

NOTE PURCHASE AGREEMENT

dated as of March 1, 2015,

between

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

and

WELLS FARGO MUNICIPAL CAPITAL STRATEGIES, LLC

relating to

\$100,000,000  
CITY OF TACOMA ELECTRIC SYSTEM  
SUBORDINATE REVENUE NOTE, SERIES 2015

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## **EXHIBITS**

- EXHIBIT A -- FORM OF COMPLIANCE CERTIFICATE
- EXHIBIT B -- FORM OF REQUEST FOR CONVERSION OF INDEX RATE PERIOD
- EXHIBIT C -- FORM OF REQUEST FOR ADVANCE
- EXHIBIT D -- FORM OF INVESTOR LETTER
- EXHIBIT E -- FORM OF NOTICE OF REDUCTION OR TERMINATION
- EXHIBIT F -- FORM OF BORROWER COUNSEL OPINION
- EXHIBIT G -- FORM OF NOTE COUNSEL OPINION

## 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 WELLS FARGO MUNICIPAL CAPITAL STRATEGIES, LLC, a Delaware limited liability company.

### RECITALS

WHEREAS, the City of Tacoma, acting by and through its Public Utilities Board (the "*Borrower*") has issued its Electric System Subordinate Revenue Note, Series 2015 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:

"*1933 Act*" means the Securities Act of 1933, as amended.

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

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

"*Affiliate*" means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of

this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

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

***“Amended Master Bond Ordinance Effective Date”*** means the date on which the Amended and Restated Master Bond Ordinance is effective as the Master Bond Ordinance pursuant to its terms.]

***“Amended and Restated Senior Bond Ordinance”*** means Ordinance No. \_\_\_\_\_, passed by the City Council on \_\_\_\_\_, 2013, as amended, supplemented and restated.]

***“Amending Senior Bond Ordinance”*** means Ordinance No. 27889 passed by the City Council on \_\_\_\_\_, 2010, as amended, supplemented and restated.]

*“Amortization End Date”* means the earliest to occur of (a) the third (3rd) anniversary of the related Mandatory Tender Date, (b) the date on which the interest rate on the Note shall have been converted to an interest rate other than the Index Rate, and (c) the date on which the Note is redeemed, repaid, prepaid or cancelled in accordance with the terms hereof and of the Note Ordinance.

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

*“Anti-Terrorism Laws”* has the meaning set forth in Section 5.23 hereof.

*“Applicable Factor”* means (i) during the Initial Period, 70%; and (ii) during any other Index Rate Period, with an Approving Opinion, such other percentage as may be designated in writing by the Borrower as the Applicable Factor for such Index Rate Period pursuant to Section 3.10.

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

(a) During the Initial Period, initially 35 basis points (0.35%); *provided, however,* that in the event of any change in any Rating, the Applicable Spread shall be the number of basis points associated with such new rating as set forth in the following schedule:

LEVEL	MOODY'S RATING	S&P RATING	FITCH RATING	APPLICABLE SPREAD
Level 1	Aa3 or above	AA- or above	AA- or above	0.35%
Level 2	A1	A+	A+	0.40%
Level 3	A2	A	A	0.50%
Level 4	A3	A-	A-	0.65%
Level 5	Baa1	BBB+	BBB+	0.90%
Level 6	Baa2	BBB	BBB	1.25%
Level 7	Baa3 or below	BBB- or below	BBB- or below	1.75%

If Ratings are in effect from any two of Moody's, S&P and Fitch, the Applicable Spread shall be equal to the Level set forth above corresponding to the lower Rating from either of such Rating Agencies. If Ratings are in effect from all three of Moody's, S&P and Fitch and only two of such Ratings are equivalent, the Applicable Spread shall be equal to the Level set forth above corresponding to such two equivalent Ratings. If Ratings are in effect from all three of Moody's, S&P and Fitch, and none of such Ratings are equivalent, the Applicable Spread shall be equal to the Level set forth above corresponding to the middle Rating. Any change in the Applicable Spread resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to Ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system, the ratings from the Rating Agency in question referred to above shall be deemed to refer to the rating category under the new rating system that most closely approximates the applicable rating category as currently in effect. The Borrower acknowledges that as of the Effective Date the Applicable Spread is that specified above for Level 1. Any change in the Applicable Spread shall apply to the LIBOR Index Reset Date next succeeding the date on which the change occurs.

(b) During any Index Rate Period other than the Initial Period, the number of basis points determined by the Market Agent on or before the first day of such Index Rate Period and designated by the Borrower in accordance with Section 3.10 (which may include a schedule for the Applicable Spread based upon the ratings assigned to the long term debt of the Borrower as described in subparagraph (a) in this definition) that, when added to the product of the LIBOR Index multiplied by the Applicable Factor (and multiplied by the Margin Rate Factor), as applicable, would equal the minimum interest rate per annum that would enable the Note to be sold on such date at a price equal to the principal amount thereof (without regard to accrued interest, if any, thereon).

*"Approving Opinion"* means an opinion delivered by Note Counsel to the effect that such action (i) is permitted by this Agreement and the Related Documents and (ii) will not result in the inclusion of interest on the Note in gross income for federal income tax purposes.

*"Available Commitment"* means, on any date, an initial amount equal to \$100,000,000 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 \$100,000,000 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 rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time *plus* one percent (1.0%), (ii) the Federal Funds Rate in effect at such time *plus* two percent (2.0%), and (iii) seven percent (7.0%).

*“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, during the Initial Period, Wells Fargo Bank, National Association, and thereafter means any other Person appointed by the Borrower, with the prior written consent of the Purchaser in its sole discretion, to serve as calculation agent for the Note.

*“Change in Law”* means the occurrence, after the Effective Date, of any of the following: (a) the adoption or taking effect of any Law, including, Risk-Based Capital Guidelines, (b) any change in any Law or in the administration, interpretation, implementation or application thereof by any Governmental Authority or (c) the making or issuance of any request, rule, ruling, guideline, regulation or directive (whether or not having the force of law) by any Governmental Authority; *provided* that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, ruling, guidelines,

regulations or directives thereunder or issued in connection therewith and (ii) all requests, rules, rulings, guidelines, regulations or directives promulgated by the Purchaser for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States of America or foreign regulatory authorities shall in each case be deemed to be a “Change in Law,” regardless of the date enacted, adopted or issued.

“*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 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(c) hereof.

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

“*Commitment Expiration Date*” means the later of (a) 5:00 p.m. New York City time on March \_\_, 2018, 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.

“*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 three percent (3.0%).

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

(i) on the date when the Borrower files any statement, supplemental statement or other tax schedule, return or document with the Internal Revenue Service which discloses that an Event of Taxability shall have in fact occurred;

(ii) on the date when the Noteholder or any former Noteholder notifies the Borrower that it has received a written opinion by a firm of attorneys of national standing with widely recognized and substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within one year after receipt by the Borrower of such notification from the Purchaser, the Borrower shall deliver to the Purchaser a ruling or determination letter or other official written advice issued to or on behalf of the Borrower by the Internal Revenue Service to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) on the date when the Borrower shall be advised in writing by the Commissioner of the Internal Revenue Service or the Director of the Tax-Exempt and Government Entities Division of the Internal Revenue Service (or any other government official exercising the same or a substantially similar function from time to time, including an employee subordinate to one of these officers who has been authorized to provide such advice) that, based upon filings of the Borrower, or upon any review or audit of the Borrower or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

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

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

“*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, state and local 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.

*“Event of Taxability”* means a (i) change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, the taking of any action by the Borrower, or the failure to take any action by the Borrower, or the making by the Borrower of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of the Note) which has the effect of causing interest paid or payable on the Note to become includable, in whole or in part, in the gross income of the Noteholder or any former Noteholder for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on the Note to become includable, in whole or in part, in the

gross income of the Noteholder or any former Noteholder for federal income tax purposes with respect to the Note.

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

*"Excluded Taxes"* means, with respect to the Purchaser or any Noteholder, (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 or such Noteholder is organized or in which its principal office 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.

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

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

*"Fitch"* means Fitch, Inc.

*"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 or other obligation 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 other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Debt or other obligation of the payment of such Debt or other obligation or (iii) entered into for the purpose of assuring in any other manner the obligee in respect of such Debt or other obligation of the payment thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Debt or other obligation of any other Person, whether or not such Debt or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Debt to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term *“Guarantee”* as a verb has a corresponding meaning.

*“Indemnified Taxes”* means Taxes other than Excluded Taxes.

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

*“Index Rate”* means the LIBOR Index Rate, the Default Rate or the Taxable 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 Business Day of the third (3rd) full calendar month following the related Mandatory Tender Date.

*“Initial Period”* means the initial Index Rate Period commencing on the Effective Date and ending on the Termination Date (as defined on the Effective Date).

*“Initial Purchaser”* means Wells Fargo Municipal Capital Strategies, LLC.

*“Investor Letter”* has the meaning set forth in Section 9.12(c) hereof.

“*Law*” means any treaty or any federal, regional, state and local law, statute, rule, ordinance, regulation, code, license, authorization, decision, injunction, interpretation, order or decree of any court or other Governmental Authority.

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

“*LIBOR*” means the rate of interest per annum determined by the Calculation Agent based on the rate for United States dollar deposits for delivery on the LIBOR Index Reset Date for a period equal to 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 Index Rate*” means a per annum rate of interest established on each Computation Date equal to the product of (a) the sum of (i) the Applicable Spread plus (ii) the product of (x) LIBOR as determined on such date multiplied by (y) the Applicable Factor and (b) the Margin Rate Factor; *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 Rate*” shall mean the Default Rate.

“*LIBOR Index Reset Date*” means 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).

“*London Banking Day*” means any day that is a day for trading by and between banks in Dollar deposits in the London interbank market.

“*Majority Noteholder*” means the Noteholders with a majority of the aggregate ownership interest in advances evidenced by the Note from time to time. As of the Effective Date, Wells Fargo Municipal Capital Strategies, LLC shall be the Majority Noteholder.

“*Mandatory Tender Date*” means the Directed Mandatory Tender Date or the Scheduled Mandatory Tender Date, as applicable.

“*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 Rate Factor*” means the greater of (i) 1.0 and (ii) the product of (a) one minus the Maximum Federal Corporate Tax Rate multiplied by (b) 1.53846. The effective date of any change in the Margin Rate Factor shall be the effective date of the decrease or increase (as

applicable) in the Maximum Federal Corporate Tax Rate resulting in such change. As of the Effective Date, the Margin Rate Factor is 1.0.

*"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 Agent"* means a third-party financial advisory firm, investment banking firm, commercial bank or any other financial institution with experience in pricing information for tax-exempt municipal securities, as selected by the Borrower (and approved by the Purchaser; *provided* that Wells Fargo Bank, National Association and any affiliate thereof shall be deemed approved by the Purchaser as Market Agent) to serve as market agent in connection with a conversion to an Index Rate Period.

*"Master Bond Ordinance"* means the Original Senior Bond Ordinance, as amended by the Amending Senior Bond Ordinance and the Amended and Restated Senior Bond Ordinance. Except as otherwise provided herein, from and after the Amended Master Bond Ordinance Effective Date, any and all references to the Master Bond Ordinance will be deemed references to the Amended and Restated Senior Bond Ordinance and the Amending Senior Bond Ordinance, collectively.

*"Material Adverse Effect"* means: (a) a change in, or a effect upon, the operations, business, properties, liabilities (actual or contingent) or condition (financial or otherwise) of the Borrower which could be reasonably be expected to materially impair the Borrower's 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

*"Maximum Federal Corporate Tax Rate"* means the maximum rate of income taxation imposed on corporations pursuant to Section 11(b) of the Code, as in effect from time to time (or, if as a result of a change in the Code, the rate of income taxation imposed on corporations generally shall not be applicable to the Purchaser, the maximum statutory rate of federal income taxation which could apply to the Purchaser). As of the Effective Date, the Maximum Federal Corporate Tax Rate is 35%.

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

*"Moody's"* means Moody's Investors Service, Inc.

*"Non-Purchaser Transferee"* has the meaning set forth in Section 9.12(c) hereof.

*"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.



“*Noteholder*” means the Purchaser and each Purchaser Transferee or Non-Purchaser Transferee pursuant to Section 9.12 hereof so long as such Purchaser Transferee or Non-Purchaser Transferee has an ownership interest in the Note.

“*Note*” means the Electric System Subordinate Revenue Note, Series 2015 issued on the Effective Date by the Borrower in definitive certificated form as a physical Note 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.

“*Original Senior Bond Ordinance*” means Ordinance No. 23514, passed by the City Council on November 20, 1985, as amended, supplemented and restated.

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

“*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).

**[“*Paying Agent Agreement*” means that certain Paying Agent Agreement dated as of March 1, 2015, between the Borrower and the Paying Agent, as the same may be amended, modified or supplemented from time to time in accordance with its terms and the terms hereof.][To be deleted upon settlement of Supplemental Ordinance]**

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

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

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

*“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, Wells Fargo Municipal Capital Strategies, LLC, a Delaware limited liability company and a wholly owned subsidiary of Wells Fargo Bank, National Association, and its successors and assigns, and upon the receipt from time to time by the Paying Agent and the Borrower of a notice described in Section 9.12(a) from time to time means the Person designated in such notice as the Purchaser, as more fully provided in Section 9.12(a) hereof.

*“Purchaser Affiliate”* means the Purchaser and any Affiliate of the Purchaser, and includes, without limitation, Wells Fargo Bank, National Association and Wells Fargo Securities (a trade name).

*“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* one percent (1.0%); *provided that* if an Event of Default has occurred and is continuing, the Purchaser Rate shall equal the Default Rate.

*“Purchaser Transferee”* has the meaning set forth in Section 9.12(b) hereof.

*“Rating”* means the long-term unenhanced credit rating assigned by any Rating Agency to any Senior Debt.

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

*“Related Documents”* means this Agreement, the Note Ordinance, the Master 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 C hereto.

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

*“Risk-Based Capital Guidelines”* means (a) the risk-based capital guidelines in effect in the United States of America, including transition rules, and (b) the corresponding capital regulations promulgated by regulatory authorities outside the United States of America including transition rules, and any amendment to such regulations.

*“S&P”* means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

*“Senior Debt”* means any Debt issued or incurred by or on behalf of the Borrower and secured on a basis senior to the Lien on Revenues securing the payment of the principal of and interest on the Note and the obligations under this Agreement.

*“Scheduled Amortization Payment”* has the meaning set forth in Section 3.01(b) hereof.

*“Scheduled 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.

*“Scheduled Mandatory Tender Date”* means the Commitment Expiration Date, which, for the avoidance of doubt, initially means March \_\_, 2018.

*“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.

*“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.

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

“*Taxable Period*” has the meaning set forth in Section 3.03 hereof.

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

“*Tax Certificate*” means that certain Tax Certificate dated March \_\_, 2015, by the Borrower, relating to the Note, as the same may be amended or supplemented from time to time.

“*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, in each case now existing or hereafter imposed.

“*Termination Date*” means the earliest of (i) the Commitment Expiration Date, as such date may be extended pursuant to Section 3.10 hereof, (ii) the date on which the Commitment and Available Commitment are otherwise terminated or reduced to zero in accordance with Section 2.06(b) hereof, and (iii) the date the Commitment terminates by its terms in accordance with Section 7.02(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 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 6.03 hereof and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement including, without limitation, a recharacterization of operating leases to the effect that certain operating leases are to be treated as capital leases, either the 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 and agreements contained herein, the Initial 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 \$100,000,000, to the Purchaser, under the terms and conditions of the Note Ordinance to evidence and secure the Advances. There shall not be more than twenty (20) Advances outstanding at any time. 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 and the interest rate with respect thereto 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 Section 5.15 hereof and the Note Ordinance, (iii) mature on the Termination Date and (iv) be in a minimum principal amount of \$5,000,000. 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 and each Advance must be in a minimum principal amount of \$250,000 or such greater amount which is an integral multiple of \$[5,000]; *provided* that an initial Advance in excess of \$50,000 and not to exceed the Available Commitment shall be made at Closing.

*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 Business Day and shall be at least three (3) 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 New York City time three 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.] New York City 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 New York City time on the Business Day which is three (3) 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 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) Commencing on the Effective Date, the Index Rate with respect to the initial Advance shall be the LIBOR Index Rate. The Index Rate for each subsequent Advance shall be the LIBOR Index Rate, unless a Determination of Taxability has occurred, in which case the Index Rate shall be the Taxable Rate. The Calculation Agent shall notify the Paying Agent and the Borrower of the Index Rate with respect to each LIBOR Index Reset Date.

*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 and the Advances to be prepaid. 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 \$5,000,000 or a whole multiple of \$1,000,000 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. Reduction and Termination.* (a) The Available Commitment may be reduced in part from time to time as requested by the Borrower within three (3) days of the Borrower's written notice to the Purchaser requesting such reduction in the form of Exhibit E hereto; *provided*, that (i) each such reduction amount shall be in an amount equal to \$1,000,000 or an integral multiple thereof, (ii) any reduction in the Available Commitment shall not be effective until the Purchaser delivers to the Borrower a notice in the form attached hereto as Exhibit E reflecting such reduction, and (iii) after giving effect to such reduction the Available Commitment shall not be less than the aggregate principal amount of all Advances then outstanding.

(b) The Borrower may at any time and at its sole option terminate the Available Commitment in whole upon three (3) Business Days' prior written notice to the Purchaser in the form of Exhibit E hereto. As a condition to any such termination, the Borrower shall pay or cause to be paid all Obligations owed to the Purchaser.

*Section 2.07. Index Rate Periods.*

(a) *Interest Period and Effective Period.* The initial Index Rate Period shall commence on and be effective from the Effective Date and shall continue through the end of the Initial Period.

(b) *Determination Time.* Each Advance shall bear interest at the LIBOR Index Rate, subject to adjustment as set forth herein. 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. If the LIBOR Index Rate is not determined by the Calculation Agent on the Computation Date, the rate of interest on such Advance shall be the rate in effect for the immediately preceding LIBOR Index Reset Date until the Calculation Agent next determines the LIBOR Index Rate as required hereunder. The LIBOR Index Rate for the initial Advance for the period commencing on the Effective Date to but excluding \_\_\_\_\_ 1, \_\_\_\_\_, shall be \_\_\_\_\_% per annum and shall be payable on \_\_\_\_\_ 1, \_\_\_\_\_.

**ARTICLE III**

**THE BORROWER'S OBLIGATIONS**

*Section 3.01. Payment Obligations.* (a) The Borrower hereby agrees to make prompt and full payment of all payment obligations owed to the Purchaser under the Related Documents and to pay any other Obligations owing to the Purchaser whether now existing or hereafter arising, with interest thereon at the rate or rates provided in such Related Documents with respect to such Obligations.

(b) In the event the Purchaser has not received the Mandatory Tender Price on the Scheduled Mandatory Tender Date, the Borrower shall cause the principal amount of the Note to be redeemed in full on the Mandatory Tender Date; *provided* that, if the Borrower is required to redeem the Note as set forth above and (i) no Default or Event of Default shall have occurred and be continuing and (ii) the representations set forth in Article V shall be true and correct on, as if the same had been made on, the Scheduled Mandatory Tender Date (except to the extent that any such representations expressly relate to an earlier date), then the Borrower shall cause the outstanding principal amount of the Note to be redeemed in installments payable on each Scheduled Amortization Payment Date (each such payment, a "*Scheduled 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 "*Scheduled Amortization Period*"). Each Scheduled Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Scheduled Amortization Payments over the Scheduled Amortization Period.



During the Scheduled 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.

(c) 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 the Rating (as defined below) then in effect as specified below (the “Commitment Fee Rate”) and the daily average Unutilized Amount during the related quarterly period:

LEVEL	MOODY’S RATING	S&P RATING	FITCH RATING	COMMITMENT FEE RATE
Level 1	Aa3 or above	AA- or above	AA- or above	0.175%
Level 2	A1	A+	A+	0.225%
Level 3	A2	A	A	0.275%
Level 4	A3	A-	A-	0.325%
Level 5	Baa1	BBB+	BBB+	0.475%
Level 6	Baa2	BBB	BBB	0.725%
Level 7	Baa3 or below	BBB- or below	BBB- or below	1.075%

If Ratings are in effect from any two of Moody’s, S&P and Fitch, the Commitment Fee Rate shall be equal to the Level set forth above corresponding to the lower Rating from either of such Rating Agencies. If Ratings are in effect from all three of Moody’s, S&P and Fitch and only two of such Ratings are equivalent, the Commitment Fee Rate shall be equal to the Level set forth above corresponding to such two equivalent Ratings. If Ratings are in effect from all three of Moody’s, S&P and Fitch, and none of such Ratings are equivalent, the Commitment Fee Rate shall be equal to the Level set forth above corresponding to the middle Rating. Any change in the Commitment Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to Ratings above are references to rating categories as presently determined by the Rating Agencies and in the event of adoption of any new or changed rating system, the ratings from the Rating Agency

in question referred to above shall be deemed to refer to the rating category under the new rating system that most closely approximates the applicable rating category as currently in effect. Upon the occurrence and during the continuance of an Event of Default (whether or not the Purchaser declares an Event of Default in connection therewith), the Commitment Fee Rate shall immediately and without notice increase by two percent (2.00%) per annum above the Commitment Fee Rate otherwise in effect. The Commitment Fee shall be payable quarterly in arrears, together with interest on the Commitment Fee from the date payment is due until payment in full at the Default Rate. The Borrower acknowledges that as of the Effective Date the Commitment Fee Rate is that specified above for Level 1.

(d) 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 Related Documents and such other documents which may be delivered in connection therewith;

(ii) a fee for each amendment to this Agreement or any Related Document or any consent or waiver by the Purchaser with respect to any Related Document requested by the Borrower hereunder (regardless of whether the same is actually executed or delivered), in each case, in an amount mutually agreed to by the Purchaser and the City, plus the reasonable fees and expenses of counsel to the Purchaser;

(iii) the reasonable fees and out-of-pocket expenses for counsel to the Purchaser in connection with advising the Purchaser as to its rights and responsibilities under this Agreement and the Related Documents upon a Default or Event of Default; and

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

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

*Section 3.02. Default Rate.* Upon the occurrence and during the continuance of an Event of Default and, for the avoidance of doubt, during the Amortization Period after the Directed Mandatory Tender Date, the Obligations of the Borrower hereunder (to the extent a rate is not otherwise specified) shall bear interest at the Default Rate, which shall be payable by the

Borrower to each Noteholder (or, if applicable, the Purchaser) upon demand therefor and be calculated on the basis of a 360-day year and actual days elapsed.

*Section 3.03. Determination of Taxability.* In the event a Determination of Taxability occurs, to the extent not payable to each Noteholder (or to the Purchaser for the period that it was the Noteholder of any of the Note) under the terms of the Note Ordinance and the Note, the Borrower hereby agrees to pay to each Noteholder (or, if applicable, the Purchaser) on demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to such Noteholder (or, if applicable, the Purchaser) on the Note during the period for which interest on the Note is included in the gross income of such Noteholder (or, if applicable, the Purchaser) if the Note had borne interest at the Taxable Rate, beginning on the Taxable Date (the "*Taxable Period*"), and (B) the amount of interest actually paid to the Noteholder (or, if applicable, the Purchaser) during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by such Noteholder (or, if applicable, the Purchaser) as a result of interest on the Note becoming included in the gross income of such Noteholder (or, if applicable, the Purchaser), together with any and all reasonable attorneys' fees, court costs, or other out-of-pocket costs incurred by such Noteholder (or, if applicable, the Purchaser) in connection therewith.

*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 each Noteholder for such period, constitute the "Excess Interest Amount." If there is any accrued and unpaid Excess Interest Amount as of any date, then the principal amount with respect to which interest is payable shall bear interest at the Maximum Interest Rate until payment to each Noteholder 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 each Noteholder a fee equal to any accrued and unpaid Excess Interest Amount.

*Section 3.05. Increased Costs.*

(a) *Increased Costs Generally.* If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, capital or liquidity ratio, special deposit, compulsory loan, insurance charge or similar requirement against assets of, deposits with or for the account of, or advances, loans or other credit extended or participated in by, the Purchaser or any Noteholder;

(ii) subject the Purchaser or any Noteholder to any Taxes of any kind whatsoever with respect to this Agreement or the Note, or change the basis of taxation of payments to the Purchaser or such Noteholder in respect thereof (except for Indemnified Taxes covered by Section 3.06 hereof and the imposition of, or any change in the rate of any Excluded Tax payable by the Purchaser or such Noteholder); or

(iii) impose on the Purchaser or any Noteholder any other condition, cost or expense affecting this Agreement or the Note;

and the result of any of the foregoing shall be to increase the cost to the Purchaser or such Noteholder of owning the Note (or of maintaining its obligation to make Advances), or to reduce the amount of any sum received or receivable by the Purchaser or such Noteholder hereunder or under the Note (whether of principal, interest or any other amount) then, upon written request of the Purchaser or such Noteholder as set forth in subsection (c) below, the Borrower shall promptly pay to the Purchaser or such Noteholder, as the case may be, such additional amount or amounts as will compensate the Purchaser or such Noteholder, as the case may be, for such additional costs incurred or reduction suffered.

(b) *Capital or Liquidity Requirements.* If the Purchaser or any Noteholder determines that any Change in Law affecting the Purchaser or such Noteholder or the Purchaser's or such Noteholder's parent or holding company, if any, regarding capital or liquidity requirements, has or would have the effect of reducing the rate of return on the Purchaser's or such Noteholder's capital or liquidity or the capital or liquidity of the Purchaser's or such Noteholder's parent or holding company holding, if any, as a consequence of this Agreement, or ownership of the Note, to a level below that which the Purchaser or such Noteholder or the Purchaser's or such Noteholder's parent or holding company could have achieved but for such Change in Law (taking into consideration the Purchaser's or such Noteholder's policies and the policies of the Purchaser's or such Noteholder's parent or holding company with respect to capital or liquidity adequacy), then from time to time upon written request of the Purchaser or such Noteholder as set forth in subsection (c) below, the Borrower shall promptly pay to the Purchaser or such Noteholder, as the case may be, such additional amount or amounts as will compensate the Purchaser or such Noteholder or the Purchaser's or such Noteholder's parent or holding company for any such reduction suffered.

(c) *Certificates for Reimbursement.* A certificate of the Purchaser or any Noteholder setting forth the amount or amounts necessary to compensate the Purchaser or any such Noteholder or the Purchaser's or any such Noteholder's parent or holding company, as the case may be, as specified in subsection (a) or (b) above and delivered to the Borrower, shall be conclusive absent manifest error. The Borrower shall pay the Purchaser or any such Noteholder, as the case may be, the amount shown as due on any such certificate within sixty (60) days after receipt thereof.

(d) *Delay in Requests.* The Purchaser or any such Noteholder will use commercially reasonable efforts to notify the Borrower within 90 days of its obtaining actual knowledge of any event occurring after the date hereof that will entitle the Purchaser or any such Noteholder or their respective parent or holding company, to compensation pursuant to this Section; *provided*

that the failure of the Purchaser or any such Noteholder to notify the Borrower within such 90-day period shall not relieve the Borrower from any liability for payment of such compensation; *provided further* that the Borrower shall not be required to compensate the Purchaser or any such Noteholder pursuant to this Section for any increased costs incurred or reductions suffered more than six (6) months prior to the date that the Purchaser or any such Noteholder, as the case may be, notifies the Borrower of the Change in Law giving rise to such increased costs or reductions, and of the Purchaser's or any such Noteholder's intention to claim compensation therefor (except that (i) if the Change in Law giving rise to such increased costs or reductions is retroactive, then the six-month period referred to above shall be extended to include the period of retroactive effect thereof (ii) if the Purchaser or any such Noteholder had no actual knowledge of the action resulting in such increased costs as of the date six months prior to the date of notice to the Borrower, then the six-month period referred to above will not apply).

(e) *Survival.* Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section shall survive the termination of this Agreement and the payment in full of the Note and the obligations of the Borrower thereunder and hereunder.

*Section 3.06. Net of Taxes, Etc.* (a) Any and all payments to the Purchaser or any Noteholder 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 or such Noteholder 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 or such Noteholder with respect to Indemnified Taxes and if the Purchaser or such Noteholder shall claim any credit or deduction for such Indemnified Taxes against any other taxes payable by the Purchaser or such Noteholder to any taxing jurisdiction in the United States of America then the Purchaser or such Noteholder 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 or such Noteholder 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 or such Noteholder 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 or such Noteholder hereunder; *provided*, that the Purchaser or such Noteholder'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 or such Noteholder 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 such Noteholder 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 or such Noteholder for any penalties, interest or expenses relating to Indemnified Taxes or Other Taxes arising from the Purchaser or such Noteholder's gross negligence or willful misconduct. The Purchaser or such Noteholder agrees to give notice to the Borrower of the assertion of any claim against the Purchaser or such Noteholder relating to such Indemnified Taxes or Other Taxes as promptly as is practicable after being notified of such assertion; *provided*, that the Purchaser or such Noteholder'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 or such Noteholder makes written demand therefor, which demand shall be accompanied by a certificate describing in reasonable detail the basis thereof. The Purchaser or such Noteholder 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 or such Noteholder 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 such Noteholder or the Borrower reasonably believes not to have been properly assessed.

(c) Within thirty (30) days after the date of any payment of Indemnified Taxes by the Borrower, the Borrower shall furnish to the Purchaser or such Noteholder, as applicable, the original or a certified copy of a receipt evidencing payment thereof.

(d) Without prejudice to the survival of any other agreement of the Borrower hereunder, the agreements and obligations of the Borrower contained in this Section shall survive the termination of this Agreement and the payment in full of the Note and the obligations of the Borrower thereunder and hereunder.

*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, any other Noteholder 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 Purchaser acknowledges the Borrower may have the right to bring a collateral action with respect to one or more of the foregoing circumstances. All Commitment Fees payable pursuant to this Agreement shall be deemed to be fully earned when due and non-refundable when paid.

*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 an 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. Optional Redemption or Conversion.* The Borrower shall not redeem or convert the interest rate on all or any portion of the Note from the Index Rate in any amount less than \$250,000 and increments of \$250,000 in excess thereof.

*Section 3.10. Purchaser Consent to Subsequent Index Rate Period.* (a) In the event that (i) the Purchaser is the sole owner of the interest in the Note and (ii) 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 B hereto, of its desire to extend the Commitment Expiration Date and/or change the interest rate mode, available with respect to Advances 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. For greater certainty, 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 and/or change the interest rate modes available with respect

thereto by delivering a notice (an “*Extension Notice*”) in the form of Exhibit B properly completed and executed by the Borrower, the Purchaser and the Market Agent 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 Extension Notice shall contain that information described in paragraph (b) of this Section 3.10. The consent of the Purchaser, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Purchaser (which may include, but not be limited to the delivery of a “no adverse effect opinion” of Note Counsel to the Purchaser with respect to the tax-exempt status of the Note as a result of such conversion, extension and/or and interest rate setting). For greater certainty, in the event the Borrower and the Purchaser fail to document in writing their agreement of the proposed rate(s) and terms of the succeeding period(s), the Borrower shall continue to be required to repurchase the Note on the Scheduled Mandatory Tender Date for a purchase price of 100% of the par amount thereof plus accrued interest to the Scheduled Mandatory Tender Date (or, failing such repurchase, redeem the principal amount of the Note in full on the Scheduled Mandatory Tender Date). 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 could reasonably be expected 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. **[If the Purchaser and the Borrower agree to the terms for the Note upon such extension and the interest rate that the Note shall bear following the change shall meet the requirements of [Section \_\_\_\_] of the Note Ordinance,]** the Borrower and Purchaser may cause conversion of the Note by the process described in **[Section \_\_\_\_]** of the Note Ordinance.

(b) *New or Additional Index Rate.* A direction of the Borrower to extend the Commitment Expiration Date shall specify the proposed date for such extension and shall be accompanied by a letter of Note Counsel that it expects to be able to give an Approving Opinion on the date of such extension. In addition, such direction shall confirm the appointment of a Calculation Agent and a Market Agent. Such direction shall also state whether such Index Rate shall be a LIBOR Index Rate or other interest rate, the new Commitment Expiration Date and the new Applicable Factor (if such rate shall be a LIBOR Index Rate) and the new Applicable Spread. The new Applicable Spread shall be determined by the Market Agent such that the applicable Index Rate shall be the interest rate per annum (based upon tax exempt obligations comparable, in the judgment of the Market Agent, to the Note and known to the Market Agent to have been priced or traded under then prevailing market conditions) to be the minimum interest rate at which a Person will agree to purchase the Note on the date of extension at a price (without regard to accrued interest) equal to the principal amount thereof. In addition, the Borrower shall provide a copy of such notice to the Calculation Agent contemporaneously with the Paying Agent. During each Index Rate Period commencing on a date so specified and ending on the day immediately preceding the effective date of the next succeeding Rate Period, the interest rate borne by the Note shall be an Index Rate.

*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 in force on the Effective Date, 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 a Advance that (a) Dollar deposits are not being offered to banks in the London interbank market for the applicable amount, (b) adequate and reasonable means do not exist for determining LIBOR, or (c) the LIBOR does not accurately reflect the cost to the Purchaser of funding such Advances, 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 Advance 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; and

(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) from external counsel to the Borrower, opinions as to the due authorization, execution, delivery and enforceability of the Related Documents to which the Borrower is a party, and such other customary matters as the Purchaser may reasonably request, in the form attached hereto as Exhibit F; and

(ii) from Note Counsel, opinions to the effect that the interest on the Note is excludable from gross income for federal income tax purposes and such other customary matters as the Purchaser may reasonable request and that the issuance of the Note complies with the terms of the Master Bond Ordinance and the Note Ordinance, in the form attached hereto as Exhibit G.

(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 could reasonably be expected to result, either individually or in the aggregate, in 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;

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

(iii) evidence satisfactory to the Purchaser that the unenhanced long-term debt rating assigned by Moody's, S&P and Fitch to Senior Debt is at least "Aa3", AA, and AA- respectively; and

(iv) evidence that a CUSIP number has been obtained and reserved from Standard & Poor's CUSIP Service for the Note.

*Section 4.02. Litigation.* The Purchaser shall have received a written description of all actions, suits or proceedings pending (if any) or threatened in writing against the Borrower in any court or before any arbitrator or before or by any Governmental Authority which (individually or in aggregate) could reasonably be expected 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 and its counsel shall have received such other certificates, documents and opinions with respect to the Borrower and the transactions contemplated by this Agreement as the Purchaser or its counsel may reasonably request.

*Section 4.04. Payment of Fees and Expenses.* (a) On or prior to the Effective Date, Chapman and Cutler LLP, as counsel to the Purchaser, shall have received payment of its legal fees and expenses in the amount of \$\_\_\_\_\_.

(b) On or prior to the Effective Date, the Purchaser shall have received its closing fee in an amount equal to \$[\_\_\_\_\_].

*Section 4.05. No Note Rating; DTC; Offering Document.* The Note shall not be (i) assigned a separate rating by any Rating Agency, or (ii) registered with The Depository Trust Company or any other securities depository or (iii) issued pursuant to any type of offering document or official statement.

*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) such Advance shall not violate any order, judgment or decree of any court or authority of competent jurisdiction entered against the Borrower or any provision of law applicable to the Borrower;

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

(e) the Purchaser shall have received a Request for Advance as required under, and in strict conformity with, Section 2.02(c) hereof.

## ARTICLE V

### REPRESENTATIONS

The Borrower makes the following representations to each Noteholder:

*Section 5.01. Existence and Power.* The City of Tacoma, Washington, 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, delivery and performance 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, filings, notices or consents are required by law or otherwise for the due execution, delivery and performance by the Borrower of this Agreement or the due execution, delivery or performance by the Borrower of the Related Documents. 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.

(b) The Borrower is duly authorized and licensed to own the Electric System and to operate the Electric System as currently operated, and the Borrower has obtained all requisite approvals of all Governmental Authorities required to be obtained for such purposes and such approvals are in full force and effect.

*Section 5.03. 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 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 thereunder or result in the creation or imposition of any Lien upon or with respect to any Property owned by the Borrower, other than the pledge of Revenues specified in the Master Subordinate Bond Ordinance and the Master Bond Ordinance.

(b) The Borrower, with respect to the Electric System, is in compliance with all laws, rules, regulations, orders, writs, judgments, injunctions, decrees and awards, except for such noncompliance that, singly or in the aggregate, has not caused or could not reasonably be expected to cause a Material Adverse Effect.

*Section 5.04. 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 could reasonably be expected to result in a Material Adverse Effect.

*Section 5.05. 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 or operations of the Borrower's Electric System that could reasonably be expected to result in a Material Adverse Effect.

*Section 5.06. Employee Benefit Plan Compliance.* The Borrower has no funding liability or obligation currently due and payable with respect to any employee benefit plan which could reasonably be expected 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 5.07. 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. With respect to the Borrower's Electric System, the Borrower is not presently in default under any material agreement to which it is a party which could reasonably be expected to result in a Material Adverse Effect. The Borrower is not in violation of any term of the City Charter or any term of any bond indenture or agreement to which it is a party or by which any of its Property is bound which could reasonably be expected to result in a Material Adverse Effect.

*Section 5.08. Insurance.* The Borrower either (i) self-insures in such manner and to such extent as the Borrower has determined is necessary and appropriate or, (ii) to the extent insurance coverage (a) is available at a reasonable cost with responsible insurers, and (b) is usually carried by utilities operating like properties, keeps or causes to be kept the Electric System and the operation thereof insured, with policies payable to the Borrower, in each case

against the risks of direct physical loss, damage to or destruction of the Electric System, or any part thereof, and against accidents, casualties, or negligence, including general liability and employer's liability.

*Section 5.09. Incorporation by Reference.* The representations of the Borrower contained in the Related Documents to which the Borrower is a party, together with the related definitions of terms contained therein, are hereby incorporated by reference in this Agreement as if each and every such representation and definition were set forth herein in its entirety, and the representations made by the Borrower in such Sections are hereby made for the benefit of the Purchaser. No amendment to or waiver of such representations or definitions relating to the rights, remedies, security or interests of the Purchaser or the Noteholders made pursuant to the relevant Related Document or incorporated by reference shall be effective to amend such representations and definitions as incorporated by reference herein without the prior written consent of the Purchaser.

*Section 5.10. Correct Information.* Subject to the immediately succeeding sentence, all material information, reports and other papers and data with respect to the Borrower furnished by the Borrower to the Purchaser were, at the time the same were so furnished, correct in all material respects. Any financial, budget and other projections furnished by the Borrower to the Purchaser were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent (subject to the updating or supplementation of any such financial, budget or other projections by any additional information provided to the Purchaser in writing, the representations contained in this Agreement being limited to financial, budget or other projections as so updated or supplemented), in the judgment of the Borrower, a reasonable, good faith estimate of the information purported to be set forth, it being understood that uncertainty is inherent in any projections and that no assurance can be given that the results set forth in the projections will actually be obtained. No fact is known to the Borrower which it has not disclosed in writing to the Purchaser that could reasonably be expected to result in a Material Adverse Effect.

*Section 5.11. 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 5.12. 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 5.13. Tax-Exempt Status.* The Borrower has not taken any action or omitted to take any action, and has no actual knowledge of any action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Note from gross income for federal income tax purposes.

*Section 5.14. Usury.* None of the Related Documents provide for any payments that would violate any applicable law regarding permissible maximum rates of interest.

*Section 5.15. Security.* The Note Ordinance creates, for the benefit of the owners of the Noteholders the legally valid and binding Lien on the Revenues. There is no lien on the Revenues other than the lien created by the Note Ordinance and the Master Bond Ordinance. Except for Senior Debt issued pursuant to and in accordance with the Amended and Restated Senior Bond 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 other Subordinate Debt, 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 as set forth in the Master Bond Ordinance). No filing, registration, recording or publication of the Note Ordinance that has not been made 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 5.16. Pending Legislation and Decisions.* There is no amendment or legislation that has passed either house of the legislature of the State, any State law or any administrative interpretation of the Constitution of the State or any State law or any judicial decision interpreting any of the foregoing or, to the knowledge of the Director of Public Utilities of the Borrower, any proposed amendment to the Constitution of the State or any legislation proposed, in each case the effect of which could reasonably be expected to materially adversely affect the issuance of the Note, the security for the Note or any Obligation, the creation, organization, or existence of the Borrower or the Electric System or the titles to office of any officers executing this Agreement or any Related Documents to which the Borrower is a party or have a Material Adverse Effect.

*Section 5.17. Paying Agent.* **[Name of Paying Agent]** is the duly appointed and acting Paying Agent for the Note.

*Section 5.18. 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 could reasonably be expected to result in a Material Adverse Effect.

*Section 5.19. No Immunity.* The Borrower is subject to claims and to suit for money damages in connection with or under the Note and this Agreement pursuant to and in accordance with the laws of the State applicable to municipal corporations, and is not entitled to raise the defense of sovereign immunity with respect thereto.

*Section 5.20. No Public Vote or Referendum.* There is no public vote or referendum pending, concluded or, to the knowledge of the Director of Public Utilities of the Borrower, proposed, the results of which could reasonably be expected to result in a Material Adverse Effect.

*Section 5.21. Anti-Terrorism Laws.* The Borrower is not in violation of any Laws relating to terrorism or money laundering ("*Anti-Terrorism Laws*"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "*Executive Order*"), and the Patriot Act;

(a) The 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 any Anti-Terrorism Law;

(iv) a Person that commits, threatens or conspires to commit or supports "terrorism" as defined in the Executive Order; or

(v) a Person that is named as a "specially designated national and blocked person" on the most current list published by the Office of Foreign Asset Control ("*OFAC*") or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list;

(b) The 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 any Anti-Terrorism Law.

*Section 5.22. 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 5.23. No Existing Right to Accelerate or Cause Earlier Repayment.* (a) No Person, including, without limitation, any credit facility provider or liquidity provider, either of which provides credit enhancement or liquidity support to any Debt secured by a pledge of



Revenues, or any holder of any Debt secured by a pledge of Revenues, has a right under any ordinance or supplemental ordinance relating to any such Debt or under any other document or agreement relating to any such Debt, to direct the Borrower or trustee or any other party to cause (or otherwise cause) the acceleration of such Debt, or to otherwise declare the principal of and interest on any such Debt to be immediately due and payable (including, without limitation, by redemption) prior to its maturity, or to cause a term-out or amortization of any such Debt following a default or event of default or similar event over a shorter period than is provided in this Agreement.

(b) As of the Effective Date, except for the Note and the **[Description of KeyBank Facility]**, no other Subordinate Debt is outstanding.

*Section 5.24. 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 5.25. Financing Documents.* The Original Senior Bond Ordinance, the Amending Senior Bond Ordinance, Amended and Restated Senior Bond Ordinance, Master Subordinate Bond Ordinance and the Supplemental Ordinance, true and correct copies of which the Borrower has delivered to the Purchaser, constitute all of the documents and official action relevant or pertaining to the issuance of the Note, the execution and delivery of this Agreement and the Related Documents relating to the Electric System.

*Section 5.26. Certain Definitions.* The definitions of each of "Electric System," "Revenues" and "Operating Expenses" as set forth in the Master Subordinate Bond Ordinance are the same in substance as the definitions of each of "Electric System," "Revenues" and "Operating Expenses," respectively, as set forth in the Master Bond Ordinance.

*Section 5.27. No Fiduciary Relationship.* The Borrower acknowledges and agrees that (i) its dealings with the Purchaser are solely in the nature of the debtor/creditor relationship and that in no event shall the Purchaser be considered to be a partner or joint venturer of the Borrower, (ii) it has independently evaluated the business transaction and has not relied upon, nor will it rely upon, the expertise, advice or other comments or statements of the Purchaser, if any, in deciding to pursue such undertaking and (iii) in no event shall the Purchaser owe any fiduciary obligations to the Borrower in connection with the transaction contemplated hereby.

*Section 5.28. 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); (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; (v) the only contractual obligations the Purchaser has to the Borrower with respect to

this transaction are set forth in this Agreement; and (vi) the Purchaser is not recommending that the Borrower take an action with respect to the transaction described in this Agreement and the Related Documents.

## ARTICLE VI

### COVENANTS OF THE BORROWER

The Borrower covenants and agrees, until the full and final payment and satisfaction of all of the Obligations 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, rules, regulations, orders, writs, judgments, injunctions, decrees and awards applicable to it and the Electric System where non-compliance could 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 and reserves (if any) are provided therefor that in the opinion of the Borrower are adequate.

*Section 6.03. Reports.* The Borrower shall furnish to the Purchaser in form and detail satisfactory to the Purchaser:

(a) *Annual Report.* As soon as available, 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 9.3 of the Master Subordinate Bond Ordinance.

(b) *Unaudited Monthly Financials; Quarterly Compliance Certificates.* (i) As soon as available, and in any event within 60 days after the end of each calendar month, the unaudited financial statements of the Borrower, including the balance sheet as of the end of such month and a statement of income and expenses, all in reasonable detail and certified, subject to year-end adjustment; and (ii) within 60 days after each calendar quarter, a Compliance Certificate signed by an appropriate 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.

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

(d) *Paying Agent Notices.* As soon as available all notices, certificates, and other documents 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.

(e) *Notices 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.

(f) *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) 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.

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

(h) *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 6.04. Maintenance of Books and Records.* The Borrower will keep proper books of record and account in which full, true and correct entries in accordance with GAAP as generally applied to municipal entities such as the Borrower. All financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with GAAP applied on a consistent basis, as in effect from time to time, applied in a manner consistent with that used in preparing the financial statements and as generally applied to municipal entities such as the Borrower, except as otherwise specifically prescribed herein. Except as provided in the immediately preceding sentence, in preparing any financial data or statements contemplated or referred to in this Agreement, the Borrower shall not vary or modify the accounting methods or principles from the

accounting standards employed in the preparation of its audited financial statements described in Section 5.06 hereof.

*Section 6.05. Access to Books and Records.* To the extent permitted by law, the Borrower will permit any agent or employee of the Purchaser designated by 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) 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), including minutes of public meetings of any relevant governmental committees or agencies of the Borrower, 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, all at such reasonable times and as often as the Purchaser may reasonably request.

*Section 6.06. Compliance With Documents.* The Borrower agrees that it will perform and comply with each and every 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 with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Purchaser and shall be enforceable against the Borrower. To the extent that any such incorporated provision relates to rights, remedies, security or interests of the Purchaser or any Noteholder permits the Borrower or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the Borrower or any other party, for purposes of this Agreement, such provision shall be complied with unless it is specifically waived by the Purchaser in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Purchaser which shall only be evidenced by the written approval by the Purchaser of the same. Except as permitted by Section 6.09 hereof, no amendment to or other modification of such covenants and agreements or defined terms or release of the Borrower with respect thereto made pursuant to the Note Ordinance or any of the Related Documents to which the Borrower is a party, shall be effective to amend or modify such covenants and agreements and defined terms or release the Borrower with respect thereto in each case as incorporated by reference herein without the prior written consent of the Purchaser. Notwithstanding any termination or expiration of the Note Ordinance or any Related Document, the Borrower shall continue to observe the covenants therein contained for the benefit of the Purchaser until the termination of this Agreement and the payment in full of the Note and all other Obligations.

*Section 6.07. Paying Agent.* 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 6.08. Limitation on Additional Debt.* The Borrower will not issue and/or incur any additional Subordinate Debt payable from or secured by Revenues, unless the Borrower provides the Purchaser with either of the certificates required pursuant to Section 6.1(b) of the Note Ordinance.

*Section 6.09. Related Documents.* The Borrower shall not modify, amend or consent to any modification, amendment or waiver in any material respect of any Related Document, except that the Borrower may amend, modify or waive any term or provision with respect to any Related Document (other than this Agreement and, with respect to this Agreement, the amendments, supplements and modifications to which shall be governed by Section 9.03 hereof) in a manner (i) not relating to the security, remedies, interests or rights of the Purchaser under this Agreement or the Related Documents, as determined in the Purchaser's reasonable discretion, or (ii) not having a material adverse effect, as determined in the Purchaser's reasonable discretion, on (x) the ability of the Borrower to pay when due the principal of or interest on the Note and the other Obligations of the Borrower under this Agreement and the Related Documents or (y) the security, rights, interests or remedies of the Purchaser hereunder or under any Related Document or the Note. In connection with any such amendment, modification or waiver, the Borrower agrees to deliver to the Purchaser copies of all such amendments, modifications or waivers at least thirty (30) calendar days prior to the effective date thereof. The Bank shall, within fifteen (15) calendar days after receiving such copies, inform the Borrower in writing if, in the Purchaser's reasonable discretion, such amendment, modification or waiver requires the prior written consent of the Bank in accordance with this Section 6.09.

*Section 6.10. 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; and (iii) 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 6.11. Conversions and Redemptions.* (a) The Borrower shall provide thirty (30) days written notice to the Purchaser prior to the date of any proposed conversion of the interest rate on the Note.

(b) 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 6.12. Disclosure to Participants, Purchaser Transferees and Non-Purchaser Transferees.* The Borrower shall permit the Purchaser to disclose the financial information received by it pursuant to this Agreement to each participant, Purchaser Transferee and Non-Purchaser Transferee pursuant to Section 9.12 of this Agreement, subject to confidentiality restrictions and use restrictions customary for financial institutions.

*Section 6.13. 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 or in equity with respect to the Note, the other Obligations, this Agreement or any Related Document.

*Section 6.14. 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 6.15. 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 6.16. 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. The Borrower and each employee benefit plan shall remain in compliance in all material respects with the terms of any such plan and applicable law related thereto where non-compliance could reasonably be expected to result in a Material Adverse Effect.

*Section 6.17. 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 could reasonably be expected to result in a Material Adverse Effect.

*Section 6.18. 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 6.19. Underlying Rating.* The Borrower shall at all times maintain a rating on its long-term unenhanced Senior Debt from at least two Rating Agencies. The Borrower covenants and agrees that it shall not at any time withdraw any long-term unenhanced rating on its Senior Debt from any of Fitch, Moody's or S&P if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement or reduce the Applicable Spread.

*Section 6.20. No Existing Right to Accelerate or Cause Earlier Repayment.* The Borrower shall not grant to or otherwise permit any Person, including, without limitation, any credit facility provider or liquidity provider, either of which provides credit enhancement or liquidity support to any Debt secured by a pledge of Revenues, or any holder of any Debt secured by a pledge of Revenues, a right under any ordinance or supplemental ordinance relating to any such Debt or under any other document or agreement relating to any such Debt, to direct the Borrower or trustee or any other party to cause (or otherwise cause) the acceleration of such Debt, or to otherwise declare the principal of and interest on any such Debt to be immediately due and payable (including, without limitation, by redemption) prior to its maturity, or to cause a term-out or amortization of any such Debt following a default or event of default or similar event over a shorter period than is provided in this Agreement.

## 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 five (5) Business Days;

(c) any representation made by the Borrower in this Agreement (including, for avoidance of doubt, those incorporated herein by reference) 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, 6.03(f) (but only with respect to Events of Default), 6.03(g), 6.06 (after giving effect to any grace period or cure period contained in the specific portion incorporated by reference by such Section 6.06 (but not any grace or cure period found elsewhere (for example in the defaults) in such Related Documents), 6.08, 6.09, 6.10, 6.13, 6.14, 6.18, 6.19 or 6.20 hereof;

(e) the Borrower shall default in the due performance or observance of any other term, covenant or agreement contained in this Agreement (including, for avoidance of doubt, those incorporated herein by reference) and such default shall remain unremedied for a period of thirty (30) days after the occurrence thereof;

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

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the Borrower or any substantial part of the Electric System, 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;

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

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

(k) the Borrower shall (i) default on the payment of the principal of or interest on any Debt (other than Subordinate Debt) including, without limitation, any regularly scheduled payments on Swap Agreements, aggregating in excess of \$10,000,000 beyond the period of grace, if any, provided in the instrument or agreement under which such Debt (other than Subordinate Debt) was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Debt (other than Subordinate Debt) aggregating in excess of \$10,000,000, or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to permit (determined without regard to whether any notice is required) any such Debt to become immediately due and payable in full as the result of the acceleration, mandatory redemption or mandatory tender of such Debt;



(l) any final, unappealable judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, which are not covered in full by insurance, with written acknowledgement of such coverage having been provided by the provider of such insurance coverage to the Purchaser, in an aggregate amount not less than \$10,000,000 shall be entered or filed against the Borrower or against any of its Property and remain unpaid, unvacated, unbonded or unstayed for a period of sixty (60) days;

(m) any "event of default" under any Related Document (as defined respectively therein) beyond the period of grace, if any, provided in such Related Document shall have occurred; or

(n) any of Fitch, Moody's and S&P shall have downgraded its rating of any long-term unenhanced Senior Debt of the Borrower to below "BBB" (or its equivalent), "Baa2" (or its equivalent), or "BBB" (or its equivalent) respectively, or suspended or withdrawn its rating of the same (unless the applicable Rating Agency confirms in writing that such action was taken for non-credit related reasons).

*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):

(i) by written notice to the Paying Agent and the Borrower, declare the outstanding amount of the Obligations (other than the principal of and interest on the Note) under this Agreement to be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue;

(ii) deliver a written notice to the 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) and as otherwise available at law and at equity.

Notwithstanding anything contained in this Agreement or any other Related Document to the contrary, if any other holder or credit or liquidity enhancer of any Debt secured by a pledge of Revenues or any counterparty under any Swap Agreement related thereto causes any such Debt of the Borrower to become immediately due and payable, the Purchaser may immediately, and without notice, declare or cause to be declared the unpaid principal amount of the Note, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder to be immediately due and payable.

*Section 7.03. Discontinuance of Proceedings.* In case the Purchaser shall proceed to invoke any right, remedy or recourse permitted hereunder or under the Related Documents and shall thereafter elect to discontinue or abandon the same for any reason, the Purchaser shall have the unqualified right so to do and, in such event, the Borrower and the Purchaser shall be restored to their former positions with respect to the Obligations, the Related Documents and otherwise, and the rights, remedies, recourse and powers of the Purchaser hereunder shall continue as if the same had never been invoked.

*Section 7.04. Injunctive Relief.* The Borrower recognizes that in the event an Event of Default occurs, any remedy of law may prove to be inadequate relief to the Purchaser; therefore, the Borrower agrees that the Purchaser, if the Purchaser so requests, shall be entitled to temporary and permanent relief in any such case to the extent such relief is permitted by law.

## 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 each Noteholder 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 and performance 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 or the issuance and sale of the Note; 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 conditions precedent set forth herein and in accordance with the terms of this Agreement, or (ii) the Purchaser's gross negligence or willful misconduct.

*Section 8.02. Liability of the Borrower.* The Borrower and the Purchaser agree 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. 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 Purchaser in connection with this Agreement or the Note, (ii) any action, inaction or omission which may be taken by the Paying Agent in connection with this Agreement or the Note, (iii) 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 to the extent, but only to the extent, any direct, as opposed to special, indirect, consequential or punitive, damages (the right to receive special, indirect, consequential or punitive damages being hereby waived) suffered by it that were caused by (y) the Purchaser's willful misconduct or gross negligence 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 rights 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.

*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. Limited Payment Obligations of Borrower.* Notwithstanding any other provision of this Agreement, all obligations of the Borrower to the Purchaser under this Agreement, including with respect to the Note, are limited obligations of the Borrower payable solely from Revenues as provided herein and in the Note 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 Note 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 of the State are pledged to the payment of amounts due hereunder

*Section 8.06. Survival.* The obligations of the Borrower under this Article VIII shall survive the payment of the Note and the termination of this Agreement.

## 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 Paying Agent 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. The Borrower shall, promptly following a request by the Purchaser, provide all documentation and other information that the Purchaser reasonably requests in order to comply with its ongoing obligations under applicable law or regulation, including, without limitation, "know your customer" and anti-money laundering rules and regulations, including the Patriot Act, and shall comply.

(b) The Borrower shall (i) ensure that the Borrower is not and will not be listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by OFAC or the Department of the Treasury or included in any Executive Order that prohibits or limits the Purchaser from providing any funding or extending any credit to the Borrower or from otherwise conducting business with the Borrower and (ii) ensure that the proceeds of any advance or extension of credit hereunder will not be used to violate any of the foreign asset control regulations of OFAC or any enabling statute or Executive Order relating thereto.

*Section 9.02. Further Assurances.* The Borrower shall execute, acknowledge where appropriate, and deliver, and cause to be executed, acknowledged where appropriate, and delivered, from time to time promptly at the request of the Purchaser, all such instruments and documents as in the reasonable opinion of the Purchaser are necessary to carry out the intent and purpose of this Agreement and the other Related Documents.

*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, omission or failure of the Purchaser in exercising any right, power or privilege or in the pursuit of any remedy under this Agreement or the Related Documents shall affect or impair any other or future exercise thereof or exercise of any right, power or privilege or be construed to be a waiver of any default on the part of the Purchaser or to be acquiescence therein; 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, powers and remedies of the Purchaser under this Agreement and the Related Document are cumulative, concurrent and nonexclusive of any rights or remedies which the Purchaser would otherwise have hereunder or under any Related Document and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy (whether specifically herein given or otherwise existing) may be exercised from time to time and as often and in such order as may be deemed expedient by the Purchaser, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy.

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

*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, five (5) 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:

Wells Fargo Municipal Capital Strategies, LLC

c/o Wells Fargo Bank, National Association

333 S. Grand Avenue, 5<sup>th</sup> Floor

Los Angeles, California 90071

Attention: Ray Juman

Telephone: (213) 253-7251

E-mail: rayad.juman@wellsfargo.com

with a copy to:

Wells Fargo Municipal Capital Strategies, LLC

375 Park Avenue

New York, New York 10152

Attention: Kristina Eng

Telephone: (212) 214-5502

E-mail: kristina.eng@wellsfargo.com

The Purchaser with respect  
to any Request for  
Advance:

Wells Fargo Municipal Capital Strategies, LLC

c/o Wells Fargo Bank, National Association

333 S. Grand Avenue, 5<sup>th</sup> Floor

Los Angeles, California 90071

Attention: Ray Juman

Telephone: (213) 253-7251

E-mail: rayad.juman@wellsfargo.com

With a copy to:

E-mail: readie.callahan@wellsfargo.com

E-mail: matthew.antunes@wellsfargo.com

E-mail: lee.bowles@wellsfargo.com

E-mail: zachary.fay@wellsfargo.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 9.06. No Third-Party Rights.* Nothing in this Agreement, whether express or implied, shall be construed to give to any Person other than the parties hereto and the Noteholders 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 9.07. 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 9.08. Governing Law; Consent to Jurisdiction and Venue; Waiver of Jury Trial.*  
(a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF WASHINGTON WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PROVISIONS.

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

(c) The covenants and waivers made pursuant to this Section 9.08 shall be irrevocable and unmodifiable, whether in writing or orally, and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement.

*Section 9.09. Prior Understandings.* This Agreement and the Related Documents supersede all other prior understandings and agreements, whether written or oral, among the parties hereto relating to the transactions provided for herein and therein.

*Section 9.10. Duration.* All representations of the Borrower contained herein or made in connection herewith shall survive the making of and shall not be waived by the execution and delivery of this Agreement or the Related Documents. All covenants and agreements of the Borrower contained herein shall continue in full force and effect from and after the date hereof until the Obligations have been fully discharged.

*Section 9.11. Counterparts.* This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument. This Agreement may be delivered by the exchange of signed signature pages by facsimile transmission or by e-mail with a pdf copy or other replicating image attached, and any printed or copied version of any signature page so delivered will have the same force and effect as an originally signed version of such signature page.

*Section 9.12. Successors and Assigns.*

(a) *Successors and Assigns Generally.* This Agreement is a continuing obligation and shall be binding upon the Borrower, its successors, transferees and assigns and shall inure to the benefit of the Noteholders and their respective permitted successors, transferees and assigns. The Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Purchaser. For avoidance of doubt, the Initial Purchaser may not assign its obligation to make Advances hereunder. Each Noteholder may, in its sole discretion and in accordance with applicable Law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Note and the Related Documents in accordance with the provisions of paragraph (b) or (c) of this Section. Each Noteholder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (d) of this Section. Each Noteholder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section. Wells Fargo Municipal Capital Strategies, LLC shall be the Purchaser hereunder until such time as the Majority Noteholder designates an alternate Person to serve as the Purchaser hereunder by delivery of written notice to the Borrower and the Paying Agent and such Person accepts and agrees to act as the Purchaser hereunder and under the Related Documents. The Majority Noteholder may so designate an alternate Person to act as the Purchaser from time to time. Upon acceptance and notification thereof to the Borrower and the Paying Agent, the successor to the Purchaser for such purposes shall thereupon succeed to and become vested with all of the rights, powers, privileges and responsibilities of the Purchaser, and Wells Fargo Municipal Capital Strategies, LLC or any other Person being replaced as the Purchaser shall be discharged from its duties and obligations as the Purchaser hereunder.

(b) *Sales and Transfers by Noteholder to a Purchaser Transferee.* Without limitation of the foregoing generality, a Noteholder may at any time sell or otherwise transfer to one or more transferees all or a portion of its ownership interest in the Note to a Person that is (i) a Purchaser Affiliate or (ii) a trust or other custodial arrangement established by the Purchaser or a Purchaser Affiliate, the owners of any beneficial interest in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the 1933 Act (each, a “Purchaser Transferee”). From and after the date of such sale or transfer, Wells Fargo



Municipal Capital Strategies, LLC (and its successors) shall continue to have all of the rights of the Purchaser hereunder and under the Related Documents as if no such transfer or sale had occurred; *provided, however*, that (A) no such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall in any way affect the obligations of the Purchaser hereunder, (B) the Borrower and the Paying Agent shall be required to deal only with the Purchaser with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii) hereof, only the Purchaser shall be entitled to enforce the provisions of this Agreement against the Borrower.

(c) *Sales and Transfers by Noteholder to a Non-Purchaser Transferee.* Without limitation of the foregoing generality, a Noteholder may at any time sell or otherwise transfer to one or more transferees which are not Purchaser Transferees but each of which constitutes (i) a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act and (ii) a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case, having a combined capital and surplus, determined as of the date of any transfer pursuant to this clause (c), of not less than \$5,000,000,000 (each a “*Non-Purchaser Transferee*”) all or a portion of its ownership interest in the Note if (A) at least sixty (60) days prior to such sale or transfer, written notice of such sale or transfer, including that such sale or transfer is to a Non-Purchaser Transferee, together with addresses and related information with respect to the Non-Purchaser Transferee, shall have been given to the Borrower, the Paying Agent and the Purchaser (if different than the Noteholder) by such selling Noteholder and Non-Purchaser Transferee, and (B) the Non-Purchaser Transferee shall have delivered to the Borrower, the Paying Agent and the selling Noteholder, an investment letter in substantially the form attached as Exhibit D hereto (the “*Investor Letter*”).

From and after the date the Borrower, the Paying Agent and the selling Noteholder have received written notice and an executed Investor Letter, (A) the Non-Purchaser Transferee thereunder shall be a party hereto and shall have the rights and obligations of a Noteholder hereunder and under the Related Documents, and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Purchaser Transferee, and any reference to the assigning Noteholder hereunder and under the Related Documents shall thereafter refer to such transferring Noteholder and to the Non-Purchaser Transferee to the extent of their respective interests, and (B) if the transferring Noteholder no longer owns any Note, then it shall relinquish its rights and be released from its obligations hereunder and under the Related Documents. Notwithstanding the foregoing or anything in Section 3.05(a) to the contrary, no Non-Purchaser Transferee shall be entitled to receive payment under Section 3.05(a) hereof in an amount greater than the amount(s) that would otherwise be payable to the initial Purchaser under such Section 3.05(a).

(d) *Participations.* The Purchaser shall have the right to grant participations in all or a portion of the Purchaser’s interest in the Note, 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.

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

(f) *Evidence of Ownership Interest.* Any Purchaser Transferee or Non-Purchaser Transferee may, by written notice to the Borrower, with a copy to the Majority Noteholder, request that its ownership interest in the Note be evidenced by a separate instrument, and that a CUSIP number be obtained and reserved from Standard & Poor's CUSIP Service for such instrument. Upon such request, the Borrower and the Majority Noteholder will promptly cooperate with such Purchaser Transferee or Non-Purchaser Transferee, as applicable, to grant such request, in a manner reasonably satisfactory to all such parties.

(g) *Minimum Denominations.* Notwithstanding anything in this Section 9.12 to the contrary, any sale or transfer of any ownership interest in the Note must be in a minimum principal amount of \$250,000 or such greater amount which is an integral multiple of \$[5,000].

[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.

WELLS FARGO MUNICIPAL CAPITAL  
STRATEGIES, LLC

By \_\_\_\_\_  
Name: Kristina Eng  
Title: Vice President

CITY OF TACOMA, WASHINGTON

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

EXHIBIT A

FORM OF COMPLIANCE CERTIFICATE

This Compliance Certificate (this "*Certificate*") is furnished to Wells Fargo Municipal Capital Strategies, LLC (the "*Purchaser*") pursuant to that certain Note Purchase Agreement dated as of March 1, 2015 (the "*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 (the "*Borrower*") and Purchaser. Unless otherwise defined herein, the terms used in this Certificate shall have the meanings assigned thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected **[chief financial officer of the Borrower]**;
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the Borrower during the accounting period covered by the attached financial statements;
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default **[during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate][during or at the end of the calendar quarter immediately preceding the date of this Certificate or as of the date of this Certificate]**, except as set forth below[.]; and]
- [4. The financial statements required by Section 6.03 of the Agreement and being furnished to you concurrently with this certificate fairly represent the consolidated financial condition of the Borrower in accordance with GAAP (subject to year end adjustments) as of the dates and for the periods covered thereby[.]; and]]**
- [5. Attached are true and accurate calculations demonstrating compliance with the rate covenant set forth in Section 9.3 of the Master Subordinate Bond Ordinance for the periods specified in such attachment.]**

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

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\_\_\_\_\_  
\_\_\_\_\_

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

CITY OF TACOMA, WASHINGTON

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

[ATTACHMENT TO COMPLIANCE CERTIFICATE

COMPLIANCE CALCULATIONS FOR NOTE PURCHASE AGREEMENT  
DATED AS OF MARCH 1, 2015

Calculations as of \_\_\_\_\_, 20\_\_]

The foregoing certifications, together with the computations set forth in the Attachment hereto and the financial statements delivered with this Certificate in support hereof, are made and delivered this \_\_\_ day of \_\_\_\_\_, 20\_\_.

CITY OF TACOMA, WASHINGTON

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

**EXHIBIT B**

**FORM OF  
REQUEST FOR CONVERSION OF INDEX INTEREST RATE PERIOD**

**[Date]**

Wells Fargo Municipal Capital Strategies, LLC  
c/o Wells Fargo Bank, National Association  
333 S. Grand Avenue, 5<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Ray Juman  
Telephone: (213) 253-7251  
E-mail: rayad.juman@wellsfargo.com

with a copy to:

Wells Fargo Municipal Capital Strategies, LLC, as Purchaser  
375 Park Avenue  
New York, New York 10152  
Attention: Kristina Eng

Re: City of Tacoma Electric System  
Subordinate Revenue Note, Series 2015

Ladies and Gentlemen:

Reference is hereby made to that certain Note Ordinance passed by the City Council on \_\_\_\_\_, 2015 (the "*Note Ordinance*"), and the Note Purchase Agreement dated as of March 1, 2015 (the "*Note Purchase 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 (the "*Borrower*") and Wells Fargo Municipal Capital Strategies, LLC, as Purchaser (the "*Purchaser*"). All capitalized terms contained herein which are not specifically defined shall have the meanings assigned to such terms in the Note Ordinance.

The Borrower hereby requests, pursuant to Section 3.10 of the Note Purchase Agreement, a conversion of the interest rate mode of the Note to a new Index Rate on **[Insert Date of Proposed Conversion]** (the "*Conversion Date*"). The Borrower further requests that the **[Mandatory Tender Date]** for the Notes be extended to **[Insert Proposed Mandatory Tender Date]** (the "*Extended Mandatory Tender Date*"). The Notes shall bear interest at the Index Rate from the Conversion Date to the Extended Mandatory Tender Date and the Note shall be subject to mandatory purchase at par on such date as provided in the Note Purchase Agreement.



In connection with such request, the Borrower hereby represents and warrants that:

(a) no Default or Event of Default has occurred and is continuing under the Note Purchase Agreement;

(b) no event has occurred and is continuing that could reasonably be expected to result in a Material Adverse Effect; and

(c) all representations and warranties of the Borrower in the Note Purchase Agreement are true and correct and are deemed to be made on the date hereof.

We have enclosed along with this request the following information:

1. The outstanding principal amount of the Note;
2. The nature of any and all Defaults and Events of Default; and
3. Any other pertinent information previously requested by the Purchaser.

Please advise if the foregoing terms are acceptable.

Very truly yours,

CITY OF TACOMA, WASHINGTON

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

EXHIBIT C

FORM OF REQUEST FOR ADVANCE

[Date]

Wells Fargo Municipal Capital Strategies, LLC  
c/o Wells Fargo Bank, National Association  
333 S. Grand Avenue, 5<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Ray Juman  
Telephone: (213) 253-7251  
E-mail: rayad.juman@wellsfargo.com

with a copy to:

Wells Fargo Municipal Capital Strategies, LLC, as Purchaser  
375 Park Avenue  
New York, New York 10152  
Attention: Kristina Eng

Ladies and Gentlemen:

The undersigned, [Insert Name of Undersigned] the [Insert Title of Undersigned] of 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 (the "Borrower"), refers to that certain Note Purchase Agreement dated as of March 1, 2015 (the "Agreement") between the Borrower and Wells Fargo Municipal Capital Strategies, LLC (the "Purchaser"), the terms defined therein being used herein as therein defined, and hereby gives the Purchaser notice irrevocably, pursuant to Section 2.03(b) of the Agreement, of the Advance specified below:

1. The Business Day of the proposed Advance is \_\_\_\_\_, 20\_\_.
2. The principal amount of the proposed Advance is \$\_\_\_\_\_.

The undersigned hereby certifies that the following statements are true on the date hereof, and will be true on the Date of Advance, before and after giving effect thereto:

(a) the representations and warranties of the Borrower set forth in Article V of the Agreement (including those incorporated by reference) shall be true and correct in all material respects on and as of the date hereof, and shall be deemed to have been made on the date hereof;

(b) no Default or Event of Default shall have occurred and be continuing on the date hereof, or would result from the proposed Advance or from the application of the proceeds thereof;

(c) the proposed Advance will not violate any order, judgment or decree of any court or authority of competent jurisdiction entered against the Borrower or any provision of law as then in effect as it affects the Borrower;

(d) after giving effect to the proposed Advance, the aggregate principal amount of all Advances will not exceed the Commitment.

WIRE TRANSFER TO:

Bank Name: \_\_\_\_\_  
ABA Routing No.: \_\_\_\_\_  
Credit to: \_\_\_\_\_  
Account No.: \_\_\_\_\_  
Notify: \_\_\_\_\_  
Reference: \_\_\_\_\_  
City, State: \_\_\_\_\_

CITY OF TACOMA, WASHINGTON

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

**EXHIBIT D**

**INVESTOR LETTER**

\_\_\_\_\_, 20\_\_

City of Tacoma  
Tacoma, Washington

Re: \$100,000,000  
City of Tacoma Electric System  
Subordinate Revenue Note, Series 2015

Ladies and Gentlemen:

This letter is to provide you with certain representations and agreements with respect to our purchase of all of the above-referenced note (the "*Note*"), dated their date of issuance. The Note was issued under and secured in the manner set forth pursuant to Ordinance No. \_\_\_\_\_ passed by the City Council on [March \_\_, 2015], (as the same may be amended, modified or restated in accordance with the terms thereof and hereof, the "*Note Ordinance*"). [Purchaser] (the "*Purchaser*," the "*undersigned*," "*us*" or "*we*," as applicable) is purchasing the Note pursuant to a Note Purchase Agreement dated as of March 1, 2015, 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 (the "*Borrower*") and Wells Fargo Municipal Capital Strategies, LLC (the "*Purchaser*"). We hereby represent and warrant to you and agree with you as follows:

1. We understand that the Note has not been registered pursuant to the Securities Act of 1933, as amended (the "*1933 Act*"), the securities laws of any state nor has the Indenture been qualified pursuant to the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth therein. We acknowledge that the Note (i) is not being registered or otherwise qualified for sale under the "blue sky" laws and regulations of any state, (ii) will not be listed on any securities exchange[, and (iii) will not carry a rating from any rating service].

2. We have not offered, offered to sell, offered for sale or sold any interest in the Note by means of any form of general solicitation or general advertising, and we are not an underwriter of the Note within the meaning of Section 2(11) of the 1933 Act.

3. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Note or any interest therein.

4. We have authority to purchase the Note or any interest therein and to execute this letter and any other instruments and documents required to be executed by the purchaser in connection with the purchase of the Note or any interest therein.

5. The undersigned is a duly appointed, qualified and acting representative of the Purchaser and is authorized to cause the Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.

6. The Purchaser is a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act **[and is a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any such case].**

7. The undersigned understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to the Note. The undersigned has made its own inquiry and analysis with respect to the Borrower, the Note and the security therefor, and other material factors affecting the security for and payment of the Note.

8. The undersigned acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, regarding the Borrower, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the Borrower, the Note and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase the Notes.

9. The Note or any interest therein is being acquired by the Purchaser for investment for its own account and not with a present view toward resale or distribution; *provided, however*, that the Purchaser reserves the right to sell, transfer or redistribute the Note or any interest therein, but agrees that any such sale, transfer or distribution by the Purchaser shall be to a Person:

(a) that is an affiliate of the Purchaser;

(b) that is a trust or other custodial arrangement established by the Purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers; or

(c) that the Purchaser reasonably believes to be a qualified institutional buyer and a commercial bank organized under the laws of the United States, or any state thereof, or any other country which is a member of the Organization for Economic Cooperation and Development, or a political subdivision of any such country, and, in any case, having a combined capital and

surplus of not less than \$5,000,000,000 as of the date of such sale, transfer or distribution who executes an investor letter substantially in the form of this letter.

Very truly yours,

**[PURCHASER]**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

EXHIBIT E

FORM OF NOTICE OF REDUCTION OR TERMINATION

[Date]

Wells Fargo Municipal Capital Strategies, LLC  
c/o Wells Fargo Bank, National Association  
333 S. Grand Avenue, 5<sup>th</sup> Floor  
Los Angeles, CA 90071  
Attention: Ray Juman  
Telephone: (213) 253-7251  
E-mail: rayad.juman@wellsfargo.com

with a copy to:

Wells Fargo Municipal Capital Strategies, LLC, as Purchaser  
375 Park Avenue  
New York, New York 10152  
Attention: Kristina Eng

Ladies and Gentlemen:

Reference is made to the Note Purchase Agreement dated as of March 1, 2015 (the "*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 (the "*Borrower*") and Wells Fargo Municipal Capital Strategies, LLC (the "*Purchaser*") (the terms defined therein being used herein as therein defined).

**[(1) The Borrower hereby informs you that the Available Commitment is terminated in accordance with the Agreement.]**[(1) (a) The Borrower hereby inform you that the Available Commitment is reduced from [insert amount as of the date of Notice] to [insert new amount], such reduction to be effective on \_\_\_\_\_.]

(b) Upon the foregoing reductions, the amount of the Available Commitment will not be less than the aggregate principal amount of all Advances then outstanding.

(2) This [termination/reduction] fully complies with the terms of Section 2.06 of the Agreement.



IN WITNESS WHEREOF, the Borrower has executed and delivered this Notice this \_\_\_ day  
of \_\_\_\_\_, \_\_\_\_\_.

CITY OF TACOMA, WASHINGTON

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

**EXHIBIT F**

**FORM OF BORROWER COUNSEL OPINION**

**[TO BE PROVIDED]**

**EXHIBIT G**

**FORM OF NOTE COUNSEL OPINION**

**[TO BE PROVIDED]**

**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 \$100,000,000 to provide funds to finance or refinance costs of capital improvements to 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 "2015A Note") to finance and refinance such capital improvements to the Electric System and to pay costs of issuance, and

WHEREAS the Council has determined that it is in the best interests of the City and its ratepayers to issue the 2015A Note to provide the funds to finance or refinance costs of capital improvements to the Electric System and pay the costs of issuance and sale of the 2015A Note; and

WHEREAS, the City deems it in the best interests of the City and its ratepayers that the 2015A Note be sold to and purchased by Wells Fargo Bank Municipal Capital Strategies, LLC 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 2015A 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 Wells Fargo Municipal Capital Strategies, LLC, or its affiliate, and its successors and assigns.

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

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

(g) “2015A Note Projects” means the facilities and projects to be financed or refinanced in whole or in part from proceeds of the 2015A 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 2015A Note, the City hereby makes the following findings:

(a) There is, and as of the date of the issuance of the 2015A 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 2015A Note out of the Bond Fund.

(c) On the date of issuance of the 2015A 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 2015A 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 2015A Note proceeds are available after 2015.

(a) The estimated cost of the Plan of Additions to be financed with the 2015A 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 2015A 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 2015A Note; Terms and Description of 2015A**

###### **Note.**

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

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

(c) The terms of the 2015A Note shall otherwise be as set forth in the Note Purchase Agreement. The principal of and interest on the 2015A Note shall be due and payable at the rates, on the dates and in the manner, the 2015A 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 2015A Note shall constitute a Subordinate Bond within the meaning of the Master Subordinate Ordinance.

(e) The 2015A Note shall contain a legend to the effect that the transferability of such 2015A Note is subject to the restrictions set forth in the Note Purchase Agreement. Registered ownership of the 2015A 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 2015A Note.** The definitive 2015A 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 2015A Note shall be issued in the form of a separate single fully-registered 2015A Note but not as Book-Entry Bonds. The 2015A 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 2015A Note, to establish and determine the terms of the 2015A Note, and to make draws from time to time on the 2015A Note, all as provided herein and in the Note Purchase Agreement.

**Section 3.5. Sale of 2015A Note; Note Purchase Agreement.** The 2015A 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 2015A 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 2015A Note Subordinate Construction Account.

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

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

Retirement Account.

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

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

**Section 4.3. Deposits Into and Uses of the 2015A Subaccounts in the Bond Fund.** The City hereby obligates and binds itself irrevocably to set aside and to pay into the 2015A Note Interest Subaccount, the 2015A Note Principal Subaccount, and the 2015A 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 2015A Note as and when the same respectively become due and payable in accordance with the terms hereof and of the Note Purchase Agreement. The 2015A Note Interest Subaccount, the 2015A Note Principal Subaccount, and the 2015A 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 2015A 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 2015A 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 2015A 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 2015A**

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 2015A 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.

\_\_\_\_\_