.

Dated: November 7, 2012

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

By:  _____
Authorized Officer

LAW OFFICES OF
SAMUEL D. WALDMAN

64 OAK KNOLL DR.
SAN ANSELMO, CALIFORNIA 94960
TELEPHONE: (415) 459-4535
FACSIMILE: (415) 459-4747

November 7, 2012

Roseville Finance Authority
Roseville, California

City of Roseville
Roseville, California

U.S. Bank National Association
San Francisco, California

Re: \$90,000,000 City of Roseville Electric System Revenue Refunding Certificates of
Participation, Series 2012

Ladies and Gentlemen:

I have acted as special counsel to The Bank of New York Mellon Trust Company, N.A. (the "Trustee") in its capacity as trustee under a Trust Agreement dated as of November 1, 2012, by and between the Roseville Finance Authority (the "Authority") and the Trustee (the "Trust Agreement") relating to the above-referenced certificates (the "Certificates"). Except as set forth herein, capitalized terms used in this opinion letter are defined as set forth in the Trust Agreement.

In my capacity as counsel to the Trustee, I have examined originals or copies identified to my satisfaction of: (i) the Articles of Association and By-Laws of the Trustee, (ii) the Trust Agreement and (iii) such other records, certificates and documents as I have considered necessary or appropriate for the purpose of the opinion hereinafter rendered.

In rendering this opinion, I have relied upon the facts and information obtained from the records of the Trustee, officers of the Trustee, and other sources believed by me to be reliable, and have not undertaken to independently verify the accuracy of the factual matters represented, warranted, or certified in such documents. I have assumed the genuineness of all signatures other than the Trustee's, the authenticity of documents, certificates and records submitted to me as originals, the conformity to the originals of all documents, certificates and records submitted to me as copies, the legal capacity of all natural persons executing documents other than the Trustee's and the completeness and accuracy as of the date of this opinion letter of the information contained in such documents, certificates and records, which assumptions I have not

Roseville Finance Authority
City of Roseville
U.S. Bank National Association
November 7, 2012
Page 2

independently verified. The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions.

Based upon and subject to the foregoing and subject to the qualifications set forth below, I am of the opinion that:

- (i) the Trustee is a national banking association, duly organized and validly existing under the laws of the United States, having full power and being qualified to enter, accept and administer the trust created under the Trust Agreement and to execute and deliver the Certificates;
- (ii) the Trust Agreement has been duly authorized, executed and delivered by the Trustee and, assuming the authorization, execution and delivery by the other parties thereto, constitute the valid and binding obligations of the Trustee in accordance with their respective terms, except as such enforcement thereof may be limited by bankruptcy, insolvency, reorganization, receivership, moratorium, fraudulent conveyance, and other similar laws affecting the rights and remedies of creditors generally, and by the effect of general principles of equity, including without limitation, concepts of materiality, reasonableness, good faith and fair dealing and the possible unavailability of specific performance or injunctive relief, whether considered in a proceeding at law or in equity;
- (iii) the execution and delivery of the Certificates have been duly authorized by the Trustee and the Trustee has duly executed and delivered the Certificates in accordance with the Trust Agreement; and
- (iv) no authorization, approval, consent or order of any governmental agency or any other person is required for the valid authorization, execution and delivery of the Trust Agreement or the execution and delivery of the Certificates.

I express no opinion as to any matter other than as expressly set forth above, and, in conjunction therewith, I specifically express no opinion as to the status of the Certificates or the interest thereon under any federal securities laws, including but not limited to the Securities Act of 1933, as amended, and the Trust Indenture Act of 1939, as amended, or any state securities or "Blue Sky" law, or any federal, state or local tax law.

This opinion is as of the date hereof, and I have undertaken no, and hereby disclaim any, obligation to advise you of any change in any matter set forth herein even though the changes

Roseville Finance Authority
City of Roseville
U.S. Bank National Association
November 7, 2012
Page 3

may affect a legal analysis or conclusion in this opinion letter. Further, this opinion neither implies, nor should it be viewed to imply, an approval or recommendation of any investment in any Certificate.

I express no opinion as to the effect of any law other than the law of California and the federal laws of the United States of America on the matters referred to herein, in each case as they exist on the date hereof. I express no opinion with respect to the laws, regulations, or ordinances of any county, municipal or other local governmental agency.

This opinion is furnished by me solely for your benefit. This opinion letter may be relied upon by you only in connection with the transaction described in the initial paragraph of this opinion letter and may not be used or relied upon by you for any other purpose or by any other person for any purpose whatsoever without, in each instance, my prior written consent.

Very truly yours,

A handwritten signature in black ink that reads "Samuel D. Waldman". The signature is written in a cursive style with a large, prominent "S" at the beginning.

Samuel D. Waldman

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

CERTIFICATE OF FINANCIAL ADVISOR

The undersigned, on behalf of Public Financial Management, Inc., as financial advisor (the "Financial Advisor") to the City of Roseville (the "City") in connection with the execution and delivery by the City of the captioned Certificates of Participation (the "Certificates"), hereby states and certifies on behalf of the Financial Advisor as follows:

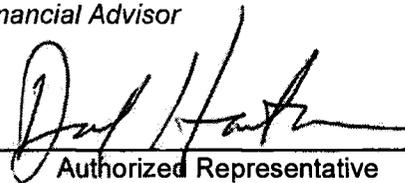
1. The establishment of the 2012 Reserve Account of the Reserve Fund in the amount of the Reserve Requirement was required by the Master Contract.
2. The funding of the Reserve Fund, including amounts in the 2012 Reserve Account, in the amount of the Reserve Requirement was a vital factor in marketing the 2012 Certificates.
3. For purposes of satisfying the reasonably required reserve fund sizing limitations set forth in Section 1.148-2(f)(2)(ii) of the Treasury Regulations, we believe that, had the 2012 Certificates been issued bearing a fixed rate of interest, the fixed rate of interest with respect to the 2012 Certificates would not have been less than 3.48705% per annum.

Capitalized terms used herein and not otherwise defined shall have the meanings ascribed thereto in that certain Trust Agreement, dated as of November 1, 2012, by and between the Roseville Finance Authority and The Bank of New York Mellon Trust Company, N.A., as trustee, authorizing the delivery of the Certificates.

Dated: November 7, 2012

PUBLIC FINANCIAL MANAGEMENT, INC.
as Financial Advisor

By: _____


Authorized Representative

PURCHASER LETTER

November 7, 2012

City of Roseville, California
311 Vernon Street
Roseville, California 95678
Attention: Russ Branson

Re: \$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation, Series 2012

Ladies and Gentlemen:

U.S. Bank National Association ("*Purchaser*") has agreed to purchase the above-referenced Certificates of Participation (the "*Certificates*") in the amount of \$90,000,000 which were issued pursuant to a Trust Agreement between The Bank of New York Mellon Trust Company, N.A., as trustee (the "*Trustee*") and the Roseville Finance Authority (the "*Authority*"), dated as of November 1, 2012 (together with any amendments and supplements or modifications thereto, the "*Trust Agreement*"). The Purchaser is purchasing the Certificates pursuant to a Continuing Covenant Agreement dated as of October 1, 2012, between the City of Roseville, California (the "*City*") and the Purchaser and a Certificate Purchase Agreement dated as of the date hereof among the Authority, the City and the Bank. All capitalized terms used herein, but not defined herein, shall have the respective meanings set forth in the Trust Agreement. The undersigned, an authorized representative of the Purchaser, hereby represents to you that:

1. The Purchaser has sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits represented by the purchase of the Certificates.
2. The Purchaser has authority to purchase the Certificates and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Certificates.
3. The Purchaser is a national bank organized under the laws of the United States of America and is able to bear the economic risks of purchasing the Certificates.

4. The Purchaser understands that an official statement, prospectus, offering circular, or other comprehensive offering statement has not been provided with respect to the Certificates. The Purchaser has made its own inquiry and analysis with respect to the City, the Certificates and the security therefor, and other material factors affecting the security for and payment of the Certificates.

5. The Purchaser acknowledges that it has reviewed information, including financial statements and other financial information, regarding the City, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City, the Certificates and the security therefor, so that it has been able to make an informed decision to purchase the Certificates; provided, however, that this letter shall not constitute a waiver of any rights or remedies the Purchaser may have with respect to any untrue information it may have received or any material information which was withheld from its review.

6. The Purchaser understands that the Certificates: (i) are not registered under the 1933 Act and are not registered or otherwise qualified for sale under the "Blue Sky" laws and regulations of any state, (ii) are not listed on any stock or other securities exchange, and (iii) have not been rated by any credit rating agency.

7. The Purchaser understands that (a) the Certificates are limited obligations of the Authority, payable solely from funds and moneys pledged and assigned under the Trust Agreement, and that the liabilities and obligations of the Authority with respect to the Certificates are expressly limited as set forth in the Trust Agreement and related documents, (b) the Certificates are not secured by any pledge of any moneys received or to be received from taxation by the State of California or any political subdivision thereof and that the Authority has no taxing power, and (c) the Certificates do not and will not represent or constitute a general obligation or a pledge of the faith and credit of the Authority or the City, the State of California or any political subdivision thereof.

8. The Certificates are being acquired by the Purchaser for its own account and not with a present view toward resale or distribution; provided, however, that the Purchaser reserves the right to sell, transfer or redistribute the Certificates, but agrees that any such sale, transfer or distribution by the Purchaser shall be to a Person:

- (a) that is an affiliate of the Purchaser;
- (b) that is a trust or other custodial arrangement established by the Purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers; or
- (c) that the Purchaser reasonably believes is a qualified institutional buyer that executes and delivers a letter substantially in the form of this letter.

[SIGNATURE PAGE TO FOLLOW]

U.S. BANK NATIONAL ASSOCIATION

By Ashley Martin
Name: Ashley Martin
Title: Assistant Vice President

\$90,000,000
City of Roseville
Electric System Revenue
Refunding Certificates of Participation
Series 2012

RECEIPT FOR CERTIFICATE OF PARTICIPATION

The undersigned, on behalf of U.S. Bank National Association, as purchaser (the "Purchaser"), hereby acknowledges receipt this date of the following described Electric System Revenue Refunding Certificates of Participation which has been executed by The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"), pursuant to that certain Trust Agreement, dated as of November 1, 2012, between the Roseville Finance Authority and the Trustee:

"City of Roseville Electric System Revenue Refunding Certificates of Participation, Series 2012" in the aggregate initial principal amount of \$90,000,000, dated November 7, 2012, issued in the form of one fully registered certificate of participation in certificated form.

Dated: November 7, 2012

U.S. BANK NATIONAL ASSOCIATION,
as Purchaser

By: 
Ashley Martin
Assistant Vice President

**ELECTRIC SYSTEM REVENUE REFUNDING
CERTIFICATES OF PARTICIPATION, SERIES 2012
Evidencing and Representing a Proportionate Interest of the Owner Hereof
in 2012 Payments to be made by the City of Roseville**

[The Transferability of this Certificate is Restricted as Described in Section 2.11 of the
Trust Agreement]

No. R-1

\$90,000,000

<u>Certificate Dated Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>
November 7, 2012	February 1, 2035	Variable Rate

REGISTERED OWNER: U.S. Bank National Association

PRINCIPAL SUM: NINETY MILLION AND 00/00 DOLLARS (\$90,000,000)

THIS IS TO CERTIFY that the registered owner set forth above of this Electric System Revenue Certificate of Participation, Series 2012 (the "Certificate"), is the owner of a proportionate interest in the rights to receive 2012 Payments (as that term is defined in the Trust Agreement hereinafter mentioned) under and pursuant to that certain Master Installment Purchase Contract executed and entered into as of November 1, 1997 (the "Master Contract"), as supplemented by that certain 2012 Supplemental Installment Purchase Contract, executed and entered into as of November 1, 2012, each by and between the City of Roseville, a charter city and municipal corporation organized and existing under and by virtue of the Constitution and laws of the State of California (the "City") and the Roseville Finance Authority, a joint exercise of powers agency duly organized and existing under and by virtue of the laws of the State of California (the "Authority") (which Master Contract as so supplemented and previously supplemented is referred to herein as the "Contract"), all of which rights to receive such 2012 Payments have been assigned by the Authority to The Bank of New York Mellon Trust Company, N. A., a national banking association duly organized and existing under and by virtue of the laws of the United States of America, or any other association or corporation which may at any time be substituted in place of the original trustee as provided the Trust Agreement hereinafter mentioned (the "Trustee"). Capitalized terms used in this Certificate not otherwise defined herein will have the meanings given such terms in the Trust Agreement hereinafter mentioned or in the Contract.

The Registered Owner stated above, or registered assigns (the "Owner"), is entitled to receive, on the Maturity Date stated above, the Principal Amount stated above, subject to the terms of the Installment Sale Agreement, which represents a portion of the Installment Payments designated as principal coming due on the Installment Payment Date (as defined in the Installment Sale Agreement) immediately preceding the Maturity Date. The Owner is also entitled to receive on each Interest Payment Date as described in that certain Trust Agreement dated as of November 1, 2012 (the "Trust Agreement") by and between the Authority and the Trustee, subject to the terms of the Trust Agreement, an interest installment on such principal installment at the rate per annum calculated as provided herein and in the Trust Agreement, to and including the Maturity Date or the date of prepayment, whichever is earlier, representing the Owner's fractional share of the Installment Payments designated as interest coming due with respect to each of the Interest Payment Dates defined in the Trust Agreement.

Amounts due on this Certificate in respect of principal and premium, if any, are payable in lawful money of the United States of America upon the surrender thereof at the corporate trust office of the Trustee (or any successors thereto), or any paying agent appointed by the Trustee. Amounts representing interest are payable by check mailed to the owner of the Certificate at such owner's address as it appears on the Certificate register as of the Regular Record Date preceding the day such payment is due, or by wire transfer to any Owner of \$1,000,000 or more of Certificates to the account in the United States specified by such Owner in a written request delivered to the Trustee on or prior to the first day of the month preceding the day such payment is due. Payments of defaulted interest, if any, with respect to such Certificate will be paid by check to the registered owner of such Certificate as provided in the Trust Agreement.

Interest with respect to this Certificate will be payable at a Daily Rate, the Weekly Rate, the Commercial Paper Rate or the Index Rate, as provided in the Trust Agreement. This Certificate will initially represent interest at a LIBOR Index Rate. If the interest rate mode is subsequently adjusted, this Certificate will be subject to mandatory tender for purchase, as described herein, except no mandatory tender is applicable between Daily Rate and Weekly Rate modes. Capitalized terms not defined herein will have the meanings ascribed to them in the Trust Agreement.

The Certificates are initially executed and delivered in denominations of \$250,000 and any larger denomination constituting an integral multiple of \$5,000.

The Trustee has no obligation or liability to the Owners to make payments of principal or interest with respect to the Certificates, except from amounts on deposit for such purposes with the Trustee. The Trustee's sole obligations are to administer for the benefit of the Certificate owners the various funds and accounts established under the Trust Agreement.

The Certificates are subject to optional, special and mandatory sinking fund prepayment, optional and mandatory tender and purchase as provided in the Trust Agreement. The Certificates are subject to mandatory prepayment in part from Sinking Fund Installments to be made by the City on February 1, 2023 and on each February 1 thereafter up to and including February 1, 2035, at a Prepayment Price equal to the principal amount thereof plus accrued interest, if any, to the prepayment date without premium, as follows:

<u>February 1</u>	<u>Principal Amount</u>
2023	\$4,875,000
2024	5,700,000
2025	5,925,000
2026	6,150,000
2027	6,400,000
2028	6,625,000
2029	6,900,000
2030	7,175,000
2031	7,450,000
2032	7,725,000
2033	8,050,000
2034	8,350,000
2035	8,675,000

ELECTRIC SYSTEM REVENUE REFUNDING
CERTIFICATES OF PARTICIPATION, SERIES 2012

Copies of the Trust Agreement and the Contract are on file at the principal corporate trust office of the Trustee, and reference to the Trust Agreement and any and all supplements to it and modifications and amendments of it is made for a description of the pledge and covenants securing the Certificates, the nature, extent and manner of enforcement of such pledge, the rights and remedies of the registered owners of the Certificates, and the limitations on such rights and remedies.

The City is obligated under the Contract to pay the 2012 Payments (as defined in the 2012 Supplement to the Master Contract) from the Net Revenues (as such term is defined in the Master Contract), derived from the operation of its Electric System (as defined in the Master Contract). The obligations of the City to pay the 2012 Payments from the Net Revenues do not constitute obligations of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The obligations of the City to pay the 2012 Payments from the Net Revenues does not constitute indebtedness within the meaning of any constitutional or statutory debt limitation or restriction.

To the extent and in the manner permitted by the terms of the Trust Agreement, the provisions of the Trust Agreement may be amended by the parties thereto with the written consents of the owners of a majority in aggregate principal amount of the Certificates then outstanding, and may be amended with the written consent or without the consent of the Certificate owners under certain circumstances; provided that no such amendment will materially adversely affect the interests of the owners of the Certificates or will impair the right of any owner to receive in any case such owner's principal and interest payments in accordance with such owner's Certificate.

Registration of this Certificate is transferable by the Owner hereof, in person or by such Owner's attorney duly authorized in writing, at the aforesaid offices of the Trustee, but only in the manner, subject to the limitations, and upon payment of the charges provided in the Trust Agreement and upon surrender and cancellation of this Certificate. Upon such registration of transfer a new Certificate or Certificates, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange therefor. The City and the Trustee may treat the Owner hereof as the absolute owner hereof for all purposes, whether or not this Certificate will be overdue, and will not be affected by any notice to the contrary. This Certificate will not be entitled to any benefit under the Trust Agreement or become valid for any purpose until it has been duly executed and delivered by the Trustee.

The Trustee has no obligation or liability to the registered owners of the Certificates to make payments of principal or interest with respect to the Certificates, except from funds held by the Trustee under the Trust Agreement. The Trustee's primary obligations are to administer, for the benefit of the registered owners of the Certificates, the various funds and accounts established under the Trust Agreement. The Trustee is not responsible for the recitals of fact in this Certificate.

The City has certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of California, the Installment Sale Agreement and the Trust Agreement to exist, to have happened and to have been performed precedent to and in the delivery of this Certificate, exist, have happened and have been performed in due time, form and manner as required by law.

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

Execution Date: November 7, 2012

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

By: 
Authorized Signatory

ASSIGNMENT

For value received the undersigned do(es) hereby sells, assigns and transfers unto

Name, Address and Tax Identification or Social Security Number of Assignee

the within-registered Certificate and hereby irrevocably constitute(s) and appoint(s)

attorney, to transfer the same on the registration books of the Trustee with full power of substitution in the premises.

Dated: _____

Signature Guaranteed:

Note: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

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



JONES HALL

November 7, 2012

Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

650 California Street
18th Floor
San Francisco, CA 94108
t. 415.391.5780
f. 415.391.5784

OPINION: \$90,000,000 Electric System Revenue Refunding Certificates Of Participation, Series 2012 Evidencing And Representing A Proportionate Interest Of The Owners Thereof In 2012 Payments To Be Made By The City of Roseville

Members of the Authority:

We have acted as bond counsel in connection with the issuance by the Roseville Finance Authority (the "Authority") of \$90,000,000 Electric System Revenue Refunding Certificates Of Participation, Series 2012 Evidencing And Representing A Proportionate Interest Of The Owners Thereof In 2012 Payments To Be Made By The City of Roseville (the "Certificates"), pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) and a Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Certificates are secured by Revenues, as such term is defined in the Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), including certain installment payments made by the City of Roseville (the "City") under a Master Installment Purchase Contract, as supplemented by a 2012 Supplemental Installment Purchase Contract dated as of November 1, 2012 (the "2012 Supplemental Contract" and collectively with the Master Contract and prior supplements thereto, the "Installment Purchase Contract") between the Authority and the City. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Trust Agreement, to perform the agreements on its part contained therein and to issue the Certificates.
2. The Certificates constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources



provided therefor in the Trust Agreement.

3. The Trust Agreement has been duly authorized, executed and delivered by the Authority, and is valid, binding and enforceable against the Authority in accordance with its terms. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Certificates, of the Revenues and any other amounts (including proceeds of the sale of the Certificates) held by the Trustee in any fund or account established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The City is a charter city duly organized and existing under the laws of the State of California, with power to enter into the Installment Purchase Contract and to perform the agreements on its part contained therein. The Installment Purchase Contract has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

5. The interest on the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the delivery of the Certificates in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. We express no opinion regarding other federal tax consequences arising with respect to the Certificates.

6. The interest on the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation



November 7, 2012

Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

650 California Street
18th Floor
San Francisco, CA 94108
t. 415.391.5780
f. 415.391.5784

OPINION: \$90,000,000 Electric System Revenue Refunding Certificates Of Participation, Series 2012 Evidencing And Representing A Proportionate Interest Of The Owners Thereof In 2012 Payments To Be Made By The City of Roseville

Members of the Authority:

We have acted as bond counsel in connection with the issuance by the Roseville Finance Authority (the "Authority") of \$90,000,000 Electric System Revenue Refunding Certificates Of Participation, Series 2012 Evidencing And Representing A Proportionate Interest Of The Owners Thereof In 2012 Payments To Be Made By The City of Roseville (the "Certificates"), pursuant to the provisions of the Marks Roos Local Bond Pooling Act of 1985 (commencing with Section 6584 of the California Government Code) and a Trust Agreement, dated as of November 1, 2012 (the "Trust Agreement"), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the "Trustee"). The Certificates are secured by Revenues, as such term is defined in the Master Installment Purchase Contract, dated as of November 1, 1997 (the "Master Contract"), including certain installment payments made by the City of Roseville (the "City") under a Master Installment Purchase Contract, as supplemented by a 2012 Supplemental Installment Purchase Contract dated as of November 1, 2012 (the "2012 Supplemental Contract" and collectively with the Master Contract and prior supplements thereto, the "Installment Purchase Contract") between the Authority and the City. We have examined the law and such certified proceedings and other papers as we deem necessary to render this opinion.

As to questions of fact material to our opinion, we have relied upon representations of the Authority contained in the Trust Agreement and in the certified proceedings and certifications of public officials and others furnished to us, without undertaking to verify such facts by independent investigation.

Based upon the foregoing, we are of the opinion, under existing law, that:

1. The Authority is a joint exercise of powers authority duly organized and existing under the laws of the State of California, with power to enter into the Trust Agreement, to perform the agreements on its part contained therein and to issue the Certificates.
2. The Certificates constitute legal, valid and binding special obligations of the Authority enforceable in accordance with their terms and payable solely from the sources



provided therefor in the Trust Agreement.

3. The Trust Agreement has been duly authorized, executed and delivered by the Authority, and is valid, binding and enforceable against the Authority in accordance with its terms. The Trust Agreement creates a valid pledge, to secure the payment of the principal of and interest on the Certificates, of the Revenues and any other amounts (including proceeds of the sale of the Certificates) held by the Trustee in any fund or account established pursuant to the Trust Agreement, subject to the provisions of the Trust Agreement permitting the application thereof for the purposes and on the terms and conditions set forth therein.

4. The City is a charter city duly organized and existing under the laws of the State of California, with power to enter into the Installment Purchase Contract and to perform the agreements on its part contained therein. The Installment Purchase Contract has been duly approved by the City and constitutes a legal, valid and binding obligation of the City enforceable against the City in accordance with its terms.

5. The interest on the Certificates is excluded from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations; it should be noted, however, that for the purpose of computing the alternative minimum tax imposed on corporations (as defined for federal income tax purposes), such interest is taken into account in determining certain income and earnings. The opinions set forth in the preceding sentences are subject to the condition that the Authority comply with all requirements of the Internal Revenue Code of 1986 (the "Code") that must be satisfied subsequent to the delivery of the Certificates in order that such interest be, or continue to be, excluded from gross income for federal income tax purposes. The Authority has covenanted to comply with each such requirement. Failure to comply with certain of such requirements may cause the inclusion of interest on the Certificates in gross income for federal income tax purposes to be retroactive to the date of issuance of the Certificates. We express no opinion regarding other federal tax consequences arising with respect to the Certificates.

6. The interest on the Certificates is exempt from personal income taxation imposed by the State of California.

The rights of the owners of the Certificates and the enforceability of the Certificates, the Trust Agreement and the Installment Sale Agreement may be subject to bankruptcy, insolvency, moratorium and other similar laws affecting creditors' rights heretofore or hereafter enacted and their enforcement may be subject to the exercise of judicial discretion in accordance with general principles of equity.

Respectfully submitted,

A Professional Law Corporation



JONES HALL

650 California Street
18th Floor
San Francisco, CA 94108
t. 415.391.5780
f. 415.391.5784

November 7, 2012

Roseville Finance Authority
311 Vernon Street
Roseville, California 95678

The Bank of New York Trust Company, N.A.
100 Pine Street, Suite 3100
San Francisco, CA 94111

US Bank National Association
633 W. Fifth Street, 25th Floor
Los Angeles, CA 90071

RELIANCE LETTER Regarding Final Approving Legal Opinion:
\$90,000,000 City of Roseville Electric System Revenue Refunding Certificates of
Participation, Series 2012

Ladies and Gentlemen:

We have this day released to the City of Roseville, California, our final approving legal opinion with respect to the captioned financing.

The foregoing opinion may be relied upon by Roseville Finance Authority, as seller, by U.S. Bank National Association, as purchaser, and by The Bank of New York Trust Company, N.A., as trustee, to the same extent as if such opinion were addressed to each of such entities.

Respectfully submitted,

A Professional Law Corporation

(Local Currency—Single Jurisdiction)

ISDA[®]

International Swap Dealers Association, Inc.

MASTER AGREEMENT

dated as of December 13, 2002

MORGAN STANLEY CAPITAL SERVICES and **CITY OF ROSEVILLE**
INC.

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:—

1. Interpretation

(a) **Definitions.** The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.

(b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purposes of the relevant Transaction.

(c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

(i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.

(ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.

(iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable: —

(i) in the same currency; and

(ii) in respect of the same Transaction.

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries.

(d) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that:—

(a) **Basic Representations.**

(i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;

(ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;

(iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets:

(iv) *Consents.* All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with: and

(v) *Obligations Binding.* Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) *Absence of Certain Events.* No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) *Absence of Litigation.* There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) *Accuracy of Specified Information.* All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) *Furnish Specified Information.* It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) *Maintain Authorisations.* It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) *Comply with Laws.* It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

5. Events of Default and Termination Events

(a) *Events of Default.* The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:—

(i) *Failure to Pay or Deliver.* Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) *Breach of Agreement.* Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed

by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party:

(iii) *Credit Support Default.*

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) *Misrepresentation.* A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) *Default under Specified Transaction.* The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) *Cross Default.* If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) *Bankruptcy.* The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its

winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied, enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:—

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below:—

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation of any court, tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):—

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Credit Event Upon Merger.** If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(iii) *Additional Termination Event.* If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) *Event of Default and Illegality.* If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) *Right to Terminate Following Event of Default.* If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) *Right to Terminate Following Termination Event.*

(i) *Notice.* If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) *Two Affected Parties.* If an Illegality under Section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iii) *Right to Terminate. If: —*

(1) an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) *Effect of Designation.*

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) **Calculations.**

(i) **Statement.** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) **Payment Date.** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) **Payments on Early Termination.** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) **Events of Default.** If the Early Termination Date results from an Event of Default:—

(1) **First Method and Market Quotation.** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party.

(2) **First Method and Loss.** If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) **Second Method and Market Quotation.** If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) **Second Method and Loss.** If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative

number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(iii) *Termination Events*. If the Early Termination Date results from a Termination Event:—

(1) *One Affected Party*. If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties*. If there are two Affected Parties:—

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) *Adjustment for Bankruptcy*. In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) *Pre-Estimate*. The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

(a) a party may make such a transfer of this Agreement pursuant to a consolidation amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void

8. Miscellaneous

(a) *Entire Agreement.* This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.

(b) *Amendments.* No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.

(c) *Survival of Obligations.* Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.

(d) *Remedies Cumulative.* Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.

(e) *Counterparts and Confirmations.*

(i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.

(ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.

(f) *No Waiver of Rights.* A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.

(g) *Headings.* The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

9. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

10. Notices

(a) *Effectiveness.* Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

(i) if in writing and delivered in person or by courier, on the date it is delivered;

(ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) *Change of Addresses.* Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

11. Governing Law and Jurisdiction

(a) *Governing Law.* This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) *Jurisdiction.* With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably: —

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) *Waiver of Immunities.* Each party 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 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 agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. Definitions

As used in this Agreement:—

"*Additional Termination Event*" has the meaning specified in Section 5(b).

"*Affected Party*" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:—

(a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;

(b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;

(c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and

(d) in all other cases, the Termination Rate.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iii).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"law" includes any treaty, law, rule or regulation and **"lawful"** and **"unlawful"** will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain

resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"*Market Quotation*" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"*Non-default Rate*" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"*Non-defaulting Party*" has the meaning specified in Section 6(a).

"*Potential Event of Default*" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"*Reference Market-makers*" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"*Scheduled Payment Date*" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"*Set-off*" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under

this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of:—

(a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and

(b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Event" means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

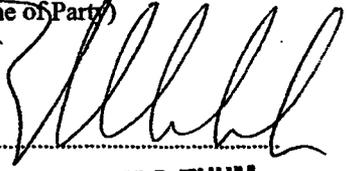
"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined

by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

**MORGAN STANLEY CAPITAL
SERVICES INC.**

(Name of Party)



By:

Name:
Title:
Date:

**WILLIAM C. THUM
VICE PRESIDENT**

CITY OF ROSEVILLE

(Name of Party)

By:

Name:
Title:
Date:

by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

MORGAN STANLEY CAPITAL SERVICES INC.
(Name of Party)

CITY OF ROSEVILLE
(Name of Party)

By:
Name:
Title:
Date:

By: *Russell Branson*
Name: *Russell Branson*
Title: *Finance Director*
Date: *12/1/10*

Vertical text on the right edge of the page, possibly a scanning artifact or page number.

APPROVED AS TO FORM:

By: 
City Attorney

EXECUTION COPY

AMENDMENT TO ISDA MASTER AGREEMENT

dated as of March 30, 2005 by and between

MORGAN STANLEY CAPITAL SERVICES INC. ("Party A")

and

CITY OF ROSEVILLE ("Party B")

The parties have previously entered into that certain ISDA Master Agreement dated as of December 13, 2002 (the "Agreement"), which Agreement includes the Schedule, Credit Support Annex and all Confirmations exchanged between the parties confirming the Transactions (or Swap Transactions) thereunder. The parties have agreed to amend the Agreement by this Amendment (the "Amendment").

Accordingly, the parties agree as follows: --

1. *Amendment of the Agreement.*

As used in the Agreement (including any Confirmation relating thereto), as amended by this Amendment, the terms "ISDA Master Agreement", "Agreement", "this Agreement", "herein", "hereinafter", "hereof" and "hereto" and other words of similar import, shall mean the Agreement as amended hereby, unless the context otherwise specifically requires.

- (a) Part 1(b) of the Schedule to the Agreement shall be amended by inserting at the end of such paragraph "; provided that, with respect to Party B, such contract, transaction or agreement is payable from Net Revenues."
- (b) Part 3(f) of the Schedule to the Agreement shall be amended by inserting at the end of such paragraph "; provided, however, that notwithstanding the foregoing, at the time of any Proceedings the parties may agree to alternative jurisdiction for such Proceedings."
- (c) Part 4(i)(i) of the Schedule to the Agreement shall be amended by inserting at the end of such paragraph after the ")", "; provided, that if X is Party B, only obligations that:
 - (i) may be subject to Cash Settlement,
 - (ii) are payable from Net Revenues, and
 - (iii) have matured or have been accelerated,

shall be subject to set-off pursuant to this Part 4(i)".

2. *Representations*

Each party represents to the other party that all representations contained in the Agreement (including all representations set forth in the Annex) are true and accurate as of the date of this Amendment and that such representations are deemed to be given or repeated by each party, as the case may be, on the date of this Amendment.

3. **Miscellaneous**

- (a) **Definitions.** Capitalized terms used in this Amendment and not otherwise defined herein shall have the meanings specified for such terms in the Agreement
- (b) **Entire Agreement.** This Amendment constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings (except as otherwise provided herein) with respect thereto.
- (c) **Counterparts.** This Amendment may be executed and delivered in counterparts (including by facsimile transmission) each of which will be deemed an original.
- (d) **Headings.** The headings used in this Amendment are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Amendment.
- (e) **Governing Law.** This Amendment will be governed by and construed in accordance with the laws of the State of New York (without reference to choice of law doctrine).

IN WITNESS WHEREOF, the parties have executed this Amendment on the respective dates specified below with effect from the date specified in this Amendment.

**MORGAN STANLEY CAPITAL SERVICES
INC.**

CITY OF ROSEVILLE

By: _____
Name:
Title:
Date:

By: *Russell Bramon*
Name: *Russell Bramon*
Title: *Treasurer*
Date: *5/13/05*

IN WITNESS WHEREOF, the parties have executed this Amendment on the respective dates specified below with effect from the date specified in this Amendment.

**MORGAN STANLEY CAPITAL SERVICES
INC.**

CITY OF ROSEVILLE

By: 
Name:
Title: **NINA C. SIMMONS**
Date: **VICE PRESIDENT**

By: _____
Name:
Title:
Date:

**SCHEDULE
TO THE
MASTER AGREEMENT
dated as of December 13, 2002
between
MORGAN STANLEY CAPITAL SERVICES INC.
("Party A")
and
CITY OF ROSEVILLE
("Party B")**

Part 1. Termination Provisions

- (a) **"Specified Entity"** means in relation to Party A for the purpose of:-

Section 5(a)(v), Affiliates
Section 5(a)(vi), None Specified
Section 5(a)(vii), None Specified
Section 5(b)(ii), None Specified

and in relation to Party B for the purpose of:-

Section 5(a)(v), Affiliates
Section 5(a)(vi), None Specified
Section 5(a)(vii), None Specified
Section 5(b)(ii), None Specified

- (b) **"Specified Transaction"** means, in lieu of the meaning specified in Section 12, any contract or transaction, including an agreement with respect thereto (whether or not documented under or effected pursuant to a master agreement) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party.)
- (c) **"Cross Default"** applies to Party A and Party B. Section 5(a)(vi) is hereby amended by deleting in the seventh line thereof the words ", or becoming capable at such time of being declared,".
- (d) **"Specified Indebtedness"** has the meaning specified in Section 12.
- (e) **"Threshold Amount"** means: (i) with respect to Party A, U.S. \$10,000,000 (or the equivalent in another currency, currency unit or combination thereof); and (ii) with respect to Party B, (A) in connection with any Specified Indebtedness payable from the source of funds specified in Part 4(e) prior to or on a parity with payments under this Agreement, \$1.00 and (B) in connection with any other Specified Indebtedness, \$10,000,000 (or its equivalent in another currency, currency unit or combination thereof).

- (f) **Bankruptcy.** Clause (6) of Section 5(a)(vii) of this Agreement is hereby amended to read in its entirety as follows:--

“(6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (or, in the case of a Government Entity, for the Project/Program) or (B) in the case of a Government Entity, any Credit Support Provider of such Government Entity or any applicable Specified Entity of such Government Entity, (I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or introduced or proposed for consideration by it or enacted 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;”.

- (g) **Merger Without Assumption.** Section 5(a)(viii) of this Agreement is hereby amended to read in its entirety as follows:--

“(viii) *Merger Without Assumption.* The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or, in the case of Party B, all or substantially all of the Project/Program) to, another entity (or, without limiting the foregoing, if such party is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, such party, any Credit Support Provider of such party or any applicable Specified Entity generally or with respect to the Project/Program) and, at the time of such consolidation, amalgamation, merger, transfer, or succession:--

(1) the resulting, surviving, transferee or successor entity fails to assume all the obligations of such party, such Credit Support Provider or such Specified Entity under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement;

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving, transferee or successor entity of its obligations under this Agreement; or”

(3) In the case of a Government Entity, the sources of payment for the obligations of such Government Entity as set forth in the Schedule are no longer available for the satisfaction of such resulting, surviving, transferee or successor entity’s obligations to the other party hereto.

- (h) **“Credit Event Upon Merger”** applies to Party A and Party B. Section 5(b)(ii) is hereby deleted in its entirety and replaced by the following:

“(ii) Credit Event Upon Merger. If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or, in the case of a Government Entity, all or substantially all of the Project/Program) to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, another entity, or another entity transfers all or substantially all its assets (or, in the case of a Government Entity, all or substantially all of the Project/Program) to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, X (or, without limiting the foregoing, if X is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, X (or any applicable Specified Entity) generally or with respect to the Project/Program), and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of X or the resulting, surviving, transferee, or successor entity (which will be the Affected Party) is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action; or”

- (i) The “Automatic Early Termination” provisions of Section 6(a) will not apply to Party A and will not apply to Party B; provided, however, where the Event of Default is specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto, (8) and is governed by a system of law which does not permit termination to take place upon or after the occurrence of the relevant Event of Default in accordance with the terms of this Agreement, then the Automatic Early Termination provisions of Section 6(a) will apply to Party A and Party B.**

In addition to, and notwithstanding anything to the contrary in the preceding sentence, if an Early Termination Date occurs under Section 6(a) as a result of Automatic Early Termination, the Defaulting Party hereby agrees to indemnify the Non-defaulting Party on demand against all loss or damage that the Non-defaulting Party may sustain or incur (including in relation to terminating, liquidating, obtaining or reestablishing any hedge or related position to the extent not already taken into account in the calculation performed under Section 6(e)) in respect of each Transaction as a result of movements in relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data between the Early Termination Date and the Local Business Day upon which the Non-defaulting Party first becomes aware that the Early Termination Date has occurred under Section 6(a) provided however, that if the Non-defaulting Party determines that any such movements have actually resulted in a net after tax, gain for the Non-defaulting Party then the Non-defaulting Party agrees to pay to the Defaulting Party the sum of such gain, subject to any rights the Non-defaulting party may have under the Agreement or otherwise.

- (j) Payments on Early Termination. “Market Quotation” and “Second Method” will apply for the purpose of Section 6(e) of this Agreement.**

(k) **Additional Termination Event** will apply. The following shall constitute an Additional Termination Event with respect to Party A and Party B:

(i) with respect to Party A, if Party A's Credit Support Provider's senior, unsecured, unenhanced debt rating is withdrawn, suspended or reduced below "BBB-" in the case of S&P or "Baa3" in the case of Moody's; and

(ii) with respect to Party B, if the senior unenhanced rating of Party B's debt payable from the same source of funds specified in Part 4(e) is withdrawn, suspended or reduced below "BBB-" in the case of S&P or "Baa3" in the case of Moody's.

For the purpose of Termination Event (i) above, the Affected Party shall be Party A and for purpose of Termination Event (ii) above, the Affected Party shall be Party B. For the purpose of both Termination Events (i) and (ii) above, all Transactions shall be Affected Transactions.

Part 2. Agreement to Deliver Documents

For the purpose of Section 4, each party agrees to deliver the following documents, as applicable:-

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
Party A and Party B	Either (1) a signature booklet containing secretary's certificate and resolutions ("authorizing resolutions") authorizing the party to enter into derivatives transactions of the type contemplated by the parties or (2) a secretary's certificate, authorizing resolutions and incumbency certificate, in either case, for such party and any Credit Support Provider of such party reasonably satisfactory in form and substance to the other party.	The earlier of the fifth Business Day after the Trade Date of the first Transaction or upon execution of this Agreement and as deemed necessary for any further documentation.	Yes
Party A	A written opinion of legal counsel to Party A and its Credit Support Provider in the forms attached hereto as Exhibits A-1, A-2 and A-3	Upon execution of this Agreement and upon the execution of each Confirmation	No

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
Party B	A written opinion of legal counsel to Party B (and any Credit Support Provider) reasonably satisfactory in form and substance to Party A	Upon execution of this Agreement and upon the execution of each Confirmation	No
Party A and Party B	A duly executed copy of the Credit Support Documents specified in Part 3 of this Schedule	Upon the execution of this Agreement	No
Party A and Party B	A copy of the annual report of such party (in the case of Party A, in respect of Morgan Stanley) containing audited consolidated financial statements for each such fiscal year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized.	As soon as practicable after the execution of this Agreement and also within 120 days (or as soon as practicable after becoming publicly available) after the end of each of its fiscal years while there are any obligations outstanding under this Agreement.	Yes
Party B	Copies or, where available, certified copies of: (1) the charter and enabling statutes (or comparable legislation) creating Party B and authorizing Party B to enter into this Agreement, the exhibits, supplements, and attachments hereto, the documents incorporated by reference herein, and the Confirmations hereunder; (2) any constituent instruments of Party B, rules, regulations, investment policies, guidelines, resolutions, ordinances, or provisions affecting the authority of Party B to enter	Upon execution of this Agreement and as deemed necessary for further documentation	Yes

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
	into this Agreement, the exhibits, supplements, and attachments hereto, the documents incorporated by reference herein, and the Confirmations hereunder, and the performance of its obligations hereunder and thereunder; and (3) amendments to any of the foregoing.		
Party B	Covered Agreement and all other documents relating to the Incorporated Provisions (as such term is defined in Part 4(f) of this Schedule)	Upon execution of the Confirmation for the relevant Bond-Related Transaction	Yes
Party A and Party B	Such other documents as the other party may reasonably request	Upon request	No

Part 3. Miscellaneous

(a) Addresses for Notices. For the purpose of Section 10(a):-

(i) Address for notices or communications to Party A:-

Morgan Stanley Capital Services Inc.
1585 Broadway, 3rd Floor
New York, New York 10036
Attention: Derivative Products Group-Documentation
Facsimile No.: 212-761-0580
Telephone No.: 212-761-2566/2590

(ii) Address for notices or communications to Party B:-

City of Roseville
311 Vernon Street, Room 206
Roseville, CA 95678
Attention: Finance Director
Facsimile No.: 916-774-5514
Telephone No.: 916-774-5320

- (b) **Notices.** Section 10(a) is amended by adding in the third line thereof after the phrase "messaging system" and before the ")" the words, "; provided, however, any such notice or other communication may be given by facsimile transmission if telex is unavailable, no telex number is supplied to the party providing notice, or if answer back confirmation is not received from the party to whom the telex is sent."
- (c) **Calculation Agent** means Party A.
- (d) **Credit Support Document** means with respect to each of Party A and Party B, the Credit Support Annex dated as of the date hereof (the provisions of which are incorporated by reference herein) and, with respect to Party A, the guarantee of Morgan Stanley in the form attached hereto as Exhibit B.
- (e) **Credit Support Provider** means in relation to Party A: Morgan Stanley, a Delaware corporation.
- Credit Support Provider** means in relation to Party B: None.
- (f) **Governing Law; Jurisdiction.** This Agreement, each Credit Support Document and each Confirmation will be governed by and construed in accordance with the laws of the State of New York, without reference to its choice of law doctrine; provided however, that the capacity and authority of Party B to enter into this Agreement, each Credit Support Document and each Confirmation will be governed by and construed in accordance with the laws of the State of California. Section 11(b) is amended by: (1) deleting "non-" from the second line of clause (i); and (2) deleting the final paragraph.
- (g) **Waiver of Jury Trial.** Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any Proceedings relating to this Agreement or any Credit Support Document.
- (h) **Netting of Payments.** Clause (ii) of Section 2(c) will not apply to any amounts payable with respect to Transactions from the date of this Agreement.
- (i) **"Affiliate"** will have the meaning specified in Section 12, but excludes Morgan Stanley Derivative Products Inc.

Part 4. Other Provisions

- (a) **Deferral of Payments and Deliveries in Connection with Illegality and Incipient Illegality; Interest on Deferred Payments.** Section 2(a)(iii) is hereby amended to read in its entirety as follows:
- (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default, Illegality, Potential Event of Default or Incipient Illegality with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Representations.**

- (i) The introductory clause of Section 3 of this Agreement is hereby amended to read in its entirety as follows:

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(a), at all times until the termination of this Agreement) that:-

- (ii) Section 3(a)(ii) of this Agreement is hereby amended to read in its entirety as follows:

Powers. It has the power (in the case of a Government Entity, pursuant to the Authorizing Law) to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party, and has taken all necessary action and made all necessary determinations and findings to authorize such execution, delivery and performance;”

- (iii) Section 3(b) of this Agreement is hereby amended to read in its entirety as follows:”(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Incipient Illegality (in the case of a Government Entity) or Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.”

- (iv) For purposes of Section 3, the following shall be added, immediately following paragraph (d) thereof:

- (e) **Eligible Contract Participant.**

Party A is an “eligible contract participant” as defined in Section 1a(12) of the Commodity Exchange Act (7 U.S.C. 1a), as amended by the Commodity Futures Modernization Act of 2000.

Party B (i) is a political subdivision of the State of California, (ii) is acting for its own account hereunder and (iii) owns and invests on a discretionary basis \$25,000,000 or more in investments.

- (f) This Agreement has been subject to individual negotiation by such party.

- (g) It has entered into this Agreement (including each Transaction evidenced hereby) in conjunction with its line of business (including financial intermediation services) or the financing of its business.
 - (h) It is entering into this Agreement, any Credit Support Document to which it is a party, each Transaction and any other documentation relating to this Agreement or any Transaction as principal (and not as agent or in any other capacity, fiduciary or otherwise).
 - (i) Each party acknowledges that, pursuant to the terms of this Agreement (including, without limitation, Section 6(e) hereof), it may owe a payment to the other party upon the designation of an Early Termination Date hereunder, even in the event such Early Termination Date is the result of an Event of Default with respect to such other party.
 - (j) It 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 to in any Proceedings (as defined in Section 11(b)) in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.
 - (k) **ERISA Representation.** It continuously represents that it is not (i) an employee benefit plan (hereinafter an "ERISA Plan"), as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), subject to Title I of ERISA or Section 4975 of the Internal Revenue Code of 1986, as amended, (ii) a person acting on behalf of an ERISA Plan or (iii) a person the assets of whom constitute assets of an ERISA Plan. It will provide notice to the other party in the event that it is aware that it is in breach of any aspect of this representation or is aware that with the passing of time, giving of notice or expiry of any applicable grace period it will breach this representation.
- (c) **Additional Representations of Party B.** Party B hereby further represents to Party A (which representations will be deemed to be repeated by Party B at all times until the termination of this Agreement) that:
- (i) This Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), entered into for the purposes of managing its borrowings or investments and not for purposes of speculation.
 - (ii) Party B has taken all steps necessary or advisable to create and perfect the pledge and security interest required to be created pursuant to Part 4(e) of this Schedule, and such pledge and security interest have been validly created and perfected.

- (iii) Any Transaction entered into pursuant to this Agreement together with any transactions that Party B has or may enter into with Party A and/or with any or all other parties does not and will not violate or exceed any limits or restrictions contained in any authorizations, approvals or resolutions of the board of directors, shareholders or other authorized body of Party B.
 - (iv) The execution and delivery by Party B of this Agreement, each Confirmation and any other documentation relating hereto, and the performance of Party B of its obligations hereunder and thereunder, are in furtherance, and not in violation, of the municipal purposes for which Party B is organized pursuant to the laws of the relevant state.
 - (v) This Agreement and each Transaction hereunder do not constitute any kind of investment by Party B that is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which Party B (or any of its officials in their respective capacities as such) or its property is subject.
 - (vi) No Affiliate or other person, firm, corporation, entity, or association may liquidate, borrow, encumber or otherwise utilize the assets of Party B.
 - (vii) Party B is a state or political subdivision thereof, or an instrumentality, agency or department of either of the foregoing.
- (d) **Credit Support Default.** Subparagraph (3) of Section 5(a)(iii) is hereby amended by adding the phrase "(or such action is taken by any person or entity appointed or empowered to operate or act on its behalf)" after the word "Document" in the second line thereof.
- (e) **Source of Payments.** Party B agrees that its obligations hereunder are, and until the termination of this Agreement pursuant to the terms hereof shall remain, payable from the Net Revenues. Party B hereby agrees that this Agreement (except the obligations hereunder to post collateral under certain circumstances and to make payments upon an early termination) is a Parity Payment Agreement and Parity Obligation under the Covered Agreement payable solely from and secured by a pledge of Net Revenues on a parity with all other existing and future Parity Obligations. The obligations under this Agreement to post collateral under certain circumstances or to make payments upon early termination are Subordinate Obligations under the Covered Agreement payable solely from Net Revenues of the Electric System and secured by a pledge of Net Revenues on a subordinate basis to the Parity Obligations. As provided and on the dates under the Covered Agreement, Party B shall from the money in the Electric Revenue Fund deposit in the Parity Obligation Payment Fund a sum equal to the scheduled payments next due under this Agreement. Party B hereby pledges to Party A its Net Revenues. The general fund of Party B is not liable, and neither the faith and credit nor the taxing power of Party B is pledged, for the payments under this Agreement. Terms used in this paragraph and

not otherwise defined herein shall have the meanings ascribed thereto in the Covered Agreement.

- (f) **Compliance with Covered Agreement.** Party B will observe, perform and fulfill each covenant, term, and provision in the relevant Covered Agreement applicable to Party B, as any of those covenants, terms, and provisions may be amended, supplemented or modified for the purposes of this Agreement with the prior written consent of Party A (the "Incorporated Provisions"), with the effect, among other things, and without limiting the generality of the foregoing, that Party A will have the benefit of each of the Incorporated Provisions (including without limitation, covenants, right to consent to certain actions subject to consent under the relevant Covered Agreement and delivery of financial statements and other notices and information). In the event the relevant Covered Agreement ceases to be in effect for any reason, including, without limitation, defeasance of the Bonds issued in connection with such Covered Agreement, prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued in connection with the relevant Covered Agreement) will remain in full force and effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of Party B under this Agreement and any obligations of Party B have been fully satisfied. The Incorporated Provisions are hereby incorporated by reference and made a part of this Agreement to the same extent as if such provisions were set forth herein. For purposes of this Agreement, the Incorporated Provisions shall be construed as though (i) all references therein to any party making loans, extensions of credit or financial accommodations thereunder or commitments therefor (the "Financings") were to Party A and (ii) to the extent that such Incorporated Provisions are conditioned on or related to the existence of such Financings or Party B having any obligations in connection therewith, all references to such Financings or obligations were to the obligations of Party B under this Agreement. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions without the prior written consent of Party A shall have no force and effect with respect to this Agreement. Any amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.
- (g) **Notice of Incipient Illegality.** If an Incipient Illegality occurs, the Government Entity will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Incipient Illegality and will also give such other information about that Incipient Illegality as the other party may reasonably require.
- (h) **Export of Defaults.** The occurrence or designation of an Early Termination Date on account of an Event of Default or Termination Event with respect to a party hereto ("X") (where X is the Defaulting Party or sole Affected Party) shall constitute a material breach and event of default (howsoever described) under all transactions between X and the other party ("Y") or any Affiliate of Y (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation) (together, the "Other Transactions"), whereupon Y or any Affiliate of Y shall have the right to terminate, liquidate and

otherwise close out any such Other Transactions (and X shall be liable for any damages suffered by Y and any Affiliate of Y as a result thereof).

(i) **Setoff.**

(i) In addition to any rights of set-off a party may have as a matter of law or otherwise, upon the occurrence of an Event of Default with respect to Party ("X") hereof (or a provision analogous thereto) or a Termination Event where X is the sole Affected Party, the other party ("Y") shall have the right (but shall not be obliged) without prior notice to X or any other person to set off any obligation of X owing to Y or any Affiliate of Y (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation) against any obligations of Y or any Affiliate of Y owing to X (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation).

(ii) For the purpose of cross-currency set off, Y may convert any obligation to another currency at a market rate determined by Y.

(iii) If any obligation is unascertained, Y may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.

(iv) Nothing in this paragraph will have the effect of creating a charge or other security interest. This paragraph shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).

(j) **Single Relationship.** The parties and their Affiliates intend that all Transactions and all other obligations (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation) shall be treated as mutual and part of a single, indivisible contractual and business relationship.

(k) **Confirmations.** Party A will deliver to Party B a Confirmation relating to each Transaction.

(l) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):-

(i) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any

communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.

- (ii) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.
 - (iii) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.
- (m) **Additional Definitions.** As used in this Schedule, the following terms shall have the following meanings:

"Authorizing Law" means Section 5922 of the California Government Code.

"Bonds" has the meaning ascribed thereto in the Covered Agreement.

"Covered Agreement" means that certain Master Installment Purchase Contract dated as of November 1, 1997 by and between Party B and the Roseville Finance Authority, as supplemented by the 1997 Supplemental Contract, the 1999 Supplemental Contract and the 2002 Supplemental Contract, and as further amended or supplemented from time to time.

"Government Entity" means Party B.

"Incipient Illegality" means (a) the enactment by any legislative body with competent jurisdiction over a Government Entity of legislation which, if adopted as law, would render unlawful (i) the performance by such Government Entity of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by such Government Entity with any other material provision of this Agreement relating to such Transaction or (ii) the performance by a Government Entity or a Specified Entity of such Government Entity of any contingent or other obligation which the Government Entity (or such Specified Entity) has under any Credit Support Document relating to such Transaction, (b) any assertion in any proceeding, forum or action by a Government Entity, in respect of such Government Entity or in respect of any entity located or organized under the laws of the state in which such Government Entity is located to the effect that performance under this Agreement or similar agreements is unlawful or (c) the occurrence with respect to a Government Entity or any Specified Entity of such Government Entity of any event that constitutes an Illegality.

"Project/Program" means Party B's electric system.

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized officers as of the date hereof.

**MORGAN STANLEY CAPITAL
SERVICES INC**

By: _____

Name:

Title:


**WILLIAM C. THUM
VICE PRESIDENT**

CITY OF ROSEVILLE

By: _____

Name:

Title:

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized officers as of the date hereof.

MORGAN STANLEY CAPITAL SERVICES INC.

By: _____
Name:
Title:

CITY OF ROSEVILLE

By: *Russell Branson*
Name: *Russell Branson*
Title: *Finance Director*

APPROVED AS TO FORM:

By: 
City Attorney

EXHIBIT A-1
FORM OF OPINION OF OUTSIDE COUNSEL
FOR PARTY A
[LETTERHEAD OF CADWALADER, WICKERSHAM & TAFT]

[Date]

[Name]
[Address]

Ladies and Gentlemen:

We act as a counsel to Morgan Stanley Capital Services Inc. ("MSCS") in connection with certain matters. We have been requested by MSCS to review the documents referred to herein and to render the opinion expressed herein. In such connection, we have reviewed, (i) an ISDA Master Agreement dated as of _____, 200_ (including the Schedule thereto), (ii) a Credit Support Annex dated as of _____, 200_, and (iii) a Confirmation dated as of _____, 200_ (collectively, the "Agreement") between MSCS and _____ (the "Counterparty"). In these regards, we have reviewed original, conformed, reproduction, or specimen copies, identified to our satisfaction, of the Agreement and other relevant documents, and have made such examination of applicable law as we have deemed necessary for the purpose of rendering the opinion expressed herein.

Based upon the foregoing, we are of the opinion, subject to the qualifications expressed herein, that the Agreement constitutes the legal and binding agreement of MSCS and is enforceable against MSCS in accordance with its terms.

The opinion expressed herein is subject to the following qualifications:

(A) We are licensed to practice law in the State of New York, for purposes of the opinion expressed herein we do not purport to be experts on any law other than the law of the State of New York and the federal law of the United States of America, and we do not express any opinion herein concerning any law other than the substantive law of the State of New York and of the United States of America (as applicable, without regard to conflict of law principles).

(B) In our review of the documents referred to in the first paragraph of this letter, we have assumed and have not independently verified that all signatures are genuine, that all documents submitted to or obtained by us as originals are authentic, and that all documents submitted to or obtained by us as conformed, reproduction, or specimen copies conform to the original documents and all such originals are authentic.

(C) As to certain matters of fact, we have relied upon and have not independently verified statements, representations, and warranties of MSCS and its

representatives, including statements, representations, and warranties contained in the Agreement, and have assumed and have not independently verified that all such statements, representations, and warranties are true, accurate, and complete.

(D) In rendering the opinions expressed herein, we have relied upon the opinions expressed in the letter dated the date hereof of James Hill, Esq., Counsel to MSCS, addressed to the Counterparty in connection with the Agreement, and we have assumed and have not independently verified under the law of any jurisdiction that all such opinions are valid, reasonable, true, accurate, and complete.

(E) We have assumed and have not independently verified under the law of any jurisdiction the legal capacity, power, and authority of the Counterparty to execute, deliver, and perform its obligations under the Agreement, and of the individuals who executed and delivered the Agreement on behalf of the Counterparty to do so. We have also assumed and have not independently verified under the law of any jurisdiction that the Agreement constitutes the legal, valid, and binding agreement of the Counterparty and is enforceable against the Counterparty in accordance with its terms. In addition, we have relied upon and have not independently verified statements, representations, and warranties of the Counterparty and its representatives, including statements, representations, and warranties contained in the Agreement, and have assumed and have not independently verified that all such statements, representations, and warranties are true, accurate, and complete.

(F) The enforceability of each of the Agreement and the rights and remedies thereunder are subject to, and may be limited by: (i) applicable bankruptcy, insolvency, reorganization, moratorium, receivership, conservatorship, or other similar laws from time to time in effect relating to or affecting generally the enforcement of creditors' rights; (ii) general principles of equity, including without limitation concepts of materiality, reasonableness, good faith, and fair dealing (regardless of whether considered in a proceeding at law or in equity); (iii) the availability of equitable remedies; (iv) the discretion of a court or other authority or body to grant, impose, or render remedies under specific circumstances; (v) Sections 9-406 and 9-408 of the New York Uniform Commercial Code to the extent the Agreement purports to prohibit, restrict, or require the consent of the other party for, the transfer of, or the creation, attachment or perfection of a security interest in, the Agreement or an interest therein; (vi) limitations imposed by public policy, although we are not aware of any such limitations that would be relevant to the enforceability of the Agreement; (vii) each party to the Agreement acting in a commercially reasonable manner and in good faith in performing its obligations and exercising its rights and remedies thereunder; and (viii) the discretion of a court or other authority or body to invalidate or decline to enforce any right, remedy, or provision of the Agreement (including without limitation the termination payment provisions of the Agreement) determined by it to be a penalty.

(G) We express no opinion herein as to (i) whether a court or other authority or body located outside of the State of New York would enforce the governing law and submission to jurisdiction provisions of the Agreement and (ii) the creation, legality, validity, perfection, enforceability, or priority of any lien, security interest, or other encumbrance created or purported to be created pursuant to the agreement.

We are furnishing this letter to you solely for your benefit in connection with the transactions referred to herein. This letter is not to be relied upon, used, circulated, quoted or otherwise referred to by any other person or for any other purpose without our prior written consent. In addition, we disclaim any obligation to update this opinion letter for changes in fact or law, or otherwise.

Very truly yours,

EXHIBIT A-2
FORM OF OPINION OF INTERNAL COUNSEL
FOR PARTY A

[Date]

[Name]
[Address]

Ladies and Gentlemen:

I am Counsel to Morgan Stanley Capital Services, Inc., a Delaware corporation ("Morgan Stanley") and have represented Morgan Stanley in connection with the ISDA Master Agreement, the Schedule and Credit Support Annex thereto and the related confirmation (collectively, the "Agreement"), each dated as of [] between Morgan Stanley and [] (the "Counterparty").

In arriving at the opinions expressed below, I have, or someone under my supervision has, examined an original or copy, executed on behalf of Morgan Stanley, of the Agreement. I have, or someone under my supervision has, also examined the originals, or copies certified or otherwise identified to my satisfaction, of such corporate records of Morgan Stanley, certificates of public officials, officers of Morgan Stanley and other persons, and such other documents, agreements and instruments and have conducted such other investigations of fact and law as I have deemed necessary as a basis for the opinions hereinafter expressed. In such review, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified, photostatic or reproduced copies and the authenticity of the originals of all such latter documents. Upon the basis of such examination, it is my opinion that:

1. Morgan Stanley has been duly incorporated and is an existing corporation in good standing under the laws of the State of Delaware.
2. The Agreement has been duly authorized, executed and delivered by Morgan Stanley.
3. Morgan Stanley is not required to obtain any authorization, consent, approval, exemption or license from, or to file any registration with, any governmental authority of the United States of America or the State of New York as a condition to the validity of, or for the execution and delivery of the Agreement, or to the performance by Morgan Stanley of its obligations thereunder.
4. The execution, delivery and performance of the Agreement by Morgan Stanley will not contravene or constitute a default under any statute, regulation, rule, order

or judgment or any governmental authority of the United States of America or the State of New York, or under any provision of the Certificate of Incorporation or By-Laws of Morgan Stanley.

The foregoing opinion is limited to the Federal laws of the United States, the laws of the State of New York and the General Corporation Law of the State of Delaware, and I am expressing no opinion as to the effect of the laws of any other jurisdiction.

With your approval, I have relied as to certain matters on information obtained from public officials, officers of Morgan Stanley and other sources believed by me to be responsible, and I have assumed that the signatures on all documents examined by me are genuine, assumptions which I have not independently verified.

I am furnishing this opinion to you solely for your benefit in connection with the above-referenced Agreement. Except for your own internal use, this opinion is not to be used or circulated, quoted or otherwise referred to, or relied upon without my express written consent.

Very truly yours,

James J. Hill
Counsel

EXHIBIT A-3
FORM OF OPINION OF INTERNAL COUNSEL
FOR PARTY A

[Date]

[Name]

[Date]

Ladies and Gentlemen:

I am Counsel to Morgan Stanley, a Delaware corporation ("MS"). I have represented MS in connection with the Guarantee dated _____, 2002 (the "Guarantee") related to ISDA Master Agreement, dated as of [_____] (the "Agreement"), entered into by and between Morgan Stanley Capital Services Inc. and [_____] (the "Counterparty").

In arriving at the opinions expressed below, I have, or someone under my supervision has, examined an original or copy, executed on behalf of MS, of the Guarantee. I have, or someone under my supervision has, also examined the originals, or copies certified or otherwise identified to my satisfaction, of such corporate records of MS, certificates of public officials, officers of MS and other persons, and such other documents, agreements and instruments and have conducted such other investigations of fact and law as I have deemed necessary as a basis for the opinions hereinafter expressed. In such review, I have assumed the genuineness of all signatures, the authenticity of all documents submitted to me as originals, the conformity to original documents of all documents submitted to me as certified, photostatic or reproduced copies and the authenticity of the originals of all such latter documents.

A. Based on the foregoing, and subject to the limitations expressed in paragraphs B and C below, I am of the opinion that:

1. MS is a corporation duly incorporated, validly existing and in good standing under the laws of the State of Delaware.
2. The execution, delivery and performance of the Guarantee has been duly authorized by all necessary corporate action on the part of MS and, assuming that the Agreement is the legal, valid and binding obligation of the Counterparty, enforceable against you in accordance with its terms, the Guarantee is the legal, valid and binding obligation of MS, enforceable against MS in accordance with its terms.

B. The opinions expressed above are based on the law and regulations in effect on the date hereof.

C. I am admitted to practice law in the State of New York only, and am not, and do not purport to be, an expert in the laws of any other jurisdiction. The opinions set forth above are limited to matters of New York law and the General Corporation Law of the State of Delaware. In addition, my opinions set forth above are subject to applicable bankruptcy, insolvency, and similar laws affecting creditors' rights generally, and to general principles of equity (whether considered in a proceeding in equity or at law).

I am furnishing this opinion to you solely for your benefit in connection with the above-referenced Guarantee. Except for your own internal use, this opinion is not to be used or circulated, quoted or otherwise referred to, or relied upon without my express written consent.

Very truly yours,

James J. Hill
Counsel

EXHIBIT B

**FORM OF GUARANTEE
OF MORGAN STANLEY**

Date

[Address]

Ladies and Gentlemen:

In consideration of that certain ISDA Master Agreement dated as of [date] between Morgan Stanley Capital Services Inc., a Delaware corporation (hereinafter "MSCS") and [counterparty] (hereinafter "Counterparty") (such ISDA Master Agreement, together with each Confirmation exchanged between the parties pursuant thereto, hereinafter the "Agreement"), Morgan Stanley, a Delaware corporation (hereinafter "MS"), hereby irrevocably and unconditionally guarantees to Counterparty, with effect from the date of the Agreement, the due and punctual payment of all amounts payable by MSCS under the Agreement when the same shall become due and payable, whether on Scheduled Payment Dates, upon demand, upon declaration of termination or otherwise, in accordance with the terms of the Agreement and giving effect to any applicable grace period. Upon failure of MSCS punctually to pay any such amounts, and upon written demand by Counterparty to MS at its address set forth in the signature block of this Guarantee (or to such other address as MS may specify in writing), MS agrees to pay or cause to be paid such amounts; provided that delay by Counterparty in giving such demand shall in no event affect MS's obligations under this Guarantee.

MS hereby agrees that its obligations hereunder shall be unconditional and will not be discharged except by complete payment of the amounts payable under the Agreement, irrespective of any claim as to the Agreement's validity, regularity or enforceability or the lack of authority of MSCS to execute or deliver the Agreement; or any change in or amendment to the Agreement; or any waiver or consent by Counterparty with respect to any provisions thereof; or the absence of any action to enforce the Agreement or the recovery of any judgment against MSCS or of any action to enforce a judgment against MSCS under the Agreement; or any similar circumstance which might otherwise constitute a legal or equitable discharge or defense of a guarantor generally. MS hereby waives diligence, presentment, demand on MSCS for payment or otherwise (except as provided hereinabove), filing of claims, requirement of a prior proceeding against MSCS and protest or notice, except as provided for in the Agreement with respect to amounts payable by MSCS. If at any time payment under the Agreement is rescinded or must be otherwise restored or returned by Counterparty upon the insolvency, bankruptcy or reorganization of MSCS or MS or otherwise, MS's obligations hereunder with respect to such payment shall be reinstated upon such restoration or return being made by Counterparty.

MS represents to Counterparty as of the date hereof, which representations will be deemed to be repeated by MS on each date on which a Transaction is entered into, that:

5. it is duly organized and validly existing under the laws of the jurisdiction of its incorporation and has full power and legal right to execute and deliver this

Guarantee and to perform the provisions of this Guarantee on its part to be performed;

6. its execution, delivery and performance of this Guarantee have been and remain duly authorized by all necessary corporate action and do not contravene any provision of its certificate of incorporation or by-laws or any law, regulation or contractual restriction binding on it or its assets;
7. all consents, authorizations, approvals and clearances (including, without limitation, any necessary exchange control approval) and notifications, reports and registrations requisite for its due execution, delivery and performance of this Guarantee have been obtained from or, as the case may be, filed with the relevant governmental authorities having jurisdiction and remain in full force and effect and all conditions thereof have been duly complied with and no other action by, and no notice to or filing with, any governmental authority having jurisdiction is required for such execution, delivery or performance; and
8. this Guarantee is its legal, valid and binding obligation enforceable against it in accordance with its terms except as enforcement hereof may be limited by applicable bankruptcy, insolvency, reorganization or other similar laws affecting the enforcement of creditors' rights or by general equity principles.

By accepting this Guarantee and entering into the Agreement, Counterparty agrees that MS shall be subrogated to all rights of Counterparty against MSCS in respect of any amounts paid by MS pursuant to this Guarantee, provided that MS shall be entitled to enforce or to receive any payment arising out of or based upon such right of subrogation only to the extent that it has paid all amounts payable by MSCS under the Agreement.

This Guarantee shall be governed by and construed in accordance with the laws of the State of New York. All capitalized terms not otherwise defined herein shall have the respective meanings assigned to them in the Agreement.

MORGAN STANLEY

By: _____

Name:

Title:

Address: 1585 Broadway
3rd Floor
New York, NY 10036

Attention: Derivative Products Group

Fax No.: (212) 761-0162

Date:	May 9, 2008	EXECUTION COPY	
To:	City of Roseville	From:	Morgan Stanley Capital Services Inc.
Attn:	Russ Branson, Finance Director	Contact:	NY Deriv Client Services
Fax:	916-774-5514	Fax:	646-202-9134
Tel:	916-774-5320	Tel:	212-761-2996
		E-mail:	Municonfirms_In@morganstanley.com

Re: Unwind of Transaction MSCS Ref. No. AUD3U (the "Original Transaction")

The purpose of this letter agreement is to confirm the terms and conditions of the unwind of the Original Transaction. This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement below.

The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) (the "Definitions") are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of December 13, 2002, as amended and supplemented from time to time (the "Agreement") between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. The terms of the unwind of the Original Transaction to which this Confirmation relates are as follows:

Party A:	Morgan Stanley Capital Services Inc.
Party B:	City of Roseville
Unwind Trade Date:	May 9, 2008
Original Transaction Trade Date:	May 10, 2005
Original Transaction Termination Date:	February 1, 2035
Party B Unwind Fee:	Party B shall pay USD 2,272,000 to Party A.
Unwind Settlement Date:	May 13, 2008

3. Account Details:

Payments to Party A:	Citibank, New York ABA No. 021 000 089 For: Morgan Stanley Capital Services Inc. Account No. 4072 4601
Party A Operations Contact:	Municipal Operations Tel: 410-534-1436

Fax: 410-522-5487

E-mail: MuniOperations@MorganStanley.com

4. Each of Party A and Party B hereby confirms that (i) with effect from and including the Unwind Trade Date, the Original Transaction is unwound, and (ii) upon payment of the Party B Unwind Fee on the Unwind Settlement Date, Party A and Party B each will be released and discharged from further obligations to each other under the Original Transaction and their respective rights against each other under the Original Transaction are cancelled; provided, that such release and discharge will not affect any obligations or rights of Party A or Party B under the Original Transaction with respect to payments or other obligations due and payable or due to be performed on or prior to the Unwind Trade Date and all such payments and obligations shall be paid or performed by Party A or Party B in accordance with the terms of the Original Transaction.

5. Each of Party A and Party B hereby agrees that each representation made by Party A or Party B in the Agreement as of the Original Transaction Trade Date will be deemed repeated by such party as of the date of this Confirmation as if such representation were set forth in this Confirmation.

6. This unwind Confirmation is being entered into in connection with Party B's exercise of its right to optionally terminate the Original Transaction pursuant to Paragraph 5 of the Original Transaction. Party B covenants to pay the full amount of the Party B Unwind Fee on the Unwind Settlement Date from funds that are legally available for such purpose.

Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUD3U by executing this Confirmation and returning it to us promptly.

Best regards,

MORGAN STANLEY CAPITAL SERVICES INC.

By: _____

Name:
Title:


Fabrice Pilato
Authorized Signatory

ACKNOWLEDGED AND AGREED as of the date first written:

CITY OF ROSEVILLE

By: _____

Name:
Title:

Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUD3U by executing this Confirmation and returning it to us promptly.

Best regards,

MORGAN STANLEY CAPITAL SERVICES INC.

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED as of the date first written:

CITY OF ROSEVILLE

By: W. Craig Robinson
Name: W. Craig Robinson
Title: City Manager

Date:	May 9, 2008	EXECUTION COPY	
To:	City of Roseville	From:	Morgan Stanley Capital Services Inc.
Attn:	Russ Branson, Finance Director	Contact:	NY Deriv Client Services
Fax:	916-774-5514	Fax:	646-202-9134
Tel:	916-774-5320	Tel:	212-761-2996
		E-mail:	Municonfirms_In@morganstanley.com

Interest Rate Swap MSCS Ref. No. AUKGA

The purpose of this letter agreement is to confirm the terms and conditions of the Swap Transaction entered into between us on the Trade Date specified below (the "**Transaction**"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement below.

The definitions and provisions contained in the 2006 ISDA Definitions (as published by the International Swaps and Derivatives Association, Inc.) (the "**Definitions**") are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of December 13, 2002, as amended and supplemented from time to time (the "**Agreement**") between you and us. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Party A: Morgan Stanley Capital Services Inc.
Party B: City of Roseville
Trade Date: May 9, 2008
Notional Amount: USD 54,000,000, amortizing according to Schedule 1
Effective Date: May 13, 2008
Termination Date: February 1, 2035

Fixed Amounts:

Fixed Rate Payer: Party B
Fixed Rate Payer Payment Dates: The first calendar day of each month, commencing on June 1, 2008, up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.
Fixed Rate Payer Period End Dates: The first calendar day of each month, commencing on June 1, 2008, up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Fixed Rate: 3.321 %

Fixed Rate Day Count Fraction: 30/360

Floating Amounts:

Floating Rate Payer: Party A

Floating Rate Payer Payment Dates: The first calendar day of each month, commencing on June 1, 2008, up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate Payer Period End Dates: The first calendar day of each month, commencing on June 1, 2008, up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate Option: 70.5% (seventy and one-half percent) of USD-LIBOR-BBA, provided that the words "on the day that is two London Banking Days preceding that Reset Date" contained in the definitions of USD-LIBOR-BBA and USD-LIBOR-Reference Banks in Section 7.1 of the Definitions shall be replaced with "on the first day preceding that Floating Rate Reset Date that is a London Banking Day".

Designated Maturity: One month

Floating Rate Reset Dates: The Effective Date and thereafter each Tuesday up to and including the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.

Floating Rate Day Count Fraction: Actual/360

Compounding: Inapplicable

Method of Averaging: Weighted

Business Days: New York

Calculation Agent: Party A

3. Account Details.

Payments to Party A: Citibank, New York
ABA No. 0210-0008-9
For: Morgan Stanley Capital Services Inc.
Account No. 4072 4601

Payments to Party B: Bank of America
ABA No. 1210-0035-8
FBO: City of Roseville
Account No. 1499022028

Party A Operations Contact:

Municipal Operations
Tel: 410-534-1436
Fax: 410-522-5487
E-mail: MuniOperations@MorganStanley.com

Party B Operations Contact:

Russ Branson, Finance Director
Tel: 916-774-5320
Fax: 916-774-5514

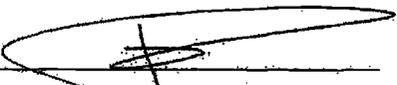
4. **Optional Early Termination.** Party B has the option to terminate this Transaction, in whole or in part (provided that no Event of Default, Potential Event of Default or Termination Event has occurred), by providing (i) at least five (5) Business Days' prior written notice to Party A of its election to terminate this Transaction and (ii) evidence reasonably satisfactory to Party A that any and all amounts owed to Party A in connection with such early termination shall be paid on the due date thereof (the effective date of such optional early termination, hereinafter the "**Optional Early Termination Date**"); provided, however, that the option to designate an Optional Early Termination Date under this Paragraph 5 shall not prevent either party from designating an Early Termination Date in accordance with the provisions of Section 6 of this Agreement (as a result of the occurrence of an Event of Default or Termination Event), to be effective on any date prior to the Optional Early Termination Date designated hereunder. Such termination shall constitute an Additional Termination Event under Section 6(e) of the Agreement with Party B as the sole Affected Party and this Transaction as the sole Affected Transaction. In the event of such termination, Party A shall determine the amount owed in connection with such termination using its commercially reasonable judgment. If Party B disagrees with such calculation, Party A shall seek actionable bids from Reference Market-makers consistent with the provisions of Section 6 of the Agreement. If Party A disagrees with such calculation, this Transaction shall not be unwound; but, Party B may assign this Transaction to any of the Reference Market-makers who provided a quote.

5. Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref.No. AUKGA by executing this Confirmation and returning it to us promptly.

We are delighted to have entered into this Transaction with you and look forward to serving you further in the future.

Best regards,

MORGAN STANLEY CAPITAL SERVICES INC.

By: 
Name: **Fabrice Filato**
Title: **Authorized Signatory**

ACKNOWLEDGED AND AGREED as of the date first written:

CITY OF ROSEVILLE

By: _____
Name:
Title:

5. Please confirm that the foregoing correctly sets forth the terms of our agreement MSCS Ref. No. AUKGA by executing this Confirmation and returning it to us promptly.

We are delighted to have entered into this Transaction with you and look forward to serving you further in the future.

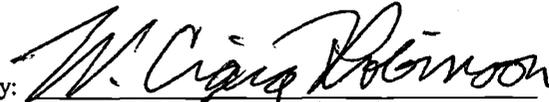
Best regards,

MORGAN STANLEY CAPITAL SERVICES INC.

By: _____
Name:
Title:

ACKNOWLEDGED AND AGREED as of the date first written:

CITY OF ROSEVILLE

By: 
Name: *W. Craig Robinson*
Title: *City Manager*

SCHEDULE 1
to Confirmation (MSCS Ref. No. AUKGA),
dated May 9, 2008
between Morgan Stanley Capital Services Inc.
and City of Roseville

**Amortizations shall occur on the Floating Rate Payer Period End Date
corresponding to each related date below.**

FROM (and including)	TO (but excluding)	NOTIONAL AMOUNT
Effective Date	1-Feb-2023	USD 54,000,000
1-Feb-2023	1-Feb-2024	51,075,000
1-Feb-2024	1-Feb-2025	47,655,000
1-Feb-2025	1-Feb-2026	44,100,000
1-Feb-2026	1-Feb-2027	40,410,000
1-Feb-2027	1-Feb-2028	36,570,000
1-Feb-2028	1-Feb-2029	32,595,000
1-Feb-2029	1-Feb-2030	28,455,000
1-Feb-2030	1-Feb-2031	24,150,000
1-Feb-2031	1-Feb-2032	19,680,000
1-Feb-2032	1-Feb-2033	15,045,000
1-Feb-2033	1-Feb-2034	10,215,000
1-Feb-2034	Termination Date	5,205,000

\$90,000,000
City of Roseville
Electric System Revenue Refunding Certificates of Participation
Series 2008A

CERTIFICATE OF SWAP PROVIDER

In connection with the issuance of \$90,000,000 principal amount of City of Roseville Revenue Refunding Certificates of Participation, Series 2008A (the "Certificates"), the City of Roseville, California (the "Issuer") has entered into an interest rate swap agreement dated May 9, 2008, with a notional principal amount of \$54,000,000 (the "Swap Agreement") with Morgan Stanley Capital Services Inc. (the "Swap Provider"). Under the terms of the Swap Agreement, the City will make level payments to the Swap Provider based on a fixed interest rate of 3.321% per annum with respect to the Swap Agreement (the "Fixed Rate") and will receive payments at a variable interest rate based on 70.5% of 1-month LIBOR (the "Floating Rate") all with reference to the same Notional Amount (initially, \$54,000,000). Actual interest due on the Certificates will be determined on the basis of a remarketing of the Certificates at par each week (the "Bond Interest Rate"). The Swap Provider negotiated the terms of the Swap Agreement with the Issuer and PFM Asset Management LLC, as swap advisor (the "Swap Advisor"); and, in its capacity as the counterparty on the Swap Agreement was responsible for offering the Issuer the Fixed Rate, which the Issuer accepted. In connection with the foregoing, the undersigned hereby certifies as follows:

- (i) The Swap Agreement was negotiated on an arm's length basis.
- (ii) Amounts paid or payable by the Issuer pursuant to the Swap Agreement do not include any payment for underwriting or other services unrelated to the Swap Provider's performance of its obligations under the Swap Agreement.
- (iii) No payments have been or are expected to be made by the Swap Provider to the Issuer or by the Issuer to the Swap Provider in connection with the Swap Agreement except as set forth in the Swap Agreement.
- (iv) The Fixed Rate that the Swap Provider offered was without regard to the fact that the Swap Agreement may be used by the Issuer to hedge a tax-exempt bond.
- (v) Neither the Swap Provider nor any affiliate of the Swap Provider has made or expects to make any payments to third parties for the benefit of the Issuer in connection with the Swap Agreement.
- (vi) The Swap Provider believes that the Fixed Rate is comparable to the fixed rate the Swap Provider would have quoted to other persons to enter into a reasonably comparable interest rate swap, if any, taking into full account the terms and conditions of the Swap, and with a counterparty similarly situated to the Issuer, including taxable business corporations and tax-exempt issuers, if any, taking into full account the security and sources of payment provided for payments to the Swap Provider, the risk profile of such counterparty, structuring, and other terms inherent under the Swap and market conditions at the time the parties entered into the Swap.

The certifications and the information set forth herein are provided for information purposes only, and, except as expressly set forth herein, are not intended for use by any third

party; the rates described in the certifications do not necessarily reflect the Swap Counterparty's internal bookkeeping or any single theoretical model-based valuation for the Swap Transaction, and in particular, certain factors, including, for example, the notional amount of a transaction, credit spreads, underlying volatility, costs of carry, use of capital and profit, may substantially affect the value of any specific transaction; and our conclusions may vary significantly from estimates available from other sources. The Swap Counterparty is certifying only as to facts in existence on the date hereof. Nothing herein represents the Swap Counterparty's interpretation of any laws; in particular the regulations under section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), or the application of any laws to these facts.

The undersigned understands that the Issuer may rely upon this certificate in making certain of the representations contained in a certificate the Issuer executes in connection with the issuance of the Certificates, and further understands that bond counsel may rely upon this certificate, among other things, in rendering its opinion with respect to the exclusion from gross income of the interest with respect to the Certificates pursuant to Section 103(a) of the Code. Nevertheless, the Swap Provider makes no representations as to the legal sufficiency of the information set forth in this certificate for purposes of complying with the Code or for any other purpose.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 13th day of May, 2008.

By:
Name:
Title:



Kevin R. Schwartz
Vice President



City Attorney
311 Vernon Street
Roseville, California 95678-2649

May 13, 2008

Morgan Stanley Capital Services Inc.
New York, New York

To Morgan Stanley Capital Services Inc.:

This opinion is furnished to you pursuant to the ISDA Master Agreement (including the Schedule thereto) dated as of December 13, 2002, as amended and supplemented by the Amendment to ISDA Master Agreement dated as of March 30, 2005, and the Confirmation dated May 9, 2008 and bearing reference number AUKGA (collectively, the "Agreement"), each by and between Morgan Stanley Capital Services Inc. and the City of Roseville (the "City"). Terms defined in the Agreement and used but not defined herein have the meanings given to them in the Agreement.

We have acted as counsel to City in connection with the preparation, execution and delivery of the Agreement. In that connection, I or my staff working under my supervision have examined such documents as we have deemed necessary or appropriate for the opinions expressed herein.

The opinions set forth herein are limited to the laws of the State of California and the federal laws of the United States.

Based on the foregoing and upon such investigations as we have deemed necessary, we are of the opinion that, subject, in the case of the opinions set forth in paragraph 4 below, to the qualifications set forth in the last paragraph of this opinion:

- (1) The City is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and has the corporate power and authority to execute and deliver, and to perform its obligations under, the Agreement.
- (2) The execution and delivery of the Agreement by the City and any other agreement which the City has executed and delivered pursuant thereto, and the performance of its obligations thereunder have been and remain duly authorized by all necessary action and do not contravene any provision of its certificate of incorporation or by-laws (or equivalent constitutional documents) or any law, regulation or contractual restriction binding on or affecting it or its property.
- (3) All consents, authorizations and approvals required for the execution and delivery by the City of the Agreement, and any other agreement which the City has executed and

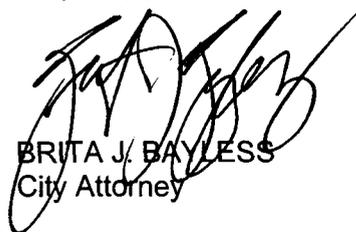
delivered pursuant thereto, and the performance of its obligations thereunder have been obtained and remain in full force and effect, all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with any governmental authority or regulatory body is required for such execution, delivery or performance.

(4) The Agreement, and any other agreement which the City has executed and delivered pursuant thereto, has been duly executed and delivered by the City and constitutes the legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law). We have assumed, for purposes of this paragraph 4, that the Agreement is governed by the substantive laws of the State of California.

(5) 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 to in any suit, action or proceedings relating to the Agreement, in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

The opinions set forth in paragraph 4 above are subject to the qualification that we express no opinion regarding the legality, validity, binding effect or enforceability of Section 6(e) of the Agreement insofar as it purports to obligate a party, on termination of the Agreement, to pay an amount in excess of that measured by the lowest quotation from a Reference Market-maker. In addition, in connection with any such early termination on the grounds of default, a court might limit the non-Defaulting Party's recovery to its actual damages in the circumstances, imposing its own settlement procedures in lieu of the provisions of Section 6(e) of the Agreement.

Very truly yours,



BRITA J. BAYLESS
City Attorney

JONES HALL

A PROFESSIONAL LAW CORPORATION

ATTORNEYS AT LAW

CHARLES F. ADAMS
ALISON J. BENGE
THOMAS A. DOWNEY
DAVID T. FAMA
SCOTT R. FERGUSON
ANDREW C. HALL, JR.
COURTNEY L. JONES
WILLIAM J. KADI
CHRISTOPHER K. LYNCH
WILLIAM H. MADISON
STEPHEN G. MELIKIAN
PETER J. NOVAK
DAVID A. WALTON
JULIE A. WUNDERLICH

650 CALIFORNIA STREET
EIGHTEENTH FLOOR
SAN FRANCISCO, CA 94108

TELEPHONE
(415) 391-5780
FACSIMILE
(415) 391-5784

KENNETH I. JONES, RETIRED

May 13, 2008

HOME PAGE: <http://www.joneshall.com>

Morgan Stanley Capital Services Inc.
New York, New York

Ladies and Gentlemen:

This opinion is furnished to you in connection with the ISDA Master Agreement (including the Schedule thereto) dated as of December 13, 2002, as amended and supplemented by the Amendment to ISDA Master Agreement dated as of March 30, 2005, each by and between the City of Roseville (the "City") and Morgan Stanley Capital Services Inc. (the "Counterparty") (collectively, the "Agreement"), and the Confirmation, dated May 9, 2008, and bearing reference number AUKGA of the transaction entered into on May 9, 2008 (the "Confirmation"), between the City and the Counterparty.

We have acted as bond counsel in connection with the delivery of the City's Electric System Revenue Refunding Certificates of Participation Series 2008A and execution and delivery of the Agreement and the Confirmation and in that capacity have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, resolutions and other instruments and have conducted such investigations of fact and law as we have deemed necessary or advisable for the opinions expressed herein. Capitalized terms used herein and not otherwise defined shall have the respective meanings given such terms in the hereinafter referenced Contract and that certain Trust Agreement between the Roseville Financing Authority and The Bank of New York Trust Company, N. A., as Trustee, to be dated as of May 1, 2008.

Upon the basis of the foregoing, we are of the opinion that:

1. The Agreement and the Confirmation have been duly authorized, executed and delivered by the City and constitute legal, valid, and binding obligations of the City enforceable against the City in accordance with their terms. We have assumed, for purposes of this paragraph, that the Agreement and the Confirmation are governed by the substantive laws of the State of California.

2. The City is not required to obtain any authorization, consent, approval, registration, exemption or license from, or to file any registration with, any governmental

authority as a condition to the validity of, or for the execution and delivery of, the Agreement or the Confirmation or to the performance by the City of its obligations thereunder.

3. The execution and delivery of the Agreement and the Confirmation and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a material breach of or default under the Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented by the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract, the 2005 Supplemental Contract and the 2008 Supplemental Contract (collectively, the "Contract").

4. The obligations of the City to make payments under the Agreement and the Confirmation are special, limited obligations payable solely from Net Revenues of the Electric System of the City (the "Net Revenues") on a parity with the Parity Obligations pursuant to the Contract (including the 1997 Certificates, the 1999 Certificates, the 2002 Certificates, 2004 Certificates, 2005 Certificates and the 2008 Certificates) and any additional Parity Obligations, except that the City's obligation to make any payment in connection with a termination of any Transaction as a result of the occurrence of an Event of Default or Termination Event under the Agreement or post any collateral are payable solely from Net Revenues on a basis that is subordinate to the payment of the City's Parity Obligations. Payments in connection with a termination are also payable from any posted collateral pledged to the Counterparty as a secured party pursuant to the terms of the Agreement.

With respect to the opinions expressed herein, the rights and obligations under the Agreement and the Confirmation are subject to, and may be limited by: (i) bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting the enforcement of creditors' rights generally, (ii) the application of equitable principles in law or at equity (including without limitation concepts of mutuality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief), (iv) the exercise of judicial discretion in appropriate cases, (v) the discretion of a court or other authority or body to invalidate or decline to enforce any right, remedy, or provision of the Agreement (including without limitation the termination payment provisions of the Agreement) determined by it to be a penalty and (vi) the limitations on legal remedies against public agencies in the State of California (including without limitation those referenced in California Code of Civil Procedure Sections 695.040, 695.050 and 712.070 and California Government Code Sections 900 through 985). In addition, we express no opinion with respect to any indemnification, contribution, forfeiture, set off (other than with respect to netting across Transactions as defined in the Agreement), late payment charge, choice of law, choice of forum or waiver provisions contained in the foregoing documents. In addition, in connection with any early termination, a court might limit recovery to actual damages in the circumstances, imposing its own settlement procedures in lieu of the provisions of Section 6(e) of the Agreement.

We have relied as to certain factual matters on information obtained from officers of the City and other sources believed by us to be responsible and we have assumed that the

signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

This opinion is limited to the laws of the State of California and the Federal laws of the United States. The opinions in this letter are expressed solely as of the date hereof for your benefit and for the benefit of your successors and permitted assigns under the Agreement and may not be relied upon in any manner or, for any purposes by any other person. By acceptance of this letter you recognize and acknowledge that no attorney-client relationship has existed between our firm and yourselves in connection with the Agreement by virtue of this letter. The opinions expressed herein are based on an analysis of existing laws, including Section 5922 of the California Government Code, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Hill", with a long horizontal flourish extending to the right.

A Professional Law Corporation

\$90,000,000
City of Roseville
Electric System Revenue Refunding Certificates of Participation
Series 2008A

CERTIFICATE OF SWAP ADVISOR

The undersigned, on behalf of PFM Asset Management LLC, as swap advisor (the "Swap Advisor") to the City of Roseville (the "City") in connection with the execution and delivery by the City of the captioned Certificates of Participation (the "2008A Certificates"), hereby states and certifies on behalf of the Swap Advisor as follows:

1. In order to reduce the risk of interest rate changes affecting the interest on the 2008A Certificates, the City has entered into an interest rate swap agreement dated May 9, 2008, with a notional principal amount of \$54,000,000 (the "Morgan Stanley Swap Agreement") with Morgan Stanley Capital Services Inc. ("Morgan Stanley"), and an interest rate swap agreement dated May 9, 2008, with a notional principal amount of \$36,000,000 (the "Bank of America Swap Agreement") with Bank of America, N.A. ("Bank of America"). Under the terms of the Morgan Stanley Swap Agreement and the Bank of America Swap Agreement (together the "Swap Agreements"), the City will make level payments to Morgan Stanley and Bank of America (together the "Swap Providers") based on a fixed interest rate of 3.321% per annum with respect to the Morgan Stanley Swap Agreement and a fixed interest rate of 3.364% per annum with respect to the Bank of America Swap Agreement (together the "Fixed Rates") and will receive payments at a variable interest rate based on 70.5% of 1-month LIBOR (the "Floating Rate"). In connection with the foregoing, the undersigned in its capacity as swap advisor hereby represents that it has expertise and experience with respect to swap transactions such as that represented by the Swap Agreements and hereby certifies as follows:

- (i) The Swap Agreements were negotiated on an arm's length basis.
- (ii) Amounts paid or payable by the City pursuant to the Swap Agreements do not include any payment for underwriting or other services unrelated to the Swap Providers' performance of their obligations under the Swap Agreements.
- (iii) No payments have been or are expected to be made by the Swap Providers to the City or by the City to the Swap Providers in connection with the Swap Agreement except as set forth in the Swap Agreements to the best of our knowledge.
- (iv) The Fixed Rates with respect to the Swap Agreements are arms-length market rates that could be had for similar credits under similar circumstances without regard to the fact that the Swap Agreements may be used by the City to hedge a tax-exempt bond.
- (v) The Swap Advisor believes that the Fixed Rates were each "On-Market Rates" as of the date and time that each of the Swap Agreements were executed. For purposes of this certificate, "On-Market Rate" means the rate that is comparable to the fixed rate that each Swap Provider would have quoted to other persons to enter into a reasonably comparable interest rate swap, if any, taking into full account the terms and conditions of the Swap Agreements, and with a counterparty similarly situated to the City, if any, taking into full account the security and sources of payment provided for payments to the Swap Providers,

the risk profile of such counterparty, structuring, and other terms inherent under the Swap Agreements and market conditions at the time the parties entered into the Swap Agreements.

- (vi) The Swap Advisor will receive a fee of \$55,000 solely for its services as swap advisor. Public Financial Management, Inc. ("PFM") is acting as financial advisor with respect to the 2008 Certificates. No portion of the fee that the Swap Advisor is receiving in its capacity as swap advisor includes payment for service with respect to financial advisory services provided by PFM with respect to the 2008 Certificates. The fee PFM is charging as financial advisor with respect to the 2008 Certificates would have been the same even if the Swap Advisor were not being compensated for services as swap advisor. The Swap Advisor has not made and does not expect to make any payments to third parties for the benefit of the City in connection with the Swap Agreements.
- (vii) We have examined the representations made by the Swap Providers in the Certificate of Swap Providers dated as of May 9, 2008, and we reasonably expect that the Floating Rate will, during the period that the Swap Agreements are in effect, be substantially similar to the actual rate of interest with respect to the 2008 Certificates and that the average spread over the life of the Swap Agreements, if any, between the Floating Rate and the Bond Interest Rate (the "Swap Spread") will not exceed 25 basis points. This expectation is predicated on historical market relationships and no assurance can be given that actual future results will conform to present expectations.
- (viii) Using the SIFMA Municipal Swap Index minus 0.10 % for the period April 13, 2005, through April 13, 2008 (the "Historical Period") compared to 70.5 % of one-month LIBOR for the same period produced an average difference between the two indexes of less than 0.25%.
- (ix) The SIFMA Municipal Swap Index minus 0.10% approximates the rates at which the 2008A Installment Payments would have been expected to reset as weekly variable rate demand obligations over the Historical Period.
- (x) As of the date of execution of the Swap Agreements (May 9, 2008), 70.5% of one-month LIBOR was 1.81% and the SIFMA Municipal Swap Index was 2.33% minus 0.10% which equals 2.23%. The difference between these two rates as of May 9, 2008 is in excess of .25%. Absent the current market disruptions, the interest rate for the Certificates on the Trade Date was expected to be within 0.25% of the Floating Rate.

2. The certifications and the information set forth herein are provided for information purposes only, and, except as expressly set forth herein, are not intended for use by any third party. The Swap Advisor is certifying only as to facts in existence on the date hereof. Nothing herein represents the Swap Advisor's interpretation of any laws; in particular the regulations under section 148 of the Internal Revenue Code of 1986, as amended (the "Code"), or the application of any laws to these facts.

The undersigned understands that the City may rely upon this certificate in making certain of the representations contained in a certificate the City executes in connection with the issuance of the 2008 Certificates, and further understands that Jones Hall a Professional Corporation as Bond Counsel may rely upon this certificate, among other things, in rendering its opinion with respect to the exclusion from gross income of the interest on the 2008 Certificates pursuant to Section 103(a) of the Code. Nevertheless, the Swap Advisor makes no representations as to the legal sufficiency of the information set forth in this certificate for purposes of complying with the Code or for any other purpose.

Dated: May 13, 2008

PFM ASSET MANAGEMENT LLC
as Swap Advisor

By: Jeffrey M. Pearsall

Name: Jeffrey M. Pearsall
Title: Managing Director

\$90,000,000
City of Roseville
Electric System Revenue
Certificates of Participation
(Auction Rate Securities)
Series 2005B

CERTIFICATE REGARDING SWAP TERMINATION FOR FINANCIAL GUARANTY
INSURANCE COMPANY

This certification is given in connection with (i) the International Swaps and Derivatives Association, Inc. Master Agreement, dated as of May 10, 2005 (the "Master Agreement"), between the City of Roseville (the "City") and Bear Stearns Financial Products Inc. (the "BSFP Counterparty"), as amended and supplemented by the Schedule to the Master Agreement dated as of May 10, 2005 between the City and the BSFP Counterparty (collectively, the "BSFP Schedule", and together with the Master Agreement, the "BSFP Agreement") and the Amended and Restated Confirmation, dated June 30, 2005, and bearing reference number FXNEC7020, of the transaction entered into on May 10, 2005, between the City and the BSFP Counterparty; and (ii) the International Swaps and Derivatives Association, Inc. Master Agreement, dated as of December 13, 2002 (the "MSCS Master Agreement"), between the City of Roseville (the "City") and Morgan Stanley Capital Services Inc. (the "MSCS Counterparty"), as amended and supplemented by the Amendment to the Master Agreement dated as of March 30, 2005, the Schedule thereto dated as of December 13, 2002 between the City and the MSCS Counterparty (collectively with the Master Agreement, the "MSCS Agreement") and the Amended and Restated Confirmation, dated June 30, 2005, and bearing reference number AUD3U, of the transaction entered into on May 10, 2005, between the City and the MSCS Counterparty.

The agreements set forth in the preceding paragraph (collectively the "2005 Swap Agreements") were executed in connection with a interest rate swap transaction with regard to the financing of certain improvements to the Electric System (the "Electric System") owned and operated by the City through the issuance of Electric System Certificates of Participation, Series 2005B (the "2005B Certificates").

The undersigned hereby states and certifies:

(i) that the undersigned is the duly appointed, qualified and acting Administrative Services Director/Treasurer of the City of Roseville, a charter city and municipal corporation duly organized and existing under the Constitution and laws of the State of California (the "City"), and as such, is familiar with the facts herein certified and is authorized and qualified to certify the same;

(ii) that the City expects to refund the 2005B Certificates on May 13, 2008 through the issuance of refunding certificates of participation (the "2008 Certificates") and in connection with the refunding of the 2005B Certificates, the 2005 Swap Agreements have been terminated

on May 9, 2008, for settlement on May 13, 2008, and a portion of the proceeds of the 2008 Certificates will be used to pay termination payments required under the 2005 Swap Agreements, such termination payments being estimated at \$1,590,000 ^(M) becoming due to BSFP Counterparty under the BSFP Agreement and \$2,272,000 ^(M) becoming due to MSCS Counterparty under the MSCS Agreement.

(iii) that in the event the 2008 Certificates do not close on May 13, 2008, the Electric System of the City has at least \$58.9 million in its Rate Stabilization Fund necessary to pay the termination payments.

(iv) that the payment of the termination payments will not cause the City to be in violation of the financing documents entered into with respect to the 2005B Certificates or the 2008 Certificates.

Dated: May 9, 2008

CITY OF ROSEVILLE

By: 
Russell C. Branson,
Administrative Services Director/Treasurer

BEAR STEARNS

BEAR STEARNS FINANCIAL PRODUCTS INC.
383 MADISON AVENUE
NEW YORK, NEW YORK 10179
(212) 272-4009

May 9, 2008

City of Roseville
Attention: Russell C. Branson
Finance Director
Telephone: (916) 774-5320
Facsimile: (916) 774-5514

Re: Transaction with Confirmation number FXNEC7020 between Bear Stearns Financial Products Inc. ("BSFP") and City of Roseville (the "Counterparty"), (the "Transaction").

Dear Mr. Branson:

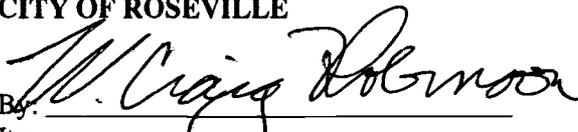
This letter is to confirm that on May 9, 2008 City of Roseville and BSFP agreed to terminate the above-referenced transaction (the "Transaction"). Each of the undersigned acknowledges and agrees that after Counterparty's payment of USD 1,590,000.00 on May 13, 2008 to BSFP in connection with the termination of this Transaction, all rights and obligations of the parties to the Transaction will have been satisfied and that no further payments or performance will be required under the Transaction.

BEAR STEARNS FINANCIAL PRODUCTS INC.

By: 
Its: _____

MICHAEL F. BELLACOSA
DPC MANAGER

Accepted and agreed to:
CITY OF ROSEVILLE

By: 
Its: CRAIG ROBINSON
CITY MANAGER

(Local Currency—Single Jurisdiction)

ISDA[®]

International Swap Dealers Association, Inc.

MASTER AGREEMENT

Dated as of May 1, 2008

BANK OF AMERICA, N.A.

and CITY OF ROSEVILLE

have entered and/or anticipate entering into one or more transactions (each a "Transaction") that are or will be governed by this Master Agreement, which includes the schedule (the "Schedule"), and the documents and other confirming evidence (each a "Confirmation") exchanged between the parties confirming those Transactions.

Accordingly, the parties agree as follows:—

1. Interpretation

- (a) **Definitions.** The terms defined in Section 12 and in the Schedule will have the meanings therein specified for the purpose of this Master Agreement.
- (b) **Inconsistency.** In the event of any inconsistency between the provisions of the Schedule and the other provisions of this Master Agreement, the Schedule will prevail. In the event of any inconsistency between the provisions of any Confirmation and this Master Agreement (including the Schedule), such Confirmation will prevail for the purpose of the relevant Transaction.
- (c) **Single Agreement.** All Transactions are entered into in reliance on the fact that this Master Agreement and all Confirmations form a single agreement between the parties (collectively referred to as this "Agreement"), and the parties would not otherwise enter into any Transactions.

2. Obligations

(a) General Conditions.

- (i) Each party will make each payment or delivery specified in each Confirmation to be made by it, subject to the other provisions of this Agreement.
- (ii) Payments under this Agreement will be made on the due date for value on that date in the place of the account specified in the relevant Confirmation or otherwise pursuant to this Agreement, in freely transferable funds and in the manner customary for payments in the required currency. Where settlement is by delivery (that is, other than by payment), such delivery will be made for receipt on the due date in the manner customary for the relevant obligation unless otherwise specified in the relevant Confirmation or elsewhere in this Agreement.
- (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default or Potential Event of Default with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Change of Account.** Either party may change its account for receiving a payment or delivery by giving notice to the other party at least five Local Business Days prior to the scheduled date for the payment or delivery to which such change applies unless such other party gives timely notice of a reasonable objection to such change.

(c) **Netting.** If on any date amounts would otherwise be payable:—

- (i) in the same currency; and
- (ii) in respect of the same Transaction,

by each party to the other, then, on such date, each party's obligation to make payment of any such amount will be automatically satisfied and discharged and, if the aggregate amount that would otherwise have been payable by one party exceeds the aggregate amount that would otherwise have been payable by the other party, replaced by an obligation upon the party by whom the larger aggregate amount would have been payable to pay to the other party the excess of the larger aggregate amount over the smaller aggregate amount.

The parties may elect in respect of two or more Transactions that a net amount will be determined in respect of all amounts payable on the same date in the same currency in respect of such Transactions, regardless of whether such amounts are payable in respect of the same Transaction. The election may be made in the Schedule or a Confirmation by specifying that subparagraph (ii) above will not apply to the Transactions identified as being subject to the election, together with the starting date (in which case subparagraph (ii) above will not, or will cease to, apply to such Transactions from such date). This election may be made separately for different groups of Transactions and will apply separately to each pairing of branches or offices through which the parties make and receive payments or deliveries.

(d) **Default Interest; Other Amounts.** Prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party that defaults in the performance of any payment obligation will, to the extent permitted by law and subject to Section 6(c), be required to pay interest (before as well as after judgment) on the overdue amount to the other party on demand in the same currency as such overdue amount, for the period from (and including) the original due date for payment to (but excluding) the date of actual payment, at the Default Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed. If, prior to the occurrence or effective designation of an Early Termination Date in respect of the relevant Transaction, a party defaults in the performance of any obligation required to be settled by delivery, it will compensate the other party on demand if and to the extent provided for in the relevant Confirmation or elsewhere in this Agreement.

3. Representations

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into) that:—

(a) **Basic Representations.**

- (i) **Status.** It is duly organised and validly existing under the laws of the jurisdiction of its organisation or incorporation and, if relevant under such laws, in good standing;
- (ii) **Powers.** It has the power to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party and has taken all necessary action to authorise such execution, delivery and performance;
- (iii) **No Violation or Conflict.** Such execution, delivery and performance do not violate or conflict with any law applicable to it, any provision of its constitutional documents, any order or judgment of any court or other agency of government applicable to it or any of its assets or any contractual restriction binding on or affecting it or any of its assets;

(iv) **Consents.** All governmental and other consents that are required to have been obtained by it with respect to this Agreement or any Credit Support Document to which it is a party have been obtained and are in full force and effect and all conditions of any such consents have been complied with; and

(v) **Obligations Binding.** Its obligations under this Agreement and any Credit Support Document to which it is a party constitute its legal, valid and binding obligations, enforceable in accordance with their respective terms (subject to applicable bankruptcy, reorganisation, insolvency, moratorium or similar laws affecting creditors' rights generally and subject, as to enforceability, to equitable principles of general application (regardless of whether enforcement is sought in a proceeding in equity or at law)).

(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.

(c) **Absence of Litigation.** There is not pending or, to its knowledge, threatened against it or any of its Affiliates any action, suit or proceeding at law or in equity or before any court, tribunal, governmental body, agency or official or any arbitrator that is likely to affect the legality, validity or enforceability against it of this Agreement or any Credit Support Document to which it is a party or its ability to perform its obligations under this Agreement or such Credit Support Document.

(d) **Accuracy of Specified Information.** All applicable information that is furnished in writing by or on behalf of it to the other party and is identified for the purpose of this Section 3(d) in the Schedule is, as of the date of the information, true, accurate and complete in every material respect.

4. Agreements

Each party agrees with the other that, so long as either party has or may have any obligation under this Agreement or under any Credit Support Document to which it is a party:—

(a) **Furnish Specified Information.** It will deliver to the other party any forms, documents or certificates specified in the Schedule or any Confirmation by the date specified in the Schedule or such Confirmation or, if none is specified, as soon as reasonably practicable.

(b) **Maintain Authorisations.** It will use all reasonable efforts to maintain in full force and effect all consents of any governmental or other authority that are required to be obtained by it with respect to this Agreement or any Credit Support Document to which it is a party and will use all reasonable efforts to obtain any that may become necessary in the future.

(c) **Comply with Laws.** It will comply in all material respects with all applicable laws and orders to which it may be subject if failure so to comply would materially impair its ability to perform its obligations under this Agreement or any Credit Support Document to which it is a party.

5. Events of Default and Termination Events

(a) **Events of Default.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any of the following events constitutes an event of default (an "Event of Default") with respect to such party:—

(i) **Failure to Pay or Deliver.** Failure by the party to make, when due, any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) required to be made by it if such failure is not remedied on or before the third Local Business Day after notice of such failure is given to the party;

(ii) **Breach of Agreement.** Failure by the party to comply with or perform any agreement or obligation (other than an obligation to make any payment under this Agreement or delivery under Section 2(a)(i) or 2(d) or to give notice of a Termination Event) to be complied with or performed

by the party in accordance with this Agreement if such failure is not remedied on or before the thirtieth day after notice of such failure is given to the party;

(iii) **Credit Support Default.**

(1) Failure by the party or any Credit Support Provider of such party to comply with or perform any agreement or obligation to be complied with or performed by it in accordance with any Credit Support Document if such failure is continuing after any applicable grace period has elapsed;

(2) the expiration or termination of such Credit Support Document or the failing or ceasing of such Credit Support Document to be in full force and effect for the purpose of this Agreement (in either case other than in accordance with its terms) prior to the satisfaction of all obligations of such party under each Transaction to which such Credit Support Document relates without the written consent of the other party; or

(3) the party or such Credit Support Provider disaffirms, disclaims, repudiates or rejects, in whole or in part, or challenges the validity of, such Credit Support Document;

(iv) **Misrepresentation.** A representation made or repeated or deemed to have been made or repeated by the party or any Credit Support Provider of such party in this Agreement or any Credit Support Document proves to have been incorrect or misleading in any material respect when made or repeated or deemed to have been made or repeated;

(v) **Default under Specified Transaction.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party (1) defaults under a Specified Transaction and, after giving effect to any applicable notice requirement or grace period, there occurs a liquidation of, an acceleration of obligations under, or an early termination of, that Specified Transaction, (2) defaults, after giving effect to any applicable notice requirement or grace period, in making any payment or delivery due on the last payment, delivery or exchange date of, or any payment on early termination of, a Specified Transaction (or such default continues for at least three Local Business Days if there is no applicable notice requirement or grace period) or (3) disaffirms, disclaims, repudiates or rejects, in whole or in part, a Specified Transaction (or such action is taken by any person or entity appointed or empowered to operate it or act on its behalf);

(vi) **Cross Default.** If "Cross Default" is specified in the Schedule as applying to the party, the occurrence or existence of (1) a default, event of default or other similar condition or event (however described) in respect of such party, any Credit Support Provider of such party or any applicable Specified Entity of such party under one or more agreements or instruments relating to Specified Indebtedness of any of them (individually or collectively) in an aggregate amount of not less than the applicable Threshold Amount (as specified in the Schedule) which has resulted in such Specified Indebtedness becoming, or becoming capable at such time of being declared, due and payable under such agreements or instruments, before it would otherwise have been due and payable or (2) a default by such party, such Credit Support Provider or such Specified Entity (individually or collectively) in making one or more payments on the due date thereof in an aggregate amount of not less than the applicable Threshold Amount under such agreements or instruments (after giving effect to any applicable notice requirement or grace period);

(vii) **Bankruptcy.** The party, any Credit Support Provider of such party or any applicable Specified Entity of such party:—

(1) is dissolved (other than pursuant to a consolidation, amalgamation or merger); (2) becomes insolvent or is unable to pay its debts or fails or admits in writing its inability generally to pay its debts as they become due; (3) makes a general assignment, arrangement or composition with or for the benefit of its creditors; (4) institutes or has instituted against it a proceeding seeking a judgment of insolvency or bankruptcy or any other relief under any bankruptcy or insolvency law or other similar law affecting creditors' rights, or a petition is presented for its

winding-up or liquidation, and, in the case of any such proceeding or petition instituted or presented against it, such proceeding or petition (A) results in a judgment of insolvency or bankruptcy or the entry of an order for relief or the making of an order for its winding-up or liquidation or (B) is not dismissed, discharged, stayed or restrained in each case within 30 days of the institution or presentation thereof; (5) has a resolution passed for its winding-up, official management or liquidation (other than pursuant to a consolidation, amalgamation or merger); (6) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets; (7) has a secured party take possession of all or substantially all its assets or has a distress, execution, attachment, sequestration or other legal process levied enforced or sued on or against all or substantially all its assets and such secured party maintains possession, or any such process is not dismissed, discharged, stayed or restrained, in each case within 30 days thereafter; (8) causes or is subject to any event with respect to it which, under the applicable laws of any jurisdiction, has an analogous effect to any of the events specified in clauses (1) to (7) (inclusive); or (9) takes any action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the foregoing acts; or

(viii) **Merger Without Assumption.** The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and, at the time of such consolidation, amalgamation, merger or transfer:—

(1) the resulting, surviving or transferee entity fails to assume all the obligations of such party or such Credit Support Provider under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement; or

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving or transferee entity of its obligations under this Agreement.

(b) **Termination Events.** The occurrence at any time with respect to a party or, if applicable, any Credit Support Provider of such party or any Specified Entity of such party of any event specified below constitutes an Illegality if the event is specified in (i) below, and, if specified to be applicable, a Credit Event Upon Merger if the event is specified pursuant to (ii) below or an Additional Termination Event if the event is specified pursuant to (iii) below:—

(i) **Illegality.** Due to the adoption of, or any change in, any applicable law after the date on which a Transaction is entered into, or due to the promulgation of, or any change in, the interpretation by any court tribunal or regulatory authority with competent jurisdiction of any applicable law after such date, it becomes unlawful (other than as a result of a breach by the party of Section 4(b)) for such party (which will be the Affected Party):—

(1) to perform any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of such Transaction or to comply with any other material provision of this Agreement relating to such Transaction; or

(2) to perform, or for any Credit Support Provider of such party to perform, any contingent or other obligation which the party (or such Credit Support Provider) has under any Credit Support Document relating to such Transaction;

(ii) **Credit Event Upon Merger.** If "Credit Event Upon Merger" is specified in the Schedule as applying to the party, such party ("X"), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets to, another entity and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of the resulting, surviving or transferee entity is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action (and, in such event, X or its successor or transferee, as appropriate, will be the Affected Party); or

(iii) **Additional Termination Event.** If any "Additional Termination Event" is specified in the Schedule or any Confirmation as applying, the occurrence of such event (and, in such event, the Affected Party or Affected Parties shall be as specified for such Additional Termination Event in the Schedule or such Confirmation).

(c) **Event of Default and Illegality.** If an event or circumstance which would otherwise constitute or give rise to an Event of Default also constitutes an Illegality, it will be treated as an Illegality and will not constitute an Event of Default.

6. Early Termination

(a) **Right to Terminate Following Event of Default.** If at any time an Event of Default with respect to a party (the "Defaulting Party") has occurred and is then continuing, the other party (the "Non-defaulting Party") may, by not more than 20 days notice to the Defaulting Party specifying the relevant Event of Default, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all outstanding Transactions. If, however, "Automatic Early Termination" is specified in the Schedule as applying to a party, then an Early Termination Date in respect of all outstanding Transactions will occur immediately upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(1), (3), (5), (6) or, to the extent analogous thereto, (8), and as of the time immediately preceding the institution of the relevant proceeding or the presentation of the relevant petition upon the occurrence with respect to such party of an Event of Default specified in Section 5(a)(vii)(4) or, to the extent analogous thereto, (8).

(b) **Right to Terminate Following Termination Event.**

(i) **Notice.** If a Termination Event occurs, an Affected Party will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Termination Event and each Affected Transaction and will also give such other information about that Termination Event as the other party may reasonably require.

(ii) **Two Affected Parties.** If an Illegality under section 5(b)(i)(1) occurs and there are two Affected Parties, each party will use all reasonable efforts to reach agreement within 30 days after notice thereof is given under Section 6(b)(i) on action to avoid that Termination Event.

(iii) **Right to Terminate. If:—**

(1) an agreement under Section 6(b)(ii) has not been effected with respect to all Affected Transactions within 30 days after an Affected Party gives notice under Section 6(b)(i); or

(2) an Illegality other than that referred to in Section 6(b)(ii), a Credit Event Upon Merger or an Additional Termination Event occurs,

either party in the case of an Illegality, any Affected Party in the case of an Additional Termination Event if there is more than one Affected Party, or the party which is not the Affected Party in the case of a Credit Event Upon Merger or an Additional Termination Event if there is only one Affected Party may, by not more than 20 days notice to the other party and provided that the relevant Termination Event is then continuing, designate a day not earlier than the day such notice is effective as an Early Termination Date in respect of all Affected Transactions.

(c) **Effect of Designation.**

(i) If notice designating an Early Termination Date is given under Section 6(a) or (b), the Early Termination Date will occur on the date so designated, whether or not the relevant Event of Default or Termination Event is then continuing.

(ii) Upon the occurrence or effective designation of an Early Termination Date, no further payments or deliveries under Section 2(a)(i) or 2(d) in respect of the Terminated Transactions will be required to be made, but without prejudice to the other provisions of this Agreement. The amount, if any, payable in respect of an Early Termination Date shall be determined pursuant to Section 6(e).

(d) **Calculations.**

(i) **Statement.** On or as soon as reasonably practicable following the occurrence of an Early Termination Date, each party will make the calculations on its part, if any, contemplated by Section 6(e) and will provide to the other party a statement (1) showing, in reasonable detail, such calculations (including all relevant quotations and specifying any amount payable under Section 6(e)) and (2) giving details of the relevant account to which any amount payable to it is to be paid. In the absence of written confirmation from the source of a quotation obtained in determining a Market Quotation, the records of the party obtaining such quotation will be conclusive evidence of the existence and accuracy of such quotation.

(ii) **Payment Date.** An amount calculated as being due in respect of any Early Termination Date under Section 6(e) will be payable on the day that notice of the amount payable is effective (in the case of an Early Termination Date which is designated or occurs as a result of an Event of Default) and on the day which is two Local Business Days after the day on which notice of the amount payable is effective (in the case of an Early Termination Date which is designated as a result of a Termination Event). Such amount will be paid together with (to the extent permitted under applicable law) interest thereon (before as well as after judgment), from (and including) the relevant Early Termination Date to (but excluding) the date such amount is paid, at the Applicable Rate. Such interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(e) **Payments on Early Termination.** If an Early Termination Date occurs, the following provisions shall apply based on the parties' election in the Schedule of a payment measure, either "Market Quotation" or "Loss", and a payment method, either the "First Method" or the "Second Method". If the parties fail to designate a payment measure or payment method in the Schedule, it will be deemed that "Market Quotation" or the "Second Method", as the case may be, shall apply. The amount, if any, payable in respect of an Early Termination Date and determined pursuant to this Section will be subject to any Set-off.

(i) **Events of Default.** If the Early Termination Date results from an Event of Default:—

(1) **First Method and Market Quotation.** If the First Method and Market Quotation apply, the Defaulting Party will pay to the Non-defaulting Party the excess, if a positive number, of (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party over (B) the Unpaid Amounts owing to the Defaulting Party.

(2) **First Method and Loss.** If the First Method and Loss apply, the Defaulting Party will pay to the Non-defaulting Party, if a positive number, the Non-defaulting Party's Loss in respect of this Agreement.

(3) **Second Method and Market Quotation.** If the Second Method and Market Quotation apply, an amount will be payable equal to (A) the sum of the Settlement Amount (determined by the Non-defaulting Party) in respect of the Terminated Transactions and the Unpaid Amounts owing to the Non-defaulting Party less (B) the Unpaid Amounts owing to the Defaulting Party. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(4) **Second Method and Loss.** If the Second Method and Loss apply, an amount will be payable equal to the Non-defaulting Party's Loss in respect of this Agreement. If that amount is a positive number, the Defaulting Party will pay it to the Non-defaulting Party; if it is a negative

number, the Non-defaulting Party will pay the absolute value of that amount to the Defaulting Party.

(ii) **Termination Events.** If the Early Termination Date results from a Termination Event:—

(1) *One Affected Party.* If there is one Affected Party, the amount payable will be determined in accordance with Section 6(e)(i)(3), if Market Quotation applies, or Section 6(e)(i)(4), if Loss applies, except that, in either case, references to the Defaulting Party and to the Non-defaulting Party will be deemed to be references to the Affected Party and the party which is not the Affected Party, respectively, and, if Loss applies and fewer than all the Transactions are being terminated, Loss shall be calculated in respect of all Terminated Transactions.

(2) *Two Affected Parties.* If there are two Affected Parties:—

(A) if Market Quotation applies, each party will determine a Settlement Amount in respect of the Terminated Transactions, and an amount will be payable equal to (I) the sum of (a) one-half of the difference between the Settlement Amount of the party with the higher Settlement Amount ("X") and the Settlement Amount of the party with the lower Settlement Amount ("Y") and (b) the Unpaid Amounts owing to X less (II) the Unpaid Amounts owing to Y; and

(B) if Loss applies, each party will determine its Loss in respect of this Agreement (or, if fewer than all the Transactions are being terminated, in respect of all Terminated Transactions) and an amount will be payable equal to one-half of the difference between the Loss of the party with the higher Loss ("X") and the Loss of the party with the lower Loss ("Y").

If the amount payable is a positive number, Y will pay it to X; if it is a negative number, X will pay the absolute value of that amount to Y.

(iii) *Adjustment for Bankruptcy.* In circumstances where an Early Termination Date occurs because "Automatic Early Termination" applies in respect of a party, the amount determined under this Section 6(e) will be subject to such adjustments as are appropriate and permitted by law to reflect any payments or deliveries made by one party to the other under this Agreement (and retained by such other party) during the period from the relevant Early Termination Date to the date for payment determined under Section 6(d)(ii).

(iv) *Pre-Estimate.* The parties agree that if Market Quotation applies an amount recoverable under this Section 6(e) is a reasonable pre-estimate of loss and not a penalty. Such amount is payable for the loss of bargain and the loss of protection against future risks and except as otherwise provided in this Agreement neither party will be entitled to recover any additional damages as a consequence of such losses.

7. Transfer

Neither this Agreement nor any interest or obligation in or under this Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party, except that:—

(a) a party may make such a transfer of this Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under this Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a Defaulting Party under Section 6(e).

Any purported transfer that is not in compliance with this Section will be void.

8. Miscellaneous

- (a) **Entire Agreement.** This Agreement constitutes the entire agreement and understanding of the parties with respect to its subject matter and supersedes all oral communication and prior writings with respect thereto.
- (b) **Amendments.** No amendment, modification or waiver in respect of this Agreement will be effective unless in writing (including a writing evidenced by a facsimile transmission) and executed by each of the parties or confirmed by an exchange of telexes or electronic messages on an electronic messaging system.
- (c) **Survival of Obligations.** Without prejudice to Sections 2(a)(iii) and 6(c)(ii), the obligations of the parties under this Agreement will survive the termination of any Transaction.
- (d) **Remedies Cumulative.** Except as provided in this Agreement, the rights, powers, remedies and privileges provided in this Agreement are cumulative and not exclusive of any rights, powers, remedies and privileges provided by law.
- (e) **Counterparts and Confirmations.**
- (i) This Agreement (and each amendment, modification and waiver in respect of it) may be executed and delivered in counterparts (including by facsimile transmission), each of which will be deemed an original.
 - (ii) The parties intend that they are legally bound by the terms of each Transaction from the moment they agree to those terms (whether orally or otherwise). A Confirmation shall be entered into as soon as practicable and may be executed and delivered in counterparts (including by facsimile transmission) or be created by an exchange of telexes or by an exchange of electronic messages on an electronic messaging system, which in each case will be sufficient for all purposes to evidence a binding supplement to this Agreement. The parties will specify therein or through another effective means that any such counterpart, telex or electronic message constitutes a Confirmation.
- (f) **No Waiver of Rights.** A failure or delay in exercising any right, power or privilege in respect of this Agreement will not be presumed to operate as a waiver, and a single or partial exercise of any right, power or privilege will not be presumed to preclude any subsequent or further exercise, of that right, power or privilege or the exercise of any other right, power or privilege.
- (g) **Headings.** The headings used in this Agreement are for convenience of reference only and are not to affect the construction of or to be taken into consideration in interpreting this Agreement.

9. Expenses

A Defaulting Party will, on demand, indemnify and hold harmless the other party for and against all reasonable out-of-pocket expenses, including legal fees, incurred by such other party by reason of the enforcement and protection of its rights under this Agreement or any Credit Support Document to which the Defaulting Party is a party or by reason of the early termination of any Transaction, including, but not limited to, costs of collection.

10. Notices

(a) **Effectiveness.** Any notice or other communication in respect of this Agreement may be given in any manner set forth below (except that a notice or other communication under Section 5 or 6 may not be given by facsimile transmission or electronic messaging system) to the address or number or in accordance with the electronic messaging system details provided (see the Schedule) and will be deemed effective as indicated:—

- (i) if in writing and delivered in person or by courier, on the date it is delivered;
- (ii) if sent by telex, on the date the recipient's answerback is received;

(iii) if sent by facsimile transmission, on the date that transmission is received by a responsible employee of the recipient in legible form (it being agreed that the burden of proving receipt will be on the sender and will not be met by a transmission report generated by the sender's facsimile machine);

(iv) if sent by certified or registered mail (airmail, if overseas) or the equivalent (return receipt requested), on the date that mail is delivered or its delivery is attempted; or

(v) if sent by electronic messaging system, on the date that electronic message is received,

unless the date of that delivery (or attempted delivery) or that receipt, as applicable, is not a Local Business Day or that communication is delivered (or attempted) or received, as applicable, after the close of business on a Local Business Day, in which case that communication shall be deemed given and effective on the first following day that is a Local Business Day.

(b) **Change of Addresses.** Either party may by notice to the other change the address, telex or facsimile number or electronic messaging system details at which notices or other communications are to be given to it.

11. Governing Law and Jurisdiction

(a) **Governing Law.** This Agreement will be governed by and construed in accordance with the law specified in the Schedule.

(b) **Jurisdiction.** With respect to any suit, action or proceedings relating to this Agreement ("Proceedings"), each party irrevocably:—

(i) submits to the jurisdiction of the English courts, if this Agreement is expressed to be governed by English law, or to the non-exclusive jurisdiction of the courts of the State of New York and the United States District Court located in the Borough of Manhattan in New York City, if this Agreement is expressed to be governed by the laws of the State of New York; and

(ii) waives any objection which it may have at any time to the laying of venue of any Proceedings brought in any such court, waives any claim that such Proceedings have been brought in an inconvenient forum and further waives the right to object, with respect to such Proceedings, that such court does not have any jurisdiction over such party.

Nothing in this Agreement precludes either party from bringing Proceedings in any other jurisdiction (outside, if this Agreement is expressed to be governed by English law, the Contracting States, as defined in Section 1(3) of the Civil Jurisdiction and Judgments Act 1982 or any modification, extension or re-enactment thereof for the time being in force) nor will the bringing of Proceedings in any one or more jurisdictions preclude the bringing of Proceedings in any other jurisdiction.

(c) **Waiver of Immunities.** Each party 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 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 agrees, to the extent permitted by applicable law, that it will not claim any such immunity in any Proceedings.

12. Definitions

As used in this Agreement:—

"**Additional Termination Event**" has the meaning specified in Section 5(b).

"**Affected Party**" has the meaning specified in Section 5(b).

"Affected Transactions" means (a) with respect to any Termination Event consisting of an Illegality, all Transactions affected by the occurrence of such Termination Event and (b) with respect to any other Termination Event, all Transactions.

"Affiliate" means, subject to the Schedule, in relation to any person, any entity controlled, directly or indirectly, by the person, any entity that controls, directly or indirectly, the person or any entity directly or indirectly under common control with the person. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person.

"Applicable Rate" means:—

- (a) in respect of obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Defaulting Party, the Default Rate;
- (b) in respect of an obligation to pay an amount under Section 6(e) of either party from and after the date (determined in accordance with Section 6(d)(ii)) on which that amount is payable, the Default Rate;
- (c) in respect of all other obligations payable or deliverable (or which would have been but for Section 2(a)(iii)) by a Non-defaulting Party, the Non-default Rate; and
- (d) in all other cases, the Termination Rate.

"consent" includes a consent, approval, action, authorisation, exemption, notice, filing, registration or exchange control consent.

"Credit Event Upon Merger" has the meaning specified in Section 5(b).

"Credit Support Document" means any agreement or instrument that is specified as such in this Agreement.

"Credit Support Provider" has the meaning specified in the Schedule.

"Default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the relevant payee (as certified by it) if it were to fund or of funding the relevant amount plus 1% per annum.

"Defaulting Party" has the meaning specified in Section 6(a).

"Early Termination Date" means the date determined in accordance with Section 6(a) or 6(b)(iii).

"Event of Default" has the meaning specified in Section 5(a) and, if applicable, in the Schedule.

"Illegality" has the meaning specified in Section 5(b).

"law" includes any treaty, law, rule or regulation and **"lawful"** and **"unlawful"** will be construed accordingly.

"Local Business Day" means, subject to the Schedule, a day on which commercial banks are open for business (including dealings in foreign exchange and foreign currency deposits) (a) in relation to any obligation under Section 2(a)(i), in the place(s) specified in the relevant Confirmation or, if not so specified, as otherwise agreed by the parties in writing or determined pursuant to provisions contained, or incorporated by reference, in this Agreement, (b) in relation to any other payment, in the place where the relevant account is located, (c) in relation to any notice or other communication, including notice contemplated under Section 5(a)(i), in the city specified in the address for notice provided by the recipient and, in the case of a notice contemplated by Section 2(b), in the place where the relevant new account is to be located and (d) in relation to Section 5(a)(v)(2), in the relevant locations for performance with respect to such Specified Transaction.

"Loss" means, with respect to this Agreement or one or more Terminated Transactions, as the case may be, and a party, an amount that party reasonably determines in good faith to be its total losses and costs (or gain, in which case expressed as a negative number) in connection with this Agreement or that Terminated Transaction or group of Terminated Transactions, as the case may be, including any loss of bargain, cost of funding or, at the election of such party but without duplication, loss or cost incurred as a result of its terminating, liquidating, obtaining or reestablishing any hedge or related trading position (or any gain

resulting from any of them). Loss includes losses and costs (or gains) in respect of any payment or delivery required to have been made (assuming satisfaction of each applicable condition precedent) on or before the relevant Early Termination Date and not made, except, so as to avoid duplication, if Section 6(e)(i)(1) or (3) or 6(e)(ii)(2)(A) applies. Loss does not include a party's legal fees and out-of-pocket expenses referred to under Section 9. A party will determine its Loss as of the relevant Early Termination Date, or, if that is not reasonably practicable, as of the earliest date thereafter as is reasonably practicable. A party may (but need not) determine its Loss by reference to quotations of relevant rates or prices from one or more leading dealers in the relevant markets.

"Market Quotation" means, with respect to one or more Terminated Transactions and a party making the determination, an amount determined on the basis of quotations from Reference Market-makers. Each quotation will be for an amount, if any, that would be paid to such party (expressed as a negative number) or by such party (expressed as a positive number) in consideration of an agreement between such party (taking into account any existing Credit Support Document with respect to the obligations of such party) and the quoting Reference Market-maker to enter into a transaction (the "Replacement Transaction") that would have the effect of preserving for such party the economic equivalent of any payment or delivery (whether the underlying obligation was absolute or contingent and assuming the satisfaction of each applicable condition precedent) by the parties under Section 2(a)(i) in respect of such Terminated Transaction or group of Terminated Transactions that would, but for the occurrence of the relevant Early Termination Date, have been required after that date. For this purpose, Unpaid Amounts in respect of the Terminated Transaction or group of Terminated Transactions are to be excluded but, without limitation, any payment or delivery that would, but for the relevant Early Termination Date, have been required (assuming satisfaction of each applicable condition precedent) after that Early Termination Date is to be included. The Replacement Transaction would be subject to such documentation as such party and the Reference Market-maker may, in good faith, agree. The party making the determination (or its agent) will request each Reference Market-maker to provide its quotation to the extent reasonably practicable as of the same day and time (without regard to different time zones) on or as soon as reasonably practicable after the relevant Early Termination Date. The day and time as of which those quotations are to be obtained will be selected in good faith by the party obliged to make a determination under Section 6(e), and, if each party is so obliged, after consultation with the other. If more than three quotations are provided, the Market Quotation will be the arithmetic mean of the quotations, without regard to the quotations having the highest and lowest values. If exactly three such quotations are provided, the Market Quotation will be the quotation remaining after disregarding the highest and lowest quotations. For this purpose, if more than one quotation has the same highest value or lowest value, then one of such quotations shall be disregarded. If fewer than three quotations are provided, it will be deemed that the Market Quotation in respect of such Terminated Transaction or group of Terminated Transactions cannot be determined.

"Non-default Rate" means a rate per annum equal to the cost (without proof or evidence of any actual cost) to the Non-defaulting Party (as certified by it) if it were to fund the relevant amount.

"Non-defaulting Party" has the meaning specified in Section 6(a).

"Potential Event of Default" means any event which, with the giving of notice or the lapse of time or both, would constitute an Event of Default.

"Reference Market-makers" means four leading dealers in the relevant market selected by the party determining a Market Quotation in good faith (a) from among dealers of the highest credit standing which satisfy all the criteria that such party applies generally at the time in deciding whether to offer or to make an extension of credit and (b) to the extent practicable, from among such dealers having an office in the same city.

"Scheduled Payment Date" means a date on which a payment or delivery is to be made under Section 2(a)(i) with respect to a Transaction.

"Set-off" means set-off, offset, combination of accounts, right of retention or withholding or similar right or requirement to which the payer of an amount under Section 6 is entitled or subject (whether arising under

this Agreement, another contract, applicable law or otherwise) that is exercised by, or imposed on, such payer.

"Settlement Amount" means, with respect to a party and any Early Termination Date, the sum of:—

- (a) the Market Quotations (whether positive or negative) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation is determined; and
- (b) such party's Loss (whether positive or negative and without reference to any Unpaid Amounts) for each Terminated Transaction or group of Terminated Transactions for which a Market Quotation cannot be determined or would not (in the reasonable belief of the party making the determination) produce a commercially reasonable result.

"Specified Entity" has the meaning specified in the Schedule.

"Specified Indebtedness" means, subject to the Schedule, any obligation (whether present or future, contingent or otherwise, as principal or surety or otherwise) in respect of borrowed money.

"Specified Transaction" means, subject to the Schedule, (a) any transaction (including an agreement with respect thereto) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such other party or any applicable Specified Entity of such other party) which is a rate swap transaction, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, currency swap transaction, cross-currency rate swap transaction, currency option or any other similar transaction (including any option with respect to any of these transactions), (b) any combination of these transactions and (c) any other transaction identified as a Specified Transaction in this Agreement or the relevant confirmation.

"Terminated Transactions" means with respect to any Early Termination Date (a) if resulting from a Termination Event, all Affected Transactions and (b) if resulting from an Event of Default, all Transactions (in either case) in effect immediately before the effectiveness of the notice designating that Early Termination Date (or, if "Automatic Early Termination" applies, immediately before that Early Termination Date).

"Termination Event" means an Illegality or, if specified to be applicable, a Credit Event Upon Merger or an Additional Termination Event.

"Termination Rate" means a rate per annum equal to the arithmetic mean of the cost (without proof or evidence of any actual cost) to each party (as certified by such party) if it were to fund or of funding such amounts.

"Unpaid Amounts" owing to any party means, with respect to an Early Termination Date, the aggregate of (a) in respect of all Terminated Transactions, the amounts that became payable (or that would have become payable but for Section 2(a)(iii)) to such party under Section 2(a)(i) on or prior to such Early Termination Date and which remain unpaid as at such Early Termination Date and (b) in respect of each Terminated Transaction, for each obligation under Section 2(a)(i) which was (or would have been but for Section 2(a)(iii)) required to be settled by delivery to such party on or prior to such Early Termination Date and which has not been so settled as at such Early Termination Date, an amount equal to the fair market value of that which was (or would have been) required to be delivered as of the originally scheduled date for delivery, in each case together with (to the extent permitted under applicable law) interest, in the currency of such amounts, from (and including) the date such amounts or obligations were or would have been required to have been paid or performed to (but excluding) such Early Termination Date, at the Applicable Rate. Such amounts of interest will be calculated on the basis of daily compounding and the actual number of days elapsed. The fair market value of any obligation referred to in clause (b) above shall be reasonably determined

by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.

IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

BANK OF AMERICA, N.A.

CITY OF ROSEVILLE

By: 

Name: **Ana Morales Gillard**
Title: **Vice President**
Date:

By:

Name:
Title:
Date:

EXHIBIT A
FORM OF OPINION OF OUTSIDE COUNSEL
FOR PARTY A

[TO BE PROVIDED]

EXHIBIT B
FORM OF OPINION OF GENERAL COUNSEL
FOR PARTY B

[Letterhead of City Attorney]

_____, 2008

Bank of America-----

To Bank of America:

This opinion is furnished to you pursuant to the ISDA Master Agreement (including the schedule thereto) dated as of _____, 2008 and the Confirmation, dated _____, 2008 and bearing reference number _____ (collectively, the "Agreement") between Bank of America _____ and the City of Roseville (the "City") Terms defined in the Agreement and used but not defined herein have the meanings given to them in the Agreement.

We have acted as counsel to City in connection with the preparation, execution and delivery of the Agreement. In that connection, I or my staff working under my supervision have examined such documents as we have deemed necessary or appropriate for the opinions expressed herein.

The opinions set forth herein are limited to the laws of the State of California and the federal laws of the United States.

Based on the foregoing and upon such investigations as we have deemed necessary, we are of the opinion that, subject, in the case of the opinions set forth in paragraph 4 below, to the qualifications set forth in the last paragraph of this opinion:

- (1) The City is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and has the corporate power and authority to execute and deliver, and to perform its obligations under, the Agreement.
- (2) The execution and delivery of the Agreement by the City and any other agreement which the City has executed and delivered pursuant thereto, and the performance of its obligations thereunder have been and remain duly authorized by all necessary action and do not contravene any provision of its certificate of incorporation or by-laws (or equivalent constitutional documents) or any law, regulation or contractual restriction binding on or affecting it or its property.
- (3) All consents, authorizations and approvals required for the execution and delivery by the City of the Agreement, and any other agreement which the City has executed and delivered pursuant thereto, and the performance of its obligations thereunder have been obtained and remain in full force and effect, all conditions thereof have been duly complied with, and no other action by, and no notice to or filing with any governmental authority or regulatory body is required for such execution, delivery or performance.

(4) The Agreement, and any other agreement which the City has executed and delivered pursuant thereto, has been duly executed and delivered by the City and constitutes the legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law). We have assumed, for purposes of this paragraph 4, that the Agreement is governed by the substantive laws of the State of California.

(5) 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 to in any suit, action or proceedings relating to the Agreement, in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

The opinions set forth in paragraph 4 above are subject to the qualification that we express no opinion regarding the legality, validity, binding effect or enforceability of Section 6(e) of the Agreement insofar as it purports to obligate a party, on termination of the Agreement, to pay an amount in excess of that measured by the lowest quotation from a Reference Market-maker. In addition, in connection with any such early termination on the grounds of default, a court might limit the non-Defaulting Party's recovery to its actual damages in the circumstances, imposing its own settlement procedures in lieu of the provisions of Section 6(e) of the Agreement.

Very truly yours,

EXHIBIT C
FORM OF OPINION OF BOND COUNSEL
FOR PARTY B

[Letterhead of Bond Counsel]

_____, 2008

Bank of America

Ladies/Gentlemen:

This opinion is furnished to you in connection with the International Swaps and Derivatives Association, Inc. Master Agreement, dated as of _____, 2008 (the "Master Agreement"), between the City of Roseville (the "City") and Bank of America _____ (the "Counterparty"), the Schedule thereto dated as of _____, 2008 between the City and the Counterparty (collectively, the Master Agreement") and the Confirmation, dated _____, 2008, and bearing reference number _____ of the transaction entered into on _____, 2008 (the "Confirmation"), between the City and the Counterparty.

We have acted as bond counsel in connection with the delivery of the City's Electric System Revenue Certificates of Participation Series 2008___ and execution and delivery of the Agreement and the Confirmation and in that capacity have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, resolutions and other instruments and have conducted such investigations of fact and law as we have deemed necessary or advisable for the opinions expressed herein. Capitalized terms used herein and not otherwise defined shall have the respective meanings given such terms in the hereinafter referenced Contract and that certain Trust Agreement between the Roseville Financing Authority and The Bank of New York Trust Company, N. A., as Trustee, to be dated as of May 1, 2008.

Upon the basis of the foregoing, we are of the opinion that:

1. The Agreement and the Confirmation have been duly authorized, executed and delivered by the City and constitute legal, valid, and binding obligations of the City enforceable against the City in accordance with their terms. We have assumed, for purposes of this paragraph, that the Agreement and the Confirmation are governed by the substantive laws of the State of California.

2. The City is not required to obtain any authorization, consent, approval, registration, exemption or license from, or to file any registration with, any governmental authority as a condition to the validity of, or for the execution and delivery of, the Agreement Or the Confirmation or to the performance by the City of its obligations thereunder.

3. The execution and delivery of the Agreement and the Confirmation and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a material breach of or default under the Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented by the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract, the 2005 Supplemental Contract and the 2008 Supplemental Contract (collectively, the "Contract").

4. The obligations of the City to make payments under the Agreement and the Confirmation are special, limited obligations payable solely from Net Revenues of the Electric System of the City (the "Net Revenues") on a parity with the Parity Obligations pursuant to the Contract (including the 1997 Certificates, the 1999 Certificates, the 2002 Certificates, 2004 Certificates, 2005 Certificates and the 2008 Certificates) and any additional Parity Obligations, except that the City's obligation to make any payment in connection with a termination of any Transaction as a result of the occurrence of an Event of Default or Termination Event under the Agreement or post any collateral are payable solely from Net Revenues on a basis that is subordinate to the payment of the City's Parity Obligations. Payments in connection with a termination are also payable from any posted collateral pledged to the Counterparty as a secured party pursuant to the terms of the Agreement.

With respect to the opinions expressed herein, the rights and obligations under the Agreement and the Confirmation are subject to, and may be limited by: (i) bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting the enforcement of creditors' rights generally, (ii) the application of equitable principles in law or at equity (including without limitation concepts of mutuality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief), (iv) the exercise of judicial discretion in appropriate cases, (v) the discretion of a court or other authority or body to invalidate or decline to enforce any right, remedy, or provision of the Agreement (including without limitation the termination payment provisions of the Agreement) determined by it to be a penalty and (vi) the limitations on legal remedies against public agencies in the State of California (including without limitation those referenced in California Code of Civil Procedure Sections 695.040, 695.050 and 712.070 and California Government Code Sections 900 through 985). In addition, we express no opinion with respect to any indemnification, contribution, forfeiture, set off (other than with respect to netting across Transactions as defined in the Agreement), late payment charge, choice of law, choice of forum or waiver provisions contained in the foregoing documents. In addition, in connection with any early termination, a court might limit recovery to actual damages in the circumstances, imposing its own settlement procedures in lieu of the provisions of Section 6(e) of the Agreement.

We have relied as to certain factual matters on information obtained from officers of the City and other sources believed by us to be responsible and we have assumed that the signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

This opinion is limited to the laws of the State of California and the Federal laws of the United States. The opinions in this letter are expressed solely as of the date hereof for your benefit and for the benefit of your successors and permitted assigns under the

Agreement and may not be relied upon in any manner or, for any purposes by any other person. By acceptance of this letter you recognize and acknowledge that no attorney-client relationship has existed between our firm and yourselves in connection with the Agreement by virtue of this letter. The opinions expressed herein are based on an analysis of existing laws, including Section 5922 of the California Government Code, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

Respectfully submitted,

A Professional Law Corporation

**SCHEDULE
TO THE
MASTER AGREEMENT
dated as of May 1, 2008
between
BANK OF AMERICA, N.A.
("Party A")
and
CITY OF ROSEVILLE
("Party B")**

Part 1. Termination Provisions

- (a) **"Specified Entity"** means in relation to Party A for the purpose of:-

Section 5(a)(v), None Specified
Section 5(a)(vi), None Specified
Section 5(a)(vii), None Specified
Section 5(b)(ii), None Specified

and in relation to Party B for the purpose of:-

Section 5(a)(v), Affiliates
Section 5(a)(vi), None Specified
Section 5(a)(vii), None Specified
Section 5(b)(ii), None Specified

- (b) **"Specified Transaction"** means, in lieu of the meaning specified in Section 12, any contract or transaction, including an agreement with respect thereto (whether or not documented under or effected pursuant to a master agreement) now existing or hereafter entered into between one party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party) and the other party to this Agreement (or any Credit Support Provider of such party or any applicable Specified Entity of such party); provided that, with respect to Party B, such contract, transaction or agreement is payable from Net Revenues.
- (c) **"Cross Default"** applies to Party A and Party B. Section 5(a)(vi) is hereby amended by deleting in the seventh line thereof the words " , or becoming capable at such time of being declared,".
- (d) **"Specified Indebtedness"** has the meaning specified in Section 12, except that such term shall not include obligations in respect of deposits received in the ordinary course of a party's banking business.
- (e) **"Threshold Amount"** means: (i) with respect to Party A, an amount equal to three percent (3%) of the Shareholders' Equity of Bank of America Corporation; and (ii) with respect to Party B, (A) in connection with any Specified Indebtedness payable from the

source of funds specified in Part 4(e) prior to or on a parity with payments under this Agreement, \$1.00 and (B) in connection with any other Specified Indebtedness, \$10,000,000 (or its equivalent in another currency, currency unit or combination thereof).

- (f) **Bankruptcy.** Clause (6) of Section 5(a)(vii) of this Agreement is hereby amended to read in its entirety as follows:--

“(6)(A) seeks or becomes subject to the appointment of an administrator, provisional liquidator, conservator, receiver, trustee, custodian or other similar official for it or for all or substantially all its assets (or, in the case of a Government Entity, for the Project/Program) or (B) in the case of a Government Entity, any Credit Support Provider of such Government Entity or any applicable Specified Entity of such Government Entity, (I) there shall be appointed or designated with respect to it, an entity such as an organization, board, commission, authority, agency or body to monitor, review, oversee, recommend or declare a financial emergency or similar state of financial distress with respect to it or (II) there shall be declared or introduced or proposed for consideration by it or enacted 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;”.

- (g) **Merger Without Assumption.** Section 5(a)(viii) of this Agreement is hereby amended to read in its entirety as follows:--

“(viii) *Merger Without Assumption.* The party or any Credit Support Provider of such party consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or, in the case of Party B, all or substantially all of the Project/Program) to, another entity (or, without limiting the foregoing, if such party is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, such party, any Credit Support Provider of such party or any applicable Specified Entity generally or with respect to the Project/Program) and, at the time of such consolidation, amalgamation, merger, transfer, or succession:--

(1) the resulting, surviving, transferee or successor entity fails to assume all the obligations of such party, such Credit Support Provider or such Specified Entity under this Agreement or any Credit Support Document to which it or its predecessor was a party by operation of law or pursuant to an agreement reasonably satisfactory to the other party to this Agreement;

(2) the benefits of any Credit Support Document fail to extend (without the consent of the other party) to the performance by such resulting, surviving, transferee or successor entity of its obligations under this Agreement; or”

(3) In the case of a Government Entity, the sources of payment for the obligations of such Government Entity as set forth in the Schedule are no longer available for the satisfaction of such resulting, surviving, transferee or successor entity’s obligations to the other party hereto.

- (h) **“Credit Event Upon Merger”** applies to Party A and Party B. Section 5(b)(ii) is hereby deleted in its entirety and replaced by the following:

“(ii) **Credit Event Upon Merger.** If “Credit Event Upon Merger” is specified in the Schedule as applying to the party, such party (“X”), any Credit Support Provider of X or any applicable Specified Entity of X consolidates or amalgamates with, or merges with or into, or transfers all or substantially all its assets (or, in the case of a Government Entity, all or substantially all of the Project/Program) to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, another entity, or another entity transfers all or substantially all its assets (or, in the case of a Government Entity, all or substantially all of the Project/Program) to, or reorganizes, incorporates, reincorporates, or reconstitutes into or as, X (or, without limiting the foregoing, if X is a Government Entity, an entity such as an organization, board, commission, authority, agency or body succeeds to the principal functions of, or powers and duties granted to, X (or any applicable Specified Entity) generally or with respect to the Project/Program), and such action does not constitute an event described in Section 5(a)(viii) but the creditworthiness of X or the resulting, surviving, transferee, or successor entity (which will be the Affected Party) is materially weaker than that of X, such Credit Support Provider or such Specified Entity, as the case may be, immediately prior to such action; or”

- (i) The **“Automatic Early Termination”** provisions of Section 6(a) will not apply to Party A and will not apply to Party B; *provided*, however, where the Event of Default is specified in Section 5(a)(vii)(1), (3), (4), (5), (6) or to the extent analogous thereto, (8) and is governed by a system of law which does not permit termination to take place upon or after the occurrence of the relevant Event of Default in accordance with the terms of this Agreement, then the Automatic Early Termination provisions of Section 6(a) will apply to Party A and Party B.

In addition to, and notwithstanding anything to the contrary in the preceding sentence, if an Early Termination Date occurs under Section 6(a) as a result of Automatic Early Termination, the Defaulting Party hereby agrees to indemnify the Non-defaulting Party on demand against all loss or damage that the Non-defaulting Party may sustain or incur (including in relation to terminating, liquidating, obtaining or reestablishing any hedge or related position to the extent not already taken into account in the calculation performed under Section 6(e)) in respect of each Transaction as a result of movements in relevant rates, prices, yields, yield curves, volatilities, spreads or other relevant market data between the Early Termination Date and the Local Business Day upon which the Non-defaulting Party first becomes aware that the Early Termination Date has occurred under Section 6(a) provided however, that if the Non-defaulting Party determines that any such movements have actually resulted in a net, after tax, gain for the Non-defaulting Party then the Non-defaulting Party agrees to pay to the Defaulting Party the sum of such gain, subject to any rights the Non-defaulting party may have under the Agreement or otherwise.

- (j) **Payments on Early Termination.** **“Market Quotation”** and **“Second Method”** will apply for the purpose of Section 6(e) of this Agreement.

(k) **Additional Termination Event** will apply. The following shall constitute an Additional Termination Event with respect to Party A and Party B:

(i) with respect to Party A, if Party A's senior, unsecured, unenhanced debt rating is withdrawn, suspended or reduced below "BBB-" in the case of S&P or "Baa3" in the case of Moody's; and

(ii) with respect to Party B, if the senior unenhanced rating of Party B's debt payable from the same source of funds specified in Part 4(e) is withdrawn, suspended or reduced below "BBB-" in the case of S&P or "Baa3" in the case of Moody's.

(iii) If, without the consent of Party A, the Covered Agreement is amended, modified, or supplemented in such a way as to materially adversely affect any of Party A's rights or obligations under this Agreement or modify the obligations of, or impacts the ability of Party B to fully perform any of Party B's obligations under, this Agreement.

For the purpose of Termination Event (i) above, the Affected Party shall be Party A and for purpose of Termination Event (ii) and (iii) above, the Affected Party shall be Party B. For the purpose of all three Termination Events (i), (ii) and (iii) above, all Transactions shall be Affected Transactions.

Part 2. Agreement to Deliver Documents

For the purpose of Section 4, each party agrees to deliver the following documents, as applicable:-

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
Party A and Party B	Either (1) a signature booklet containing secretary's certificate and resolutions ("authorizing resolutions") authorizing the party to enter into derivatives transactions of the type contemplated by the parties or (2) a secretary's certificate, authorizing resolutions and incumbency certificate, in either case, for such party and any Credit Support Provider of such party reasonably satisfactory in form and substance to the other party.	The earlier of the fifth Business Day after the Trade Date of the first Transaction or upon execution of this Agreement and as deemed necessary for any further documentation.	Yes

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
Party A	A written opinion of legal counsel to Party A in the form attached hereto as Exhibit A	Upon execution of this Agreement and upon the execution of each Confirmation	No
Party B	Written opinions of legal counsel to Party B (and any Credit Support Provider) in the forms attached hereto as Exhibits B and C	Upon execution of this Agreement and upon the execution of each Confirmation	No
Party A and Party B	A duly executed copy of the Credit Support Documents specified in Part 3 of this Schedule	Upon the execution of this Agreement	No
Party A and Party B	A copy of the annual report of such party (in the case of Party A, in respect of Bank of America Corporation) containing audited consolidated financial statements for each such fiscal year, certified by independent certified public accountants and prepared in accordance with generally accepted accounting principles in the country in which such party is organized.	As soon as practicable after the execution of this Agreement and also within 120 days (or as soon as practicable after becoming publicly available) after the end of each of its fiscal years while there are any obligations outstanding under this Agreement provided that Party A will be deemed to have delivered such Annual Report upon posting the same on its public website.	Yes
Party B	Copies or, where available, certified copies of: (1) the charter and enabling statutes (or comparable legislation) creating Party B and authorizing Party B to enter into this Agreement, the	Upon execution of this Agreement and as deemed necessary for further documentation	Yes

<u>Party required to deliver document</u>	<u>Form/Document/Certificate</u>	<u>Date by which to be delivered</u>	<u>Covered by Sec. 3(d) Representation</u>
	exhibits, supplements, and attachments hereto, the documents incorporated by reference herein, and the Confirmations hereunder; (2) any constituent instruments of Party B, rules, regulations, investment policies, guidelines, resolutions, ordinances, or provisions affecting the authority of Party B to enter into this Agreement, the exhibits, supplements, and attachments hereto, the documents incorporated by reference herein, and the Confirmations hereunder, and the performance of its obligations hereunder and thereunder; and (3) amendments to any of the foregoing.		
Party B	Covered Agreement and all other documents relating to the Incorporated Provisions (as such term is defined in Part 4(f) of this Schedule)	Upon execution of the Confirmation for the relevant Bond-Related Transaction	Yes
Party A and Party B	Such other documents as the other party may reasonably request	Upon request	No
Party B	Copy of any amendment, modification or supplement to the Covered Agreement	Upon execution and delivery of such amendment, modification or supplement	Yes

Part 3. Miscellaneous

(a) Addresses for Notices. For the purpose of Section 10(a):-

(i) Address for notices or communications to Party A:-

Bank of America, N.A.
Sears Tower
233 South Wacker Drive, Suite 2800
Chicago, IL 60606
Attention: Swap Operations
Telephone No.: 312-234-2732
Facsimile No.: 866-255-1444

with a copy to:

Bank of America, N.A.
100 N. Tryon St., NC1-007-23-16
Charlotte, North Carolina 28255
Attention: Global Markets Trading Agreements
Facsimile No.: 980.387.9566

Address for financial statements to Party A:

Bank of America, N.A.
Mail Code: CA9-193-13-17
333 S. Hope St.
Los Angeles, CA 90071-1406
Attention: Product Delivery Officer

(ii) Address for notices or communications to Party B:-

City of Roseville
311 Vernon Street, Room 206
Roseville, CA 95678
Attention: Finance Director
Facsimile No.: 916-774-5514
Telephone No.: 916-774-5320

(b) Notices. Section 10(a) is amended by adding in the third line thereof after the phrase "messaging system" and before the ")" the words, "; provided, however, any such notice or other communication may be given by facsimile transmission if telex is unavailable, no telex number is supplied to the party providing notice, or if answer back confirmation is not received from the party to whom the telex is sent."

- (c) **Calculation Agent** means Party A.
- (d) **Credit Support Document** means with respect to each of Party A and Party B, the Credit Support Annex dated as of the date hereof (the provisions of which are incorporated by reference herein).
- (e) **Credit Support Provider** means in relation to Party A: None.
Credit Support Provider means in relation to Party B: None.
- (f) **Governing Law; Jurisdiction.** This Agreement, each Credit Support Document and each Confirmation will be governed by and construed in accordance with the laws of the State of New York, without reference to its choice of law doctrine; provided however, that the capacity and authority of Party B to enter into this Agreement, each Credit Support Document and each Confirmation will be governed by and construed in accordance with the laws of the State of California. Section 11(b) is amended by: (1) deleting "non-" from the second line of clause (i); and (2) deleting the final paragraph; provided, however, that notwithstanding the foregoing, at the time of any Proceedings the parties may agree to alternative jurisdiction for such Proceedings.
- (g) **Waiver of Jury Trial.** Each party waives, to the fullest extent permitted by applicable law, any right it may have to a trial by jury in respect of any Proceedings relating to this Agreement or any Credit Support Document.
- (h) **Netting of Payments.** Clause (ii) of Section 2(c) will not apply to any amounts payable with respect to Transactions from the date of this Agreement.
- (i) "Affiliate" will have the meaning specified in Section 12.

Part 4. Other Provisions

- (a) **Deferral of Payments and Deliveries in Connection with Illegality and Incipient Illegality; Interest on Deferred Payments.** Section 2(a)(iii) is hereby amended to read in its entirety as follows:
 - (iii) Each obligation of each party under Section 2(a)(i) is subject to (1) the condition precedent that no Event of Default, Illegality, Potential Event of Default or Incipient Illegality with respect to the other party has occurred and is continuing, (2) the condition precedent that no Early Termination Date in respect of the relevant Transaction has occurred or been effectively designated and (3) each other applicable condition precedent specified in this Agreement.

(b) **Representations.**

- (i) The introductory clause of Section 3 of this Agreement is hereby amended to read in its entirety as follows:

Each party represents to the other party (which representations will be deemed to be repeated by each party on each date on which a Transaction is entered into and, in the case of the representations in Section 3(a), at all times until the termination of this Agreement) that:-

- (ii) Section 3(a)(ii) of this Agreement is hereby amended to read in its entirety as follows:

Powers. It has the power (in the case of a Government Entity, pursuant to the Authorizing Law) to execute this Agreement and any other documentation relating to this Agreement to which it is a party, to deliver this Agreement and any other documentation relating to this Agreement that it is required by this Agreement to deliver and to perform its obligations under this Agreement and any obligations it has under any Credit Support Document to which it is a party, and has taken all necessary action and made all necessary determinations and findings to authorize such execution, delivery and performance;”:

- (iii) Section 3(b) of this Agreement is hereby amended to read in its entirety as follows:”(b) **Absence of Certain Events.** No Event of Default or Potential Event of Default or, to its knowledge, Incipient Illegality (in the case of a Government Entity) or Termination Event with respect to it has occurred and is continuing and no such event or circumstance would occur as a result of its entering into or performing its obligations under this Agreement or any Credit Support Document to which it is a party.”

- (iv) For purposes of Section 3, the following shall be added, immediately following paragraph (d) thereof:

- (e) **Eligible Contract Participant.** Each party represents to the other party (which representation will be deemed to be repeated by each party on each date on which a Transaction is entered into) that it is an "eligible contract participant" as defined in Section 1a(12) of the U.S. Commodity Exchange Act, 7 U.S.C. Section 1a(12).

- (f) This Agreement has been subject to individual negotiation by such party.

- (g) It has entered into this Agreement (including each Transaction evidenced hereby) in conjunction with its line of business (including financial intermediation services) or the financing of its business.

- (h) It is entering into this Agreement, any Credit Support Document to which it is a party, each Transaction and any other documentation relating to this Agreement

or any Transaction as principal (and not as agent or in any other capacity, fiduciary or otherwise).

- (i) Each party acknowledges that, pursuant to the terms of this Agreement (including, without limitation, Section 6(e) hereof), it may owe a payment to the other party upon the designation of an Early Termination Date hereunder, even in the event such Early Termination Date is the result of an Event of Default with respect to such other party.
 - (j) It 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 to in any Proceedings (as defined in Section 11(b)) in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.
- (c) **Additional Representations of Party B.** Party B hereby further represents to Party A (which representations will be deemed to be repeated by Party B at all times until the termination of this Agreement) that:
- (i) This Agreement has been, and each Transaction hereunder will be (and, if applicable, has been), entered into for the purposes of managing its borrowings or investments and not for purposes of speculation.
 - (ii) Party B has taken all steps necessary or advisable to create and perfect the pledge and security interest required to be created pursuant to Part 4(e) of this Schedule, and such pledge and security interest have been validly created and perfected.
 - (iii) Any Transaction entered into pursuant to this Agreement together with any transactions that Party B has or may enter into with Party A and/or with any or all other parties does not and will not violate or exceed any limits or restrictions contained in any authorizations, approvals or resolutions of the board of directors, shareholders or other authorized body of Party B.
 - (iv) The execution and delivery by Party B of this Agreement, each Confirmation and any other documentation relating hereto, and the performance of Party B of its obligations hereunder and thereunder, are in furtherance, and not in violation, of the municipal purposes for which Party B is organized pursuant to the laws of the relevant state.
 - (v) This Agreement and each Transaction hereunder do not constitute any kind of investment by Party B that is proscribed by any constitution, charter, law, rule, regulation, government code, constituent or governing instrument, resolution, guideline, ordinance, order, writ, judgment, decree, charge, or ruling to which

Party B (or any of its officials in their respective capacities as such) or its property is subject.

- (vi) No Affiliate or other person, firm, corporation, entity, or association may liquidate, borrow, encumber or otherwise utilize the assets of Party B.
 - (vii) Party B is a state or political subdivision thereof, or an instrumentality, agency or department of either of the foregoing.
- (d) **Credit Support Default.** Subparagraph (3) of Section 5(a)(iii) is hereby amended by adding the phrase “(or such action is taken by any person or entity appointed or empowered to operate or act on its behalf)” after the word “Document” in the second line thereof.
- (e) **Source of Payments.** Party B agrees that its obligations hereunder are, and until the termination of this Agreement pursuant to the terms hereof shall remain, payable from the Net Revenues. Party B hereby agrees that this Agreement (except the obligations hereunder to post collateral under certain circumstances and to make payments upon an early termination) is a Parity Payment Agreement and Parity Obligation under the Covered Agreement payable solely from and secured by a pledge of Net Revenues on a parity with all other existing and future Parity Obligations. The obligations under this Agreement to post collateral under certain circumstances or to make payments upon early termination are Subordinate Obligations under the Covered Agreement payable solely from Net Revenues of the Electric System and secured by a pledge of Net Revenues on a subordinate basis to the Parity Obligations. As provided and on the dates under the Covered Agreement, Party B shall from the money in the Electric Revenue Fund deposit in the Parity Obligation Payment Fund a sum equal to the scheduled payments next due under this Agreement. Party B hereby pledges to Party A its Net Revenues. The general fund of Party B is not liable, and neither the faith and credit nor the taxing power of Party B is pledged, for the payments under this Agreement. Terms used in this paragraph and not otherwise defined herein shall have the meanings ascribed thereto in the Covered Agreement.
- (f) **Compliance with Covered Agreement.** Party B will observe, perform and fulfill each covenant, term, and provision in the relevant Covered Agreement applicable to Party B, as any of those covenants, terms, and provisions may be amended, supplemented or modified for the purposes of this Agreement with the prior written consent of Party A (the “Incorporated Provisions”), with the effect, among other things, and without limiting the generality of the foregoing, that Party A will have the benefit of each of the Incorporated Provisions (including without limitation, covenants, right to consent to certain actions subject to consent under the relevant Covered Agreement and delivery of financial statements and other notices and information). In the event the relevant Covered Agreement ceases to be in effect for any reason, including, without limitation, defeasance of the Bonds issued in connection with such Covered Agreement, prior to the termination of this Agreement, the Incorporated Provisions (other than those provisions requiring payments in respect of bonds, notes, warrants or other similar instruments issued in connection with the relevant Covered Agreement) will remain in full force and

effect for purposes of this Agreement as though set forth herein until such date on which all of the obligations of Party B under this Agreement and any obligations of Party B have been fully satisfied. The Incorporated Provisions are hereby incorporated by reference and made a part of this Agreement to the same extent as if such provisions were set forth herein. For purposes of this Agreement, the Incorporated Provisions shall be construed as though (i) all references therein to any party making loans, extensions of credit or financial accommodations thereunder or commitments therefor (the "Financings") were to Party A and (ii) to the extent that such Incorporated Provisions are conditioned on or related to the existence of such Financings or Party B having any obligations in connection therewith, all references to such Financings or obligations were to the obligations of Party B under this Agreement. Any amendment, supplement, modification or waiver of any of the Incorporated Provisions without the prior written consent of Party A shall have no force and effect with respect to this Agreement. Any amendment, supplement or modification for which such consent is obtained shall be part of the Incorporated Provisions for purposes of this Agreement.

(g) **Notice of Incipient Illegality.** If an Incipient Illegality occurs, the Government Entity will, promptly upon becoming aware of it, notify the other party, specifying the nature of that Incipient Illegality and will also give such other information about that Incipient Illegality as the other party may reasonably require.

(h) **Setoff.**

(i) In addition to any rights of set-off a party may have as a matter of law or otherwise, upon the occurrence of an Event of Default with respect to Party ("X") hereof (or a provision analogous thereto) or a Termination Event where X is the sole Affected Party, the other party ("Y") shall have the right (but shall not be obliged) without prior notice to X or any other person to set off any obligation of X owing to Y (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation) against any obligations of Y owing to X (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation); provided, that if X is Party B, only obligations that:

- (i) may be subject to Cash Settlement,
- (ii) are payable from Net Revenues, and
- (iii) have matured or have been accelerated,

shall be subject to set-off pursuant to this Part 4(i).

(ii) For the purpose of cross-currency set off, Y may convert any obligation to another currency at a market rate determined by Y.

- (iii) If any obligation is unascertained, Y may in good faith estimate that obligation and set off in respect of the estimate, subject to the relevant party accounting to the other when the obligation is ascertained.
- (iv) Nothing in this paragraph will have the effect of creating a charge or other security interest. This paragraph shall be without prejudice and in addition to any right of set-off, combination of accounts, lien or other right to which any party is at any time otherwise entitled (whether by operation of law, contract or otherwise).
- (i) **Single Relationship.** The parties and their Affiliates intend that all Transactions and all other obligations (whether or not arising under this Agreement, whether or not matured, whether or not contingent and regardless of the currency, place of payment or booking office of the obligation) shall be treated as mutual and part of a single, indivisible contractual and business relationship.
- (j) **Confirmations.** Party A will deliver to Party B a Confirmation relating to each Transaction.
- (k) **Relationship Between Parties.** Each party will be deemed to represent to the other party on the date on which it enters into a Transaction that (absent a written agreement between the parties that expressly imposes affirmative obligations to the contrary for that Transaction):-
 - (i) **Non-Reliance.** It is acting for its own account, and it has made its own independent decisions to enter into that Transaction and as to whether that Transaction is appropriate or proper for it based upon its own judgment and upon advice from such advisers as it has deemed necessary. It is not relying on any communication (written or oral) of the other party as investment advice or as a recommendation to enter into that Transaction; it being understood that information and explanations related to the terms and conditions of a Transaction shall not be considered investment advice or a recommendation to enter into that Transaction. No communication (written or oral) received from the other party shall be deemed to be an assurance or guarantee as to the expected results of that Transaction.
 - (ii) **Assessment and Understanding.** It is capable of assessing the merits of and understanding (on its own behalf or through independent professional advice), and understands and accepts, the terms, conditions and risks of that Transaction. It is also capable of assuming, and assumes, the risks of that Transaction.
 - (iii) **Status of Parties.** The other party is not acting as a fiduciary for or an adviser to it in respect of that Transaction.
- (l) **Additional Definitions.** As used in this Schedule, the following terms shall have the following meanings:

“Authorizing Law” means Section 5922 of the California Government Code.

“Bonds” has the meaning ascribed thereto in the Covered Agreement.

“Covered Agreement” means that certain Master Installment Purchase Contract dated as of November 1, 1997 by and between Party B and the Roseville Finance Authority, as supplemented by the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, and the 2008 Supplemental Contract, and as further amended or supplemented from time to time.

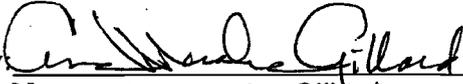
“Government Entity” means Party B.

“Incipient Illegality” means (a) the enactment by any legislative body with competent jurisdiction over a Government Entity of legislation which, if adopted as law, would render unlawful (i) the performance by such Government Entity of any absolute or contingent obligation to make a payment or delivery or to receive a payment or delivery in respect of a Transaction or the compliance by such Government Entity with any other material provision of this Agreement relating to such Transaction or (ii) the performance by a Government Entity or a Specified Entity of such Government Entity of any contingent or other obligation which the Government Entity (or such Specified Entity) has under any Credit Support Document relating to such Transaction, (b) any assertion in any proceeding, forum or action by a Government Entity, in respect of such Government Entity or in respect of any entity located or organized under the laws of the state in which such Government Entity is located to the effect that performance under this Agreement or similar agreements is unlawful or (c) the occurrence with respect to a Government Entity or any Specified Entity of such Government Entity of any event that constitutes an Illegality.

“Project/Program” means Party B’s electric system.

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized officers as of the date hereof.

BANK OF AMERICA, N.A.

By: 
Name: **Ana Morales Gillard**
Title: **Vice President**

CITY OF ROSEVILLE

By: _____
Name:
Title:

APPROVED AS TO FORM:

By _____
City Attorney

IN WITNESS WHEREOF, the parties have executed this Schedule by their duly authorized officers as of the date hereof.

BANK OF AMERICA, N.A.

By: _____
Name:
Title:

CITY OF ROSEVILLE

By: W. Craig Robinson
Name: W. Craig Robinson
Title: City Manager



APPROVED AS TO FORM:

Robert R. Schmitt

By *Assistant City Attorney, for*
City Attorney



Handwritten text or markings in the upper right quadrant of the page.

(Bilateral Form)

(ISDA Agreements Subject to New York Law Only)

ISDA[®]

International Swaps and Derivatives Association, Inc.

CREDIT SUPPORT ANNEX

to the Schedule to the

MASTER AGREEMENT

dated as of May 1, 2008

between

BANK OF AMERICA, N.A.

and

CITY OF ROSEVILLE

("Party A")

("Party B")

This Annex supplements, forms part of, and is subject to, the above-referenced Agreement, is part of its Schedule and is a Credit Support Document under this Agreement with respect to each party.

Accordingly, the parties agree as follows:

Paragraph 1. Interpretation

(a) **Definitions and Inconsistency.** Capitalized terms not otherwise defined herein or elsewhere in this Agreement have the meanings specified pursuant to Paragraph 12, and all references in this Annex to Paragraphs are to Paragraphs of this Annex. In the event of any inconsistency between this Annex and the other provisions of this Schedule, this Annex will prevail, and in the event of any inconsistency between Paragraph 13 and the other provisions of this Annex, Paragraph 13 will prevail.

(b) **Secured Party and Pledgor.** All references in this Annex to the "Secured Party" will be to either party when acting in that capacity and all corresponding references to the "Pledgor" will be to the other party when acting in that capacity; *provided, however*, that if Other Posted Support is held by a party to this Annex, all references herein to that party as the Secured Party with respect to that Other Posted Support will be to that party as the beneficiary thereof and will not subject that support or that party as the beneficiary thereof to provisions of law generally relating to security interests and secured parties.

Paragraph 2. Security Interest

Each party, as the Pledgor, hereby pledges to the other party, as the Secured Party, as security for its Obligations, and grants to the Secured Party a first priority continuing security interest in, lien on and right of Set-off against all Posted Collateral Transferred to or received by the Secured Party hereunder. Upon the Transfer by the Secured Party to the Pledgor of Posted Collateral, the security interest and lien granted hereunder on that Posted Collateral will be released immediately and, to the extent possible, without any further action by either party.

Paragraph 3. Credit Support Obligations

(a) **Delivery Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Secured Party on or promptly following a Valuation Date, if the Delivery Amount for that Valuation Date equals or exceeds the Pledgor's Minimum Transfer Amount, then the Pledgor will Transfer to the Secured Party Eligible Credit Support having a Value as of the date of Transfer at least equal to the applicable Delivery Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Delivery Amount**" applicable to the Pledgor for any Valuation Date will equal the amount by which:

(i) the Credit Support Amount

exceeds

(ii) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party.

(b) **Return Amount.** Subject to Paragraphs 4 and 5, upon a demand made by the Pledgor on or promptly following a Valuation Date, if the Return Amount for that Valuation Date equals or exceeds the Secured Party's Minimum Transfer Amount, then the Secured Party will Transfer to the Pledgor Posted Credit Support specified by the Pledgor in that demand having a Value as of the date of Transfer as close as practicable to the applicable Return Amount (rounded pursuant to Paragraph 13). Unless otherwise specified in Paragraph 13, the "**Return Amount**" applicable to the Secured Party for any Valuation Date will equal the amount by which:

(i) the Value as of that Valuation Date of all Posted Credit Support held by the Secured Party

exceeds

(ii) the Credit Support Amount.

"Credit Support Amount" means, unless otherwise specified in Paragraph 13, for any Valuation Date (i) the Secured Party's Exposure for that Valuation Date plus (ii) the aggregate of all Independent Amounts applicable to the Pledgor, if any, minus (iii) all Independent Amounts applicable to the Secured Party, if any, minus (iv) the Pledgor's Threshold; *provided, however*, that the Credit Support Amount will be deemed to be zero whenever the calculation of Credit Support Amount yields a number less than zero.

Paragraph 4. Conditions Precedent, Transfer Timing, Calculations and Substitutions

(a) **Conditions Precedent.** Each Transfer obligation of the Pledgor under Paragraphs 3 and 5 and of the Secured Party under Paragraphs 3, 4(d)(ii), 5 and 6(d) is subject to the conditions precedent that:

(i) no Event of Default, Potential Event of Default or Specified Condition has occurred and is continuing with respect to the other party; and

(ii) no Early Termination Date for which any unsatisfied payment obligations exist has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the other party.

(b) **Transfer Timing.** Subject to Paragraphs 4(a) and 5 and unless otherwise specified, if a demand for the Transfer of Eligible Credit Support or Posted Credit Support is made by the Notification Time, then the relevant Transfer will be made not later than the close of business on the next Local Business Day; if a demand is made after the Notification Time, then the relevant Transfer will be made not later than the close of business on the second Local Business Day thereafter.

(c) **Calculations.** All calculations of Value and Exposure for purposes of Paragraphs 3 and 6(d) will be made by the Valuation Agent as of the Valuation Time. The Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) of its calculations not later than the Notification Time on the Local Business Day following the applicable Valuation Date (or in the case of Paragraph 6(d), following the date of calculation).

(d) **Substitutions.**

(i) Unless otherwise specified in Paragraph 13, upon notice to the Secured Party specifying the items of Posted Credit Support to be exchanged, the Pledgor may, on any Local Business Day, Transfer to the Secured Party substitute Eligible Credit Support (the "Substitute Credit Support"); and

(ii) subject to Paragraph 4(a), the Secured Party will Transfer to the Pledgor the items of Posted Credit Support specified by the Pledgor in its notice not later than the Local Business Day following the date on which the Secured Party receives the Substitute Credit Support, unless otherwise specified in Paragraph 13 (the "Substitution Date"); *provided* that the Secured Party will only be obligated to Transfer Posted Credit Support with a Value as of the date of Transfer of that Posted Credit Support equal to the Value as of that date of the Substitute Credit Support.

Paragraph 5. Dispute Resolution

If a party (a "Disputing Party") disputes (I) the Valuation Agent's calculation of a Delivery Amount or a Return Amount or (II) the Value of any Transfer of Eligible Credit Support or Posted Credit Support, then (1) the Disputing Party will notify the other party and the Valuation Agent (if the Valuation Agent is not the other party) not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (2) subject to Paragraph 4(a), the appropriate party will Transfer the undisputed amount to the other party not later than the close of business on the Local Business Day following (X) the date that the demand is made under Paragraph 3 in the case of (I) above or (Y) the date of Transfer in the case of (II) above, (3) the parties will consult with each other in an attempt to resolve the dispute and (4) if they fail to resolve the dispute by the Resolution Time, then:

(i) In the case of a dispute involving a Delivery Amount or Return Amount, unless otherwise specified in Paragraph 13, the Valuation Agent will recalculate the Exposure and the Value as of the Recalculation Date by:

(A) utilizing any calculations of Exposure for the Transactions (or Swap Transactions) that the parties have agreed are not in dispute;

(B) calculating the Exposure for the Transactions (or Swap Transactions) in dispute by seeking four actual quotations at mid-market from Reference Market-makers for purposes of calculating Market Quotation, and taking the arithmetic average of those obtained; *provided* that if four quotations are not available for a particular Transaction (or Swap Transaction), then fewer than four quotations may be used for that Transaction (or Swap Transaction); and if no quotations are available for a particular Transaction (or Swap Transaction), then the Valuation Agent's original calculations will be used for that Transaction (or Swap Transaction); and

(C) utilizing the procedures specified in Paragraph 13 for calculating the Value, if disputed, of Posted Credit Support.

(ii) In the case of a dispute involving the Value of any Transfer of Eligible Credit Support or Posted Credit Support, the Valuation Agent will recalculate the Value as of the date of Transfer pursuant to Paragraph 13.

Following a recalculation pursuant to this Paragraph, the Valuation Agent will notify each party (or the other party, if the Valuation Agent is a party) not later than the Notification Time on the Local Business Day following the Resolution Time. The appropriate party will, upon demand following that notice by the Valuation Agent or a resolution pursuant to (3) above and subject to Paragraphs 4(a) and 4(b), make the appropriate Transfer.

Paragraph 6. Holding and Using Posted Collateral

(a) **Care of Posted Collateral.** Without limiting the Secured Party's rights under Paragraph 6(c), the Secured Party will exercise reasonable care to assure the safe custody of all Posted Collateral to the extent required by applicable law, and in any event the Secured Party will be deemed to have exercised reasonable care if it exercises at least the same

degree of care as it would exercise with respect to its own property. Except as specified in the preceding sentence, the Secured Party will have no duty with respect to Posted Collateral, including, without limitation, any duty to collect any Distributions, or enforce or preserve any rights pertaining thereto.

(b) ***Eligibility to Hold Posted Collateral; Custodians.***

(i) ***General.*** Subject to the satisfaction of any conditions specified in Paragraph 13 for holding Posted Collateral, the Secured Party will be entitled to hold Posted Collateral or to appoint an agent (a "Custodian") to hold Posted Collateral for the Secured Party. Upon notice by the Secured Party to the Pledgor of the appointment of a Custodian, the Pledgor's obligations to make any Transfer will be discharged by making the Transfer to that Custodian. The holding of Posted Collateral by a Custodian will be deemed to be the holding of that Posted Collateral by the Secured Party for which the Custodian is acting.

(ii) ***Failure to Satisfy Conditions.*** If the Secured Party or its Custodian fails to satisfy any conditions for holding Posted Collateral, then upon a demand made by the Pledgor, the Secured Party will, not later than five Local Business Days after the demand, Transfer or cause its Custodian to Transfer all Posted Collateral held by it to a Custodian that satisfies those conditions or to the Secured Party if it satisfies those conditions.

(iii) ***Liability.*** The Secured Party will be liable for the acts or omissions of its Custodian to the same extent that the Secured Party would be liable hereunder for its own acts or omissions.

(c) ***Use of Posted Collateral.*** Unless otherwise specified in Paragraph 13 and without limiting the rights and obligations of the parties under Paragraphs 3, 4(d)(ii), 5, 6(d) and 8, if the Secured Party is not a Defaulting Party or an Affected Party with respect to a Specified Condition and no Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then the Secured Party will, notwithstanding Section 9-207 of the New York Uniform Commercial Code, have the right to:

(i) sell, pledge, rehypothecate, assign, invest, use, commingle or otherwise dispose of, or otherwise use in its business any Posted Collateral it holds, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor; and

(ii) register any Posted Collateral in the name of the Secured Party, its Custodian or a nominee for either.

For purposes of the obligation to Transfer Eligible Credit Support or Posted Credit Support pursuant to Paragraphs 3 and 5 and any rights or remedies authorized under this Agreement, the Secured Party will be deemed to continue to hold all Posted Collateral and to receive Distributions made thereon, regardless of whether the Secured Party has exercised any rights with respect to any Posted Collateral pursuant to (i) or (ii) above.

(d) ***Distributions and Interest Amount.***

(i) ***Distributions.*** Subject to Paragraph 4(a), if the Secured Party receives or is deemed to receive Distributions on a Local Business Day, it will Transfer to the Pledgor not later than the following Local Business Day any Distributions it receives or is deemed to receive to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose).

(ii) ***Interest Amount.*** Unless otherwise specified in Paragraph 13 and subject to Paragraph 4(a), in lieu of any interest, dividends or other amounts paid or deemed to have been paid with respect to Posted Collateral in the form of Cash (all of which may be retained by the Secured Party), the Secured Party will Transfer to the Pledgor at the times specified in Paragraph 13 the Interest Amount to the extent that a Delivery Amount would not be created or increased by that Transfer, as calculated by the Valuation Agent (and the date of calculation will be deemed to be a Valuation Date for this purpose). The Interest Amount or portion thereof not Transferred pursuant to this Paragraph will constitute Posted Collateral in the form of Cash and will be subject to the security interest granted under Paragraph 2.

Paragraph 7. Events of Default

For purposes of Section 5(a)(iii)(1) of this Agreement, an Event of Default will exist with respect to a party if:

- (i) that party fails (or fails to cause its Custodian) to make, when due, any Transfer of Eligible Collateral, Posted Collateral or the Interest Amount, as applicable, required to be made by it and that failure continues for two Local Business Days after notice of that failure is given to that party;
- (ii) that party fails to comply with any restriction or prohibition specified in this Annex with respect to any of the rights specified in Paragraph 6(c) and that failure continues for five Local Business Days after notice of that failure is given to that party; or
- (iii) that party fails to comply with or perform any agreement or obligation other than those specified in Paragraphs 7(i) and 7(ii) and that failure continues for 30 days after notice of that failure is given to that party.

Paragraph 8. Certain Rights and Remedies

(a) **Secured Party's Rights and Remedies.** If at any time (1) an Event of Default or Specified Condition with respect to the Pledgor has occurred and is continuing or (2) an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Pledgor, then, unless the Pledgor has paid in full all of its Obligations that are then due, the Secured Party may exercise one or more of the following rights and remedies:

- (i) all rights and remedies available to a secured party under applicable law with respect to Posted Collateral held by the Secured Party;
- (ii) any other rights and remedies available to the Secured Party under the terms of Other Posted Support, if any;
- (iii) the right to Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and
- (iv) the right to liquidate any Posted Collateral held by the Secured Party through one or more public or private sales or other dispositions with such notice, if any, as may be required under applicable law, free from any claim or right of any nature whatsoever of the Pledgor, including any equity or right of redemption by the Pledgor (with the Secured Party having the right to purchase any or all of the Posted Collateral to be sold) and to apply the proceeds (or the Cash equivalent thereof) from the liquidation of the Posted Collateral to any amounts payable by the Pledgor with respect to any Obligations in that order as the Secured Party may elect.

Each party acknowledges and agrees that Posted Collateral in the form of securities may decline speedily in value and is of a type customarily sold on a recognized market, and, accordingly, the Pledgor is not entitled to prior notice of any sale of that Posted Collateral by the Secured Party, except any notice that is required under applicable law and cannot be waived.

(b) **Pledgor's Rights and Remedies.** If at any time an Early Termination Date has occurred or been designated as the result of an Event of Default or Specified Condition with respect to the Secured Party, then (except in the case of an Early Termination Date relating to less than all Transactions (or Swap Transactions) where the Secured Party has paid in full all of its obligations that are then due under Section 6(e) of this Agreement):

- (i) the Pledgor may exercise all rights and remedies available to a pledgor under applicable law with respect to Posted Collateral held by the Secured Party;
- (ii) the Pledgor may exercise any other rights and remedies available to the Pledgor under the terms of Other Posted Support, if any;

(iii) the Secured Party will be obligated immediately to Transfer all Posted Collateral and the Interest Amount to the Pledgor; and

(iv) to the extent that Posted Collateral or the Interest Amount is not so Transferred pursuant to (iii) above, the Pledgor may:

(A) Set-off any amounts payable by the Pledgor with respect to any Obligations against any Posted Collateral or the Cash equivalent of any Posted Collateral held by the Secured Party (or any obligation of the Secured Party to Transfer that Posted Collateral); and

(B) to the extent that the Pledgor does not Set-off under (iv)(A) above, withhold payment of any remaining amounts payable by the Pledgor with respect to any Obligations, up to the Value of any remaining Posted Collateral held by the Secured Party, until that Posted Collateral is Transferred to the Pledgor.

(c) **Deficiencies and Excess Proceeds.** The Secured Party will Transfer to the Pledgor any proceeds and Posted Credit Support remaining after liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b) after satisfaction in full of all amounts payable by the Pledgor with respect to any Obligations; the Pledgor in all events will remain liable for any amounts remaining unpaid after any liquidation, Set-off and/or application under Paragraphs 8(a) and 8(b).

(d) **Final Returns.** When no amounts are or thereafter may become payable by the Pledgor with respect to any Obligations (except for any potential liability under Section 2(d) of this Agreement), the Secured Party will Transfer to the Pledgor all Posted Credit Support and the Interest Amount, if any.

Paragraph 9. Representations

Each party represents to the other party (which representations will be deemed to be repeated as of each date on which it, as the Pledgor, Transfers Eligible Collateral) that:

(i) it has the power to grant a security interest in and lien on any Eligible Collateral it Transfers as the Pledgor and has taken all necessary actions to authorize the granting of that security interest and lien;

(ii) it is the sole owner of or otherwise has the right to Transfer all Eligible Collateral it transfers to the Secured Party hereunder, free and clear of any security interest, lien, encumbrance or other restrictions other than the security interest and lien granted under Paragraph 2;

(iii) upon the Transfer of any Eligible Collateral to the Secured Party under the terms of this Annex, the Secured Party will have a valid and perfected first priority security interest therein (assuming that any central clearing corporation or any third-party financial intermediary or other entity not within the control of the Pledgor involved in the Transfer of that Eligible Collateral gives the notices and takes the action required of it under applicable law for perfection of that interest); and

(iv) the performance by it of its obligations under this Annex will not result in the creation of any security interest, lien or other encumbrance on any Posted Collateral other than the security interest and lien granted under Paragraph 2.

Paragraph 10. Expenses

(a) **General.** Except as otherwise provided in Paragraphs 10(b) and 10(c), each party will pay its own costs and expenses in connection with performing its obligations under this Annex and neither party will be liable for any costs and expenses incurred by the other party in connection herewith.

(b) **Posted Credit Support.** The Pledgor will promptly pay when due all taxes, assessments or charges of any nature that are imposed with respect to Posted Credit Support held by the Secured Party upon becoming aware of the same, regardless of whether any portion of that Posted Credit Support is subsequently disposed of under Paragraph 6(c),

except for those taxes, assessments and charges that result from the exercise of the Secured Party's rights under Paragraph 6(c).

(c) **Liquidation/Application of Posted Credit Support.** All reasonable costs and expenses incurred by or on behalf of the Secured Party or the Pledgor in connection with the liquidation and/or application of any Posted Credit Support under Paragraph 8 will be payable, on demand and pursuant to the Expenses Section of this Agreement, by the Defaulting Party or, if there is no Defaulting Party, equally by the parties.

Paragraph 11. Miscellaneous

(a) **Default Interest.** A Secured Party that fails to make, when due, any Transfer of Posted Collateral or the Interest Amount will be obligated to pay the Pledgor (to the extent permitted under applicable law) an amount equal to interest at the Default Rate multiplied by the Value of the items of property that were required to be Transferred, from (and including) the date that Posted Collateral or Interest Amount was required to be Transferred to (but excluding) the date of Transfer of that Posted Collateral or Interest Amount. This interest will be calculated on the basis of daily compounding and the actual number of days elapsed.

(b) **Further Assurances.** Promptly following a demand made by a party, the other party will execute, deliver, file and record any financing statement, specific assignment or other document and take any other action that may be necessary or desirable and reasonably requested by that party to create, preserve, perfect or validate any security interest or lien granted under Paragraph 2, to enable that party to exercise or enforce its rights under this Annex with respect to Posted Credit Support or an Interest Amount or to effect or document a release of a security interest on Posted Collateral or an Interest Amount.

(c) **Further Protection.** The Pledgor will promptly give notice to the Secured Party of, and defend against, any suit, action, proceeding or lien that involves Posted Credit Support Transferred by the Pledgor or that could adversely affect the security interest and lien granted by it under Paragraph 2, unless that suit, action, proceeding or lien results from the exercise of the Secured Party's rights under Paragraph 6(c).

(d) **Good Faith and Commercially Reasonable Manner.** Performance of all obligations under this Annex including, but not limited to, all calculations, valuations and determinations made by either party, will be made in good faith and in a commercially reasonable manner.

(e) **Demands and Notices.** All demands and notices made by a party under this Annex will be made as specified in the Notices Section of this Agreement, except as otherwise provided in Paragraph 13.

(f) **Specifications of Certain Matters.** Anything referred to in this Annex as being specified in Paragraph 13 also may be specified in one or more Confirmations or other documents and this Annex will be construed accordingly.

Paragraph 12. Definitions

As used in this Annex:--

"Cash" means the lawful currency of the United States of America.

"Credit Support Amount" has the meaning specified in Paragraph 3.

"Custodian" has the meaning specified in Paragraphs 6(b)(i) and 13.

"Delivery Amount" has the meaning specified in Paragraph 3(a).

"Disputing Party" has the meaning specified in Paragraph 5.

"Distributions" means with respect to Posted Collateral other than Cash, all principal, interest and other payments and distributions of cash or other property with respect thereto, regardless of whether the Secured Party has disposed of that Posted Collateral under Paragraph 6(c). Distributions will not include any item of property acquired by the Secured

Party upon any disposition or liquidation of Posted Collateral or, with respect to any Posted Collateral in the form of Cash, any distributions on that collateral, unless otherwise specified herein.

"Eligible Collateral" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Eligible Credit Support" means Eligible Collateral and Other Eligible Support.

"Exposure" means for any Valuation Date or other date for which Exposure is calculated and subject to Paragraph 5 in the case of a dispute, the amount, if any, that would be payable to a party that is the Secured Party by the other party (expressed as a positive number) or by a party that is the Secured Party to the other party (expressed as a negative number) pursuant to Section 6(e)(ii)(2)(A) of this Agreement as if all Transactions (or Swap Transactions) were being terminated as of the relevant Valuation Time; *provided* that Market Quotation will be determined by the Valuation Agent using its estimates at mid-market of the amounts that would be paid for Replacement Transactions (as that term is defined in the definition of "Market Quotation").

"Independent Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Interest Amount" means, with respect to an Interest Period, the aggregate sum of the amounts of interest calculated for each day in that Interest Period on the principal amount of Posted Collateral in the form of Cash held by the Secured Party on that day, determined by the Secured Party for each such day as follows:

- (x) the amount of that Cash on that day; multiplied by
- (y) the Interest Rate in effect for that day; divided by
- (z) 360.

"Interest Period" means the period from (and including) the last Local Business Day on which an Interest Amount was Transferred (or, if no Interest Amount has yet been Transferred, the Local Business Day on which Posted Collateral in the form of Cash was Transferred to or received by the Secured Party) to (but excluding) the Local Business Day on which the current Interest Amount is to be Transferred.

"Interest Rate" means the rate specified in Paragraph 13.

"Local Business Day", unless otherwise specified in Paragraph 13, has the meaning specified in the Definitions Section of this Agreement, except that references to a payment in clause (b) thereof will be deemed to include a Transfer under this Annex.

"Minimum Transfer Amount" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Notification Time" has the meaning specified in Paragraph 13.

"Obligations" means, with respect to a party, all present and future obligations of that party under this Agreement and any additional obligations specified for that party in Paragraph 13.

"Other Eligible Support" means, with respect to a party, the items, if any, specified as such for that party in Paragraph 13.

"Other Posted Support" means all Other Eligible Support Transferred to the Secured Party that remains in effect for the benefit of that Secured Party.

"Pledgor" means either party, when that party (i) receives a demand for or is required to Transfer Eligible Credit Support under Paragraph 3(a) or (ii) has Transferred Eligible Credit Support under Paragraph 3(a).

"Posted Collateral" means all Eligible Collateral, other property, Distributions, and all proceeds thereof that have been Transferred to or received by the Secured Party under this Annex and not Transferred to the Pledgor pursuant to Paragraph 3(b), 4(d)(ii) or 6(d)(i) or released by the Secured Party under Paragraph 8. Any Interest Amount or portion thereof not Transferred pursuant to Paragraph 6(d)(ii) will constitute Posted Collateral in the form of Cash.

"Posted Credit Support" means Posted Collateral and Other Posted Support.

"Recalculation Date" means the Valuation Date that gives rise to the dispute under Paragraph 5; *provided, however*, that if a subsequent Valuation Date occurs under Paragraph 3 prior to the resolution of the dispute, then the "Recalculation Date" means the most recent Valuation Date under Paragraph 3.

"Resolution Time" has the meaning specified in Paragraph 13.

"Return Amount" has the meaning specified in Paragraph 3(b).

"Secured Party" means either party, when that party (i) makes a demand for or is entitled to receive Eligible Credit Support under Paragraph 3(a) or (ii) holds or is deemed to hold Posted Credit Support.

"Specified Condition" means, with respect to a party, any event specified as such for that party in Paragraph 13.

"Substitute Credit Support" has the meaning specified in Paragraph 4(d)(i).

"Substitution Date" has the meaning specified in Paragraph 4(d)(ii).

"Threshold" means, with respect to a party, the amount specified as such for that party in Paragraph 13; if no amount is specified, zero.

"Transfer" means, with respect to any Eligible Credit Support, Posted Credit Support or Interest Amount, and in accordance with the instructions of the Secured Party, Pledgor or Custodian, as applicable:

(i) in the case of Cash, payment or delivery by wire transfer into one or more bank accounts specified by the recipient;

(ii) in the case of certificated securities that cannot be paid or delivered by book-entry, payment or delivery in appropriate physical form to the recipient or its account accompanied by any duly executed instruments of transfer, assignments in blank, transfer tax stamps and any other documents necessary to constitute a legally valid transfer to the recipient;

(iii) in the case of securities that can be paid or delivered by book-entry, the giving of written instructions to the relevant depository institution or other entity specified by the recipient, together with a written copy thereof to the recipient, sufficient if complied with to result in a legally effective transfer of the relevant interest to the recipient; and

(iv) in the case of Other Eligible Support or Other Posted Support, as specified in Paragraph 13.

"Valuation Agent" has the meaning specified in Paragraph 13.

"Valuation Date" means each date specified in or otherwise determined pursuant to Paragraph 13.

"Valuation Percentage" means, for any item of Eligible Collateral, the percentage specified in Paragraph 13.

"Valuation Time" has the meaning specified in Paragraph 13.

"Value" means for any Valuation Date or other date for which Value is calculated and subject to Paragraph 5 in the case of a dispute, with respect to:

- (i) **Eligible Collateral or Posted Collateral that is:**
 - (A) **Cash, the amount thereof; and**
 - (B) **a security, the bid price obtained by the Valuation Agent multiplied by the applicable Valuation Percentage, if any;**
- (ii) **Posted Collateral that consists of items that are not specified as Eligible Collateral, zero; and**
- (iii) **Other Eligible Support and Other Posted Support, as specified in Paragraph 13.**

Paragraph 13. Elections and Variables

- (a) **Security Interest for "Obligations"**. The term "Obligations" as used in this Annex includes no additional obligations with respect to Party A or Party B.
- (b) **Credit Support Obligations.**
 - (i) **"Delivery Amount", "Return Amount" and "Credit Support Amount"** will have the meanings specified in Paragraphs 3(a), 3(b) and 3, respectively.
 - (ii) **Eligible Collateral.** Eligible Collateral shall consist of those assets identified by the ICAD codes listed below, as they are defined in the Collateral Asset Definitions. Percentage shown is the Valuation Percentage applicable to the indicated combination of ICAD and Remaining Maturity.

ICAD Code	Remaining Maturity			
	One (1) year or under	More than one (1) year up to and including five (5) years	More than five (5) years up to and including ten (10) years	More than ten (10) years
US-CASH	100%	N/A	N/A	N/A
US-TBILL	99.5%	N/A	N/A	N/A
US-TNOTE	99.5%	98%	95%	N/A
US-TBOND	99.5%	98%	95%	95%
US-STRIP	95%	95%	95%	95%
US-TIPS	95%	95%	95%	95%
US-GNMA	99.5%	98%	95%	95%
US-FNMA	99.5%	98%	95%	95%
US-FHLMC	99.5%	98%	95%	95%
US-FHLB	99.5%	98%	95%	95%
US-FHLBNC	99.5%	98%	95%	95%
US-FHLBNCDN	99.5%	N/A	N/A	N/A
US-NCAD	99.5%	98%	95%	95%
US-NCADN	99.5%	N/A	N/A	N/A
US-GNMAMBS	99.5%	98%	95%	95%
US-FNMAMBS	99.5%	98%	95%	95%
US-FHLMCMBS	99.5%	98%	95%	95%
US-ARM	99.5%	98%	95%	95%

- (iii) **Other Eligible Support** There shall be no "Other Eligible Support" for Party A or Party B for purposes of this Annex.
- (iv) **Thresholds.**
 - (A) **"Independent Amount"** means with respect to Party A: Not Applicable.
"Independent Amount" means with respect to Party B: Not Applicable.
 - (B) **"Threshold"** and **"Minimum Transfer Amount"** respectively mean:

- (i) with respect to Party A, at any time the amount specified in the table below under the relevant heading opposite whatever is the lower of the ratings at that time assigned by Standard & Poor's Ratings Group ("S&P") and Moody's Investors Services, Inc. ("Moody's") to the senior, unsecured, unenhanced debt of Party A or,
- (ii) with respect to Party B, at any time the amount specified in the table below under the relevant heading opposite whatever is the lower of the ratings at that time assigned by S&P and Moody's to the senior unenhanced debt of Party B payable at the same level of priority from the same source of funds specified in Part 4(e).

provided that (a) if the senior, unsecured, unenhanced debt of Party A or senior unenhanced debt of Party B payable from the same source of funds specified in Part 4(e) are rated by only one of S&P or Moody's, the Threshold and the Minimum Transfer Amount with respect to Party A or Party B, as the case may be, will be the amount specified in the table below under the relevant heading opposite that rating and (b) if an Event of Default or Potential Event of Default with respect to Party A or Party B has occurred and is continuing, the Threshold and the Minimum Transfer Amount with respect to such party shall each be zero.

Ratings Table

Moody's	S&P	Threshold	Minimum Transfer Amount
Aaa	AAA	USD 25,000,000	USD 1,000,000
Aa1	AA+	USD 25,000,000	USD 1,000,000
Aa2	AA	USD 25,000,000	USD 1,000,000
Aa3	AA-	USD 25,000,000	USD 1,000,000
A1	A+	USD 20,000,000	USD 1,000,000
A2	A	USD 15,000,000	USD 1,000,000
A3	A-	USD 10,000,000	USD 1,000,000
Baa1	BBB+	USD 5,000,000	USD 1,000,000
Baa2 and below or unrated (if previously rated) by S&P and Moody's	BBB and below or unrated (if previously rated) by S&P and Moody's	Zero	USD 100,000

(C) **Rounding.** The Delivery Amount will be rounded up and the Return Amount will be rounded down to the nearest integral multiple of \$10,000.00, respectively.

(c) **Valuation and Timing.**

- (i) "**Valuation Agent**" means, for the purposes of Paragraphs 3 and 5, the party making the demand under Paragraph 3, and, for the purposes of Paragraph 6(d), the Secured Party receiving or deemed to receive the Distributions or the Interest Amount, as applicable.
- (ii) "**Valuation Date**" means: Each and every Local Business Day commencing on the first such date following the date hereof.

(iii) "**Valuation Time**" means:

[] the close of business in the city of the Valuation Agent on the Valuation Date or date of calculation, as applicable;

[X] the close of business on the Local Business Day before the Valuation Date or date of calculation, as applicable;

provided that the calculations of Value and Exposure will be made as of approximately the same time on the same date.

(iv) "**Notification Time**" means 1:00 p.m., New York time, on a Local Business Day.

(d) **Conditions Precedent and Secured Party's Rights and Remedies.** The following Termination Event(s) will be a "Specified Condition" for each party (that party being the Affected Party if the Termination Event occurs with respect to that party) for purposes of Paragraphs 4(a), 6(c), 8(a) and 8(b): Illegality, Credit Event Upon Merger and Additional Termination Event.

(e) **Substitution.**

(i) "**Substitution Date**" means the Local Business Day in New York on which the Secured Party is able to confirm irrevocable receipt of the Substitute Credit Support, provided that (A) such receipt is confirmed before 3:00 p.m. (New York time) on such Local Business Day in New York and (B) the Secured Party has received, before 1:00 p.m. (New York time) on the immediately preceding Local Business Day in New York, the notice of substitution described in Paragraph 4(d)(i).

(ii) **Consent.** The Pledgor is not required to obtain the Secured Party's consent for any substitution pursuant to Paragraph 4(d).

(f) **Dispute Resolution.**

(i) "**Resolution Time**" means 1:00 p.m., New York time, on the Local Business Day following the date on which a notice is given that gives rise to a dispute under Paragraph 5.

(ii) **Value.** For the purpose of Paragraphs 5(i)(C) and 5(ii), the Value of Posted Credit Support will be calculated as follows: for Cash, the U.S. dollar value thereof, and for each item of Eligible Collateral (except for Cash), an amount in U.S. dollars equal to the product of (A) either (1) the bid price for such security quoted on such day by a principal market-maker for such security selected in good faith by the Secured Party or (2) the most recent publicly available bid price for such security as reported by a quotation service or in a medium selected in good faith and in a commercially reasonable manner by Secured Party, multiplied by (B) the percentage figure listed in Paragraph 13(b)(ii) hereof with respect to such security.

(iii) **Alternative.** The provisions of Paragraph 5 will apply.

(g) **Holding and Using Posted Collateral.**

(i) **Eligibility to Hold Posted Collateral; Custodians.** Party A and its Custodian, and Party B and its Custodian, will be entitled to hold Posted Collateral, as applicable, pursuant to Paragraph 6(b); provided that the following conditions applicable to each party are satisfied:

- (A) Party A, as the Secured Party, is not a Defaulting Party.
- (B) Party B, as the Secured Party, is not a Defaulting Party.
- (C) Each party hereby covenants and agrees that it will cause all Posted Collateral received from the other party to be entered in one or more accounts (each, a "Collateral Account") with a domestic office of a commercial bank, trust company or financial institution organized under the laws of the United States (or any state or a political subdivision thereof) having assets of at least \$10 billion and a long term debt or deposit rating of at least (i) Baa2 from Moody's and (ii) BBB from S&P (a "Qualified Institution"), each of which accounts may include property of other parties but will bear a title indicating the Secured Party's interest in said account and the Posted Collateral in such account. In addition the Secured Party may direct the Pledgor to transfer or deliver Eligible Collateral directly into the Secured Party's Collateral Account(s). If otherwise qualified, the Secured Party may act as such Qualified Institution and the Secured Party may move the Collateral Accounts from one Qualified Institution to another upon reasonable notice to the Pledgor. The Secured Party shall cause statements concerning the Posted Collateral transferred or delivered by the Pledgor to be sent to the Pledgor on request, which may not be made more frequently than once in each calendar month.

Initially the Custodian, for Party A is:- Not applicable.

Initially the Custodian, for Party B is:- [_____].

- (ii) **Use of Posted Collateral.** The provisions of Paragraph 6(c) will apply to Party A and will apply to Party B.
- (h) **Distributions and Interest Amount.**
 - (i) The "**Interest Rate**", with respect to Posted Collateral in the form of Cash, for any day, will be the rate opposite the caption "Federal funds (effective)" for such day as published by the Federal Reserve Publication H.15 (519) or any successor publication as published by the Board of Governors of the Federal Reserve System.
 - (ii) The "**Transfer of Interest Amount**" will be made within 3 Local Business Days after the last Local Business Day of each calendar month.
 - (iii) **Alternative Interest Amount.** The provisions of Paragraph 6(d)(ii) will apply.
 - (iv) **Interest Period.** Paragraph 12 is hereby amended by replacing the definition of "Interest Period" with the following:

"Interest Period" means the period from (and including) the first day of each calendar month to (and including) the last day of each calendar month."
- (i) **Additional Representations.** None.
- (j) **Other Eligible Support and Other Posted Support.** Not Applicable.

- (k) ***Demands and Notices.*** All demands, specifications and notices made by a party to this Annex will be made to the following:

Party A: Bank of America, N.A.
Sears Tower
233 South Wacker Drive, Suite 2800
Chicago, Illinois 60606-6306

Telephone No.: (312) 234-3030
Email: dg.collateral_derv_-_chicago@bankofamerica.com

Party B: City of Roseville
311 Vernon Street, Room 206
Roseville, CA 95678
Attention: Finance Director

Facsimile No.: 916-774-5514
Telephone No.: 916-774-5320

- (l) ***Addresses for Transfers.***

Party A: Cash/Interest Payments: (USD Only)
Bank of America, New York
ABA 026009593
Account # 6550-619389
F/O Bank of America, Charlotte-Collateral

Eligible Collateral (other than cash):
BK AMERICA NC/INV
ABA# 053 000 196

Party B: *To be provided on or before the first Transfer required hereunder*

- (m) ***Other Provisions.***

- (i) ***UCC.*** This Credit Support Annex is a Security Agreement under the New York UCC.
- (ii) ***Collateral Asset Definitions.*** The definitions and provisions contained in the Collateral Asset Definitions First Edition - 2003 (the "Collateral Asset Definitions"), as published by the International Swaps and Derivatives Association, Inc., ("ISDA") are incorporated into this Annex. In the event of any inconsistency between any of the following, the first listed shall prevail (i) this Annex, (ii) the Agreement and (iii) the Collateral Asset Definitions.
- (iii) ***Definitions.*** Paragraph 12 is hereby amended by adding, in alphabetical order, the following:

"***Moody's***" means Moody's Investor Services, Inc., or any successor to the rating business of such entity."

"***S&P***" means Standard & Poor's, a division of The McGraw-Hill Companies, Inc., or any successor to the rating business of such entity."

IN WITNESS WHEREOF, the parties have executed this Annex by their duly authorized officers as of the date hereof.

BANK OF AMERICA, N.A.

CITY OF ROSEVILLE

By: 

Name: **Ana Morales Gillard**
Title: **Vice President**
Date:

By:

Name:
Title:
Date:

IN WITNESS WHEREOF, the parties have executed this Annex by their duly authorized officers as of the date hereof.

BANK OF AMERICA, N.A.

CITY OF ROSEVILLE

By:

Name:
Title:
Date:

By: 

Name: W. Craig Robinson
Title: City Manager
Date: May 9, 2008



BANK OF AMERICA, N.A.

DERIVATIVES TRADE SUPPORT

TO: City of Roseville
ATTN: Russ Branson, Finance Director
TEL: (916) 774-5320
FAX: (916) 774-5514

FROM: Bank of America, N.A.
233 South Wacker Drive – Suite 2800
Chicago
Illinois 60606
U.S.A

Department: Swaps Operations
Telephone: (+1) 312 234 2732
Fax: (+1) 866 255 1444
Reference: Michael Moss

DATE: 9th May 2008

Our Reference Number: 50858677
Internal Tracking Numbers: 50858677

Dear Sir/Madam,

The purpose of this letter agreement is to confirm the terms and conditions of the Transaction entered into between City of Roseville and Bank of America, N.A. (each a "party" and together "the parties") on the Trade Date specified below (the "Transaction"). This letter agreement constitutes a "Confirmation" as referred to in the ISDA Master Agreement specified in paragraph 1 below (the "Agreement").

The definitions and provisions contained in the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., (the "Definitions") are incorporated into this Confirmation. In the event of any inconsistency between the Definitions and this Confirmation, this Confirmation will govern.

1. This Confirmation supplements, forms part of, and is subject to, the ISDA Master Agreement dated as of 1st May 2008, as amended and supplemented from time to time, between the parties. All provisions contained in the Agreement govern this Confirmation except as expressly modified below.

In this Confirmation "Party A" means Bank of America, N.A. and "Party B" means City of Roseville.

2. The terms of the particular Transaction to which this Confirmation relates are as follows:

Notional Amount: As per Schedule A attached hereto
Trade Date: 9th May 2008
Effective Date: 13th May 2008
Termination Date: 1st February 2035

Fixed Amounts:

Fixed Rate Payer: Party B
Fixed Rate Payer Payment Dates: The 1st of each month commencing 1st June 2008 and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.
Fixed Rate Payer Period End Dates: The 1st of each month commencing 1st June 2008 and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.
Fixed Rate: 3.36400 per cent
Fixed Rate Day Count Fraction: 30/360

Floating Amounts:

Floating Rate Payer: Party A
Floating Rate Payer Payment Dates: The 1st of each month commencing 1st June 2008 and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.
Floating Rate Period End Dates: The 1st of each month commencing 1st June 2008 and ending on the Termination Date, subject to adjustment in accordance with the Following Business Day Convention.
Floating Rate for initial Calculation Period: To be determined

Floating Rate Option: USD-LIBOR-BBA, provided that the words "two London Banking Days" in the third line of Section 7.1(ab)(xxii) of the Definitions shall be deleted and replaced with the words "one London Banking Day".

If "USD-LIBOR-Reference Banks" is applicable as the Floating Rate Option, the words "two London Banking Days" in the third line of Section 7.1(ab)(xxv) of the Definitions shall be deleted and replaced with the words "one London Banking Day".

Floating Rate: A rate, expressed as a percentage, equal to 70.50000 per cent of the Relevant Rate for a Reset Date

Designated Maturity: 1 Month

Spread: None

Floating Rate Day Count Fraction: Actual/360

Method of Averaging: Weighted Average

Reset Dates: Tuesday of each Week

Business Days: New York

Calculation Agent: Party A

3. Account Details:

As advised under separate cover with reference to this Confirmation, each party shall provide appropriate payment instructions to the other party in writing and such instructions shall be deemed to be incorporated into this Confirmation.

4. Offices:

The Office of Party A for this Transaction is: Charlotte, N.C. – United States

Please send reset notices to (+1) 866 218 8487

The Office of Party B for this Transaction is: Roseville, CA - United States

TO: Russ Branson, Finance Director COMPANY: City of Roseville

Please confirm that the foregoing correctly sets forth the terms and conditions of our agreement by returning via telecopier an executed copy of this Confirmation to the attention of Global Derivative Operations (fax no. (+1 866) 255 1444.

Bank of America, N.A.

Accepted and confirmed as of the date first written:

City of Roseville

Russ Branson

Name: _____

Title: _____

Amahia Clarke

Amahia Clarke
Principal

SCHEDULE A

Calculation Period Scheduled to Commence on	Notional (USD)
5/15/2008	36,000,000
2/1/2009	36,000,000
2/1/2010	36,000,000
2/1/2011	36,000,000
2/1/2012	36,000,000
2/1/2013	36,000,000
2/1/2014	36,000,000
2/1/2015	36,000,000
2/1/2016	36,000,000
2/1/2017	36,000,000
2/1/2018	36,000,000
2/1/2019	36,000,000
2/1/2020	36,000,000
2/1/2021	36,000,000
2/1/2022	36,000,000
2/1/2023	34,050,000
2/1/2024	31,770,000
2/1/2025	29,400,000
2/1/2026	26,940,000
2/1/2027	24,380,000
2/1/2028	21,730,000
2/1/2029	18,970,000
2/1/2030	16,100,000
2/1/2031	13,120,000
2/1/2032	10,030,000
2/1/2033	6,810,000
2/1/2034	3,470,000

by the party obliged to make the determination under Section 6(e) or, if each party is so obliged, it shall be the average of the fair market values reasonably determined by both parties.

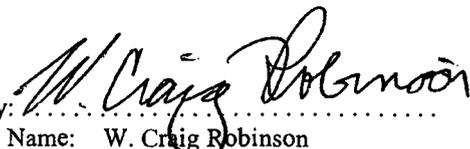
IN WITNESS WHEREOF the parties have executed this document on the respective dates specified below with effect from the date specified on the first page of this document.

BANK OF AMERICA, N.A.

CITY OF ROSEVILLE

By:

Name:
Title:
Date:

By: 

Name: W. Craig Robinson
Title: City Manager
Date: May 9, 2008

\$90,000,000
City of Roseville
Electric System Revenue Refunding Certificates of Participation
Series 2008A

CERTIFICATE OF SWAP PROVIDER

In connection with the issuance of \$90,000,000 principal amount of City of Roseville Revenue Refunding Certificates of Participation, Series 2008A (the "Certificates"), the City of Roseville, California (the "Issuer") has entered into an interest rate swap agreement dated May 9, 2008, with a notional principal amount of \$36,000,000 (the "Swap Agreement") with Bank of America, N.A. (the "Swap Provider"). Under the terms of the Swap Agreement, the City will make payments to the Swap Provider based on a fixed interest rate of 3.364% per annum with respect to the Swap Agreement (the "Fixed Rate") and will receive payments at a variable interest rate based on 70.5% of 1-month LIBOR (the "Floating Rate") all with reference to the same Notional Amount (initially, \$36,000,000). The Swap Provider negotiated the terms of the Swap Agreement with the Issuer and PFM Asset Management LLC, as swap advisor to the Issuer (the "Swap Advisor"); and, in its capacity as the counterparty on the Swap Agreement offered the Issuer the Fixed Rate, which the Issuer accepted. In connection with the foregoing, the undersigned hereby certifies as follows:

- (i) Amounts paid or payable by the Issuer pursuant to the Swap Agreement do not include any payment for underwriting or other services unrelated to the Swap Provider's performance of its obligations under the Swap Agreement.
- (ii) No payments have been or are expected to be made by the Swap Provider to the Issuer or by the Issuer to the Swap Provider in connection with the Swap Agreement except as set forth in the Swap Agreement.
- (iii) The Swap Provider has not made and does not expect to make any payments to third parties for the benefit of the Issuer in connection with the Swap Agreement.

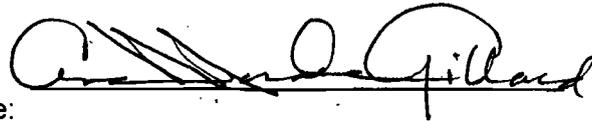
The certifications and the information set forth herein are provided for information purposes only, and, except as expressly set forth herein, are not intended for use by any third party; any rate or valuation described herein may not necessarily reflect the Swap Provider's internal bookkeeping or any single theoretical model-based valuation for the Swap Agreement, and in particular, certain factors, including, for example, the notional amount of a transaction, credit spreads, underlying volatility, costs of carry, use of capital and profit, may substantially affect the value of any specific transaction, and our conclusions may vary significantly from estimates available from other sources.

The undersigned understands that the Issuer may rely upon this certificate in making certain of the representations contained in a certificate the Issuer executes in connection with the issuance of the Certificates, and further understands that bond counsel may rely upon this certificate, among other things, in rendering its opinion with respect to the exclusion from gross income of the interest with respect to the Certificates pursuant to Section 103(a) of the Internal Revenue Code of 1986, as amended (the "Code"). Nevertheless, the Swap Provider makes no representations as to the legal sufficiency of the information set forth in this certificate for purposes of complying with the Code or for any other purpose. The undersigned is certifying only as to facts in existence on the date hereof. Nothing herein represents the undersigned's

interpretation of any laws; in particular the regulations under Section 148 of the Code or the application of any laws to these facts. The opinions expressed herein are not to be used, circulated, quoted or otherwise referred to for any other purpose without the express written consent of undersigned.

IN WITNESS WHEREOF, I have hereunto set my hand as of this 13th day of May, 2008.

By:
Name:
Title:



Ana Morales Gillard
Vice President

May 13, 2008

City of Roseville
311 Vernon Street, Room 206
Roseville, CA 95678

Ladies and Gentlemen:

We have acted as a counsel to Bank of America, National Association (“BANA”) in connection with the ISDA Master Agreement dated as of May 1, 2008 (the “ISDA Master Agreement”), including the Schedule (the “Schedule”) and the Credit Support Annex thereto and the Confirmation thereunder dated May 9, 2008 (collectively the “Swap Agreement”), between BANA and City of Roseville (the “Counterparty”). We are rendering this opinion letter to you at the request of BANA pursuant to Part 2 of the Schedule.

In connection with this opinion, we have examined and relied upon:

(a) The Swap Agreement; and

(b) The BANA Assistant Secretary’s Certificate, dated May 12, 2008, including BANA’s Board of Director Resolutions, dated January 24, 2006 and attached as Exhibit A thereto; and BANA’s By-laws and Amended and Restated Articles of Association, each dated as of June 13, 2005.

In such examination we have assumed the genuineness of all signatures, the authenticity of all documents, agreements and instruments submitted to us as originals, the conformity to original documents, agreements and instruments of all documents, agreements and instruments submitted to us as copies or specimens, the authenticity of the originals of such documents, agreements and instruments submitted to us as copies or specimens, and the accuracy of the matters set forth in the documents, agreements and instruments we reviewed. As to matters of fact relevant to the opinion expressed herein, we have relied upon the representations and warranties contained in the Swap Agreement and certificates and oral or written statements and other information obtained from BANA, the other parties to the transaction referenced herein, and public officials and assumed that each of the above was (as of the date made) and is (as of the date hereof) accurate. Except as expressly set forth herein, we have not undertaken any independent investigation (including, without limitation, conducting any review, search or investigation of

any public files, records or dockets) to determine the existence or absence of the facts that are material to our opinion, and no inference as to our knowledge concerning such facts should be drawn from our reliance on the representations of BANA and others in connection with the preparation and delivery of this letter.

Other than with respect to BANA, we have assumed (x) the legal capacity of all natural persons and (y) that the Swap Agreement has been duly authorized, executed and delivered by all parties thereto, that all such parties are validly existing and in good standing under the laws of their respective jurisdictions of organization, that all such parties had the power and legal right to execute and deliver the Swap Agreement, and that the Swap Agreement constitutes the legal, valid and binding obligation of all such parties, enforceable against all such parties in accordance with its terms. We have also assumed that the Swap Agreement we have reviewed evidences the entire agreement between the parties, and has not been amended, modified or supplemented in writing or otherwise by any other agreement or understanding of the parties or by waiver of any material provision thereof.

We have also assumed that the Swap Agreement is in consideration of or relates to an obligation arising out of a transaction covering in the aggregate not less than U.S. \$1,000,000.

We express no opinion concerning the laws of any jurisdiction other than the laws of the State of New York and, to the extent expressly referred to in this letter, the federal laws of the United States of America.

We express no opinion herein as to: (i) the legality, validity, binding effect or enforceability of the Swap Agreement under applicable anti-gaming, anti-gambling, and anti-bucket shop laws, rules, and regulations; and (ii) the creation, perfection or priority of any lien, security interest, or other encumbrance created or purported to be created pursuant to the Swap Agreement.

Based upon our examination of the documents set forth above and the assumptions set forth herein, subject to the limitations and qualifications set forth herein, and having regard for legal considerations which we deem relevant, we are of the following opinions:

1. BANA is a national banking association formed under the laws of the United States and is authorized to transact the business of banking. This opinion is rendered solely upon the certificate dated May 7, 2008 issued by the Comptroller of the Currency in respect of BANA.

2. BANA has the corporate authority to execute, deliver and perform its obligations under the Swap Agreement.

3. The execution and delivery by BANA of the Swap Agreement and the performance of its obligations thereunder do not violate or conflict with its Articles of Association or By-laws.

4. The Swap Agreement has been duly authorized, executed and delivered by BANA.

5. The Swap Agreement constitutes the legal, valid and binding obligation of BANA enforceable against BANA in accordance with its terms.

Our opinion in paragraph 5 above is subject to applicable bankruptcy, insolvency, fraudulent conveyance, reorganization, moratorium, receivership or other laws relating to or affecting creditors' rights generally, general principles of equity (regardless of whether enforcement is sought in a proceeding at law or in equity), and to the discretion of a court or other authority or body to invalidate or decline to enforce any right, remedy or provision of the Swap Agreement (including without limitation the termination payment provisions thereof) determined by it to be a penalty. However, the enforcement of rights with respect to indemnification and contribution obligations and provisions relating to severability, provisions purporting to waive or limit rights to trial by jury, oral amendments to written agreements or rights of set-off, provisions relating to submission to jurisdiction, venue or service of process, or provisions purporting to prohibit, restrict or require the consent of the other party for the transfer of, or the creation, attachment or perfection of a security interest in, the Swap Agreement or an interest therein, may be limited by applicable law or considerations of public policy.

We call to your attention the fact that our only role in this matter has been to review the Swap Agreement in order to render an opinion with respect to that agreement. We did not participate in the negotiation or drafting of the Swap Agreement or any other agreement or document relating thereto, and we are not familiar with the parties thereto other than BANA.

We are furnishing this letter to you solely for your benefit in connection with the Swap Agreement. Without our prior written consent, this letter is not to be relied upon, used, circulated, quoted or otherwise referred to by, or assigned to, any other person (including any person that seeks to assert your rights in respect of this letter (other than your successor in interest by means of merger, consolidation, transfer of a business or other similar transaction)) or for any other purpose. In addition, we disclaim any obligation to update this letter for changes in fact or law, or otherwise.

Very truly yours,

Adwalader, Wickersham + Taft LLP



City Attorney
311 Vernon Street
Roseville, California 95678-2649

May 13, 2008

Bank of America, N.A.
Chicago, Illinois

To Bank of America:

This opinion is furnished to you pursuant to the ISDA Master Agreement (including the Schedule and Credit Support Annex thereto) dated as of May 1, 2008 and the Confirmation dated May 9, 2008 and bearing reference number 50858677 (collectively, the "Agreement"), each by and between Bank of America, N.A. and the City of Roseville (the "City"). Terms defined in the Agreement and used but not defined herein have the meanings given to them in the Agreement.

We have acted as counsel to City in connection with the preparation, execution and delivery of the Agreement. In that connection, I or my staff working under my supervision have examined such documents as we have deemed necessary or appropriate for the opinions expressed herein.

The opinions set forth herein are limited to the laws of the State of California and the federal laws of the United States.

Based on the foregoing and upon such investigations as we have deemed necessary, we are of the opinion that, subject, in the case of the opinions set forth in paragraph 4 below, to the qualifications set forth in the last paragraph of this opinion:

- (1) The City is duly organized, validly existing, and in good standing under the laws of its jurisdiction of incorporation and has the corporate power and authority to execute and deliver, and to perform its obligations under, the Agreement.
- (2) The execution and delivery of the Agreement by the City and any other agreement which the City has executed and delivered pursuant thereto, and the performance of its obligations thereunder have been and remain duly authorized by all necessary action and do not contravene any provision of its certificate of incorporation or by-laws (or equivalent constitutional documents) or any law, regulation or contractual restriction binding on or affecting it or its property.
- (3) All consents, authorizations and approvals required for the execution and delivery by the City of the Agreement, and any other agreement which the City has executed and delivered pursuant thereto, and the performance of its obligations thereunder have been obtained and remain in full force and effect, all conditions thereof have been duly complied

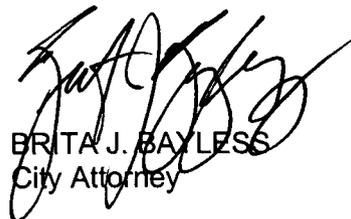
with, and no other action by, and no notice to or filing with any governmental authority or regulatory body is required for such execution, delivery or performance.

(4) The Agreement, and any other agreement which the City has executed and delivered pursuant thereto, has been duly executed and delivered by the City and constitutes the legal, valid and binding obligation of the City, enforceable against the City in accordance with its terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, and subject, as to enforceability, to general principles of equity (regardless of whether enforcement is sought in a proceeding in equity or at law). We have assumed, for purposes of this paragraph 4, that the Agreement is governed by the substantive laws of the State of California.

(5) 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 to in any suit, action or proceedings relating to the Agreement, in the courts of any jurisdiction and no such immunity (whether or not claimed) may be attributed to such party or its revenues or assets.

The opinions set forth in paragraph 4 above are subject to the qualification that we express no opinion regarding the legality, validity, binding effect or enforceability of Section 6(e) of the Agreement insofar as it purports to obligate a party, on termination of the Agreement, to pay an amount in excess of that measured by the lowest quotation from a Reference Market-maker. In addition, in connection with any such early termination on the grounds of default, a court might limit the non-Defaulting Party's recovery to its actual damages in the circumstances, imposing its own settlement procedures in lieu of the provisions of Section 6(e) of the Agreement.

Very truly yours,



BRITA J. BAYLESS
City Attorney

JONES HALL

A PROFESSIONAL LAW CORPORATION

ATTORNEYS AT LAW

CHARLES F. ADAMS
ALISON J. BENGE
THOMAS A. DOWNEY
DAVID T. FAMA
SCOTT R. FERGUSON
ANDREW C. HALL, JR.
COURTNEY L. JONES
WILLIAM J. KADI
CHRISTOPHER K. LYNCH
WILLIAM H. MADISON
STEPHEN G. MELIKIAN
PETER J. NOVAK
DAVID A. WALTON
JULIE A. WUNDERLICH

650 CALIFORNIA STREET
EIGHTEENTH FLOOR
SAN FRANCISCO, CA 94108

TELEPHONE
(415) 391-5780
FACSIMILE
(415) 391-5784

KENNETH I. JONES, RETIRED

May 13, 2008

HOME PAGE: <http://www.joneshall.com>

Bank of America, N.A.
Chicago, Illinois

Ladies and Gentlemen:

This opinion is furnished to you in connection with the ISDA Master Agreement, dated as of May 1, 2008, between the City of Roseville (the "City") and Bank of America, N.A. (the "Counterparty"), the Schedule thereto dated as of May 1, 2008 between the City and the Counterparty, and the Credit Support Annex thereto dated as of May 1, 2008 between the City and the Counterparty (collectively, the "Agreement") and the Confirmation, dated May 9 2008, and bearing reference number 50858677 of the transaction entered into on May 9 2008 (the "Confirmation"), between the City and the Counterparty.

We have acted as bond counsel in connection with the delivery of the City's Electric System Revenue Refunding Certificates of Participation Series 2008A and execution and delivery of the Agreement and the Confirmation and in that capacity have examined originals or copies, certified or otherwise identified to our satisfaction, of such documents, resolutions and other instruments and have conducted such investigations of fact and law as we have deemed necessary or advisable for the opinions expressed herein. Capitalized terms used herein and not otherwise defined shall have the respective meanings given such terms in the hereinafter referenced Contract and that certain Trust Agreement between the Roseville Financing Authority and The Bank of New York Trust Company, N. A., as Trustee, to be dated as of May 1, 2008.

Upon the basis of the foregoing, we are of the opinion that:

1. The Agreement and the Confirmation have been duly authorized, executed and delivered by the City and constitute legal, valid, and binding obligations of the City enforceable against the City in accordance with their terms. We have assumed, for purposes of this paragraph, that the Agreement and the Confirmation are governed by the substantive laws of the State of California.

2. The City is not required to obtain any authorization, consent, approval, registration, exemption or license from, or to file any registration with, any governmental

authority as a condition to the validity of, or for the execution and delivery of, the Agreement or the Confirmation or to the performance by the City of its obligations thereunder.

3. The execution and delivery of the Agreement and the Confirmation and compliance with the provisions thereof, under the circumstances contemplated thereby, do not and will not in any material respect conflict with or constitute on the part of the City a material breach of or default under the Master Installment Purchase Contract, dated as of November 1, 1997, as supplemented by the 1997 Supplemental Contract, the 1999 Supplemental Contract, the 2002 Supplemental Contract, the 2004 Supplemental Contract, the 2005 Supplemental Contract and the 2008 Supplemental Contract (collectively, the "Contract").

4. The obligations of the City to make payments under the Agreement and the Confirmation are special, limited obligations payable solely from Net Revenues of the Electric System of the City (the "Net Revenues") on a parity with the Parity Obligations pursuant to the Contract (including the 1997 Certificates, the 1999 Certificates, the 2002 Certificates, 2004 Certificates, 2005 Certificates and the 2008 Certificates) and any additional Parity Obligations, except that the City's obligation to make any payment in connection with a termination of any Transaction as a result of the occurrence of an Event of Default or Termination Event under the Agreement or post any collateral are payable solely from Net Revenues on a basis that is subordinate to the payment of the City's Parity Obligations. Payments in connection with a termination are also payable from any posted collateral pledged to the Counterparty as a secured party pursuant to the terms of the Agreement.

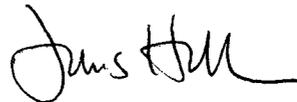
With respect to the opinions expressed herein, the rights and obligations under the Agreement and the Confirmation are subject to, and may be limited by: (i) bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting the enforcement of creditors' rights generally, (ii) the application of equitable principles in law or at equity (including without limitation concepts of mutuality, reasonableness, good faith and fair dealing, and the possible unavailability of specific performance or injunctive relief), (iv) the exercise of judicial discretion in appropriate cases, (v) the discretion of a court or other authority or body to invalidate or decline to enforce any right, remedy, or provision of the Agreement (including without limitation the termination payment provisions of the Agreement) determined by it to be a penalty and (vi) the limitations on legal remedies against public agencies in the State of California (including without limitation those referenced in California Code of Civil Procedure Sections 695.040, 695.050 and 712.070 and California Government Code Sections 900 through 985). In addition, we express no opinion with respect to any indemnification, contribution, forfeiture, set off (other than with respect to netting across Transactions as defined in the Agreement), late payment charge, choice of law, choice of forum or waiver provisions contained in the foregoing documents. In addition, in connection with any early termination, a court might limit recovery to actual damages in the circumstances, imposing its own settlement procedures in lieu of the provisions of Section 6(e) of the Agreement.

We have relied as to certain factual matters on information obtained from officers of the City and other sources believed by us to be responsible and we have assumed that the

signatures on all documents examined by us are genuine, assumptions which we have not independently verified.

This opinion is limited to the laws of the State of California and the Federal laws of the United States. The opinions in this letter are expressed solely as of the date hereof for your benefit and for the benefit of your successors and permitted assigns under the Agreement and may not be relied upon in any manner or, for any purposes by any other person. By acceptance of this letter you recognize and acknowledge that no attorney-client relationship has existed between our firm and yourselves in connection with the Agreement by virtue of this letter. The opinions expressed herein are based on an analysis of existing laws, including Section 5922 of the California Government Code, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of such actions or events.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "James Hill". The signature is fluid and cursive, with a long horizontal stroke at the end.

A Professional Law Corporation