

MARCH 9, 2015

NOTE PURCHASE AGREEMENT

dated as of March 1, 2015,

between

CITY OF TACOMA, WASHINGTON,
ACTING BY AND THROUGH ITS PUBLIC UTILITIES BOARD

and

KEYBANK NATIONAL ASSOCIATION

relating to

\$50,000,000
CITY OF TACOMA ELECTRIC SYSTEM
SUBORDINATE NOTE, SERIES B

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EXHIBITS

- EXHIBIT A – FORM OF COMPLIANCE CERTIFICATE
- EXHIBIT B – FORM OF REQUEST FOR ADVANCE
- EXHIBIT C – FORM OF EXTENSION NOTICE

NOTE PURCHASE AGREEMENT

THIS NOTE PURCHASE AGREEMENT, dated as of March 1, 2015 (as amended, modified or restated from time to time, this "*Agreement*"), between the CITY OF TACOMA, WASHINGTON, a municipal corporation duly organized and existing under the laws of the State of Washington, acting by and through its Public Utilities Board, and KEYBANK NATIONAL ASSOCIATION, a national banking association.

RECITALS

WHEREAS, the City of Tacoma, acting by and through its Public Utilities Board (the "*Borrower*") has issued its **Electric System Subordinate Note, Series B**, pursuant to Ordinance No. _____, passed by the City Council on _____, 2015 (as amended, supplemented and restated, the "*Master Subordinate Bond Ordinance*"), and Ordinance No. _____ passed by the City Council on _____, 2015, (as the same may be amended, modified or restated in accordance with the terms thereof and hereof, the "*Supplemental Ordinance*" and together with the Master Subordinate Bond Ordinance, the "*Note Ordinance*"); and

WHEREAS, the Purchaser has agreed to make Advances (as defined herein) against the Note in accordance with the terms hereof, and as a condition to such purchase and the making of such Advances, the Purchaser has required the Borrower to enter into this Agreement.

NOW, THEREFORE, to induce the Purchaser to make Advances, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the Borrower and the Purchaser hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. The capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Note Ordinance. In addition, the following capitalized terms shall have the following meanings as used herein:

"*Advance Date*" means each date on which an Advance occurs.

"*Advances*" means, collectively, each Advance made by the Purchaser pursuant to the terms hereof.

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

"*Amortization End Date*" means the earliest to occur of (a) the fifth (5th) anniversary of the Mandatory Tender Date, and (b) the date on which the Note is redeemed, repaid, prepaid or cancelled in accordance with the terms hereof and of the Note Ordinance.

"Amortization Payment" has the meaning set forth in Section 3.01(a) hereof.

"Amortization Payment Date" means (a) the Initial Amortization Payment Date and each 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 3.01(a) hereof.

"Approving Opinion" means an opinion delivered by Note Counsel to the effect that such action is permitted by this Agreement and the Related Documents.

"Available Commitment" means, on any date, an initial amount equal to \$50,000,000 and thereafter such initial amount adjusted from time to time as follows: (a) downward in an amount equal to the principal amount of any Advance pursuant to the terms hereof; (b) upward in an amount equal to the principal amount of the Note repaid by the Borrower pursuant to the terms of Section 2.05 hereof; and (c) downward to zero upon the expiration or termination of the Available Commitment in accordance with the terms hereof; *provided, that*, after giving effect to any of the foregoing adjustments the Available Commitment shall never exceed \$50,000,000 at any one time.

"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 undertake(s) to make or provide funds to make payment of, or to purchase or provide credit enhancement for bonds or notes of the Borrower secured by or payable from Revenues.

"Base Rate" means, for any day, a fluctuating interest rate per annum as shall be in effect from time to time, which rate per annum shall at all times be equal to the greater of: (i) the Prime Rate and (ii) the LIBOR Fixed Rate plus 3.00%; *provided, however*, that immediately and upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuation of such Event of Default, *"Base Rate"* shall mean the Default Rate.

"Borrower" means the City of Tacoma, a municipal corporation duly organized and existing under the laws of the State of Washington, acting by and through its Public Utilities Board, and any permitted successor or assign thereof hereunder.

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

"Business Day" means a day which is (a) not a Saturday, Sunday or legal holiday on which banking institutions in Tacoma, Washington or New York, New York or the states where the principal corporate office of the Borrower or the principal corporate trust office of the Paying Agent is located are authorized by law to close, (b) not a day on which the New York Stock Exchange or the Federal Reserve Bank is closed, (c) not a day on which the principal offices of

the Calculation Agent or the principal office of the Purchaser is closed or (d) with respect to all notices and determinations in connection with, and payments of principal and interest on, the Note, any day that is a Business Day described in clauses (a), (b) and (c) and that is also a day for trading by and between banks in Dollar deposits in the London interbank market.

“*Calculation Agent*” means KeyBank National Association.

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

“*Commitment*” means the agreement of the Purchaser pursuant to Section 2.02 hereof to make Advances against the Note under the terms hereof for the account of the Borrower the proceeds of which shall be used for the purpose of (a) providing funds to finance or refinance costs and expenses of the Electric System and (b) paying the costs and expenses of issuance of the Note, including fees for professional services.

“*Commitment Fee*” has the meaning set forth in Section 3.01(b) hereof.

“*Commitment Expiration Date*” means the later of (a) 5:00 p.m. New York City time on March __, [2017, 2018 or 2020], and (b) 5:00 p.m. New York City time on the last day of any extension of such date pursuant to Section 3.10 hereof or, if such last day is not a Business Day, the Business Day next preceding such day.

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

“*Computation Date*” means, with respect to an Advance, the second London Banking Day immediately preceding each Libor Index Reset Date; provided that, if there are no Advances outstanding, then with respect to a new Advance, the initial Computation Date shall be the second London Banking Day immediately preceding the date of such Advance.

“*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 Borrower, are treated as a single employer under Section 414 of the Code.

“*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, (g) all payment obligations of such Person under any Swap Agreement, and (h) obligations of such Person to reimburse or repay any bank or other Person amounts paid or advanced under a Bank 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 two percent (2.0%).

"Directed Amortization Payment" has the meaning set forth in Section 3.01(b) hereof.

"Directed 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.

"Directed Mandatory Tender Date" means the date on which the Note is subject to mandatory tender for purchase as a result of the Purchaser giving notice to the Paying Agent and the Borrower of the occurrence and continuance of an Event of Default hereunder and directing the Paying Agent or the Borrower, as applicable, to cause a mandatory tender pursuant to Section 7.02(ii) hereof.

"Dollar", "USD", "\$" and "U.S. Dollar" means the lawful currency of the United States of America.

"Effective Date" means [March __, 2015], 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 Note Ordinance.

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

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, 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.

"Excess Interest Amount" has the meaning set forth in Section 3.04 hereof.

"Excluded Taxes" means, with respect to the Purchaser, (a) 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 the Purchaser is organized or in which Borrower is located, and (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which the Borrower is located.

“*Executive Order*” has the meaning set forth in Section 5.23 hereof.

“*Fiscal Year*” means the twelve month period from January 1 through the following December 31.

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

“*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 Borrower.

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

“*Governmental Authority*” means the government of the United States of America or any other nation or any political subdivision thereof or any governmental or quasi-governmental entity, including any court, department, commission, board, bureau, agency, administration, central bank, service, district or other instrumentality of any governmental entity or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any supra-national bodies such as the European Union or European Central Bank), or any arbitrator, mediator or other Person 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 payable 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 (ii) to purchase or lease property for the purpose of assuring the obligee in respect of such Debt of the payment of such Debt, or (b) any Lien on any assets of such Person securing any Debt of any other Person, whether or not such Debt 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.

“*Indemnified Taxes*” means Taxes imposed on Purchaser other than Excluded Taxes.

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

“*Index Rate*” means the LIBOR Index Rate, Purchaser Rate or the Default Rate, as applicable.

“*Index Rate Period*” means any period during which the Note bears interest at an Index Rate.

“*Interest Payment Date*” means the first Business Day of each calendar month and the Termination Date.

“*Initial Amortization Payment Date*” means the first anniversary day following the Mandatory Tender Date.

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

“*LIBOR Business Day*” means a day on which (a) banks are not required or authorized to close in Cleveland, Ohio, and (b) dealings are carried on in the London interbank eurodollar market.

“*LIBOR Fixed Rate*” means the rate per annum determined by the KeyBank National Association at which deposits in the United States dollars are offered by prime banks in the London interbank eurodollar market two Business Days prior to the LIBOR Index Reset Date, in an amount comparable to the amount of such advance and with a maturity of one month, as reported on Reuters Screen LIBOR01 page (or any successor page) at approximately 11:00 a.m., London time, on each Computation Date (or if not so reported, then as determined by the Calculation Agent from another recognized source of interbank quotation).

“*LIBOR Interest Rate Period*” means a period of one month, not to exceed the Commitment Expiration Date of the Note.

“*LIBOR Index Rate*” means a per annum rate of interest established on each Computation Date equal to the LIBOR Fixed Rate plus % [*to be .0.50% if 2 year revolver, 0.55% if 3 year revolver or 0.90% if 5 year revolver*]; provided, however, that immediately and upon the occurrence of an Event of Default (and without any notice given with respect thereto) and during the continuation of such Event of Default,

“*LIBOR Index Reset Date*” shall mean the first Business Day of each calendar month.

“*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 (i) the Directed Mandatory Tender Date, or (ii) the date on which the Note is subject to mandatory tender for purchase on the Commitment Expiration Date pursuant to [Section ____] of the Note Ordinance.

“*Mandatory Tender Price*” means an amount equal to 100% of the principal amount of the Note 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.

“*Market Disruption*” means any material event in the financial markets, including but not limited to any governmental action or other event, which materially adversely affects the extension of credit by banks or other lending institutions to government borrowers.

“*Master Bond Ordinance*” means the Ordinance No.28146, passed by the City Council on April 30, 2013.

“*Material Adverse Effect*” means (a) a change in, or an effect upon, the operations, business, properties, liabilities (actual or contingent), or condition (financial or otherwise) of the Borrower which materially impairs its ability to make payments due under this Agreement; or (b) any material term of this Agreement or any Related Document or any material rights, security or remedies of the Purchaser hereunder or thereunder shall no longer be legal, valid, binding or enforceable against the Borrower.

“*Maturity Date*” means the maturity date of the Note as computed in Section ____, hereof.

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

“*Note Counsel*” means Orrick, Herrington & Sutcliffe LLP, or any other firm of attorneys nationally recognized on the subject of tax-exempt municipal finance selected by the Borrower.

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

“*Note*” means the Electric System Subordinate Note, Series B, issued on the Effective Date by the Borrower to the Purchaser as the registered owner, which evidences and secures each Advance hereunder.

“*Obligations*” means all amounts payable by the Borrower pursuant to this Agreement and the Related Documents.

“*OFAC*” has the meaning set forth in Section 5.23 hereof.

“*Other Taxes*” has the meaning set forth in Section 3.06(a) hereof.

“*Paying Agent*” means the financial institution appointed as paying agent/registrar pursuant to the Note Ordinance and its successors and assigns.

“*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).

“*PBGC*” means the Pension Benefit Guaranty Corporation or any successor thereto.

“*Permitted Investments*” shall have the meaning set forth in the Master Subordinate Bond Ordinance.

“*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 Borrower 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, or has within the preceding five plan years been maintained, by a member of the Controlled Group for employees of a member of the Controlled Group of which the Borrower 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 Borrower 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 publicly announced from time to time by the KeyBank National Association as its prime rate. Any change in the Prime Rate shall take effect at the opening of business on the day specified in the public announcement of a change in the KeyBank National Association’s 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 KeyBank National Association 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 KeyBank National Association may make various business or other loans at rates of interest having no relationship to such rate.

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

“*Purchaser*” means, initially, KeyBank National Association, a national banking association, and its permitted successors and assigns.

“*Purchaser Rate*” means a fluctuating interest rate per annum which, for each day, shall equal (i) for the period from and including the Mandatory Tender Date to and including the one hundred eightieth (180th) day immediately succeeding the Mandatory Tender Date, the Base Rate from time to time in effect and (ii) from the period from and after the one hundred eighty-first (181st) day immediately succeeding the Mandatory Tender Date, 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.

“*Related Documents*” means this Agreement, the Note Ordinance, the Master Subordinate Bond Ordinance and the Note, as the same may be amended, modified or supplemented in accordance with the terms thereof and hereof.

“*Request for Advance*” means the request for an Advance against the Note by the Purchaser, in the form of Exhibit B hereto.

“*Revenues*” has the meaning set forth in the Note Ordinance.

“*State*” means the State of Washington.

“*Subordinate Debt*” means any Debt issued or incurred by or on behalf of the Borrower and secured on a parity with, the Lien on Revenues securing the payment of the principal and purchase price of and interest on the Note and the obligations under this Agreement, including but not limited to, all Subordinate Bonds issued pursuant to the Master Subordinate Bond Ordinance.

“*Swap Agreement*” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, 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.

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

“*Termination Date*” means the earliest of (i) the Commitment Expiration Date, as such date may be extended pursuant to Section 3.10 hereof, and (ii) the date the Commitment terminates by its terms in accordance with Section 7.02(a)(iii) hereof.

“*Unutilized Amount*” means, as of any date, an amount equal to the difference between (i) the Available Commitment and (ii) the aggregate amount outstanding of Advances made by the Purchaser pursuant to the terms hereof.

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 Section 6.04 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, either the Borrower or the Purchaser may by notice to the other party hereto, require that the Purchaser and the Borrower 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 Borrower shall be the same as if such change had not been made. No delay by the Borrower 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 1.04, 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 Borrower of its obligations under, any Related Document.

(b) 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.

ARTICLE II

ISSUANCE OF NOTE AND ADVANCES

Section 2.01. Issuance of Note; Commitment to Make Advances. (a) From the Effective Date through the Termination Date, and upon and subject to the terms and conditions and on the basis of the representations, warranties and agreements contained herein, the Purchaser hereby agrees, when requested by the Borrower pursuant to this Agreement, to make Advances from time to time (but in no event more than two (2) per calendar month) in an aggregate principal amount not to exceed the Available Commitment, and the Borrower hereby agrees to issue the Note in an aggregate principal amount equal to \$50,000,000, to the Purchaser, under the terms and conditions of the Note Ordinance to evidence and secure the Advances. The Note is authorized pursuant to the Note Ordinance, and is to be issued only for the purposes authorized under the Note Ordinance. The Note is issued as "Subordinate Bonds" under the Note Ordinance and, pursuant to the Note Ordinance, the principal of and interest on the Note is payable from and secured by a subordinate lien on and pledge of Revenues, subject to the terms and conditions of the Note Ordinance. The Note shall contain a schedule on which each Advance shall be recorded by the Purchaser; *provided, however*, that the failure to do so or any other act or omission of the Purchaser shall not relieve the Borrower from its obligations as provided herein. Such schedule shall be conclusive as to such amounts absent manifest error.

(b) Each Advance shall (i) be evidenced and secured by the Note, which will be delivered to the Purchaser on the Effective Date, (ii) be secured by the Revenues as set forth in the Note Ordinance, (iii) mature on the Commitment Expiration Date, and (iv) be in a minimum principal amount of \$100,000. Interest on each Advance shall be calculated on the basis of a year of 360 days and actual days elapsed from the Advance Date.

Section 2.02. Closing. At such date and time as shall have been mutually agreed upon by the Borrower and the Purchaser, the certificates, opinions and other documents required by Article IV below shall be executed and delivered (all of the foregoing actions are herein referred to collectively as the "*Closing*"). Assuming the Closing is completed in accordance with the provisions of this Agreement then, subject to the provisions of this Agreement and the conditions set forth in Article IV hereof the Purchaser shall make Advances upon the request of the Borrower pursuant to Section 2.03 hereof.

Section 2.03. Method of Requesting Advances. (a) Each Advance shall be made upon the Borrower's irrevocable notice to the Purchaser in the form of a Request for Advance with blanks appropriately completed. Each Request for Advance shall be signed by a Borrower Representative and shall specify: (1) the Advance Date which shall be a LIBOR Business Day and shall be at least three (3) LIBOR Business Days after the date of the Request for Advance; and (2) the principal amount of the Advance, which shall not exceed the Available Commitment as of the proposed Advance Date. Each Request for Advance must be received by the Purchaser not later than 12:00 noon Cleveland time three LIBOR Business Days immediately prior to the requested Advance Date.

(b) Upon receipt of a Request for Advance by the Purchaser, the Purchaser, subject to the terms and conditions of this Agreement, shall be required to make an Advance by **[3:00 p.m.]** Cleveland time on the proposed Advance Date for the account of the Borrower in an amount equal to the amount of the requested Advance. Notwithstanding the foregoing, in the event such Request for Advance is received by the Purchaser after 12:00 noon Cleveland time on the Business Day which is three (3) LIBOR Business Days immediately prior to the day of the proposed Advance, the Purchaser shall be required to make the related Advance by 3:00 p.m. on the fourth LIBOR Business Day after receipt of the related Request for Advance. The Purchaser shall determine the LIBOR Index Rate with respect to any Advance two Business Days prior to the related Advance Date.

(c) The Index Rate for any Advance shall be the LIBOR Index Rate. The Calculation Agent shall notify the Paying Agent and the Borrower of the Index Rate with respect to each LIBOR Index Reset Date. The Calculation Agent's internal records and applicable interest rates shall be determinative in the absence of manifest error.

Section 2.04. Interest Rate. (a) Each Advance shall bear interest at a rate per annum equal to the lesser of (1) the Maximum Interest Rate and (2) the Index Rate.

(b) Any principal of, and to the extent permitted by applicable law, interest on the Note and any other sum payable hereunder, which is not paid when due shall bear interest, from the date due and payable until paid, payable on demand, at a rate per annum equal to the lesser of (i) the Default Rate and (ii) subject to Section 3.04 hereof, Maximum Interest Rate.

Section 2.05. Payment. (a) Accrued but unpaid interest on the Note shall be due and payable on the each Interest Payment Date. All outstanding principal of Advances shall be due and payable on the Termination Date. Interest due and payable on the Note shall be equal to the amount accrued to, but excluding the related payment date. If the payment date for the principal of or interest on the Note is a day other than a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended period of time shall be included in the computation of interest; *provided, however*, the payment of interest on the Note on such extended date shall have the same force and effect as if made on the original payment date.

(b) Subject to Section 3.08 hereof, the Borrower may prepay any Advance, in whole or in part, on the Libor Index Reset Date provided at least three (3) Business Days' prior written notice is given by the Borrower to the Purchaser. Each such notice shall specify the date and amount of such prepayment. Each such notice of optional prepayment shall be irrevocable and shall bind the Borrower to make such prepayment in accordance with such notice. Any prepayment of Advances shall be in a principal amount of \$100,000 or a whole multiple of \$100,000 in excess thereof or, if less, the entire principal amount thereof then outstanding. All prepayments of principal shall include accrued interest to the date of prepayment and all other amounts due and payable at such time pursuant to this Agreement.

Section 2.06. Reserved.

Section 2.07. Index Rate Period. Each Advance shall bear interest at the LIBOR Index Rate, subject to adjustment as set forth herein, and as provided in Section 3.01(a). The Calculation Agent shall determine the LIBOR Index Rate on each Computation Date with respect to each Advance, and such rate shall become effective on the Libor Index Reset Date next succeeding the Computation Date and interest at such rate shall accrue each day with respect to such Advance, commencing on and including the next succeeding LIBOR Index Reset Date to but excluding the immediately succeeding LIBOR Index Reset Date. The LIBOR Index Rate shall be rounded upward to the fifth decimal place. Promptly following the determination of the LIBOR Index Rate, the Calculation Agent shall give notice thereof to the Paying Agent and the Borrower. The Calculation Agent shall also determine the Purchaser Rate consistent with this paragraph on each Computation Date in the event of its applicability under Section 3.01(a), hereof.

ARTICLE III

THE BORROWER'S OBLIGATIONS

Section 3.01. Payment Obligations. (a) In the event the Purchaser has not received the Mandatory Tender Price on the Mandatory Tender Date, the Borrower shall cause the Note to be redeemed on the Mandatory Tender Date. Upon thirty (30) days prior written notice to Purchaser by Borrower of the Mandatory Tender Date, if (i) no Default or Event of Default shall have occurred and be continuing, (ii) no Market Disruption has occurred, and (iii) the representations set forth in Article V shall be true and correct on, and shall be deemed to have been made on, the Mandatory Tender Date except to the extent that any such representations expressly relate to an earlier date), then the Borrower may elect to pay the outstanding principal amount of the Note 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 the Note 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*"). 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 on the Note 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.

In the event the Purchaser has not received the Mandatory Tender Price on the Directed Mandatory Tender Date, then the Borrower shall cause the outstanding principal amount of the Note to be redeemed in installments payable on each Directed Amortization Payment Date (each such payment, a "*Directed Amortization Payment*"), with the final installment in an amount equal to the entire then-outstanding principal amount of the Note to be redeemed on the related Amortization End Date (the period commencing on the related Mandatory Tender Date and ending on the related Amortization End Date is herein referred to as the "*Directed Amortization Period*"). Each Directed Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Directed Amortization Payments over the Directed Amortization Period. During the Directed Amortization Period, interest on the Note

shall accrue at the Default Rate, be payable on demand, and be calculated on the basis of a 360-day year and actual days elapsed. [*Note: See prior comment re removal of acceleration remedy.*]

(b) The Borrower shall pay or cause to be paid to the Purchaser on April 1, 2015, for the period commencing on the Effective Date to and including March 31, 2015, and in arrears on the first Business Day of each July, October, January and April to occur thereafter to the Termination Date, and on the Termination Date, a non-refundable commitment fee (the "*Commitment Fee*") in an amount equal to the product of (i) the daily average Unutilized Amount during the related quarterly period, and (ii) ___ basis points [*25 bps for 2 year revolver, 30 bps for 3 year revolver and 45 bps for 5 year revolver*].

(c) The Borrower 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 consent or waiver by the Purchaser requested by the Borrower hereunder, in each case, in an amount of \$1,000; and

(iii) 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.

Section 3.03. Reserved.

Section 3.04. Maximum Interest Rate. (i) If the amount of interest payable for any period in accordance with the terms hereof or the Note 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 the Purchaser 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 the Purchaser of the entire Excess Interest Amount.

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

Section 3.05. *Reserved.*

Section 3.06. *Net of Taxes, Etc.*

(a) Any and all payments to the Purchaser by the Borrower hereunder or with respect to the Note shall be made free and clear of and without deduction or withholding for any and all Indemnified Taxes. If the Borrower shall be required by law to deduct or withhold any Indemnified Taxes imposed by the United States of America or any political subdivision thereof from or in respect of any sum payable hereunder or with respect to the Note, then (i) the sum payable shall be increased as may be necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Purchaser receives an amount equal to the sum it would have received had no such deductions been made, (ii) the Borrower shall make such deductions and (iii) the Borrower shall timely pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the Borrower shall make any payment under this Section to or for the benefit of the Purchaser with respect to Indemnified Taxes and if the Purchaser shall claim any credit or deduction for such Indemnified Taxes against any other taxes payable by the Purchaser to any taxing jurisdiction in the United States of America then the Purchaser shall pay to the Borrower an amount equal to the amount by which such other taxes are actually reduced; *provided*, that the aggregate amount payable by the Purchaser pursuant to this sentence shall not exceed the aggregate amount previously paid by the Borrower with respect to such Indemnified Taxes. In addition, the Borrower agrees to pay any present or future stamp, recording or documentary taxes and any other excise or property taxes, charges or similar levies that arise under the laws of the United States of America or any state of the United States from any payment made hereunder or under the Note or from the execution or delivery of this Agreement or the Note, or otherwise with respect to this Agreement or the Note (hereinafter referred to as "*Other Taxes*"). The Purchaser shall provide to the Borrower within a reasonable time a copy of any written notification it receives with respect to Indemnified Taxes or Other Taxes owing by the Borrower to the Purchaser hereunder; *provided*, that the Purchaser's failure to send such notice shall not relieve the Borrower of its obligation to pay such amounts hereunder.

(b) The Borrower shall, to the fullest extent permitted by law and subject to the provisions hereof, pay the Purchaser for the full amount of Indemnified Taxes and Other Taxes including any Indemnified Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section paid by the Purchaser or any liability (including penalties, interest and reasonable expenses) arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally asserted; *provided*, that the Borrower shall not be obligated to pay the Purchaser for any penalties, interest or expenses relating to Indemnified Taxes or Other Taxes arising from the Purchaser's gross negligence or willful misconduct. The Purchaser agrees to give notice to the Borrower of the assertion of any claim against the Purchaser relating to such Indemnified Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided*, that the Purchaser's failure to notify the Borrower promptly of such assertion shall not relieve the Borrower of its obligation under this Section. Payments by the Borrower pursuant to this Section shall be made within thirty (30) days from the date the Purchaser makes written demand therefor, which demand shall be

accompanied by a certificate describing in reasonable detail the basis thereof. The Purchaser agrees to repay to the Borrower any refund (including that portion of any interest that was included as part of such refund) with respect to Indemnified Taxes or Other Taxes paid by the Borrower pursuant to this Section received by the Purchaser for Indemnified Taxes or Other Taxes that were paid by the Borrower pursuant to this Section and to contest, with the cooperation and at the expense of the Borrower, any such Indemnified Taxes or Other Taxes which the Purchaser or the Borrower reasonably believes not to have been properly assessed.

Section 3.07. Obligations Absolute. The payment obligations of the Borrower under this Agreement shall be absolute and unconditional and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including the following:

- (a) any lack of validity or enforceability of this Agreement, the Note or any of the 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 Borrower may have at any time against the Purchaser or any other person or entity, whether in connection with this Agreement, the 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 Borrower shall have the right to bring a collateral action with respect to one or more of the foregoing circumstances.

Section 3.08. Funding Indemnity. In the event the Purchaser shall incur any loss, cost, or expense (including 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 Note 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 Note on a date other than a Libor Index Reset 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 Note Ordinance, then upon the demand of the Purchaser, the Borrower shall pay to the Purchaser a redemption or conversion premium, as applicable in such amount as will reimburse the Purchaser for such loss, cost, or expense. If the Purchaser requests such redemption or conversion premium, as applicable it shall provide to the Borrower a certificate setting forth the computation of the loss, cost, or expense giving rise to the request for such redemption or conversion premium, as applicable in reasonable detail and such certificate shall be conclusive if reasonably determined.

Section 3.09. Reserved.

Section 3.10. Purchaser Consent to Extension. (a) In the event that the Purchaser and the Borrower wish to extend the Commitment Expiration Date, on or before the date one hundred twenty (120) days prior to the current Commitment Expiration Date, the Borrower may provide written notice to the Purchaser, in the form of Exhibit __ hereto, of its desire to extend the Commitment Expiration Date and requesting the Purchaser to continue to hold the Note and make Advances thereunder. 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. Upon the Purchaser's acceptance of such request, the Purchaser and the Borrower may extend the Commitment Expiration Date by delivering a notice (an "*Extension Notice*") in the form of Exhibit C properly completed and executed by the Borrower and the Purchaser to the Paying Agent not less than twenty (20) days prior to the date on which such extension is to be effective, as specified in such notice. The consent of the Purchaser, if granted, shall be conditioned upon the preparation, execution and delivery of documentation and opinions in form and substance satisfactory to the Purchaser. By providing notice to the Purchaser in the form of Exhibit B hereto, the Borrower shall be deemed to represent that (a) no Default or Event of Default has occurred and is continuing, (b) no event has occurred and is continuing that is reasonably likely to result in a Material Adverse Effect and (c) all representations of the Borrower made in this Agreement are true and correct and are deemed to be made as of the date of such request.

Section 3.11. Illegality. If the Purchaser determines that any law has made it unlawful, or that any Governmental Authority has asserted that it is unlawful, for the Purchaser to make, maintain or fund any Advance whose interest is determined by reference to LIBOR, or to determine or charge interest rates based upon LIBOR, or any Governmental Authority has imposed material restrictions not now in force on the authority of the Purchaser to purchase or sell, or to take deposits of, Dollars in the London interbank market, then, on notice thereof by the Purchaser to the Borrower, any obligation of the Purchaser to make Advances shall be suspended until the Purchaser notifies the Borrower that the circumstances giving rise to such determination no longer exist. Upon receipt of such notice, the Borrower shall, upon demand from the Purchaser convert the interest on all Advances to a rate determined by the Purchaser, after consultation with the Borrower, on the next succeeding LIBOR Index Reset Date, if the Purchaser may lawfully continue to maintain such Advances to such day, or on the next Business Day, and if the Purchaser may not lawfully continue to maintain Advances through the next succeeding LIBOR Index Reset Date therefor, then immediately upon demand. Upon any such conversion, the Borrower shall also pay accrued interest on the amount so converted.

Section 3.12. Inability to Determine Rates. If the Purchaser determines that for any reason in connection with any request to make an Advance that (a) Dollar deposits are not being offered to banks in the London interbank market for the applicable amount, or (b) adequate and reasonable means do not exist for determining LIBOR, the Purchaser will promptly so notify the Borrower. Thereafter, the obligation of the Purchaser to make or maintain Advances shall be suspended until the Purchaser revokes such notice. Upon receipt of such notice, (i) the Borrower

shall immediately revoke any pending request for Advances, and deliver notice to the Purchaser that the rate on Advances will be converted a rate determined by the Purchaser, after consultation with the Borrower, in the amount specified therein and (ii) the interest on all outstanding Advances shall be automatically converted to the interest rate set forth in such notice on the next succeeding LIBOR Index Reset Date. Upon any such conversion, the Borrower shall also pay accrued interest on the amount so converted.

ARTICLE IV

CONDITIONS PRECEDENT TO PURCHASE OF NOTE

Section 4.01. Documentary Requirements. The obligation of the Purchaser to purchase the Note 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 Borrower organizational documents:

(i) copies of the resolutions of the governing body of the Borrower approving the execution and delivery of the Related Documents, and the other matters contemplated hereby, certified by a Borrower Representative as being true and complete and in full force and effect on the Effective Date;

(ii) the City Charter of the Borrower, certified by an Borrower Representative to be in full force and effect as of the Effective Date;

(iii) the audited annual financial statements of the Borrower for the Fiscal Year ended December 31, [2013], together with internally prepared financial statements of the Borrower for each fiscal quarter(s) ended since the end of such Fiscal Year;

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

(b) An executed original or certified copy, as applicable, of each of the Related Documents.

(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) [Please provide proposed form for attachment as an Exhibit.]; and

(ii) [Please provide proposed form for attachment as an Exhibit.].

(d) The following documents and other information:

(i) a certificate dated the Effective Date and executed by a Borrower Representative certifying (A) that there has been no event or circumstance since [_____, 20__], that has had or is reasonably likely to have, either individually or in the aggregate, a Material Adverse Effect, (B) that the representations contained in Article V hereof and the Related Documents are true and correct in all material respects on the Effective Date and (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

(ii) true and correct copies of all Governmental Approvals, if any, necessary for the Borrower to execute, deliver and perform the Related Documents; and

(v) *[other]*.

(e) a certificate executed by a Borrower Representative to the effect that the Note is not in DTC book entry form and that a CUSIP number has not been, and will not be, obtained from Standard & Poor's CUSIP Service for the Note.

Section 4.02. Litigation. The Purchaser shall have received a written description of any actions, suits or proceedings pending or formally threatened in writing against the Borrower in any court or before any arbitrator or before or by any governmental body which is reasonably likely to result in a Material Adverse Effect and such other documents and information with respect thereto as the Purchaser may reasonably request.

Section 4.03. Other Matters. The Purchaser shall have received such other certificates, documents and opinions with respect to the Borrower and the transactions contemplated by this Agreement as the Purchaser may reasonably request.

Section 4.04. Payment of Fees and Expenses. On or prior to the Effective Date, Davis Wright Tremaine LLP, as counsel to the Purchaser, shall have received payment of its legal fees and expenses in the amount of \$_____.

Section 4.05. No Note Rating; No DTC; No CUSIP . The Note shall not be (i) assigned a separate rating by any rating agency, (ii) assigned a CUSIP number, (ii) registered with The Depository Trust Company or any other securities depository..

Section 4.06. Conditions Precedent to Advances. The obligation of the Purchaser to make an Advance (other than the initial Advance) is subject to the satisfaction of the following conditions precedent on the Advance Date:

(a) the representations of the Borrower set forth in Article V of this Agreement shall be true and correct in all material respects on and as of such Advance Date, and shall be deemed to have been made on such Advance Date;

(b) no Default or Event of Default shall have occurred and be continuing on such Advance Date;

(c) after giving effect to such Advance, the aggregate principal amount of all Advances shall not exceed the Available Commitment; and

(d) the Purchaser shall have received a Request for Advance as required under, and in strict conformity with, Section 2.03 hereof.

ARTICLE V

REPRESENTATIONS

The Borrower makes the following representations to the Purchaser:

Section 5.01. Existence and Power. The City of Tacoma, Washington, [Note: This is just a technical correction.] is a municipal corporation duly organized, validly existing and in good standing under the laws of the State of Washington and has the power and authority to execute and deliver this Agreement and to execute or enact the Related Documents, to perform its obligations hereunder and thereunder, and to conduct the business of the Borrower as presently conducted..

Section 5.02. Due Authorization. The execution and delivery by the Borrower of this Agreement and the Related Documents have been duly authorized by all necessary action of the Borrower, and no further approval, authorization or consents are required by law or otherwise. This Agreement and such Related Documents constitute the legal, valid and binding obligations of the Borrower enforceable in accordance with their respective terms, except as enforcement may be limited by bankruptcy, insolvency, reorganization, moratorium or similar laws or equitable principles relating to or affecting creditors' rights generally. Each of the Agreement and the Related Documents is or on the Effective Date will be in full force and effect.

Section 5.04. Noncontravention; Compliance with Law . (a) Neither the execution and delivery by the Borrower of this Agreement and the Related Documents, nor the consummation of the transactions herein and therein contemplated, nor compliance with the provisions hereof or thereof will constitute a material breach or violation of any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on the Borrower or of the provisions of any ordinance, resolution, instrument or agreement to which the Borrower is a party or is subject, or by which it or its property is bound, or conflict in any material respect with or constitute a material default under or result in the creation or imposition of any Lien pursuant to the terms of any such ordinance, resolution, instrument or agreement.

Section 5.05. Pending Litigation and Other Proceedings. There is no action, suit or proceeding pending before any Governmental Authority with jurisdiction over the Borrower in which service of process has been completed against the Borrower or, to the knowledge of the Borrower, any other action, suit or proceeding threatened in writing before any Governmental Authority with jurisdiction over the Borrower, in either case against the Borrower or any of its

properties or revenues, or any of the Related Documents, which if determined adversely to the Borrower is reasonably likely to result in a Material Adverse Effect.

Section 5.06. Financial Statements. The audited financial statements of the Borrower's Electric System as at **[December 31, 2013]**, and the related consolidated statement of activities and changes in net assets and the consolidated statement of cash flows for the Fiscal Year then ended, and accompanying notes thereto, which financial statements, accompanied by the audit report of **[Insert Name of Nationally Recognized Accounting Firm]**, nationally recognized independent public accountants, heretofore furnished to the Purchaser, which are consistent in all material respects with the audited financial statements of the Borrower's Electric System for the Fiscal Year ended **[December 31, 2012]**, fairly present the financial condition of the Borrower's Electric System in all material respects as of such dates and the results of its operations for the periods then ended in conformity with GAAP. Since **[December 31, 2013]**, there has been no material adverse change in the financial condition of the Borrower's Electric System that is reasonably likely to result in a Material Adverse Effect.

Section 5.07. Employee Benefit Plan Compliance. The Borrower has no funding liability or obligation currently due and payable with respect to any employee benefit plan which is reasonably likely to result in a Material Adverse Effect. The Borrower and each employee benefit plan of the Borrower is in compliance in all material respects with the terms of any such plan and applicable law related thereto. Neither the Borrower nor a member of the Controlled Group is subject to ERISA or maintains a Plan.

Section 5.08. No Defaults. No default by the Borrower has occurred and is continuing in the payment of the principal of or premium, if any, or interest on any Subordinate Debt including regularly scheduled payments on any Swap Agreements which constitute Subordinate Debt. No bankruptcy, insolvency or other similar proceedings pertaining to the Borrower are pending or presently contemplated. No Default or Event of Default has occurred and is continuing hereunder. No "default" or "event of default" under, and as defined in, any of the Related Documents has occurred and is continuing. The Borrower is not presently in default under any material agreement to which it is a party which is reasonably likely to have a Material Adverse Effect. The Borrower is not in violation of any material term of the City Charter or any material term of any bond indenture or agreement to which it is a party or by which any of its Property is bound which is reasonably likely to result in a Material Adverse Effect.

Section 5.12. Borrower Information. No fact is known to the Borrower which it has not disclosed to the Purchaser that in Borrower's determination is likely to result in a Material Adverse Event.

Section 5.13. Investment Company. The Borrower 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 5.14. Margin Stock. The Borrower is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no part of the proceeds from

the issuance of the Note will be used to purchase or carry any such Margin Stock or extend credit to others for the purpose of purchasing or carrying any such Margin Stock.

Section 5.15. Reserved.

Section 5.16. Usury. None of the Related Documents provide for any payments that would violate any applicable law regarding permissible maximum rates of interest.

Section 5.17. Security. The Note Ordinance creates, for the benefit of the owners of the Note, the legally valid and binding Lien on the Revenues. There is no lien on the Revenues other than the lien created by the Master Bond Ordinance, Master Subordinate Bond Ordinance and Note Ordinance. The Note Ordinance does not permit the issuance or incurrence of any Debt secured by the Revenues to rank senior to the Note and the other Obligations. The payment of the Note ranks on a parity with the payment of the principal and purchase price of and interest on all Subordinate Debt and is not subordinate to any payment secured by a lien on the Revenues or any other claim, other than parity debt issued under the Master Bond Ordinance, and is prior as against all other Persons having claims of any kind in tort, contract or otherwise, whether or not such Persons have notice of such lien, other than parity debt issued under the Master Bond Ordinance. No filing, registration, recording or publication of the Note Ordinance 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 Revenues to secure the Note and the other Obligations. To the extent that any Obligation or other amount so payable hereunder does not rank on a parity with the payment of the principal and purchase price of and interest on all Subordinate Debt, such Obligation or other amount so payable shall be payable as Operating Expenses by the Borrower.

Section 5.20. Environmental Matters. The operations of the Electric System are in material compliance with all of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations and are not 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, where a failure to comply with any such requirement or the need for any such remedial action is reasonably likely to result in a Material Adverse Effect.

Section 5.21. Sovereign Immunity. The Borrower is subject to liability for damages in contract in the manner and to the extent provided by the laws of the State. The Borrower is subject to claims and to suit for money damages in connection with or under this Agreement pursuant to and in accordance with the laws of the State applicable to municipal corporations..

Section 5.22. No Public Vote or Referendum. There is no public vote or referendum pending the results of which are reasonably likely to result in a Material Adverse Effect.

Section 5.23. Anti-Terrorism Laws. The Borrower is not in violation of Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "Executive Order").

(a) The Borrower 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 the Executive Order;

(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 Borrower 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 conspire 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 the Executive Order.

Section 5.24. Swap Agreements. The Borrower has not entered into any Swap Agreement relating to Debt (i) wherein any termination payment thereunder is senior to or on a parity with the payment of the Note or (ii) which requires the Borrower to post cash collateral to secure its obligations thereunder.

Section 5.26. Control of Rates. The Borrower has full and exclusive authority over the Electric System’s rates and charges free from the jurisdiction and control of any federal or state governmental body..

Section 5.27. Certain Definitions. The definitions of each of “Revenues” and “Operating Expenses” as set forth in the Master Subordinate Bond Ordinance are the same in substance as the definitions of each of “Revenues” and “Operating Expenses,” respectively, as set forth in the Master Bond Ordinance.

Section 5.28. No Fiduciary Relationship. The Borrower acknowledges and agrees that (i) its dealings 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 Borrower, and (ii) it has independently evaluated the business transaction and has not relied upon, nor will it

rely upon, the expertise, advise or other comments or statements of the Purchaser, if any, in deciding to pursue such undertaking.

Section 5.29. Arm's Length Transaction. The transaction described in this Agreement is an arm's length, commercial transaction between the Borrower and the Purchaser in which: (i) the Purchaser is acting solely as a principal (*i.e.*, as a lender) and for its own interest; (ii) the Purchaser is not acting as a municipal advisor or financial advisor to the Borrower; (iii) the Purchaser has no fiduciary duty pursuant to Section 15B of the Securities Exchange Act of 1934 to the Borrower with respect to this transaction (irrespective of whether the Purchaser or any of its affiliates has provided other services or is currently providing other services to the Borrower on other matters); and (iv) the Borrower has consulted with the Borrower's own legal, accounting, tax, financial and other advisors, as the Borrower deems appropriate in connection with this Agreement.

Section 5.30. Reserved.

ARTICLE VI

COVENANTS OF THE BORROWER

The Borrower covenants and agrees that:

Section 6.01. Existence, Etc. The Borrower (a) shall maintain its existence pursuant to its City Charter and the laws of the State and (b) shall not liquidate or dissolve, or sell or lease or otherwise transfer or dispose of all or any substantial part of the Electric System or its property, assets or business, or combine, merge or consolidate with or into any other entity.

Section 6.02. Compliance with Laws; Taxes and Assessments. The Borrower shall comply with all laws applicable to it and the Electric System, except where non-compliance could not reasonably be expected to result in a Material Adverse Effect, such compliance to include paying all Taxes imposed upon it or the Electric System before the same become delinquent, unless and to the extent that the same are being contested in good faith and by appropriate proceedings.

Section 6.04. Reports. The Borrower shall furnish to the Purchaser in form and detail satisfactory to the Purchaser:

(a) *Annual Report.* Within 30 days of receipt, and in any event within 180 days after the end of the Fiscal Year, the annual audited financial statements of the Borrower together with (1) the opinion of the Borrower's independent accountants and (2) a Compliance Certificate signed by the chief financial officer of the Borrower (x) stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default and (y) demonstrating compliance with the rate covenant set forth in Section 6.08 hereof.

(b) *Budget.* As soon as available, and in any event within 30 days following the final approval thereof, the annual operating budget of the Borrower.

(c) *Paying Agent Notices.* As soon as available all notices in connection with the Note provided to the Paying Agent other than those that relate solely to the routine issuance and payment of the Note.

(d) *Notice of Resignation of the Paying Agent.* As promptly as practicable, written notice to the Purchaser of the resignation of the Paying Agent immediately upon receiving notice of the same.

(e) *Notice of Default or Event of Default.* (i) Promptly upon obtaining knowledge of any Default or Event of Default, or notice thereof, and in any event within five (5) Business Days thereafter, a certificate signed by a Borrower Representative specifying in reasonable detail the nature and period of existence thereof and what action the Borrower has taken or proposes to take with respect thereto; (ii) promptly following a written request of the Purchaser, a certificate of a Borrower Representative as to the existence or absence, as the case may be, of a Default or an Event of Default under this Agreement; and (iii) promptly upon obtaining knowledge of any “default” or “event of default” as defined under any Bank Agreement, notice specifying in reasonable detail the nature and period of existence thereof and what action the Borrower has taken or proposes to take with respect thereto.

(f) *Litigation.* As promptly as practicable, written notice to the Purchaser of all actions, suits or proceedings pending against the Borrower of any kind before any Governmental Authority which is reasonably likely to result in a Material Adverse Effect.

(g) *Other Information.* Such other information regarding the business affairs, financial condition and/or operations of the Borrower as the Purchaser may from time to time reasonably request.

Section 6.06. Access to Books and Records. To the extent permitted by law, the Borrower will permit the Purchaser (at the expense of the Purchaser, unless and until a Default or Event of Default has occurred, at which time such expenses shall be borne by the Borrower) to examine the books and financial records (except books and financial records the examination of which by the Purchaser is prohibited by law or by attorney or client privilege), and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the Electric System with the Borrower’s principal officials, at such reasonable times and as often as the Purchaser may reasonably request.

Section 6.07. Compliance With Documents. The Borrower agrees that it will perform and comply with each and every material covenant and agreement required to be performed or observed by it in the Note Ordinance and each of the Related Documents, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein. Notwithstanding any termination or expiration of the Note Ordinance or any Related Document, the Borrower shall continue to observe the material covenants therein contained for the benefit of

the Purchaser until the termination of this Agreement and the payment in full of the Note and all other Obligations.

Section 6.08. Rate Covenant. The Borrower will establish, maintain and collect rates and charges that must be adequate to provide, in each Fiscal Year, Net Revenues, after payment of Annual Debt Service on the Senior Bonds, in an amount equal to at least [1.10] times Annual Debt Service payable on all Subordinate Debt for such year. For purposes of this calculation, there is added to Revenues in any Fiscal Year any amount withdrawn from the Rate Stabilization Fund in that Fiscal Year and deposited in the Revenue Fund, and there must be subtracted from Revenues in any Fiscal Year any amount withdrawn from the General Account in the Revenue Fund and deposited in the Rate Stabilization Fund.

Section 6.12. Paying Agent. [Name of Paying Agent] is the duly appointed and acting Paying Agent for the Note. The Borrower will not, without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld or delayed) remove or replace the Paying Agent. The Borrower shall at all times maintain a Paying Agent pursuant to the terms of the Note Ordinance that is reasonably acceptable to the Purchaser.

Section 6.15. Liens. The Borrower shall not, directly or indirectly, incur, create or permit to exist any Lien on all or any part of the security provided by the Note Ordinance that is on a parity with the Lien securing the Note and the Obligations, other than (i) Liens created under and in accordance with the terms of the Note Ordinance; (ii) the Liens created for the benefit of the Note and the Obligations and other Subordinate Debt that has heretofore or may hereafter be issued; (iii) Liens permitted under the Master Bond Ordinance; and (iv) 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 Related Documents.

Section 6.16. Redemptions. The Borrower shall provide thirty (30) days written notice to the Purchaser prior to the date of any proposed optional redemption or purchase in lieu of redemption of Note pursuant to the Note Ordinance.

Section 6.19. Immunity from Jurisdiction. To the fullest extent permitted by law, the Borrower will not assert any immunity it may have as a public entity under the laws of the State from an action at law with respect to the Note, the other Obligations, this Agreement or any Related Document.

Section 6.20. Swap Agreements. Without the prior written consent of the Purchaser, the Borrower will not enter into any Swap Agreement relating to Debt (i) wherein any termination payments thereunder are senior to or on parity with the payment of the Note or the other Obligations or (ii) which requires the Borrower to post cash collateral to secure its obligations thereunder.

Section 6.21. Use of Purchaser's Name. The Borrower shall not use the Purchaser's name in any public offering disclosure document without the prior written consent of the Purchaser, which consent shall not be unreasonably withheld or delayed.

Section 6.22. ERISA. The Borrower shall not be, and shall not permit a member of the Controlled Group to be, subject to ERISA and shall not maintain, nor permit a member of the Controlled Group to maintain, a Plan.

Section 6.23. Environmental Laws. The Borrower shall comply with all applicable Environmental Laws and cure any defect thereto (or cause other Persons to effect any such cure) to the extent that its failure to do so in the reasonable determination of the Borrower would result in a Material Adverse Event.

Section 6.24. Federal Reserve Board Regulations. The Borrower shall not use any portion of the proceeds of the Note 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 Borrower out of such proceeds.

Section 6.25. Additional Indebtedness. With the exception of the Borrower shall not issue any additional Subordinate Debt except as permitted by the Master Subordinate Bond Ordinance. Parity Bonds, as defined under the Master Bond Ordinance, may only be issued in accordance with Article IX of the Master Bond Ordinance, which requires a 125 percent Annual Debt Service test.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default. The occurrence of any of the following events shall be an "Event of Default" hereunder:

- (a) the Borrower shall fail to pay the principal of or interest on any Note when due (whether by scheduled maturity, required prepayment, redemption, acceleration, or otherwise);
- (b) the Borrower shall fail to pay any Obligation (other than the obligation to pay the principal of or interest on the Note) and such failure shall continue for ten (10) Business Days;
- (c) any representation made by the Borrower in this Agreement shall be incorrect or untrue in any material respect when made or deemed to have been made;
- (d) the Borrower shall default in the due performance or observance of any of the covenants set forth in Section 6.01, 6.15, 6.19, 6.22 and 6.25, hereof;
- (e) the Borrower shall default in the due performance or observance of any other term, covenant or agreement contained in this Agreement and such default shall remain unremedied for a period of thirty (30) days after notice thereof by the Purchaser to the Borrower;

(f) the Borrower 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, or (vi) fail to contest in good faith any appointment or proceeding described in this subsection;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower, or a proceeding described in Section 7.01(f)(v) shall be instituted against the Borrower and such proceeding continues undischarged or any such proceeding continues undismissed or unstayed for a period of sixty (60) 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 Electric System by any Governmental Authority with appropriate jurisdiction;

(i) any material provision of this Agreement or any Related Document shall at any time for any reason cease to be valid and binding on the Borrower as a result of any action by a Governmental Authority with competent jurisdiction;

(j) the validity or enforceability of any material provision of this Agreement or any Related Document shall be publicly contested in writing by the Borrower; or

(k) the Borrower shall (i) default on the payment of the principal of or interest on any Debt (including Subordinate Debt) including any regularly scheduled payments on Swap Agreements, aggregating in excess of \$25,000,000 beyond the period of grace, if any, provided in the instrument or agreement under which such Debt was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any such Debt, 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 Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Debt.

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 Paying Agent and the Borrower, declare the outstanding amount of the Obligations under this Agreement (other than principal of and interest on the Note) 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 Paying Agent and the Borrower that an Event of Default has occurred and is continuing and direct the Paying Agent and the Borrower, as applicable, to cause a mandatory tender of the Note or take such other remedial action as is provided for in the Note Ordinance;

(iii) the Commitment and the Available Commitment shall automatically, and without notice to anyone, terminate;

(iv) 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 Borrower under the Related Documents, whether for specific performance of any agreement or covenant of the Borrower or in aid of the execution of any power granted to the Purchaser in the Related Documents;

(v) at the expense of the Borrower, 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

(vi) 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 anything contained herein or in any of the Related Documents to the contrary, 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 Borrower to become immediately due and payable, the Purchaser may immediately, without notice, declare or cause to be declared the unpaid principal amount of the outstanding Note, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder to be immediately due and payable.

ARTICLE VIII

INDEMNIFICATION; PAYMENT OBLIGATIONS

Section 8.01. Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or at law or in equity, the Borrower hereby agrees (to the extent permitted by law) to indemnify and hold harmless the

Purchaser and its officers, directors and agents (each, an “*Indemnatee*”) 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 Indemnatee by any Person or entity whatsoever (collectively, the “*Liabilities*”) by reason of or in connection with (a) the validity, sufficiency or genuineness of the Related Documents; (b) the execution and delivery of, or payment or failure to pay by any Person (other than the Purchaser, as and when required by the terms and provisions hereof) under, this Agreement; and (c) the use of the proceeds of the Note; *provided, however*, that the Borrower shall be relieved of its obligation to so indemnify and hold harmless the Purchaser if and to the extent that any such claims, damages, losses, liabilities, or costs or expenses are a result of (i) the Purchaser’s failure to honor its obligations to make Advances upon the satisfaction of the applicable conditions precedent set forth herein and in accordance with the terms of this Agreement, or (ii) the Purchaser’s negligence or willful misconduct.

Section 8.02. Liability of the Borrower. The Borrower and the Purchaser agree that the obligation of the Borrower to pay the Obligations are contractual obligations of the Borrower payable solely from the Revenues and shall not be affected by, and the Purchaser shall not be responsible for, among other things, (i) the validity, genuineness or enforceability of this Agreement, the Note or documents, notices or endorsements relating thereto (even if this Agreement or any documents, notices endorsements relating thereto should in fact prove to be in any and all respects invalid, fraudulent or forged), (ii) the use to which the amounts disbursed by the Purchaser may be put, or (iii) any other circumstances or happenings whatsoever, whether or not similar to any of the foregoing.

Section 8.03. Limited Payment Obligations of Borrower. Notwithstanding any other provision of this Agreement, all obligations of the Borrower to the Purchaser under this Agreement are limited obligations of the Borrower payable solely from Revenues as provided in the Master Subordinate Ordinance. The amounts payable hereunder shall not in any manner or to any extent constitute general obligations of the Borrower or of the State or any political subdivision of the State or a charge upon any general fund or upon any moneys or other property of the Borrower or the State or of any political subdivision of the State not specifically pledged thereto by the Master Subordinate Ordinance or this Agreement. Neither the full faith and credit nor the taxing power of the Borrower, of the State or of any political subdivision the State are pledged to the payment of amounts due hereunder.

Section 8.04. No Personal Liability of Borrower Officials. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any present or future official, officer, agent or employee of the Borrower, in his or her individual capacity, and neither the officials, officers, agents and employees of the Borrower, nor any person executing this Agreement, shall be liable personally hereunder or be subject to any personal liability or accountability by reason hereof.

Section 8.05. Liability of the Purchaser. Neither the Purchaser nor any of its officers, directors, employees, representatives or agents shall be liable or responsible for (i) the use which may be made of the Note or this Agreement or for any acts, omissions, errors, interruptions, delays in transmission, dispatch or delivery of any message or advice, however transmitted, of

the Paying Agent in connection with this Agreement or the Note, (ii) the validity, sufficiency or genuineness of documents, or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged by any Person other than the Purchaser, (iv) payment by the Purchaser against presentation of documents which do not comply with the terms of this Agreement or a Request for Advance, or (v) any other circumstances whatsoever in making or failing to make payment under this Agreement or pursuant to a Request for Advance; *provided, however*, that the Borrower shall have a claim against the Purchaser and the Purchaser shall be liable to the Borrower for any and all claims, damages, losses, liabilities and reasonable costs or expenses (including reasonable attorney's fees and expenses) suffered by the Borrower caused by (y) the Purchaser's negligence or willful misconduct in determining whether documents presented under this Agreement comply with the terms of this Agreement or (z) the Purchaser's failure to pay hereunder after the presentation to it of a Request for Advance strictly complying with the terms and conditions of this Agreement; *provided further*, that the Purchaser shall in no event be liable to the Borrower for punitive or consequential damages, and the Borrower hereby waives its right to receive any such damages. In furtherance and not in limitation of the foregoing, the Purchaser may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

ARTICLE IX

MISCELLANEOUS

Section 9.01. Patriot Act Notice. The Purchaser hereby notifies the Borrower that pursuant to the requirements of the Patriot Act it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow the Purchaser to identify the Borrower in accordance with the Patriot Act. The Borrower 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 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.

Section 9.03. Amendments and Waivers; Enforcement. The Purchaser and the Borrower may from time to time enter into agreements amending, modifying or supplementing this Agreement or changing the rights of the Purchaser or the Borrower hereunder, and the Purchaser may from time to time grant waivers or consents to a departure from the due performance of the obligations of the Borrower hereunder. Any such agreement, waiver or consent must be in writing and shall be effective only to the extent specifically set forth in such writing. In the case of any such waiver or consent relating to any provision hereof, any Default or Event of Default so waived or consented to shall be deemed to be cured and not continuing, but no such waiver or

consent shall extend to any other or subsequent Default or Event of Default or impair any right consequent thereto.

Section 9.04. No Implied Waiver; Cumulative Remedies. No course of dealing and no delay or failure of the Purchaser in exercising any right, power or privilege under this Agreement shall affect any other or future exercise thereof or exercise of any right, power or privilege; nor shall any single or partial exercise of any such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Purchaser under this Agreement are cumulative and not exclusive of any rights or remedies which the Purchaser would otherwise have hereunder or under any Related Document, at law or in equity.

Section 9.05. Notices. All notices, requests, demands, directions and other communications (collectively "*notices*") under the provisions of this Agreement shall be in writing (including facsimile communication), unless otherwise expressly permitted hereunder, and shall be sent by first-class mail or overnight delivery and shall be deemed received as follows: (i) if by first class mail, two (2) Business Days after mailing; (ii) if by overnight delivery, on the next Business Day; (iii) if by telephone, when given to a person who confirms such receipt; and (iv) if by facsimile, when confirmation of receipt is obtained; *provided*, that each Request for Advance shall be sent via facsimile or email as provided in Section 2.02(c). All notices shall be sent to the applicable party at the following address or in accordance with the last unrevoked written direction from such party to the other parties hereto:

The Borrower: **[City of Tacoma]**
 []
 []
 Attention: []
 Facsimile: () []
 Telephone: () []

The Purchaser: KeyBank National Association
 Public Sector
 OH-01-27-0622
 127 Public Square
 Cleveland, OH 44116
 Attention: Lauren E. Clark
 Telephone: (216) 689-3103
 E-mail: lauren.e.clark@key.com

The Purchaser with respect to any Request for Advance: KeyBank National Association
Loretta Kuttler
Service Officer
4900 Tiedeman Road
Brooklyn, Ohio 44144
216-813-4813
Fax Number: 216-370-5997
KAS_Servicing@keybank.com

The Purchaser with respect to Registration of the Note: Mary Beth Herrington
AVP/Closer
4900 Tiedeman Road
Brooklyn, Ohio 44144
216-813-4657
Mary_Beth_Herrington@KeyBank.com

The Paying Agent:

[]
[]
[]
Attention: []
Facsimile: () []
Telephone: () []

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 9.07. 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 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; Disclosure. (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE.

(b) EACH PARTY HERETO CONSENTS TO AND SUBMITS TO NON-EXCLUSIVE JURISDICTION AND VENUE IN THE STATE AND IN THE FEDERAL DISTRICT COURTS WHICH ARE LOCATED IN THE STATE.

(c) ORAL AGREEMENTS OR ORAL COMMITMENTS TO LOAN MONEY, EXTEND CREDIT, OR TO FORBEAR FROM ENFORCING REPAYMENT OF A DEBT ARE NOT ENFORCEABLE UNDER WASHINGTON LAW.

Section 9.11. Prior Understandings. This Agreement and the Note 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 9.13. Counterparts. This Agreement may be executed in any number of 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 9.14. Waiver of Jury Trial. To the extent permitted by applicable law, each of the parties waives any right to have a jury participate in resolving any dispute, whether sounding in contract, tort, or otherwise between the parties arising out of, connected with, related to, or incidental to the relationship between any of them in connection with this Agreement or the transactions contemplated hereby. Instead, any such dispute resolved in court will be resolved in a bench trial without a jury.

Section 9.15. Successors and Assigns.

(a) *Successors and Assigns Generally.* This Agreement shall be binding upon and shall inure to the benefit of the Borrower and its successors and assigns and the Purchaser and its permitted successors and assigns. Neither party may assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the other party. The Purchaser may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (b) of this Section.

(b) *Participations.* The Purchaser shall have the right to grant participations in all or a portion of the Purchaser's interest in the Note and this Agreement 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 Borrower and the Paying Agent shall be required to deal only with the Purchaser, with respect to any matters under this Agreement and the Note and no such participant shall be entitled to enforce any provision hereunder against the Borrower.

(c) *Certain Pledges.* The Purchaser may at any time pledge or grant a security interest in all or any portion of its rights under the Note, this Agreement and the Related Documents to secure obligations of the Purchaser, including any pledge or assignment to secure obligations to the 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.

[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.

KEYBANK NATIONAL ASSOCIATION

By _____

Name: _____

Title: _____

CITY OF TACOMA, WASHINGTON

By _____

Name: _____

Title: _____

ORDINANCE NO. _____

AN ORDINANCE relating to the Electric System of the City of Tacoma; providing for the sale and issuance of Electric System Subordinate Revenue Bonds in the form of a note in the aggregate principal amount outstanding at any one time of not to exceed \$50,000,000 to provide funds to support liquidity levels in a cost effective and efficient manner with ability to use when needed to maintain the Electric System, fixing certain terms and provisions thereof, and approving certain other matters in connection therewith.

WHEREAS the City, by Ordinance No. 23514, passed on November 20, 1985 (as amended, supplemented and restated, the "Senior Bond Ordinance"), authorized Electric System Revenue Bonds of the City (the "Senior Bonds") to be issued in series having a parity of lien and charge on the Revenues after the payment of Operating Expenses (as those terms are defined therein) if certain conditions are met and complied with, made covenants in connection with the issuance of such Senior Bonds and authorized the sale and issuance of a first series of such Senior Bonds to refund all of the City's then-outstanding light and power revenue bonds, and

WHEREAS the City has issued and there are currently outstanding approximately \$[____],000,000 aggregate principal amount of the Senior Bonds; and

WHEREAS, the Senior Bond Ordinance permits the City to issue obligations that are junior and subordinate to the payment of the Senior Bonds and that are payable out of revenues derived by the City from its ownership and operation of the City's Electric System, after payment of the expense of operating and maintaining the Electric System,

only after the prior payment of all amounts required to be paid or set aside under the Senior Bonds Ordinance for the Senior Bonds, as the same shall become due at the times and in the manner as required in the Senior Ordinance; and

WHEREAS the Council on [DATE], 2015, passed Ordinance No. _____ (the "Master Subordinate Ordinance") to authorize a new issue of revenue bonds of the City junior and subordinate to the Senior Bonds to be known as the City of Tacoma Electric System Subordinate Revenue Bonds (the "Subordinate Bonds") in one or more series to finance costs of the Electric System; and

WHEREAS it is deemed necessary and advisable to acquire and construct certain additions and betterments to and extensions of the Electric System, and

WHEREAS, the Public Utility Board of the City (the "Board") has initiated and has recommended to the Council for its approval the issuance of Subordinate Bonds in the form of a note (the "2015B Note") to enhance the liquidity and provide for in emergency circumstances, and

WHEREAS the Council has determined that it is in the best interests of the City and its ratepayers to issue the 2015B Note to maintain liquidity levels in a cost effective and efficient manner to support the Electric System and pay the costs of issuance and sale of the 2015B Note; and

WHEREAS, the City deems it in the best interests of the City and its ratepayers that the 2015B Note be sold to and purchased by Key Bank National Association or its affiliate (the "Purchaser") by private sale pursuant to a Note Purchase Agreement to be entered into between the City and the Bank (the "Note Purchase Agreement");

Now, Therefore, BE IT ORDAINED BY THE CITY OF TACOMA:

ARTICLE I

DEFINITIONS

Section 1.1. Definitions. Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Master Subordinate Ordinance. In addition, as used in this First Supplemental Ordinance, the following words shall have the following meanings:

(a) “Designated Representative” means the officer of the City appointed in Section ___ to serve as the City’s representative in connection with the issuance and sale of the 2015B Note.

(b) “Note Purchase Agreement” means the agreement of that name by and between the City and the Purchaser, as the same shall be supplemented and amended.

(c) “Plan of Additions” means the system or plan of additions to and betterments and extensions of the Electric System described in Section ___, as such Plan may be amended, supplemented or revised from time to time consistent with the City’s Electric System Comprehensive Plan.

(d) “Purchaser” means Key Municipal Capital Strategies, LLC, or its affiliate, and its successors and assigns.

(e) “2015B Note” means the City of Tacoma Electric System Subordinate Revenue Note, Series 2015B, authorized to be issued under the Master Subordinate Ordinance and this First Supplemental Ordinance.

(f) “2015B Note Proceeds” means proceeds of the sale of the 2015B Note.

(g) "2015B Note Projects" means the facilities and projects to be financed or refinanced in whole or in part from proceeds of the 2015B Note, as provided in Section 2.2.

ARTICLE II

PARITY AND OTHER FINDINGS

Section 2.1. Parity Findings. In connection with the issuance of the 2015B Note, the City hereby makes the following findings:

(a) There is, and as of the date of the issuance of the 2015B Note there will be, no deficiency in the Bond Fund, and no Event of Default, as defined in the Master Subordinate Ordinance, has occurred or shall have occurred and be continuing.

(b) This First Supplemental Ordinance provides for the payment of the principal of and interest on the 2015B Note out of the Bond Fund.

(c) On the date of issuance of the 2015B Note, there will be on file with the City a certificate of the Finance Director demonstrating that during any 12 consecutive calendar months out of the immediately preceding 24 calendar months Net Revenues was at least equal to 1.0 times the projected Maximum Annual Debt Service for all Outstanding Senior Bonds plus the 2015B Note.

Section 2.2. Plan of Additions. The City specifies, adopts, and orders to be carried out the system or plan of additions to and betterments and extensions of the Electric System (the "Plan of Additions") as generally provided for in the capital portions of the [2014-2015] Biennial Budget, as supplemented and amended, and in any subsequent such budgets if 2015B Note proceeds are available after 2015.

(a) The estimated cost of the Plan of Additions to be financed with the 2015B Note proceeds is not expected to exceed \$[100],000,000.

(b) The Plan of Additions shall include any amendments, supplements or revisions to the Electric System Comprehensive Plan. The Plan of Additions may be further modified by ordinance or resolution of the City.

(c) The Plan of Additions includes the purchase and installation of all materials, supplies, appliances, equipment (including, but not limited to, data processing hardware and software and conservation equipment) and facilities; the acquisition of all permits, franchises, property and property rights; other capital assets; and all engineering, consulting, and other professional services and studies (whether performed by the City or by other public or private entities) necessary or convenient to carry out the Plan of Additions.

Section 2.3. Finding as to Sufficiency of Gross Revenue. The City hereby finds and determines that the Revenues of the Electric System at the rates to be charged for power and other services and commodities from the Electric System will be more than sufficient to meet all Operating Expenses, to make all required payments with respect to the Senior Bonds, and to permit the setting aside into the Bond Fund out of the Revenues of amounts sufficient to pay the principal of and interest on the 2015B Note when due at maturity and upon any mandatory sinking fund redemption thereof. The City further finds and determines that in creating the Bond Fund and in fixing the amounts to be paid into the Bond Fund, it has exercised due regard for Operating Expenses, and the City has not bound and obligated itself to set aside and pay into the

Bond Fund a greater amount or proportion of the Revenues than in the judgment of the City will be available over and above the Operating Expenses.

ARTICLE III

AUTHORIZATION AND TERMS OF NOTES

Section 3.1. Authorization of 2015B Note; Terms and Description of 2015B

Note.

(a) The City hereby authorizes the issuance of its "City of Tacoma Electric System Subordinate Revenue Note, Series 2015B" subject to the provisions of this Section and as hereinafter provided. The 2015B Note shall be issued to finance and refinance the costs of the 2015B Note Projects.

(b) The aggregate principal amount of the 2015B Note that may be Outstanding at any one time hereunder shall not at any time exceed \$100,000,000.

(c) The terms of the 2015B Note shall otherwise be as set forth in the Note Purchase Agreement. The principal of and interest on the 2015B Note shall be due and payable at the rates, on the dates and in the manner, the 2015B Note shall be subject to mandatory and optional redemption and to mandatory tender for purchase prior to maturity on the dates and at the prices, and the terms of the Notes shall otherwise be as set forth in, the Note Purchase Agreement.

(d) The 2015B Note shall constitute a Subordinate Bond within the meaning of the Master Subordinate Ordinance.

(e) The 2015B Note shall contain a legend to the effect that the transferability of such 2015B Note is subject to the restrictions set forth in the Note Purchase Agreement. Registered ownership of the 2015B Note, or any portion thereof or interest

thereon, may not thereafter be transferred except as set forth in the Note Purchase Agreement.

Section 3.2. Form of 2015B Note. The definitive 2015B Note shall be in substantially the form set forth in Exhibit A attached hereto and made a part hereof, with such appropriate variations, omissions and insertions as shall be required or appropriate consistent with the Master Subordinate Ordinance and this First Supplemental Ordinance.

Section 3.3. Registered Note; No Book-Entry System. The 2015B Note shall be issued in the form of a separate single fully-registered 2015B Note but not as Book-Entry Bonds. The 2015B Note shall be registered in the name of the Purchaser (as defined in the Note Purchase Agreement). The terms and provisions set forth in Sections 4.3(b), 4.3(d), 4.3(e), and 4.4 of the Master Subordinate Ordinance shall not apply to the Note, and the registration, transfer and exchange, place and medium of payment, shall be as set forth in the Note and the Note Purchase Agreement.

Section 3.4. Appointment of Designated Representative. The Director of Utilities, and, in the alternative, the Superintendent of the Power Division, each is hereby appointed as the Designated Representative. The Designated Representative is authorized to issue and sell the 2015B Note, to establish and determine the terms of the 2015B Note, and to make draws from time to time on the 2015B Note, all as provided herein and in the Note Purchase Agreement.

Section 3.5. Sale of 2015B Note; Note Purchase Agreement. The 2015B Note shall be sold to and purchased by the Purchaser pursuant to and in accordance with the Note Purchase Agreement. The Note Purchase Agreement, in the form

presented at this meeting and on file with the City Clerk, is hereby approved, and the Designated Representative is hereby authorized to execute such Agreement with such changes therein approved by the Designated Representative in consultation with the City Attorney, such approval to be conclusively evidenced by his or her execution and delivery thereof to the Purchaser. The Note Purchase Agreement is a Credit Facility as defined in the Master Subordinate Ordinance.

Section 3.6. Paying Agent. The Trustee is hereby designated by the City as the Paying Agent for the 2015B Note in accordance with the Master Subordinate Ordinance.

ARTICLE IV

APPLICATION OF NOTE PROCEEDS

Section 4.1. Establishment and Designation of Accounts.

(a) There is created in the Subordinate Construction Fund an account to be known as the 2015B Note Subordinate Construction Account.

(b) There is hereby created in the Bond Fund the following subaccounts with respect to the 2015B Note:

- (i) the 2015B Note Interest Subaccount in the Interest Account;
- (ii) the 2015B Note Principal Subaccount in the Principal Account; and
- (iii) the 2015B Note Bond Retirement Subaccount in the Bond

Retirement Account.

(c) The City hereby determines that the 2015B Note shall not be secured by the Reserve Account or other debt service reserve account.

Section 4.2. Deposit of Proceeds of 2015B Note. Immediately upon receipt thereof, the Paying Agent shall deposit Advances drawn by the City under the 2015B Note into the 2015B Note Subordinate Construction Account, which amounts shall be used to pay costs of the 2015B Note Projects and the costs of issuance of the 2015B Note.

Section 4.3. Deposits Into and Uses of the 2015B Subaccounts in the Bond Fund. The City hereby obligates and binds itself irrevocably to set aside and to pay into the 2015B Note Interest Subaccount, the 2015B Note Principal Subaccount, and the 2015B Note Bond Retirement Subaccount, respectively, out of the Revenues the amounts necessary (together with other available moneys on hand therein) to pay the principal of, interest on and any mandatory sinking fund redemptions for the 2015B Note as and when the same respectively become due and payable in accordance with the terms hereof and of the Note Purchase Agreement. The 2015B Note Interest Subaccount, the 2015B Note Principal Subaccount, and the 2015B Note Bond Retirement Subaccount, respectively, shall be drawn upon solely for the purpose of paying the principal of, interest on and mandatory sinking fund redemptions for the 2015B Note.

ARTICLE V

ADDITIONAL EVENT OF DEFAULT

Section 5.1. Additional Event of Default. An Event of Default under the Note Purchase Agreement shall constitute an Event of Default under this Supplemental Ordinance.

ARTICLE VI

MISCELLANEOUS

Section 6.1. Ratification of Prior Acts. Any action taken consistent with the authority and prior to the effective date is ratified, approved, and confirmed.

Section 6.2. General Authorization. The appropriate officers, agents and employees of the City are authorized and directed to execute and deliver such documents, agreements and certificates and to take such other actions, upon consultation with the City Attorney, as may be necessary or desirable and in the best interests of the City to carry out the purposes and intents of this First Supplemental Ordinance and the transactions contemplated hereby.

Section 6.3. Terms of 2015B Note Subject to the Master Subordinate Ordinance. Except as in this First Supplemental Ordinance expressly provided, every term and condition contained in the Master Subordinate Ordinance shall apply to this First Supplemental Ordinance and to the 2015B Note 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 this First Supplemental Ordinance.

Section 6.4. Ratification of the Master Subordinate Ordinance. Except as supplemented and amended by this First Supplemental Ordinance, the Master Subordinate Ordinance is hereby ratified, approved and confirmed and shall continue in full force and effect in accordance with the terms and provisions thereof, as amended and supplemented, including as amended and supplemented by this First Supplemental Ordinance.

Section 6.5. Effective Date of Ordinance. This First Supplemental Ordinance shall take effect and be in force 10 days from and after its publication.

EXHIBIT A

(FORM OF MASTER NOTE)

**THE TRANSFERABILITY OF THIS NOTE IS RESTRICTED AS DESCRIBED IN THE NOTE PURCHASE
AGREEMENT (AS DEFINED IN THE FIRST SUPPLEMENTAL ORDINANCE)**

STATE OF WASHINGTON

CITY OF TACOMA

ELECTRIC SYSTEM SUBORDINATE REVENUE NOTE,

SERIES 2015B

Registered Owner: _____

Principal Sum: Not to Exceed \$100,000,000 Outstanding

The CITY OF TACOMA, a municipal corporation duly organized and existing under and pursuant to the Charter of the City of Tacoma and the Constitution and laws of the State of Washington (hereinafter called the "City"), for value received, hereby promises to pay (but only out of the Revenues hereinafter referred to) to the registered owner hereinabove named or registered assigns, the principal amount hereof, together with unpaid accrued interest thereon, on the dates, at the rates and in the amounts as provided in the Master Subordinate Ordinance (as hereinafter defined) and the Note Purchase Agreement (as defined in the Master Subordinate Ordinance) referred to hereinafter. Interest shall be calculated on the basis of actual days elapsed in a 360 day year consisting of 12 30-day months. Payments shall be made solely from Revenues, after payment of Operating Expenses and required payments with respect to the Senior Bonds (as defined in the Master Subordinate Ordinance), to the registered owner stated hereinabove by the Paying Agent without the necessity of presentation

and surrender of this Master Note.

This Note is one of a duly authorized issue of Electric System Subordinate Revenue Bonds of the City (hereinafter called the "Bonds") of the series and designation indicated on the face hereof. Said authorized issue of Bonds is not limited in aggregate principal amount and consists of multiple series and subseries of varying denominations, dates, maturities, interest rates and other provisions, as in the Master Subordinate Ordinance hereinafter mentioned provided, all issued and to be issued pursuant to the provisions of the Charter of the City of Tacoma, and all laws of the State of Washington supplemental thereto (hereinafter called the "Act"). This Note is issued pursuant to an ordinance of the City, passed [DATE], 2015, as amended and supplemented, including as supplemented by the First Supplemental Ordinance passed [DATE], 2015, providing for the issuance of the Bonds, including the 2015B Note (hereinafter collectively called the "Master Subordinate Ordinance").

Reference is hereby made to the Master Subordinate Ordinance and to the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Revenues, as that term is defined in the Master Subordinate Ordinance, and the rights of the registered owners of the Bonds; and all the terms of the Master Subordinate Ordinance and the Act are hereby incorporated herein and made a contract between the City and the registered owner from time to time of this Note, and to all the provisions thereof the registered owner of this Bond, by its acceptance hereof, consents and agrees. Additional series and subseries of Bonds may be issued on a parity with this Note, but only subject to the conditions and limitations contained in the Master Subordinate Ordinance. This Note is

subject to mandatory redemption and mandatory tender as provided in the Master Subordinate Ordinance.

This Note, including the interest hereon, together with all other Bonds, and the interest thereon, issued under the Master Subordinate Ordinance (and to the extent set forth in the Master Subordinate Ordinance), is payable from, and is secured by a charge and lien on, the Revenues, after payment of Operating Expenses and required payments with respect to the Senior Bonds, derived by the City from the Electric System (as those terms are defined in the Master Subordinate Ordinance).

The Bonds are special obligations of the City, and are payable, both as to principal and interest, out of the Revenues, after payment of Operating Expenses and required payments with respect to the Senior Bonds, pertaining to the Electric System and the moneys in the Funds and Accounts provided in the Master Subordinate Ordinance, subject to the prior payment of principal of and interest on the Senior Bonds, and not out of any other fund or moneys of the City. No holder of this Note shall ever have the right to compel any exercise of the taxing power of the City of Tacoma to pay this Note or the interest hereon.

At the request of the registered owner of this Note, the City shall promptly issue and deliver one or more separate note certificates evidencing each obligation evidenced by this Master Note. As of the date any such note certificate or certificates are issued, the obligations which are evidenced thereby shall no longer be evidenced by this Master Note. This Note is transferable by the registered owner hereof, in person or by attorney duly authorized in writing, at the principal office of the Paying Agent, but only in the manner and subject to the limitations provided in the Master Subordinate Ordinance,

and upon surrender and cancellation of this Note. Upon such transfer a new fully registered Note without coupons, of authorized denomination or denominations, for the same aggregate principal amount will be issued to the transferee in exchange herefor.

The City and the Paying Agent shall deem and treat the registered owner hereof as the absolute owner hereof for all purposes, and the City and the Paying Agent shall not be affected by any notice to the contrary.

The rights and obligations of the City and of the registered owners of the Bonds may be modified or amended at any time in the manner, to the extent, and upon the terms provided in the Master Subordinate Ordinance; provided, that no such modification or amendment shall (i) extend the stated maturity of any Bond, or reduce the principal amount thereof, or reduce the rate or extend the time of payment of interest thereon or reduce any premium payable upon the redemption thereof, or change the currency for any payment of principal thereof or redemption premium or interest thereon, without the consent of the holder of each Bond so affected, or (ii) reduce the percentage of Bonds required for the affirmative vote or written consent to an amendment or modification or permit the creation of a lien upon the Revenues prior to or on a parity with the lien of the Master Subordinate Ordinance, without the consent of the holders of all of the Bonds then outstanding, or (iii) except as expressly permitted by the Master Subordinate Ordinance, prefer or give priority to any Bond without the consent of the registered owner of each Bond not receiving such preference or priority.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to happen and to be performed, precedent to and in the incurring of the indebtedness evidenced by this Note, and in the issuing of this Note, do exist, have

happened and have been performed in due time, form and manner, as required by the Constitution and statutes of the State of Washington and the Charter of the City of Tacoma, and that this Note, together with all other indebtedness of the City pertaining to the Electric System, is within every debt limitation and other limit prescribed by the Constitution and statutes of the State of Washington and said Charter, and is not in excess of the amount of Bonds permitted to be issued under the Master Subordinate Ordinance.

This Note shall not be entitled to any benefit under the Master Subordinate Ordinance, or become valid or obligatory for any purpose, until the certificate of authentication hereon endorsed shall have been signed by the Paying Agent. This Master Note is a valid and binding obligation of City.

IN WITNESS WHEREOF, the CITY OF TACOMA has caused this Note to be executed in its name and on its behalf by its _____ and countersigned by its _____, and the seal of said City to be imprinted or reproduced by facsimile hereon, and this Note to be dated as of the ____ day of _____, ____.

CITY OF TACOMA

By

Title

Countersigned:

By

Title

CERTIFICATE OF AUTHENTICATION

This is the Master Note described in the within-mentioned Master Subordinate Ordinance.

[NAME], as Paying Agent and Bond Registrar

By

Authorized Signatory

ASSIGNMENT

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

(Name, address, and Taxpayer Identification Number of Assignee)

this Master Note and all rights thereunder, hereby irrevocably constituting and appointing _____ attorney to transfer said Master Note on the books of the City with full power of substitution in the premises.

Dated:

Signature(s) Guaranteed

(Signature)

Notice: The signature on this assignment must correspond with the name as written upon the face of this Master Note, in every particular, without alteration or enlargement or any change whatsoever.
