
INSTALLMENT PURCHASE AGREEMENT

by and between the

ANAHEIM HOUSING AND PUBLIC IMPROVEMENTS AUTHORITY,
as Seller

and the

CITY OF ANAHEIM,
as Purchaser

Dated as of March 1, 2020

Relating to

\$ _____
Anaheim Housing and Public
Improvements Authority
Revenue Bonds,
Series 2020-A
(Electric Utility Distribution
System Improvements)

\$ _____
Anaheim Housing and Public
Improvements Authority
Revenue Refunding Bonds,
Series 2020-B
(Electric Utility Distribution
System Refunding) (Taxable)

\$ _____
Anaheim Housing and Public
Improvements Authority
Revenue Refunding Bonds,
Series 2020-C
(Electric Utility Distribution
System Refunding)

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INSTALLMENT PURCHASE AGREEMENT

THIS INSTALLMENT PURCHASE AGREEMENT, dated as of March 1, 2020 (the “Installment Purchase Agreement”), between the ANAHEIM HOUSING AND PUBLIC IMPROVEMENTS AUTHORITY, a joint powers authority organized and existing under the laws of the State of California (hereinafter referred to as the “Authority”), as seller, and the CITY OF ANAHEIM, a charter city and municipal corporation organized and existing under the Constitution and laws of the State of California (hereinafter referred to as the “City”), as purchaser.

WITNESSETH:

WHEREAS, the Authority is authorized to assist the City in the financing and refinancing of costs related to capital improvements; and

WHEREAS, the Authority and the City have the power to purchase and sell real and personal property; and

WHEREAS, the Authority desires to assist the City in refinancing certain obligations relating to the Distribution System Assets (as defined herein); and

WHEREAS, the City intends to sell the Distribution System Assets to the Authority and the Authority intends to purchase such assets from the City, and the Authority intends simultaneously to sell such assets to the City and the City intends to purchase such assets from the Authority and perform the other covenants contained herein; and

WHEREAS, in consideration for the Distribution System Assets, the City intends to make 2020 Purchase Payments and Additional Purchase Payments to the Authority or its assignee pursuant to this Installment Purchase Agreement; and

WHEREAS, the City’s financial and managerial accounting systems heretofore have not separately accounted for revenues and expenses specifically attributable to the distribution, transmission or generation components of the Electric System; and

WHEREAS, in connection with the deregulation of California’s market for electricity generation pursuant to AB 1890, and in anticipation of such deregulation in other jurisdictions, the City may “unbundle” its Electric System operations into distribution, transmission and generation components;

WHEREAS, the City has adopted a resolution establishing a Distribution System Enterprise Fund and a specific flow of funds for Distribution System Gross Revenues (as defined herein); and

WHEREAS, the City desires the 2020 Purchase Payments and Additional Purchase Payments hereunder to be obligations of the Distribution System and intends to pledge Distribution System Net Revenues (as defined herein) to secure such payments to the extent permitted by law; and

WHEREAS, this pledge of Distribution System Net Revenues is intended to become the primary security for the 2020 Purchase Payments and Additional Purchase Payments hereunder once the unbundling of Electric System operations and accounting is complete and all other obligations secured by any portion of Gross Revenues or Surplus Revenues of the Electric System are paid or defeased, subject to the provisions of this Installment Purchase Agreement; and

WHEREAS, prior to the Crossover Date (as defined herein), the 2020 Purchase Payments will be secured by a pledge of Surplus Revenues in the Qualified Obligations Account (as defined herein) and will be payable on a parity with the other Qualified Obligations of the City, including the purchase payments in connection with the outstanding Anaheim Public Financing Authority Revenue Bonds, Series 2009-A (City of Anaheim Electric System Distribution Facilities), Anaheim Public Financing Authority Revenue Bonds, Series 2011-A (City of Anaheim Electric System Distribution Facilities), Anaheim Public Financing Authority Revenue Refunding Bonds, Series 2012-A (Electric Distribution System Refunding), California Municipal Finance Authority Revenue Refunding Bonds, Series 2014-A (City of Anaheim Electric Utility Distribution System Refunding), California Municipal Finance Authority Revenue Refunding Bonds, Series 2015-B (City of Anaheim Electric Utility Distribution System Refunding) and Anaheim Housing and Public Improvements Authority Revenue Refunding Bonds, Series 2016-B (Electric Utility Distribution System Refunding) (Taxable); and

WHEREAS, the Authority intends to establish a trust pursuant to the Indenture and issue revenue bonds secured by the 2020 Purchase Payments; and

WHEREAS, the Authority intends to transfer in trust and assign to the Trustee all of the right, title and interest of the Authority in and to the 2020 Purchase Payments and all rights to enforce the payment of the 2020 Purchase Payments under this Installment Purchase Agreement; and

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

NOW, THEREFORE, for and in consideration of the premises and the material covenants hereinafter contained, the parties hereto mutually agree as follows:

ARTICLE I

DEFINITIONS AND EXHIBITS

Section 1.01. Definitions. The following terms shall, for all purposes of this Installment Purchase Agreement, have the respective meanings ascribed to them. Words in the singular shall include the plural and words in the plural shall include the singular where the context so requires. All capitalized terms used herein which are defined in the Indenture are herein incorporated by reference.

“1972 Bond Resolution” shall mean Resolution No. 72R-83 of the City Council, adopted March 14, 1972.

“1986 Bond Resolution” shall mean Resolution No. 86R-490 of the City Council, adopted October 31, 1986, authorizing the issuance of the Second 1986 Bonds.

“1999 Bonds” shall mean the Anaheim Public Financing Authority Distribution System Revenue Bonds, Series 1999 (City of Anaheim Electric System Distribution Facilities).

“1999 Resolution” shall mean Resolution No. 99R-190 of the City Council, adopted on September 14, 1999, approving APFA’s issuance of the 1999 Bonds and establishing certain funds relating to the Distribution System.

“2007-A Bonds” shall mean the Anaheim Public Financing Authority Revenue Bonds, Series 2007-A (City of Anaheim Electric System Distribution Facilities), authorized by the 2007-A Resolution.

“2009-A Bonds” shall mean the Anaheim Public Financing Authority Revenue Bonds, Series 2009-A (City of Anaheim Electric System Distribution Facilities), authorized by the 2009-A Resolution.

“2009-A Installment Purchase Agreement” shall mean the Installment Purchase Agreement, dated as of February 1, 2009, between the City and APFA, as amended or supplemented from time to time.

“2009-A Purchase Payments” shall have the meaning ascribed thereto in the 2009-A Installment Purchase Agreement.

“2009-A Resolution” shall mean Resolution No. 2009R-029 of the City Council, adopted on February 10, 2009, approving APFA’s issuance of the 2009-A Bonds.

“2011-A Bonds” shall mean the Anaheim Public Financing Authority Revenue Bonds, Series 2011-A (City of Anaheim Electric System Distribution Facilities), authorized by the 2011-A Resolution.

“2011-A Installment Purchase Agreement” shall mean the Installment Purchase Agreement, dated as of May 1, 2011, between the City and APFA, as amended or supplemented from time to time.

“2011-A Purchase Payments” shall mean the payments so designated and required to be made by the City pursuant to the 2011-A Installment Purchase Agreement.

“2011-A Resolution” shall mean Resolution No. 2011-052 of the City Council, adopted on April 12, 2011, approving APFA’s issuance of the 2011-A Bonds.

“2012-A Bonds” shall mean the Anaheim Public Financing Authority Revenue Refunding Bonds, Series 2012-A (Electric Distribution System Refunding), authorized by the 2012-A Resolution.

“2012-A Installment Purchase Agreement” shall mean the Installment Purchase Agreement, dated as of September 1, 2012, between the City and APFA, as amended and supplemented from time to time.

“2012-A Purchase Payments” shall mean the payments so designated and required to be made by the City pursuant to the 2012-A Installment Purchase Agreement.

“2012-A Resolution” shall mean Resolution No. 2012-110 of the City Council, adopted on July 24, 2012, approving APFA’s issuance of the 2012-A Bonds.

“2015-B Bonds” shall mean the California Municipal Finance Authority Revenue Refunding Bonds, Series 2015-B (City of Anaheim Electric Utility Distribution System Refunding and Improvements), authorized by the 2015-B Resolution.

“2015-B Installment Purchase Agreement” shall mean the Installment Purchase Agreement, dated as of June 1, 2015, between the City and CMFA, as amended and supplemented from time to time.

“2015-B Purchase Payments” shall mean the payments required to be made by the City pursuant to the 2015-B Installment Purchase Agreement.

“2015-B Resolution” shall mean Resolution No. 2015-137 of the City Council, adopted on March 17, 2015, approving CMFA’s issuance of the 2015-B Bonds.

“2016 Bonds” shall mean, collectively, the 2016-A Bonds and the 2016-B Bonds.

“2016-A Bonds” shall mean the Anaheim Housing and Public Improvements Authority Revenue Bonds, Series 2016-A (Electric Utility Distribution System Refunding and Improvements), authorized by the 2016 Resolution.

“2016-B Bonds” shall mean the Anaheim Housing and Public Improvements Authority Revenue Refunding Bonds, Series 2016-B (Electric Utility Distribution System Refunding) (Taxable), authorized by the 2016 Resolution.

“2016 Installment Purchase Agreement” shall mean the Installment Purchase Agreement, dated as of October 1, 2016, between the City and the Authority, as amended and supplemented from time to time.

“2016 Purchase Payments” shall mean the payments required to be made by the City pursuant to the 2016 Installment Purchase Agreement.

“2016 Resolution” shall mean Resolution No. 2016-179 of the City Council, adopted on September 13, 2016, approving the Authority’s issuance of the 2016 Bonds.

“2020 Bonds” shall mean, collectively, the 2020-A Bonds, the 2020-B Bonds and the 2020-C Bonds.

“2020-A Bonds” shall mean the Anaheim Housing and Public Improvements Authority Revenue Bonds, Series 2020-A (Electric Utility Distribution System Improvements), authorized by the 2020 Resolution.

“2020-B Bonds” shall mean the Anaheim Housing and Public Improvements Authority Revenue Refunding Bonds, Series 2020-B (Electric Utility Distribution System Refunding) (Taxable), authorized by the 2020 Resolution.

“2020-C Bonds” shall mean the Anaheim Housing and Public Improvements Authority Revenue Refunding Bonds, Series 2020-C (Electric Utility Distribution System Refunding), authorized by the 2020 Resolution.

“2020 Purchase Payments” shall mean the payments required to be made by the City pursuant to Section 5.02 hereof.

“2020 Resolution” shall mean Resolution No. 2020-___ of the City Council, adopted on January 14, 2020, approving the Authority’s issuance of the 2020 Bonds.

“Above-Market Costs” shall mean any charges collected by any person to amortize or otherwise relating to the payment of the uneconomic portions of costs associated with assets and obligations of or attributable to the Distribution System.

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

“Additional Purchase Payments” shall mean the payments so designated and required to be made by the City pursuant to Section 5.03 hereof.

“APFA” shall mean the Anaheim Public Financing Authority.

“Assumed Distribution System Service” shall mean for any Fiscal Year the aggregate amount of principal and interest or other payments which would be payable with respect to Distribution System Parity Obligations assuming that each payment of principal subject to optional tender is amortized on a substantially level debt service basis for a period ending on the earlier of (i) 25 years from the date of calculation or (ii) if a binding commitment has been provided for the refinancing of the applicable indebtedness, the term specified in the lender’s commitment for such refinancing indebtedness, in either case calculated based on an assumed interest rate equal to the actual rate of interest payable on the applicable indebtedness if the interest rate is a fixed rate, or equal to the maximum interest rate specified in any credit or liquidity facility or other arrangement for the tender of such Distribution System Parity Obligations if the rate of interest is a variable rate.

“Authority” shall mean the Anaheim Housing and Public Improvements Authority, or its successors and assigns, a joint exercise of powers authority formed by a Joint Exercise of Powers Agreement, dated as of July 1, 2014, by and between the City and the Anaheim Housing Authority, as may be amended from time to time (the “Joint Powers Agreement”) pursuant to the provisions of the Joint Exercise of Powers Act, comprising Articles 1, 2, 3 and 4 of Chapter 5 of

Division 7 of Title 1 (commencing with Section 6500) of the Government Code of the State of California.

“Balloon Indebtedness” shall mean, with respect to any Series of Distribution System Parity Obligations twenty-five percent (25%) or more of the principal of which matures on the same date or within a 12-month period (with sinking fund payments deemed to be payments of matured principal), that portion of such Series of Distribution System Parity Obligations which matures on such date or within such 12-month period; provided, however, that to constitute Balloon Indebtedness the amount of indebtedness maturing on a single date or over a 12-month period must equal or exceed 150% of the amount of such Series of Distribution System Parity Obligations which matures during any preceding 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

“Bond” shall mean any revenue bond, revenue note, warrant or other evidence of indebtedness issued, incurred or delivered for the financing or refinancing of extensions of, additions to, repairs and replacements to, renewals of, and improvements of, the Electric System, designated by the City at the initial delivery thereof as payable (i) from Surplus Revenues in the Qualified Obligations Account or (ii) after the Crossover Date, solely from Distribution System Net Revenues, in each case to the extent so payable.

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

“Charter” shall mean the charter of the City adopted by the electors of the City on June 2, 1964 and as amended from time to time.

“CMFA” shall mean California Municipal Finance Authority, a joint powers authority duly organized and existing under the Act.

“Continuing Disclosure Agreement” shall mean the Continuing Disclosure Agreement of the City and the Trustee dated the date of issuance and delivery of the 2020 Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Crossover Date” shall have the meaning set forth in Section 4.01 hereof.

“Delivery Date” shall mean the date on which the 2020 Bonds are delivered pursuant to the Indenture to the original purchasers thereof.

“Distribution System” shall mean that portion of the Electric System consisting of the entire electricity distribution system of the City (and not the transmission system or the generation system) and all improvements to such distribution system later constructed or acquired; provided, however, that “Distribution System” shall include facilities for the transmission of electrical energy within the meaning of California Government Code Section 6546, to the extent that any portion of the entire electricity distribution system of the City and all improvements thereto does not constitute facilities for the final distribution of electric energy to the consumer within the meaning of said Section 6546.

“Distribution System Assets” shall mean the improvements and facilities of the Distribution System described in Exhibit A attached hereto, as said Exhibit A may be revised from time to time in accordance with Section 3.02 hereof.

“Distribution System Crossover Obligations” shall mean, without duplication, the 2009-A Purchase Payments, the 2011-A Purchase Payments, the 2012-A Purchase Payments, the 2014-A Purchase Payments, the 2015-B Purchase Payments, the 2016 Purchase Payments, the 2020 Purchase Payments and any Obligations secured by a similar crossover pledge of Distribution System Net Revenues.

“Distribution System Debt Service Fund” shall mean the Distribution System Debt Service Fund of the City to be held by the Treasurer, created by the 1999 Resolution.

“Distribution System Gross Revenues” shall mean all rates, fees, rents, charges and other income derived by the City from the ownership, operation, use or services of the Distribution System, determined in accordance with sound accounting principles and consistent with the then existing accounting practices of the City, but excluding in all cases Receipts Pledged to Above-Market Costs.

“Distribution System Net Revenues” shall mean, for any period, Distribution System Gross Revenues less Distribution System O & M Expenses, in each case for such period.

“Distribution System O & M Expenses” shall mean the reasonable and necessary current expenses of maintaining, repairing and operating the Distribution System, including City administrative expenses directly attributable to Distribution System functions, but excluding depreciation, interest and amortization, and excluding such current expenses paid or payable from Receipts Pledged to Above-Market Costs, all determined in accordance with sound accounting principles and consistent with the then existing accounting practices of the City.

“Distribution System O & M Fund” shall mean the Distribution System O & M Fund of the City to be held by the Treasurer, created by the 1999 Resolution.

“Distribution System Parity Obligations” shall mean, without duplication, (i) the 2009-A Purchase Payments from and after the Crossover Date, (ii) the 2011-A Purchase Payments from and after the Crossover Date, (iii) the 2012-A Purchase Payments from and after the Crossover Date, (iv) the 2014-A Purchase Payments from and after the Crossover Date, (v) the 2015-B Purchase Payments from and after the Crossover Date, the 2016 Purchase Payments from and after the Crossover Date, (vii) the 2020 Purchase Payments from and after the Crossover Date and (viii) Bonds and Obligations which at the time of initial delivery thereof satisfy the covenants set forth in Section 6.06 hereof.

“Distribution System Provider Fund” shall mean the Distribution System Provider Fund of the City to be held by the Treasurer, created by the 1999 Resolution.

“Distribution System Rebate Fund” shall mean the Distribution System Rebate Fund of the City to be held by the Treasurer, created by the 1999 Resolution.

“Distribution System Reserve Fund” shall mean the Distribution System Reserve Fund of the City to be held by the Treasurer, created by the 1999 Resolution.

“Distribution System Revenue Fund” shall mean the Distribution System Revenue Fund of the City to be held by the Treasurer, created by the 1999 Resolution.

“Distribution System Service” shall mean, with respect to any period, the amount of principal and interest or other payments accrued or to accrue in such period with respect to all outstanding Distribution System Parity Obligations (excluding the amount of proceeds of Distribution System Parity Obligations held in any fund or account for the payment of Distribution System Service accrued or to accrue during such period). The 2020 Purchase Payments constitute Distribution System Service hereunder. For purposes of accrual under this definition, all payments with respect to Distribution System Parity Obligations due in a calendar month shall be deemed due on the first day of such calendar month.

“Distribution System Surplus Revenue Fund” shall mean the Distribution System Surplus Revenue Fund of the City to be held by the Treasurer, created by the 1999 Resolution.

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

“Electric System Surplus Revenue Fund” or **“Surplus Revenue Fund”** shall mean the Electric System Surplus Revenue Fund of the City held by the Treasurer and created by Resolution No. 76R-276 of the City Council.

“Environmental Regulations” shall mean any federal, state or local law, statute, code, ordinance, regulation, requirement or rule relating to dangerous, toxic or hazardous pollutants, Hazardous Substances or chemical waste, materials or substances.

“Escrow Agent” shall mean U.S. Bank National Association, as escrow agent under the Escrow Agreements, and any successor thereto.

“Escrow Agreement (2015-A)” shall mean the Escrow Agreement (2015-A), dated as of March 1, 2020, by and between the City and the Escrow Agent, providing for the refunding of the Refunded 2015-A Bonds.

“Escrow Agreement (2016-A)” shall mean the Escrow Agreement (2016-A), dated as of March 1, 2020, by and between the City and the Escrow Agent, providing for the refunding of the Refunded 2016-A Bonds.

“Escrow Agreements” shall mean, collectively, the Escrow Agreement (2015-A) and the Escrow Agreement (2016-A).

“Finance Director” shall mean the Finance Director of the City.

“First 1986 Bonds” shall mean the Electric Revenue Bonds, Issue of 1986 authorized by Resolution No. 86R-89 of the City Council, adopted March 4, 1986.

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

“Fitch” shall mean Fitch Inc., its successors and assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the City, with the approval of the Authority, by notice to the Trustee.

“Gross Revenues” shall mean all rates, fees and charges for providing electric service to persons and real property and all other fees, rents and charges and other income derived by the City from the ownership, operation, use or services of the Electric System.

“Hazardous Substances” shall mean (a) any oil, flammable substance, explosives, radioactive materials, hazardous wastes or substances, toxic wastes or substances or any other wastes, materials or pollutants which (i) pose a hazard to the Electric System or to persons on or about the Electric System or (ii) cause the Electric System to be in violation of any Environmental Regulation; (b) asbestos in any form which is or could become friable, urea formaldehyde foam insulation, transformers or other equipment which contain dielectric fluid containing levels of polychlorinated biphenyls, or radon gas; (c) any chemical, material or substance defined as or included in the definition of “waste,” “hazardous substances,” “hazardous wastes,” “hazardous materials,” extremely hazardous waste,” “restricted hazardous waste,” or “toxic substances” or words of similar import under any Environmental Regulation including, but not limited to, the Comprehensive Environmental Response, Compensation and Liability Act (“CERCLA”), 42 USC §§ 9601 et seq.; the Resource Conservation and Recovery Act (“RCRA”), 42 USC §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 USC §§ 1801 et seq.; the Federal Water Pollution Control Act, 33 USC §§ 1251 et seq.; the California Environmental Quality Act (“CEQA”), Cal. Public Resources Code § 21000 et seq.; the California Hazardous Waste Control Law (“HWCL”), Cal. Health & Safety §§ 25100 et seq.; the Hazardous Substance Account Act (“HSAA”), Cal. Health & Safety Code §§ 25300 et seq.; the Underground Storage of Hazardous Substances Act, Cal. Health & Safety §§ 25280 et seq.; the Porter-Cologne Water Quality Control Act (the “Porter-Cologne Act”), Cal. Water Code §§ 13000 et seq., the Safe Drinking Water and Toxic Enforcement Act of 1986 (Proposition 65); and Title 22 of the California Code of Regulations, Division 4, Chapter 30; (d) any other chemical, material or substance, exposure to which is prohibited, limited or regulated by any governmental authority or agency or may or could pose a hazard to the health and safety of the occupants of the Electric System or the owners and/or occupants of property adjacent to or surrounding the Electric System, or any other person coming upon the Electric System or adjacent property; or (e) any other chemical, materials or substance which may or could pose a hazard to the environment.

“Indenture” shall mean the Indenture of Trust dated as of March 1, 2020, by and among the Authority, the City and the Trustee, authorizing the issuance of the 2020 Bonds, as originally executed or as it may from time to time be supplemented, modified or amended.

“Interest Components” shall mean the 2020 Purchase Payments other than the Principal Components.

“Maintenance and Operation Expenses” shall mean the reasonable and necessary current expenses of maintaining, repairing and operating the Electric System, including City administrative expenses directly attributable to Electric System functions, but excluding depreciation, interest and amortization, all computed in accordance with sound accounting principles and consistent with existing accounting practices of the City.

“Maximum Annual Debt Service” shall mean Maximum Annual Debt Service as defined in Resolution No. 86R-490 of the City Council.

“Maximum Annual Distribution System Service” shall mean, at any point in time, with respect to Distribution System Parity Obligations then Outstanding, the maximum amount of principal and interest becoming due on the Distribution System Parity Obligations in the then current or any future Fiscal Year, calculated by the City as provided in this definition and provided to the Trustee. For purposes of calculating Maximum Annual Distribution System Service, the following assumptions shall be used to calculate the principal and interest becoming due in any fiscal year:

(i) in determining the principal amount due in each year, payments shall (except to the extent a different paragraph of this definition applies for purposes of determining principal maturities or amortization) be assumed to be made in accordance with any amortization schedule established for such debt, including the amount of any Distribution System Parity Obligations which are or have the characteristics of commercial paper and which are not intended at the time of issuance to be retired from the sale of a corresponding amount of Distribution System Parity Obligations, and including any scheduled mandatory redemption or prepayment of Distribution System Parity Obligations, and for such purpose, the redemption payment or prepayment shall be deemed a principal payment; in determining the interest due in each year, interest payable at a fixed rate (except to the extent paragraph (ii) or (iii) of this definition applies) shall be assumed to be made at such fixed rate and on the required payment dates;

(ii) if all or any portion or portions of an Outstanding Series of Distribution System Parity Obligations constitutes Balloon Indebtedness or if all or any portion or portions of a Series of Distribution System Parity Obligations then proposed to be issued would constitute Balloon Indebtedness, then, for purposes of determining Maximum Annual Distribution System Service, each maturity which constitutes Balloon Indebtedness shall be treated as if it were to be amortized in substantially equal annual installments of principal and interest over a term of 25 years commencing in the year the stated maturity of such Balloon Indebtedness occurs, and the interest rate used for such computations shall be determined as provided in paragraph (iv) or (v) below, as appropriate, and all payments of principal and interest becoming due prior to the year of the stated maturity of the Balloon Indebtedness shall be treated as described in paragraph (i) above;

(iii) if any of the Outstanding Series of Distribution System Parity Obligations constitutes Tender Indebtedness or if Distribution System Parity Obligations proposed to be issued would constitute Tender Indebtedness, then, for purposes of determining Maximum Annual Distribution System Service, Tender Indebtedness shall be treated as if the principal amount of such Distribution System Parity Obligations were to be amortized in accordance with the amortization schedule set forth in such Tender Indebtedness or in the standby purchase or liquidity facility established with respect to such Tender Indebtedness, or if no such amortization schedule is set forth, then such Tender Indebtedness shall be deemed to be amortized in substantially equal annual installments of principal and interest over a term of 25 years commencing in the year in which such Series is first subject to tender, and the interest rate used for such computation shall be determined as provided in paragraph (iv) or (v) below, as appropriate;

(iv) if any Outstanding Distribution System Parity Obligations constitutes Variable Rate Indebtedness (except to the extent paragraph (ii) relating to Balloon Indebtedness or paragraph (iii) relating to Tender Indebtedness applies), the interest rate on such obligations shall be assumed to be 110% of the daily average interest rate on such Distribution System Parity Obligations during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Distribution System Parity Obligations shall have been Outstanding; provided that in the event that such Variable Rate Indebtedness has been issued in connection with a Qualified Swap Agreement, the interest rate for purposes of computing Maximum Annual Distribution System Service shall be determined by (x) calculating the annualized net amount paid by the City under such Variable Rate Indebtedness and Qualified Swap Agreement (after giving effect to payments made under the Variable Rate Indebtedness and made and received by the City under the Qualified Swap Agreement) during the 12 months ending with the month preceding the date of calculation, or such shorter period that such Qualified Swap Agreement has been in effect, and (y) dividing the amount calculated in clause (x) by the average daily balance of the related Distribution System Parity Obligations Outstanding during the 12-month period contemplated by clause (x);

(v) if Distribution System Parity Obligations proposed to be issued will be Variable Rate Indebtedness (except to the extent paragraph (ii) relating to Balloon Indebtedness or paragraph (iii) relating to Tender Indebtedness applies), then such Distribution System Parity Obligations shall be assumed to bear interest at the rate quoted in The Bond Buyer 25 Revenue Bond Index for the last week of the month preceding the date of sale of such additional Distribution System Parity Obligations, as published in The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity, or if there are no such Treasury bonds having such maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States ranked by assets; provided that in the event that such Variable Rate Indebtedness will be issued in connection with a Qualified Swap Agreement, the interest rate for purposes of computing Maximum Annual Distribution System Service shall be determined by (a) calculating the net amount to be paid by the City under such Variable Rate Indebtedness and Qualified Swap Agreement (after giving effect to payments to be made under the Variable Rate

Indebtedness and to be made and received by the City under the Qualified Swap Agreement) for the first year during which the Qualified Swap Agreement is to be in effect, and (b) dividing the amount calculated in clause (a) by the average principal amount of the related Distribution System Parity Obligations to be Outstanding during the first year after the issuance of such Distribution System Parity Obligations;

(vi) if moneys or Permitted Investments have been deposited by the City into a separate fund or account or are otherwise held by the City or by a fiduciary to be used to pay principal and/or interest on specified Distribution System Parity Obligations, then the principal and/or interest to be paid from such moneys, Permitted Investments or from the earnings thereon shall be disregarded and not included in calculating Maximum Annual Distribution System Service;

(vii) if Distribution System Parity Obligations are Paired Obligations, the interest thereon shall be the resulting linked rate or effective fixed rate to be paid with respect to such Paired Obligations; and

(viii) in the event that an agreement or commitment which, at the time of calculation is a Qualified Swap Agreement, is or is to be in effect with respect to Distribution System Parity Obligations which are not Variable Rate Indebtedness, the interest rate of such Distribution System Parity Obligations for purposes of calculating Maximum Annual Distribution System Service shall be calculated as follows:

(a) for such a Qualified Swap Agreement which is in effect on the date of calculation, the interest rate shall be calculated in the same manner as is specified in paragraph (iv) for a Qualified Swap Agreement issued in connection with Variable Rate Indebtedness which is Outstanding on the date of calculation; and

(b) for such a Qualified Swap Agreement which is not in effect on the date of calculation, the interest rate shall be calculated in the same manner as is specified in paragraph (v) for a Qualified Swap Agreement to be issued in connection with Variable Rate Indebtedness to be Outstanding after the date of calculation, and for this purpose any variable rate of interest agreed to be paid thereunder shall be assumed to be the rate assumed for Variable Rate Indebtedness described in paragraph (v).

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

“Moody’s” shall mean Moody’s Investors Service, its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the City, with the approval of the Authority, by notice to the Trustee.

“Net Surplus Revenues” shall mean the moneys in the Second Lien Qualified Obligations Account of the Surplus Revenue Fund.

“Notes” shall mean the Electric Revenue Anticipation Notes of the City, authorized by Ordinance No. 5032 of the City Council.

“Obligation” shall mean any contract, instrument or other agreement for the purchase, acquisition or lease of facilities, properties, structures or equipment for the Electric System, designated by the City at the initial delivery thereof as payable (i) from Surplus Revenues in the Qualified Obligations Account or (ii) after the Crossover Date, solely from Distribution System Net Revenues, in each case to the extent so payable, the final payments under which are due more than one year following the incurrence thereof. “Obligation” shall not include any Bond.

“Opinion of Counsel” shall mean a written opinion of counsel selected by the City. If and to the extent required by the provisions of Section 1.02 hereof, each Opinion of Counsel shall include the statements provided for in Section 1.02 hereof.

“Ordinance No. 5032” shall mean Ordinance No. 5032 of the City Council, adopted on June 20, 1989, as amended or supplemented from time to time.

“Outstanding,” when used as of any particular time with respect to Distribution System Parity Obligations, shall mean all such obligations theretofore or thereupon executed, authenticated and delivered by the City, a conduit issuer for the City or any trustee or other fiduciary, except (i) such obligations theretofore canceled or surrendered for cancellation; (ii) such obligations paid or deemed to be paid within the meaning of any defeasance provisions thereof; (iii) such obligations owned by the City or the such conduit issuer; and (iv) such obligations in lieu of or in substitution for which other obligations have been executed and delivered.

“Paired Obligations” shall mean any Series (or portion thereof) of Distribution System Parity Obligations or related conduit obligations designated as such in the document authorizing the issuance or incurrence thereof, which are simultaneously issued or incurred, (i) the principal of which is of equal amount maturing and to be redeemed (or canceled after acquisition thereof) on the same dates and in the same amounts, and (ii) the interest rates of which, taken together, result in an irrevocably fixed interest rate obligation of the City for the terms thereof.

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

“Prepayment Date” shall mean the date selected by the City for the optional prepayment of 2020 Purchase Payments in accordance with Section 5.06 hereof.

“Prepayment Price” shall mean the price payable by the City to prepay 2020 Purchase Payments, equal to the amount of the Outstanding Principal Components to be prepaid, plus a premium with respect thereto in the amount of the premium payable upon the Authority’s optional redemption of the corresponding 2020 Bonds, plus the amount of related Interest Components to the Prepayment Date.

“Principal Components” shall mean that portion of the 2020 Purchase Payments designated as principal components in Exhibit B hereto.

“Purchase Payment Dates” shall mean the dates on which the 2020 Purchase Payments are required to be made as provided in this Installment Purchase Agreement, such dates being each April 1 and October 1, commencing [April] 1, 2020.

“Purchase Price” shall mean the amount to be paid by the City to the Authority for the Distribution System Assets as specified in Section 5.02 hereof.

“Qualified Obligation Service” shall mean, with respect to any period, the amount of principal and interest or other payments accrued or to accrue in such period with respect to all outstanding Qualified Obligations (excluding the amount of proceeds of Qualified Obligations held in any fund or account for the payment of Qualified Obligation Service accrued or to accrue during such period). For purposes of accrual under this definition, all payments with respect to Qualified Obligations due in a calendar month are to be deemed due on the first day of such calendar month.

“Qualified Obligations” shall mean, without duplication, (i) the 2009-A Purchase Payments, (ii) the 2011-A Purchase Payments, (iii) the 2012-A Purchase Payments, (iv) the 2014-A Purchase Payments, (v) the 2015-B Purchase Payments, (vi) the 2016 Purchase Payments, (vii) the 2020 Purchase Payments and (viii) additional Bonds and Obligations which at the time of initial delivery thereof satisfy the requirements set forth in this Installment Purchase Agreement for the issuance of additional Qualified Obligations.

“Qualified Obligations Account” shall mean the account by that name established within the Electric System Surplus Revenue Fund by Resolution No. 76R-276 of the City Council.

“Qualified Swap Agreement” shall mean a contract or agreement, payable from Distribution System Net Revenues on a parity with Distribution System Parity Obligations, intended to place payment obligations on the interest rate, currency, cash flow or other basis desired by the City, including, without limitation, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement or futures contract, any contract providing for payments based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, any contract to exchange cash flows or a series of payments, or any contract, including, without limitation, an interest rate floor or cap, or an option, put or call, to hedge payment, currency, rate, spread or similar exposure, between the City and a counterparty; provided that not less than 30 days prior to the City’s execution of such contract or agreement, each Rating Agency which maintains a rating with respect to any Distribution System Parity Obligations receives notice in writing of the City’s pending execution thereof; and provided further that at the time of origination each Rating Agency which maintains a rating with respect to any Distribution System Parity Obligations confirms in writing to the City that the City’s execution and delivery of such contract will not result in a downgrading, withdrawal or suspension of such rating.

“Rating Agency” shall mean Fitch, Moody’s and S&P, or whichever of them is rating Distribution System Parity Obligations.

“Receipts Pledged to Above-Market Costs” shall mean any income, revenue or receipts received or receivable by the City, or any other person or entity, from any source, including income, revenue or receipts which would otherwise constitute Distribution System Gross Revenues, which are pledged, dedicated or otherwise to be set aside for the payment, prepayment or making provision for the payment or prepayment of those Above-Market Costs relating to assets or obligations of the Electric System.

“Refunded Bonds” shall mean, collectively, the Refunded 2015-A Bonds and the Refunded 2016-A Bonds.

“Refunded 2015-A Bonds” shall mean the 2015-A Bonds.

“Refunded 2016-A Bonds” shall mean the 2016-A Bonds maturing in the years ____ through ____, inclusive.

“Related Document” shall mean the Indenture, this Installment Purchase Agreement, and all other documents associated with the issuance of the 2020 Bonds.

“Repositories” shall mean the National Repositories identified in the Continuing Disclosure Agreement.

“Revolving Credit Agreement” shall have the meaning ascribed to such term in Ordinance No. 5032.

“S&P” shall mean S&P Global Ratings, a Standard & Poor’s Financial Services LLC business, its successors and their assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a statistical rating organization, any other nationally recognized securities rating agency designated by the City, with the approval of the Authority, by notice to the Trustee.

“Second Lien Qualified Obligations” shall mean any obligations of the City payable from Net Surplus Revenues.

“Senior Bonds” shall mean any revenue bonds, revenue notes or other similar evidences of indebtedness heretofore or hereafter issued by the City for the acquisition, construction and financing or refinancing of extensions of, additions to, repairs and replacements to, renewals of, and improvements of the Electric System, payable out of Gross Revenues on a parity with the First 1986 Bonds.

“Series” shall mean Distribution System Parity Obligations issued at the same time or sharing some other common term or characteristic and designated as a separate Series.

“Statement,” “Request,” “Requisition” or “Order” of the Authority or the City shall mean, respectively, a written statement, request, requisition or order signed in the name of the Authority or the City by an Authorized Authority Representative or Authorized City Representative, as the case may be. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and

construed as a single instrument. If and to the extent required by Section 1.02 hereof, each such instrument shall include the statements provided for in Section 1.02 hereof.

“Surplus Revenue Fund” shall mean the Electric System Surplus Revenue Fund.

“Surplus Revenues” shall mean moneys in the Surplus Revenue Fund.

“Tax Certificate” shall mean the *Tax Certificate as to Arbitrage and the Provisions of Sections 103 and 141-150 of the Internal Revenue Code of 1986*, relating to the Tax-Exempt 2020 Bonds, executed and delivered by the Authority and the City on the Delivery Date, as amended or supplemented from time to time.

“Tax-Exempt 2020 Bonds” shall mean, collectively, the 2020-A Bonds and the 2020-C Bonds.

“Tender Indebtedness” shall mean any Distribution System Parity Obligations or portions thereof, a feature of which is an option, on the part of the holders thereof, or an obligation, under the terms of such Distribution System Parity Obligations, to tender all or a portion of such Distribution System Parity Obligations to the City, a conduit issuer for the City, a paying agent or other fiduciary or agent for payment or purchase and requiring that such obligation or that such rights to payments or portions of payments thereof be purchased if properly presented.

“Treasurer” shall mean the Treasurer of the City.

“Trustee” shall mean U.S. Bank National Association, a national banking association organized and existing under the laws of the United States, having a principal corporate trust office in Los Angeles, California, or its successor, as trustee under the Indenture, and any Co-Trustee appointed under the Indenture.

“Unassigned Rights” shall mean the rights of the Authority under Sections 5.03, 8.02, 8.03, 8.04, 10.03, 10.07, 10.08 and 10.09 of this Installment Purchase Agreement.

“Variable Rate Indebtedness” shall mean any portion of indebtedness or other payment obligations, the interest rate on which is not established at the time of incurrence and has not at some subsequent date been established at a single numerical rate for the entire term thereof, excluding Paired Obligations.

Section 1.02. Content of Statements and Opinions. Every statement or opinion provided for in this Installment Purchase Agreement with respect to compliance with any provision hereof shall include (1) a statement that the person making or giving such statement or opinion has read such provision and the definitions herein relating thereto; (2) a brief statement as to the nature and scope of the examination or investigation upon which the statement or opinion is based; (3) a statement (a) that, in the opinion of such person, he/she has made or caused to be made such examination or investigation as is necessary to enable him/her to express an informed opinion with respect to the subject matter, or (b) that he/she has made or caused to be made his/her examination or investigation with respect to the subject matter in accordance

with specified professional standards; and (4) a statement as to whether, in the opinion of such person, such provision has been complied with.

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

Section 1.03. Exhibits. The following Exhibits are attached to and by this reference made a part of this Installment Purchase Agreement:

Exhibit A: Description of the Distribution System Assets.

Exhibit B: Schedule of 2020 Purchase Payments.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01. Representations and Warranties of the City. The City makes the following representations and warranties to the Authority as of the date of the execution and delivery of this Installment Purchase Agreement and as of the Delivery Date (such representations and warranties to remain operative and in full force and effect regardless of delivery of the 2020 Bonds or any investigations by or on behalf of the Authority or the results thereof):

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

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

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

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

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

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

(vii) The City has found and determined that this Installment Purchase Agreement, the Indenture and the transactions contemplated hereby and thereby will provide significant public benefits to the citizens of the City, in accordance with Section 6586 of the Bond Law.

(viii) There is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of the City, after reasonable investigation, threatened, against or affecting the City or the assets, properties or operations of the City which, if determined adversely to the City or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by or the validity of this Installment Purchase Agreement, or upon the financial condition, assets, properties or operations of the Electric System.

(ix) No written information, exhibit or report furnished to the Authority by the City in connection with the negotiation of this Installment Purchase Agreement, and no official statement or other offering document in connection with the issuance of the 2020 Bonds, if any, as of its date or as of the date hereof, contains any untrue statement of a material fact or omits to state a material fact required to be stated therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading.

(x) All financial statements and information heretofore delivered to the Authority by City, including without limitation, information relating to the financial condition of the Electric System, fairly and accurately present the financial position thereof and have been prepared (except where specifically noted therein) in accordance with generally accepted accounting principles consistently applied. Since the date of such statements, there has been no material adverse change in the financial condition or results of operations of the Electric System.

(xi) The City has good and marketable title to the Distribution System Assets free and clear from all material encumbrances.

(xii) The City is not in default (and no event has occurred and is continuing which with the giving of notice or the passage of time or both could constitute a default) (1) under this Installment Purchase Agreement, or (2) with respect to any order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default could reasonably be expected to have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Installment Purchase Agreement or the Indenture, or the financial condition, assets, properties or operations of the Electric System.

(xiii) The City acknowledges, represents and warrants that it understands the nature and structure of the transactions relating to the refinancing of the Distribution System Assets; that it is familiar with the provisions of all of the documents and instruments relating to such financing to which the City is a party or of which it is a beneficiary, including the Indenture; that it understands the risks inherent in such transactions; and that it has not relied on the Authority for any guidance or expertise in analyzing the financial or other consequences of the transactions contemplated by this Installment Purchase Agreement and the Indenture or otherwise relied on the Authority for any advice.

Section 2.02. Representations and Warranties of the Authority.

(a) The Authority makes the following representations and warranties to the City:

(i) The Authority is a joint exercise of powers agency duly organized and existing under the laws of the State and is duly authorized to issue the 2020 Bonds and to perform its obligations under this Installment Purchase Agreement.

(ii) All requirements have been met and procedures have occurred in order to authorize the execution and delivery of this Installment Purchase Agreement. The

Authority has taken all necessary action and has complied with all provisions of the law required to make this Installment Purchase Agreement a valid and binding limited obligation of the Authority, except to the extent limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally, by the application of equitable principles regardless of whether enforcement is sought in a proceeding at law or in equity, or by public policy.

(iii) The 2020 Bonds have been duly authorized, executed and delivered by the Authority. Nothing in this Agreement shall be construed as requiring the Authority to provide any financing other than the proceeds of the 2020 Bonds or to provide sufficient moneys for all of the cost of accomplishing the purposes of the 2020 Bonds.

(iv) To the best knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation by or before any court, governmental agency or public board or body pending or threatened against the Authority that (i) affects or seeks to prohibit, restrain or enjoin the issuance, execution or delivery of the 2020 Bonds, or the execution and delivery of the Indenture or this Installment Purchase Agreement, (ii) affects or questions the validity or enforceability of the 2020 Bonds, the Indenture or this Installment Purchase Agreement, or (iii) questions the tax-exempt status of interest on the 2020 Bonds.

ARTICLE III

PURCHASE AND SALE OF THE DISTRIBUTION SYSTEM ASSETS; FUNDS AND ACCOUNTS; FLOW OF REVENUES; SECURITY

Section 3.01. Purchase and Sale of the Distribution System Assets.

(a) The City hereby agrees to sell the Distribution System Assets to the Authority, and the Authority hereby agrees to purchase the Distribution System Assets from the City, at the purchase price of \$_____, payable on the Delivery Date.

(b) The Authority hereby agrees simultaneously to sell the Distribution System Assets to the City, and the City agrees to purchase the Distribution System Assets from the Authority, at the Purchase Price (payable in installments) specified in Section 5.02 hereof and otherwise in the manner and in accordance with the provisions of this Installment Purchase Agreement and the Bond Law.

(c) From time to time, at the request of the City, the Authority shall promptly deliver to the City any instruments necessary to confirm the right, title and interest of the City in and to the Distribution System Assets.

Section 3.02. Substitution of the Distribution System Assets. The Distribution System Assets, as constituted on the Delivery Date, are described in Exhibit A to this Installment Purchase Agreement. The City shall have the right to make any changes to the composition and description of the Distribution System Assets or of any component thereof, whenever the City deems such changes to be necessary and appropriate; provided that Exhibit A shall always

describe components of the Distribution System with sufficient value to justify the 2020 Purchase Payments. The City is required to obtain an opinion of Bond Counsel that the substitution of the new facilities for all or a portion of the Distribution System Assets shall not cause the interest on the 2020 Bonds to be included in the gross income of the recipients thereof for federal income tax purposes.

Section 3.03. Funds Created Under Indenture. The Authority shall create under the Indenture a 2020 Purchase Payment Fund and a Costs of Issuance Fund. The Authority shall deposit or cause to be deposited into the 2020 Purchase Payment Fund on the Delivery Date the amount specified in the Delivery Date Certificate with respect to the 2020 Purchase Payment Fund. The Costs of Issuance Fund shall be established and operated pursuant to Section 4.05 of the Indenture.

Section 3.04. Escrow Funds.

(a) The City shall cause to be created, under the Escrow Agreement (2015-A), an escrow fund, into which the City shall deposit or cause to be deposited on the Delivery Date a portion of the proceeds of the 2020 Bonds in an amount equal to the amount specified in the Delivery Date Certificate with respect to such escrow fund. The Escrow Agent shall hold such escrow fund, and shall withdraw amounts on deposit therein for the payment of debt service and redemption price with respect to the Refunded 2015-A Bonds in accordance with the terms of the Escrow Agreement (2015-A).

(b) The City shall cause to be created, under the Escrow Agreement (2016-A), an escrow fund, into which the City shall deposit or cause to be deposited on the Delivery Date a portion of the proceeds of the 2020 Bonds in an amount equal to the amount specified in the Delivery Date Certificate with respect to such escrow fund. The Escrow Agent shall hold such escrow fund, and shall withdraw amounts on deposit therein for the payment of debt service and redemption price with respect to the Refunded 2016-A Bonds in accordance with the terms of the Escrow Agreement (2016-A).

Section 3.05. Qualified Obligations Account. The Treasurer shall continue to maintain the Qualified Obligations Account, heretofore created under Ordinance No. 5032 of the City Council, so long as any Qualified Obligations remain Outstanding. The City shall make deposits to and payments from the Qualified Obligations Account in accordance with the terms of this Installment Purchase Agreement; provided, however, that if the 2020 Bonds are the only Qualified Obligations Outstanding, such account shall be closed on the earlier of (i) the Crossover Date and (ii) the date that no 2020 Bonds remain Outstanding.

Section 3.06. Second Lien Qualified Obligations Account. The Treasurer shall continue to maintain the Second Lien Qualified Obligations Account, heretofore created under the 2004 Resolution, so long as any Qualified Obligations remain Outstanding; provided, however, that if 2020 Bonds are the only Qualified Obligations Outstanding, such account shall be closed on the earlier of (i) the Crossover Date and (ii) the date that no 2020 Bonds or obligations payable from such account remain outstanding.

Section 3.07. ERAN Account. The Treasurer shall continue to maintain the ERAN Account, heretofore created under Ordinance No. 5032 of the City Council, so long as any Qualified Obligations remain Outstanding; provided, however, that if 2020 Bonds are the only Qualified Obligations Outstanding, such account shall be closed on the earlier of (i) the Crossover Date and (ii) the date that no 2020 Bonds or obligations payable from such account remain outstanding.

Section 3.08. Remaining Surplus Account. The Treasurer shall continue to maintain the Remaining Surplus Account, heretofore created under Ordinance No. 5032 of the City Council, so long as any Qualified Obligations remain Outstanding; provided, however, that if 2020 Bonds are the only Qualified Obligations Outstanding, such Remaining Surplus Account shall be closed on the earlier of (i) the Crossover Date and (ii) the date that no 2020 Bonds or obligations payable from such account remain outstanding.

Section 3.09. Electric System Surplus Revenue Fund. The Treasurer shall continue to maintain the Electric System Surplus Revenue Fund (the “Surplus Revenue Fund”), so long as any of the 2020 Bonds remain Outstanding; provided, however, that if 2020 Bonds are the only Qualified Obligations Outstanding, such Electric System Surplus Revenue Fund shall be closed on the earlier of (i) the Crossover Date and (ii) the date that no 2020 Bonds remain Outstanding.

Section 3.10. Electric System Funds and Accounts. The Treasurer shall continue to maintain the following funds and accounts, heretofore created under the 1972 Bond Resolution and the 1986 Bond Resolution and pursuant to Section 1210 of the City Charter, so long as any Senior Bonds or Qualified Obligations remain Outstanding; provided, however that if no Senior Bonds remain outstanding and 2020 Bonds are the only Qualified Obligations Outstanding, such funds and accounts shall be closed on the earlier of (i) the Crossover Date and (ii) the date that no 2020 Bonds remain Outstanding:

Electric Revenue Fund, and the following accounts therein:

- (i) Electric Revenue Bonds, Electric System Revenue Account (the “Revenue Account”);
- (ii) Electric Revenue Bonds Bond Service Account (the “Bond Service Account”);
- (iii) Electric Revenue Bonds Sinking Account (the “Bond Sinking Account”);
- (iv) Electric Revenue Bonds, Issue of 1972, Electric System Maintenance and Operation Account (the “O & M Account”);
- (v) Electric Revenue Bonds, Issue of 1972, Electric System Revenue Bond Reserve Fund (the “Reserve Fund”);
- (vi) Electric Revenue Bonds, Issue of 1972, Electric System Renewal and Replacement Account (the “R & R Account”); and

(vii) Electric Revenue Bonds, Second Issue of 1986, Rebate Account (the “Rebate Account”).

Section 3.11. Flow of Gross Revenues. Until the Crossover Date, the City shall deposit the Gross Revenues of the Electric System as received in the Revenue Account. On or before the twentieth day of each calendar month, the Finance Director shall withdraw the entire amount on deposit in the Revenue Account and shall allocate and deposit such amount in the indicated priority to the following accounts and funds:

(i) First, so long as any of the Senior Bonds are outstanding, to the Bond Service Account, one-sixth of the interest becoming due and payable (less any interest which has already been provided for) on the outstanding Senior Bonds within the next six-month period and one-twelfth of the principal amount which will mature and be payable on the outstanding Senior Bonds within the next twelve-month period; and, so long as any of the Senior Bonds are outstanding, to the Bond Sinking Account, the amount required with respect to any term Senior Bonds to provide for mandatory sinking fund installments; and

(ii) Second, so long as any of the Senior Bonds or Qualified Obligations are outstanding, to the O & M Account, an amount sufficient for the payment of Maintenance and Operation Expenses as said expenses become due and payable; and

(iii) Third, so long as any of the Senior Bonds are outstanding, to the Reserve Fund, the amount required, if any, to provide a balance equal to Maximum Annual Debt Service; and

(iv) Fourth, so long as any of the Senior Bonds or Qualified Obligations are outstanding, to the R & R Account, an amount equal to one percent (1%) of the Gross Revenues received in the preceding calendar month until a balance is established, or reestablished, therein equal to two percent (2%) of the depreciated book value of the land, general plant and equipment which constitute the net utility plant of the Electric System; and

(v) Fifth, so long as any of the Senior Bonds or Qualified Obligations are outstanding, to the Rebate Account, the amount required with respect to Senior Bonds in accordance with the Code; and

(vi) Sixth, to the Surplus Revenue Fund, all moneys in the Revenue Account remaining after the above transfers have been made and all covenants required by the resolutions relating to the Senior Bonds have been performed, which moneys shall constitute Surplus Revenues.

Section 3.12. Flow of Surplus Revenues. So long as any Qualified Obligations are Outstanding, promptly after any deposit is made to the Surplus Revenue Fund in any month, the entire amount of Surplus Revenues in the Surplus Revenue Fund shall be transferred in the indicated priorities to the following accounts:

(i) First, there shall be transferred to the Qualified Obligations Account the amount of Qualified Obligation Service with respect to such calendar month (to the extent not already transferred to such Account in such month), or the entire amount of Surplus Revenues then available for transfer to the Qualified Obligations Account, whichever is less.

(ii) Second, there shall be transferred to the Second Lien Qualified Obligations Account the amount required to be transferred thereto in such month for the payment of the principal of and interest on the Second Lien Qualified Obligations to the extent required by the instruments pursuant to which such Second Lien Qualified Obligations are issued (to the extent not already transferred to such Account in such month), or the entire amount of Net Surplus Revenues then available for transfer to the Second Lien Qualified Obligations Account, whichever is less.

(iii) Third, there shall be transferred to the ERAN Account the amount required to be transferred thereto in such month for the payment of the principal of and interest on the Notes to the extent required by the ordinance(s) and resolution(s) pursuant to which such Notes are issued (to the extent not already transferred to such Account in such month), or the entire amount of Net Surplus Revenues then available for transfer to the ERAN Account, whichever is less.

(iv) Fourth, all remaining Net Surplus Revenues shall be transferred to the Remaining Surplus Account. Moneys in the Remaining Surplus Account at any time may be used for any lawful purpose of the City, provided, that, moneys remaining on deposit in the Remaining Surplus Account at any time shall be transferred as needed, in the following order of priority:

(A) to the Qualified Obligations Account, the amount necessary (or all available moneys in the Remaining Surplus Account if less than the amount necessary) to make up any deficiency therein; and

(B) to the Second Lien Qualified Obligations Account, the amount necessary (or all available moneys in the Remaining Surplus Account if less than the amount necessary) to make up any deficiency therein; and

(C) to the ERAN Account, the amount necessary (or all available moneys in the Remaining Surplus Account if less than the amount necessary) to make up any deficiency therein.

Section 3.13. Security for the 2020 Purchase Payments Prior to Crossover Date.

Until the Crossover Date, the City is obligated to make 2020 Purchase Payments from Distribution System Net Revenues to the extent legally available and from the Surplus Revenues in the Qualified Obligations Account. The 2020 Purchase Payments shall be payable as Qualified Obligation Service hereunder. Notwithstanding the foregoing, the 2020 Purchase Payments shall be made from the proceeds of the sale of the 2020 Bonds deposited in the 2020 Purchase Payment Fund, in the amounts and at the times set forth in the Indenture, and other moneys transferred to or deposited in the 2020 Purchase Payment Fund pursuant to the

Indenture. Until the Crossover Date, 2020 Purchase Payments and all other payments with respect to Qualified Obligations shall be equally secured by the Surplus Revenues in the Qualified Obligations Account without priority for number or date of delivery of such Qualified Obligations. Until the Crossover Date, the Surplus Revenues in the Qualified Obligations Account shall be held in trust by the Treasurer of the City for the benefit of the holders of the 2020 Bonds and any other Qualified Obligations.

Section 3.14. Distribution System Funds and Accounts. The Treasurer shall continue to maintain the following funds and accounts, heretofore created under the 1999 Resolution, so long as any 2020 Purchase Payments remain Outstanding:

- (i) Distribution System Revenue Fund (the “Distribution System Revenue Fund”);
- (ii) Distribution System O & M Fund (the “Distribution System O & M Fund”);
- (iii) Distribution System Debt Service Fund (the “Distribution System Debt Service Fund”);
- (iv) Distribution System Reserve Fund (the “Distribution System Reserve Fund”);
- (v) Distribution System Provider Fund (the “Distribution System Provider Fund”);
- (vi) Distribution System Rebate Fund (the “Distribution System Rebate Fund”); and
- (vii) Distribution System Surplus Revenue Fund (the “Distribution System Surplus Revenue Fund”).

Section 3.15. Flow of Distribution System Gross Revenues. From and after the Crossover Date, the City shall deposit the Distribution System Gross Revenues as received in the Distribution System Revenue Fund. On or before the twentieth day of each calendar month, the Finance Director shall withdraw the entire amount on deposit in the Distribution System Revenue Fund and shall allocate and deposit such amount in the indicated priority to the following accounts and funds:

- (i) First, so long as any of the Distribution System Parity Obligations are outstanding, to the Distribution System O & M Fund, an amount sufficient for the payment of Distribution System O & M Expenses as said expenses become due and payable; and
- (ii) Second, so long as any of the Distribution System Parity Obligations are outstanding, to the Distribution System Debt Service Fund, one-sixth of the interest component (less any interest which has already been provided for) of the outstanding Distribution System Parity Obligations which will be due and payable within the next

six-month period and one-twelfth of the principal component of the outstanding Distribution System Parity Obligations which will be due and payable within the next twelve-month period, due to maturity, mandatory sinking fund redemption or otherwise; and

(iii) Third, so long as any of the Distribution System Parity Obligations are outstanding, to the Distribution System Reserve Fund, the amount required, if any, pursuant to the terms of the agreements providing for the issuance of such Distribution System Parity Obligations or any related conduit obligations; and

(iv) Fourth, so long as any of the Distribution System Parity Obligations are outstanding, to the Distribution System Provider Fund, an amount sufficient for the payment of fees and expenses of bond insurers, letter of credit banks and other providers of credit enhancement or liquidity with respect to Distribution System Parity Obligations, to the extent set forth in agreements with the City; and

(v) Fifth, so long as any of the Distribution System Parity Obligations are Outstanding, to the Distribution System Rebate Fund, the amount of rebate required with respect to Distribution System Parity Obligations in accordance with the Code; and

(vi) Sixth, to the Distribution System Surplus Revenue Fund, all moneys in the Distribution System Revenue Fund remaining after the above transfers have been made and all covenants required by the installment purchase agreements and other agreements relating to the Distribution System Parity Obligations have been performed, which moneys shall constitute Distribution System Surplus Revenues.

Section 3.16. Flow of Distribution System Surplus Revenues. Moneys in the Distribution System Surplus Revenue Fund may be used at any time for any lawful purpose of the City, subject to the provisions of any future resolution or resolutions of the City Council specifying the use of such moneys.

Section 3.17. Security for the 2020 Purchase Payments After Crossover Date. From and after the Crossover Date, the City is obligated to make 2020 Purchase Payments solely from Distribution System Net Revenues. The 2020 Purchase Payments shall then be payable as Distribution System Parity Obligations hereunder. Notwithstanding the foregoing, the 2020 Purchase Payments shall be made from the proceeds of the sale of the 2020 Bonds deposited in the 2020 Purchase Payment Fund, in the amounts and at the times set forth in the Indenture, and other moneys transferred to or deposited in the 2020 Purchase Payment Fund pursuant to the Indenture. From and after the Crossover Date, 2020 Purchase Payments and all other payments with respect to Distribution System Parity Obligations shall be equally secured by the Distribution System Net Revenues without priority for number or date of delivery of such Distribution System Parity Obligations. From and after the Crossover Date, the Distribution System Net Revenues in the Distribution System Revenue Fund shall be held in trust by the Treasurer of the City for the benefit of the holders of the 2020 Bonds and any other Distribution System Parity Obligations.

ARTICLE IV

CROSSOVER DATE

Section 4.01. Crossover Date. On the date that each of the following conditions is satisfied (the “Crossover Date”), the 2020 Purchase Payments will no longer be secured by any pledge of Surplus Revenues or amounts on deposit in the Qualified Obligations Account, but instead will be secured solely by a prior pledge of Distribution System Net Revenues:

- (i) The Distribution System has been operated as an enterprise separate and distinct from the rest of the Electric System for at least one full Fiscal Year, and Distribution System assets, liabilities, revenues and expenses have been determined and reported in accordance with sound accounting principles;
- (ii) No Senior Bonds remain outstanding;
- (iii) No Qualified Obligations (other than the Distribution System Crossover Obligations) remain Outstanding;
- (iv) No Notes or other obligations secured by the Remaining Surplus Account remain outstanding;
- (v) The pro forma ratio of Distribution System Net Revenues to Maximum Annual Distribution System Service for the prior two Fiscal Years is not less than 1.10 to 1.00;
- (vi) The City receives written notice from Moody’s, S&P and Fitch that no change will occur in the unenhanced rating on Distribution System Crossover Obligations immediately after the Crossover Date; and
- (vii) Any bond insurer with respect to any Distribution System Crossover Obligations consents to the transfer of source of payment and security from Surplus Revenues to Distribution System Net Revenues.

ARTICLE V

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

Section 5.01. Effective Date of this Installment Purchase Agreement; Duration. This Agreement shall become effective upon its execution and delivery, and shall expire on such date as shall be determined in accordance with Section 5.07 hereof.

Section 5.02. Purchase Price; 2020 Purchase Payments.

(a) The City agrees to pay the Purchase Price for the Distribution System Assets by making purchase payments, referred to herein as “2020 Purchase Payments,” in the respective amounts and at the times shown in Exhibit B hereto, which the City agrees to pay to the Trustee,

as assignee of the Authority, for deposit in the 2020 Purchase Payment Fund held by the Trustee and which, in the aggregate, shall be in an amount sufficient for the payment in full of all obligations to the Owners of the 2020 Bonds from time to time Outstanding under the Indenture, including (i) the total Interest Components due and payable with respect to the 2020 Purchase Payments (provided that the Interest Component shall be the product of the interest rate then borne by the 2020 Bonds, times the total outstanding Principal Component) and (ii) the total Principal Components of such 2020 Purchase Payments; less the amount of other funds available for such payment as provided in the Indenture. The Purchase Price is payable over a period of [____] years, subject to prepayment. The City shall have the right to satisfy all or any part of any 2020 Purchase Payment due on a Purchase Payment Date by delivering, or causing to be delivered, to the Trustee (not less than 45 days in advance of the date on which such 2020 Purchase Payment was due) Outstanding 2020 Bonds maturing on such Purchase Payment Date, purchased or optionally redeemed by the Authority. The Trustee shall credit the 2020 Purchase Payments with an amount equal to the principal amount of the 2020 Bonds so delivered to the Trustee. For purposes of any income tax law, any original issue discount arising as a result of this Installment Purchase Agreement and the sale of bonds herein shall be construed to be interest for the purposes of, and to the extent permitted under, such income tax law.

(b) Until the Crossover Date, on or before the third Business Day preceding each Purchase Payment Date, commencing on [September 28, 2020], the City shall pay from the Qualified Obligations Account to the Trustee for deposit in the 2020 Purchase Payment Fund the amount of the 2020 Purchase Payments due on the following Purchase Payment Date. From and after the Crossover Date, on or before the third Business Day preceding each Purchase Payment Date, the City shall pay from the Distribution System Debt Service Fund to the Trustee for deposit in the 2020 Purchase Payment Fund the amount of the 2020 Purchase Payments due on the following Purchase Payment Date.

(c) Each 2020 Purchase Payment hereunder shall be paid by the City in funds available on the due date in lawful money of the United States of America to the Trustee at its Principal Office, and held, invested, disbursed and applied as provided in the Indenture. In the event the City fails to make any of the payments required by paragraph (a) of this Section 5.02, the installment so in default shall continue as an obligation of the City until the amount in default shall have been fully paid with interest thereon at a rate of interest equal to the highest rate of interest applicable to any then unpaid 2020 Bond. In the event that seven (7) days prior to a Purchase Payment Date there are insufficient moneys in the Qualified Obligations Account (prior to the Crossover Date) or the Distribution System Debt Service Fund (from and after the Crossover Date) to pay the amounts required by paragraph (b) of this Section 5.02 on the due date thereof, the City will notify the Trustee not later than five (5) days prior to the Purchase Payment Date thereof that the amount available in the Qualified Obligations Account is less than the amount required on the following Purchase Payment Date.

Section 5.03. Additional Purchase Payments.

(a) In addition to 2020 Purchase Payments, the City shall also pay to the Authority, the Trustee or to the United States Treasury Department, as the case may be, "Additional Purchase Payments," as follows:

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

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

(iii) All reasonable fees, charges and expenses of the Trustee, as and when the same become due and payable;

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

(v) The reasonable costs and expenses of the Authority or any agent or attorney selected by the Authority to act in its behalf as provided herein in connection with this Installment Purchase Agreement, the 2020 Bonds or the Indenture, including any and all expenses incurred in connection with the issuance, sale and delivery of any such 2020 Bonds or in connection with any litigation which may at any time be instituted involving this Installment Purchase Agreement, the 2020 Bonds or the Indenture or any of the other documents contemplated thereby; and

(vi) Any amount required to be paid to the United States Treasury Department pursuant to Section 6.04 hereof.

(b) Such Additional Purchase Payments to the Authority or the Trustee shall be billed to the City by the Authority or the Trustee, as the case may be, from time to time, together with a statement certifying that the amount billed has been incurred or paid by the Authority or the Trustee, for one or more of the above items. After such a demand, amounts so billed shall be paid by the City within thirty (30) days after receipt of the bill by the City. Notwithstanding the foregoing, the Authority shall not be required to submit a bill to the City for payment of any amounts due with respect to arbitrage rebate under section 148 of the Code, the calculation and payment for which is the responsibility of the City.

Section 5.04. Source for City Payments.

(a) The City shall be obligated to make 2020 Purchase Payments hereunder solely from Distribution System Net Revenues to the extent permitted by law and, prior to the Crossover Date, from the Surplus Revenues in the Qualified Obligations Account. The 2020 Purchase Payments to be made hereunder, designated as payable from Surplus Revenues in the Qualified Obligations Account, satisfy the covenant set forth (i) in Section 6.05 of the 2009-A Installment Purchase Agreement and shall constitute Qualified Obligations as defined in and for purposes of the 2009-A Installment Purchase Agreement, (ii) in Section 6.05 of the 2011-A Installment Purchase Agreement and shall constitute Qualified Obligations as defined in and for purposes of the 2011-A Installment Purchase Agreement, (iii) in Section 6.05 of the 2012-A Installment Purchase Agreement and shall constitute Qualified Obligations as defined in and for purposes of the 2012-A Installment Purchase Agreement, (iv) in Section 6.05 of the 2014-A Installment Purchase Agreement and shall constitute Qualified Obligations as defined in and for purposes of the 2014-A Installment Purchase Agreement, (v) in Section 6.05 of the 2015-B Installment Purchase Agreement and shall constitute Qualified Obligations as defined in and for purposes of the 2015-B Installment Purchase Agreement and (vi) Section 6.05 of the 2016 Installment Purchase Agreement and shall constitute Qualified Obligations as defined in and for purposes of the 2016 Installment Purchase Agreement.

(b) Notwithstanding Section 5.04(a) hereof, 2020 Purchase Payments shall not be made from Distribution System Net Revenues or Surplus Revenues in the Qualified Obligations Account to the extent of other moneys transferred to or deposited in, the 2020 Purchase Payment Fund pursuant to Section 4.02 of the Indenture.

(c) The City shall be obligated to make Additional Purchase Payments hereunder solely from Distribution System Net Revenues in the Distribution System Provider Fund and, prior to the Crossover Date, from the Surplus Revenues in the Remaining Surplus Account.

Subject to the foregoing provisions of this Section 5.04, nothing herein shall preclude the City from making 2020 Purchase Payments and Additional Purchase Payments from other lawfully available moneys of the City.

Section 5.05. Obligations of the City Unconditional; Net Contract; Obligations of Authority Unconditional.

(a) Subject to Section 5.04 hereof, the obligations of the City to make the 2020 Purchase Payments and Additional Purchase Payments required hereunder and to perform and observe the other agreements on its part contained herein shall be absolute and unconditional, and shall not be abated, rebated, set-off, reduced, abrogated, terminated, waived, diminished, postponed or otherwise modified in any manner or to any extent whatsoever, while any 2020 Purchase Payments or Additional Purchase Payments remain unpaid, regardless of any contingency, act of God, event or cause whatsoever, including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, eviction or constructive eviction, the taking by eminent domain or destruction of or damage to the Distribution System Assets, commercial frustration of purpose, any change in the laws of the United States of America or of the State or any political subdivision of either or in the rules or

regulations of any governmental authority, or any failure of the Authority or the Trustee to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Purchase Agreement or the Indenture.

This Installment Purchase Agreement shall be deemed and construed to be a “net contract,” and the City shall pay absolutely net the 2020 Purchase Payments, Additional Purchase Payments and all other payments required hereunder, regardless of any rights of set-off, recoupment, abatement or counterclaim that the City might otherwise have against the Authority or the Trustee or any other party or parties.

The Authority and the City understand, agree and intend that the obligation of the City to make 2020 Purchase Payments and to pay Additional Purchase Payments hereunder shall not in any way be construed to be a debt of the City, the Authority, the State of California or any political subdivision thereof, in contravention of any applicable constitutional or statutory limitation or requirement concerning the creation of indebtedness by the City, the Authority, the State of California or any political subdivision thereof, nor shall anything contained herein constitute a pledge of general revenues, funds or moneys of the City or the Authority or an obligation of the City for which the City is obligated to levy or pledge any form of taxation or for which the City has levied or pledged any form of taxation. The Authority has no taxing power.

(b) The City covenants to take such action as may be necessary to include and maintain the 2020 Purchase Payments and Additional Purchase Payments due hereunder in its budget for the appropriate Fiscal Year or pursuant to separate resolution of the City Council and further shall make the necessary appropriations for all such 2020 Purchase Payments and Additional Purchase Payments required herein. The covenants on the part of the City contained in this Section 5.05(b) shall be deemed to be and shall be construed to be ministerial duties and it shall be the ministerial duty of each and every public official of the City to take such action and do such things as are required by law in the performance of such official duty of such officials to enable the City to carry out and perform such covenants.

(c) The obligation of the Authority to perform and observe the agreements on its part contained herein shall be absolute and unconditional and, until such time as all of the 2020 Purchase Payments and Additional Purchase Payments shall have been fully paid (or provision for the payment thereof shall have been made in accordance with Section 10.03 of the Indenture), the Authority (i) will perform and observe all of its agreements contained in this Installment Purchase Agreement and (ii) will not terminate this Installment Purchase Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to the Distribution System Assets, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the City to perform and observe any agreement, whether express or implied, or any duty, liability or obligation arising out of or connected with this Installment Purchase Agreement.

Nothing contained in this Section 5.05(c) shall be construed to release the City from the performance of any of the agreements on its part herein contained; and in the event the City should fail to perform any such agreement, the Authority may institute such action against the

City as the Authority may deem necessary to compel performance or recover its damages for nonperformance so long as such action shall not violate the agreements of the Authority contained in the first paragraph of this Section 5.05.

Section 5.06. Prepayment of 2020 Purchase Payments. 2020 Purchase Payments are subject to prepayment as provided in this Section 5.06. All prepayments of 2020 Purchase Payments shall be made in funds immediately available on the Prepayment Date.

(a) ***Optional Prepayment.*** The City shall have the option to prepay Principal Components of 2020 Purchase Payments in whole or in part (in an amount equal to Authorized Denominations), to the extent the Authority has the ability to effect an optional redemption of the 2020 Bonds. Such prepayment shall be accomplished by depositing with the Trustee the Prepayment Price with respect thereto on or before the Prepayment Date. The City shall give the Trustee written notice of its intention to exercise its option to prepay not more than ninety (90) and not less than forty-five (45) days in advance of the date of such prepayment.

(b) ***Effect of Prepayment.*** In the event that the City prepays the 2020 Purchase Payments in whole, the amount paid shall be applied to the redemption in full of the principal and interest with respect to the 2020 Bonds in accordance with the Indenture. In the event that the City prepays the 2020 Purchase Payments in part, such prepayment shall be applied to the prepayment of the 2020 Purchase Payments as follows: (i) the City shall designate which Principal Components are being prepaid, and to what extent, and the Principal Component of each remaining 2020 Purchase Payment shall be reduced accordingly, in each case in the amount equal to Authorized Denominations in excess thereof corresponding to the principal amount of 2020 Bonds redeemed pursuant to Section 2.03 of the Indenture; and (ii) the Interest Component of each remaining 2020 Purchase Payment shall be reduced by the aggregate corresponding amount of interest which would otherwise be payable on the 2020 Bonds thereby redeemed pursuant to the Indenture.

Section 5.07. Termination of Installment Purchase Agreement. Except as otherwise specifically provided herein, this Installment Purchase Agreement shall terminate upon the earlier of the following events:

(i) the payment or prepayment by the City of all remaining 2020 Purchase Payments as provided in Section 5.02 hereof and all other amounts to be paid by the City hereunder (including any Additional Purchase Payments which are then due or will become due) and the payment or defeasance of all 2020 Bonds as provided in Section 10.03 of the Indenture; or

(ii) the payment, or deemed payment, of all 2020 Bonds in accordance with Section 10.03 of the Indenture and the payment of all amounts due and owing to the Trustee.

ARTICLE VI

PARTICULAR COVENANTS

Section 6.01. Limitation on Encumbrances; Against Sale. Until the Crossover Date, the City covenants and agrees that it will not create, assume or suffer to exist any mortgage, deed of trust, pledge, security interest, encumbrance, lien or charge of any kind (including the charge upon property purchased under conditional sales or other title retention agreements) upon the Electric System which impairs the ability of the City to comply with its covenant set forth in Section 6.03 hereof. Until the Crossover Date, the City covenants that the Electric System shall not be sold, leased or disposed of as a whole or substantially as a whole if such sale, lease or disposal would impair the ability of the City to comply with its covenant set forth in Section 6.03 hereof.

Section 6.02. Accounting Records. The City covenants and agrees at all times to keep, or cause to be kept, proper books of record and account, prepared in accordance with generally accepted accounting principles, in which complete and accurate entries shall be made of all transactions of or in relation to the business, properties and operations of the Electric System until the Crossover Date, and thereafter of the Distribution System. Such books of record and account shall be available for inspection by the Trustee at reasonable hours and under reasonable circumstances.

Section 6.03. Rates and Charges.

(a) Until the Crossover Date, the City shall prescribe, revise and collect such charges for the services and facilities of the Electric System so that, in each Fiscal Year, the Surplus Revenues shall at least equal the sum of:

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

(ii) 1.00 times the principal of and interest on the Notes due and payable and to be paid from Surplus Revenues in such Fiscal Year; and

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

(b) From and after the Crossover Date, the City shall prescribe, revise and collect such charges for the services and facilities of the Distribution System so that, in each Fiscal Year, the Distribution System Net Revenues shall at least equal the sum of:

(i) 1.10 times the amount of Distribution System Service with respect to such Fiscal Year; and

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

Section 6.04. Tax Covenants.

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

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

“*Facilities*” means any property the acquisition, construction or improvement of which was financed directly or indirectly with Gross Proceeds of the Tax-Exempt 2020 Bonds.

“*Gross Proceeds*” means any proceeds as defined in section 1.148-1(b) of the Tax Regulations (referring to sales, investment and transferred proceeds), and any replacement proceeds as defined in section 1.148-1(c) of the Tax Regulations, of the Tax-Exempt 2020 Bonds.

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

“*Nongovernmental Output Property*” means any property (or interest therein) that prior to its acquisition by the City was used by (or manufactured for or to the order of or held for the use by) any Nongovernmental Person (whether actually so used or not) in connection with any electric and gas generation, transmission, distribution, or related facilities.

“*Nongovernmental Person*” refers to any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, or an agency or instrumentality acting solely on behalf thereof.

“*Nonpurpose Investment*” means any investment property, as defined in section 148(b) of the Code, in which Gross Proceeds of the Tax-Exempt 2020 Bonds are invested and that is not acquired to carry out the governmental purposes of the Tax-Exempt 2020 Bonds.

“*Prior Issue*” refers to the Refunded Bonds.

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

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

“*Yield*” of

(i) any Investment has the meaning set forth in section 1.148-5 of the Tax Regulations; and

(ii) the Tax-Exempt 2020 Bonds has the meaning set forth in section 1.148-4 of the Tax Regulations.

(b) Not to Cause Interest to Become Taxable. The Authority and the City shall not use, permit the use of, or omit to use Gross Proceeds or any other amounts (or any property the acquisition, construction or improvement of which is to be financed directly or indirectly with Gross Proceeds) in a manner that if made or omitted, respectively, would cause the interest on any of the Tax-Exempt 2020 Bonds to fail to be excluded pursuant to section 103(a) of the Code from the gross income of the owner thereof for federal income tax purposes. Without limiting the generality of the foregoing, unless and until the Authority or the City receives a written opinion of Bond Counsel to the effect that failure to comply with such covenant will not adversely affect the exemption from federal income tax of the interest on any Tax-Exempt 2020 Bond, the Authority or the City, as the case may be, shall comply with each of the specific covenants in this Section 6.04.

(c) No Private Use or Private Payments. Except as would not cause any Tax-Exempt 2020 Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority and the City shall at all times prior to the payment and cancellation of the last Tax-Exempt 2020 Bond to be paid and canceled:

(i) use their best efforts to ensure that the City exclusively own, operate and possess all of the Facilities that are to be refinanced directly or indirectly with Gross Proceeds of the Tax-Exempt 2020 Bonds, and not use or permit the use of such Gross Proceeds (including all contractual arrangements with terms different than those applicable to the general public) or any property acquired, constructed or improved with such Gross Proceeds in any activity carried on by any person or entity (including the United States or any agency, department and instrumentality thereof) other than a state or local government, unless such use is solely as a member of the general public; and

(ii) not directly or indirectly impose or accept any charge or other payment by any person or entity in respect of the use by any Nongovernmental Person of Gross Proceeds of the Tax-Exempt 2020 Bonds or the Prior Issue, or any of the Facilities, other than taxes of general application within the jurisdiction of the City or interest earned on investments acquired with such Gross Proceeds pending application for their intended purposes.

Without limiting the foregoing, except as would not cause any Tax-Exempt 2020 Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, neither of the City nor the Authority will: (i) permit any Nongovernmental Person to hold any ownership, proprietary or possessory interest in the financed property; (ii) contract with any Nongovernmental Person for the provision of operating or other services with respect to any function of the financed property (unless either (A) such arrangement requires no payment of fees to such Nongovernmental Person other than as direct reimbursement of third party costs or reasonable administrative overhead, or (B) such arrangement conforms to administrative guidance of the Internal Revenue Service in order to assure that such arrangement does not create a private business use relationship of the Nongovernmental Person to the financed property); or (iii) contract with any Nongovernmental

Person for the sale of output or capacity of the financed property unless such contract is described either in section 1.141-7(c) of the Treasury Regulations (describing certain types of output contracts that do not have the effect of transferring the benefits of owning the property and the burdens of paying debt service on the financing of the property) or in section 1.141-7(f) of the Treasury Regulations (describing certain types of output contracts that while having the effect of transferring such benefits and burdens but nevertheless may be disregarded in evaluating private business use). As set forth above, for purposes of the preceding sentence, the Authority will treat proceeds of the Tax-Exempt 2020 Bonds as used ratably for the same purposes as were the proceeds of the Prior Issues and the Original Issue.

Except as would not cause any Tax-Exempt 2020 Bond to be a “private activity bond”, no portion of the Gross Proceeds will be used (directly or indirectly) for the acquisition of any interest in any Nongovernmental Output Property. As set forth above, for purposes of the preceding sentence, the City and the Authority will treat proceeds of the Tax-Exempt 2020 Bonds as used ratably for the same purposes as were the proceeds of the Prior Issue.

(d) No Private Loan. Except as would not cause any Tax-Exempt 2020 Bond to become a “private activity bond” within the meaning of section 141 of the Code and the Tax Regulations and rulings thereunder, the Authority and the City shall not use Gross Proceeds of any Tax-Exempt 2020 Bond to make or finance loans to any Nongovernmental Person. For purposes of the foregoing covenant, such Gross Proceeds are considered to be “loaned” to a person or entity if: (a) property acquired, constructed or improved with such Gross Proceeds is sold or leased to such person or entity in a transaction that creates a debt for federal income tax purposes; (b) capacity in or service from such property is committed to such person or entity under a take-or-pay, output or similar contract or arrangement; or (c) indirect benefits of such Gross Proceeds, or burdens and benefits of ownership of any property acquired, constructed or improved with such Gross Proceeds, are otherwise transferred in a transaction that is the economic equivalent of a loan.

(e) No Financing of Nongovernmental Output Property.

(f) Not to Invest at Higher Yield. Except as would not cause any Tax-Exempt 2020 Bond to become an “arbitrage bond” within the meaning of section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority and the City shall not at any time prior to the final maturity of the Tax-Exempt 2020 Bonds directly or indirectly invest Gross Proceeds in any Investment, if as a result of such investment the Yield of any Investment acquired with Gross Proceeds, whether then held or previously disposed of, would materially exceed the Yield of such Tax-Exempt 2020 Bond within the meaning of said section 148.

(g) Not Federally Guaranteed. Except to the extent permitted by section 149(b) of the Code and the Tax Regulations and rulings thereunder, the Authority and the City shall not take or omit to take any action that would cause any Tax-Exempt 2020 Bond to be “federally guaranteed” within the meaning of section 149(b) of the Code and the Tax Regulations and rulings thereunder.

(h) Information Report. The Authority shall timely file any information required by section 149(e) of the Code with respect to the Tax-Exempt 2020 Bonds with the Secretary of the Treasury on Form 8038-G or such other form and in such place as the Secretary may prescribe.

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

(i) The Authority and the City shall account for all Gross Proceeds (including all receipts, expenditures and investments thereof) on its books of account separately and apart from all other funds (and receipts, expenditures and investments thereof) and shall retain all records of accounting for at least six years after the day on which the last Tax-Exempt 2020 Bond is discharged. However, to the extent permitted by law, the Authority or the City may commingle Gross Proceeds of the Tax-Exempt 2020 Bonds with its other money, provided that the Authority or the City, as the case may be, separately accounts for each receipt and expenditure of Gross Proceeds and the obligations acquired therewith.

(ii) Not less frequently than each Computation Date, the Authority and the City shall calculate the Rebate Amount in accordance with rules set forth in section 148(f) of the Code and the Tax Regulations and rulings thereunder. The Authority and the City shall maintain a copy of the calculation with its official transcript of proceedings relating to the issuance of the Tax-Exempt 2020 Bonds until six years after the final Computation Date.

(iii) In order to assure the excludability of the interest on the Tax-Exempt 2020 Bonds from the gross income of the owners thereof for federal income tax purposes, the Authority and the City, jointly and severally but without duplication, shall pay to the United States the amount that when added to the future value of previous rebate payments made for the Tax-Exempt 2020 Bonds equals (A) in the case of a Final Computation Date as defined in section 1.148-3(e)(2) of the Tax Regulations, one hundred percent (100%) of the Rebate Amount on such date; and (B) in the case of any other Computation Date, ninety percent (90%) of the Rebate Amount on such date. In all cases, such rebate payments shall be made by the Authority or the City at the times and in the amounts as are or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder, and shall be accompanied by Form 8038-T or such other forms and information as is or may be required by section 148(f) of the Code and the Tax Regulations and rulings thereunder for execution and filing by the Authority or the City.

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

(j) Not to Divert Arbitrage Profits. Except to the extent permitted by section 148 of the Code and the Tax Regulations and rulings thereunder, the Authority shall not, at any time prior to the final maturity of the Tax-Exempt 2020 Bonds, enter into any transaction that reduces the amount required to be paid to the United States pursuant to paragraph (h) of this Section because such transaction results in a smaller profit or a larger loss than would have resulted if the transaction had been at arm's length and had the Yield on the Tax-Exempt 2020 Bonds not been relevant to either party.

(k) Tax-Exempt 2020 Bonds Not Hedge Bonds.

(i) The Authority and the City each represents that neither the Refunded Bonds nor any Tax-Exempt 2020 Bonds are or will become "hedge bonds" within the meaning of section 149(g) of the Code.

(ii) Without limitation of paragraph (i) above, with respect to the Tax-Exempt 2020 Bonds (or to that portion of the Tax-Exempt 2020 Bonds that is to be applied to the refunding of the Refunded Bonds), either: (A) (I) on the date of issuance of the Refunded Bonds, the Authority or the City reasonably expected that at least 85% of the spendable proceeds of the Refunded Bonds would be expended within the three-year period commencing on such date of issuance, and (II) no more than 50% of the proceeds of the Refunded Bonds were invested in Nonpurpose Investments having a substantially guaranteed yield for a period of four years or more; or (B) (I) the provisions of section 149(g) of the Code did not apply to the Refunded Bonds, (II) the average maturity of the refunding bonds is not later than that of the Refunded Bonds, and (III) the amount of the refunding bonds is not in excess of the amount of the Refunded Bonds.

(iii) For purposes of this paragraph (j), (A) "Refunded Bonds" shall refer to the bonds of any issue refunded or re-refunded (immediately or through multiple generations of prior issues) by the Tax-Exempt 2020 Bonds, (B) in applying paragraph (ii) above, "Refunded Bonds" shall refer only to bonds that are not refunding bonds, and (C) in applying clause (ii)(B) above, "refunding bonds" refers to, and said clause (ii)(B) has been applied separately to, each issue being refunded or re-refunded by the Tax-Exempt 2020 Bonds (and to the portion of each issue (treating such portion as a separate issue) to the extent such issue is being refunded or re-refunded by the Tax-Exempt 2020 Bonds) that was itself a refunding issue.

(l) Elections. The Authority hereby directs and authorizes any Authorized Authority Representative and the City hereby directs and authorizes any Authorized City Representative to make elections permitted or required pursuant to the provisions of the Code or the Tax Regulations, as such Authorized Authority Representative or Authorized City Representative (after consultation with Bond Counsel) deems necessary or appropriate in connection with the Tax-Exempt 2020 Bonds, in the Tax Certificate or similar or other appropriate certificate, form or document.

Section 6.05. Limits on Bonds and Obligations Secured by Surplus Revenues.

(a) After the Delivery Date, no Bond or Obligation shall be issued, incurred or delivered unless, at the initial delivery thereof, the Surplus Revenues calculated on sound accounting principles, as shown by the books of the City for each of the last two completed Fiscal Years prior to the adoption of the resolution approving the delivery of such Bonds or Obligations (as shown by an audit certificate or opinion of an independent certified public accountant or firm of certified public accountants employed by the City), plus, at the option of the City, the allowance for earnings hereinafter set forth in subparagraph (c) of this Section 6.05, shall have amounted to at least 1.25 times the Maximum Annual Qualified Obligation Service on all Qualified Obligations to be outstanding immediately subsequent to the initial delivery of such Bond or Obligation.

(b) Subparagraph (a) of this Section 6.05 notwithstanding, Bonds or Obligations may be issued to refund outstanding Qualified Obligations if, after giving effect to the application of the proceeds thereof, either (i) total Qualified Obligation Service will not be increased in any Fiscal Year in which Qualified Obligations (outstanding on the date of issuance or incurrence of such refunding Bonds or Obligations, but excluding such refunding Bonds or Obligations) not being refunded are outstanding, or (ii) the Surplus Revenues, calculated on sound accounting principles, as shown by the books of the City for each of the last two completed Fiscal Years prior to the adoption of the resolution approving the delivery of such Bonds or Obligations (as shown by an audit certificate or opinion of an independent certified public accountant or firm of certified public accountants employed by the City), plus, at the option of the City, the allowance for earnings hereinafter set forth in subparagraph (c) of this Section 6.05, shall have amounted to at least 1.25 times total Qualified Obligation Service in the Fiscal Year next succeeding the Fiscal Year in which such Bond or Obligation is initially delivered.

(c) The following may be added to the Surplus Revenues of the Electric System for the purpose of applying the restrictions contained in this Section 6.05:

An allowance for earnings arising from any increase in the charges made for service from the Electric System which has become effective prior to the initial delivery of such Bond or Obligation but which, during all or any part of said last two completed Fiscal Years, was not in effect, in an amount equal to 95% of the amount by which the Surplus Revenues would have been increased if such increase in charges had been in effect during the whole of said last two completed Fiscal Years, as shown by the certificate or opinion of an independent certified accountant or firm of certified public accountants employed by the City.

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

Section 6.06. Limits on Bonds and Obligations Secured by Distribution System Net Revenues.

(a) After the Delivery Date, no Bond or Obligation shall be issued, incurred or delivered unless, at the initial delivery thereof, the Distribution System Net Revenues determined pursuant to sound accounting principles, as shown by the books of the City for each of the last two completed Fiscal Years prior to the adoption of the resolution approving the delivery of such Bonds or Obligations (as shown by a certificate of the City), plus, at the option of the City, the allowance for earnings hereinafter set forth in subparagraph (c) of this Section 6.06, shall have amounted to at least 1.10 times the Maximum Annual Distribution System Service on all Distribution System Parity Obligations to be Outstanding immediately subsequent to the initial delivery of such Bond or Obligation. For purposes of this Section 6.06, the conversion of any Bonds or Obligations to a different interest rate mode shall be deemed a delivery of Bonds or Obligations.

(b) Subparagraph (a) of this Section 6.06 notwithstanding, Bonds or Obligations may be issued to refund Outstanding Distribution System Parity Obligations if, after giving effect to the application of the proceeds thereof, either (i) total Distribution System Service will not be increased in any Fiscal Year in which Distribution System Parity Obligations (Outstanding on the date of issuance or incurrence of such refunding Bonds or Obligations, but excluding such refunding Bonds or Obligations) not being refunded are Outstanding, or (ii) the Distribution System Net Revenues, calculated on sound accounting principles, as shown by the books of the City for each of the last two completed Fiscal Years prior to the adoption of the resolution approving the delivery of such Bonds or Obligations (as shown by a certificate of the City), plus, at the option of the City, the allowance for earnings hereinafter set forth in subparagraph (c) of this Section 6.06, shall have amounted to at least 1.10 times total Distribution System Service in the Fiscal Year next succeeding the Fiscal Year in which such Bond or Obligation is initially delivered.

(c) The following may be added to the Distribution System Net Revenues for the purpose of applying the restrictions contained in this Section 6.06:

An allowance for earnings arising from any increase in the charges made for service from the Distribution System which has become effective prior to the initial delivery of such Bond or Obligation but which, during all or any part of said last two completed Fiscal Years, was not in effect, in an amount equal to 95% of the amount by which the Distribution System Net Revenues would have been increased if such increase in charges had been in effect during the whole of said last two completed Fiscal Years, as shown by the certificate or opinion of an independent certified accountant or firm of certified public accountants employed by the City.

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

Section 6.07. Continuing Disclosure. The City hereby covenants and agrees that it will comply with and carry out all of its obligations under the Continuing Disclosure Agreement.

Notwithstanding any other provision of this Agreement, failure of the City to comply with the Continuing Disclosure Agreement shall not be considered an Event of Default; however, any Owner or Beneficial Owner or any Participating Underwriter (as defined in the Continuing Disclosure Agreement) may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City to comply with its obligations under this Section. For purposes of this Section, “Beneficial Owner” means any person which has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any 2020 Bonds (including persons holding 2020 Bonds through nominees, depositories or other intermediaries).

ARTICLE VII

MAINTENANCE AND INSURANCE

Section 7.01. Operation and Maintenance of the Electric System. The City covenants and agrees that it will operate and maintain the Electric System in accordance with all governmental laws, ordinances, approvals, rules, regulations and requirements including, without limitation, such zoning, sanitary, pollution and safety ordinances and laws and such rules and regulations thereunder as may be binding upon the City. The City further covenants and agrees that it will maintain and operate the Electric System and all engines, boilers, pumps, machinery, apparatus, fixtures, fittings and equipment of any kind in or that shall be placed in any building or structure now or hereafter at any time constituting part of the Electric System in good repair, working order and condition, and that it will from time to time make or cause to be made all necessary and proper replacements, repairs, renewals and improvements thereto.

Section 7.02. Insurance on Electric System.

(a) The City covenants that it shall at all times maintain with responsible insurers all such insurance on the Electric System as is customarily maintained by similar utilities systems with respect to works and properties of like character against accident to, loss of or damage to such works or properties and against loss of revenues. If any useful part of the Electric System shall be damaged or destroyed such part shall be restored to use. The money collected from insurance against accident, loss or damage shall be used for repairing or rebuilding the lost, damaged or destroyed works and properties, and to the extent not so applied, shall be applied: (i) prior to the Crossover Date, to the retirement of outstanding Senior Bonds and Qualified Obligations, and (ii) from and after the Crossover Date, to the retirement of Outstanding Distribution System Parity Obligations, and for such purposes paid into the appropriate funds or accounts. The money collected from any loss of revenues insurance shall be deposited in the Revenue Account.

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

Notwithstanding the foregoing, the City may provide any insurance required by this Section 7.02 through a self-insurance program or it may provide such insurance as part of any blanket coverages maintained by the City.

ARTICLE VIII

NON-LIABILITY OF AUTHORITY; EXPENSES, INDEMNIFICATION

Section 8.01. Non-Liability of Authority. The Authority shall not be obligated to pay 2020 Purchase Payments. Neither the faith and credit nor the taxing power of the City, the State or any political subdivision thereof is pledged to the payment of the principal, premium or interest with respect to the 2020 Bonds.

The City hereby agrees that if the payments to be made hereunder shall ever prove insufficient to pay all principal of, premium, if any, and interest on the 2020 Bonds as the same shall become due (whether at maturity, by redemption or otherwise), then upon notice from the Trustee, the City shall, subject to Section 5.04 hereof, pay such amounts as are required from time to time to prevent any deficiency or default in the payment of such principal, premium or interest, including but not limited to any deficiency caused by acts, omissions, nonfeasance or malfeasance on the part of the Trustee, the City, the Authority or any third party.

None of the City, the Trustee or the Owners shall have any right to compel the Authority to pay Principal Components or Interest Components of 2020 Purchase Payments or prepayment premiums with respect to the 2020 Bonds, if any, except in each case to the extent the Authority has received such amounts from the City.

Section 8.02. Expenses. The City covenants and agrees, to the extent permitted by law, to pay to indemnify, defend and hold harmless the Authority and the Trustee against all costs and charges, including reasonable fees of attorneys, accountants, consultants and other experts, incurred in connection with this Installment Purchase Agreement, the 2020 Bonds or the Indenture, except for such costs and charges arising from the negligence or willful misconduct of the Trustee, as the case may be.

Section 8.03. Indemnification.

(a) To the fullest extent permitted by law, the City agrees to indemnify, hold harmless and defend the Authority, the Trustee, and each of its respective past, present and future officers, members, directors, officials, employees, attorneys and agents (collectively, the “Indemnified Parties”), against any and all losses, damages, claims, actions, liabilities, costs and expenses of any conceivable nature, kind or character (including, without limitation, reasonable attorneys’ fees, litigation and court costs, amounts paid in settlement and amounts paid to discharge judgments) to which the Indemnified Parties, or any of them, may become subject under or any statutory law (including federal or state securities laws) or at common law or otherwise, arising out of or based upon or in any way relating to:

(i) the 2020 Bonds, the Indenture, the Installment Purchase Agreement or the Tax Certificate or the execution or amendment hereof or thereof or in connection with transactions contemplated hereby or thereby, including the issuance, sale or resale of the 2020 Bonds;

(ii) any act or omission of the City or any of its agents, contractors, servants, employees, tenants) or licensees in connection with the Electric System, the operation of

the Electric System, or the condition, environmental or otherwise, occupancy, use, possession, conduct or management of work done in or about, or from the planning, design, acquisition, installation or construction of, the Electric System or any part thereof;

(iii) any lien or charge upon payments by the City to the Authority and the Trustee hereunder, or any taxes (including, without limitation, all ad valorem taxes and sales taxes), assessments, impositions and other charges imposed on the Authority or the Trustee in respect of any portion of the Electric System;

(iv) any violation of any Environmental Regulations with respect to, or the release of any Hazardous Substances from, the Electric System or any part thereof;

(v) the defeasance and/or redemption, in whole or in part, of the 2020 Bonds;

(vi) any untrue statement or misleading statement or alleged untrue statement or alleged misleading statement of a material fact contained in any offering statement or disclosure or continuing disclosure document for the 2020 Bonds or any of the documents relating to the 2020 Bonds, or any omission or alleged omission from any offering statement or disclosure or continuing disclosure document for the 2020 Bonds of any material fact necessary to be stated therein in order to make the statements made therein, in the light of the circumstances under which they were made, not misleading;

(vii) any declaration of taxability of interest on the Tax-Exempt 2020 Bonds, or allegations that interest on the Tax-Exempt 2020 Bonds is taxable or any regulatory audit or inquiry regarding whether interest on the Tax-Exempt 2020 Bonds is taxable; or

(viii) the Trustee's acceptance or administration of the trust of the Indenture, or the exercise or performance of any of its powers or duties thereunder or under any of the documents relating to the 2020 Bonds to which it is a party;

(ix) except (a) in the case of the foregoing indemnification of the Trustee or any of its respective officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the negligence or willful misconduct of such Indemnified Party; or (b) in the case of the foregoing indemnification of the Authority or any of its officers, members, directors, officials, employees, attorneys and agents, to the extent such damages are caused by the willful misconduct of such Indemnified Party. In the event that any action or proceeding is brought against any Indemnified Party with respect to which indemnity may be sought hereunder, the City, upon written notice from the Indemnified Party, shall assume the investigation and defense thereof, including the employment of counsel selected by the Indemnified Party, and shall assume the payment of all expenses related thereto, with full power to litigate, compromise or settle the same in its sole discretion; provided that the Indemnified Party shall have the right to review and approve or disapprove any such compromise or settlement. Each Indemnified Party shall have the right to employ separate counsel in any such action or proceeding and participate in the investigation and defense thereof, and the City shall pay the reasonable fees and expenses of such separate counsel;

provided, however, that such Indemnified Party may only employ separate counsel at the expense of the City if in the judgment of such Indemnified Party a conflict of interest exists by reason of common representation or if all parties commonly represented do not agree as to the action (or inaction) of counsel.

(b) The rights of any persons to indemnity hereunder and rights to payment of fees and reimbursement of expenses pursuant to this Installment Purchase Agreement shall survive the final payment or defeasance of the 2020 Bonds and in the case of the Trustee any resignation or removal. The provisions of this Section shall survive the termination of this Installment Purchase Agreement.

Section 8.04. Survive Termination. Notwithstanding Section 5.07 hereof, the provisions of this Article shall survive payment in full of the 2020 Purchase Payments and the 2020 Bonds, the termination of the Indenture and the termination of this Installment Purchase Agreement and the resignation or removal of the Trustee.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01. Events of Default. Each of the following events shall be an “Event of Default”:

(a) If the City shall fail to pay in full any 2020 Purchase Payment, any Additional Purchase Payment or any other payment required to be paid hereunder at the time and in the manner specified herein;

(b) If the City shall fail to observe or perform any covenant, condition, agreement or provision in this Installment Purchase Agreement on its part to be observed or performed, other than as referred to in subsection (a) of this Section 9.01, or shall breach any warranty by the City herein contained, for a period of sixty (60) days after written notice, specifying such failure or breach and requesting that it be remedied, has been given to the City by the Authority or the Trustee; except that, if in the reasonable opinion of the City such failure or breach can be remedied but not within such sixty (60) day period and if the City has taken all action reasonably possible to remedy such failure or breach within such sixty (60) day period, such failure or breach shall not become an Event of Default for so long as the City shall diligently proceed to remedy it in accordance with and subject to any directions or limitations of time established by the Authority or the Trustee, as the case may be;

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

(d) If a court of competent jurisdiction shall enter an order, judgment or decree declaring the City as insolvent, or adjudging it bankrupt, or appointing a trustee or receiver of the

City or of the whole or any substantial part of the Distribution System or, prior to the Crossover Date, the Electric System, or approving a petition filed against the City seeking reorganization of the City under any applicable law or statute of the United States of America or any state thereof, and such order, judgment or decree shall not be vacated or set aside or stayed within sixty (60) days from the date of the entry thereof; or

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

Section 9.02. Remedies on Default. If an Event of Default specified in Section 9.01 hereof shall occur, then, and in each and every case during the continuance of such Event of Default:

(i) The Trustee shall, upon being indemnified to its satisfaction therefore, take whatever action, at law or in equity, as may appear necessary or desirable to collect the 2020 Purchase Payments, the Additional Purchase Payments and any other payments then due and thereafter to become due under this Installment Purchase Agreement or to enforce the performance and observance of any obligation, covenant, agreement or provision contained in this Installment Purchase Agreement; and

(ii) The Trustee shall, upon being indemnified to its satisfaction therefore, take whatever other legal action may appear necessary or desirable to enforce its rights and the rights of the Owners of the 2020 Bonds.

Section 9.03. Remedies Not Exclusive; No Waiver of Rights. No remedy herein conferred upon or reserved to the Authority or the Trustee is intended to be exclusive of any other available remedy or remedies, but each and every such remedy, to the extent permitted by law, shall be cumulative and shall be in addition to every other remedy given under this Installment Purchase Agreement or now or hereafter existing at law or in equity or otherwise. In order to entitle the Authority or the Trustee to exercise any remedy, to the extent permitted by law, reserved to it or contained in this Installment Purchase Agreement, it shall not be necessary to give any notice, other than such notice as may be herein expressly required. Such rights and remedies as are given to the Authority hereunder shall also extend to the Trustee, and the Trustee may exercise any rights under this Installment Purchase Agreement, and the Trustee and the Owners of the 2020 Bonds issued under the Indenture shall be deemed third party beneficiaries of all covenants and conditions herein contained.

No delay in exercising or omitting to exercise any right or power accruing upon any default shall impair any such right or power or shall be construed to be a waiver of any such default or an acquiescence therein, and every such right and power may be exercised from time to time and as often as may be deemed expedient.

Notwithstanding any other provision of this Installment Purchase Agreement, in no event shall the remedy of acceleration be available to the Authority, the Trustee or any other person,

and the Trustee is not empowered to sell the Electric System or any portion thereof and use the proceeds of such sale to make 2020 Purchase Payments.

Section 9.04. Expenses on Default. In the event the City should default under any of the provisions of this Installment Purchase Agreement and the Trustee should employ attorneys or incur other expenses for the collection of the payments due hereunder or the enforcement of performance or observance of any obligation on the part of the defaulting party herein contained, the City agrees that it will on demand therefor pay to the Trustee the reasonable fees of such attorneys and such other expenses so incurred by the Trustee.

Section 9.05. Notice of Default. The City agrees that, as soon as is practicable, and in any event within ten (10) days, the City will furnish the Trustee with notice of any event which is an Event of Default pursuant to Section 9.01 hereof which has occurred and is continuing on the date of such notice, which notice shall set forth the nature of such event and the action which the City proposes to take with respect thereto.

ARTICLE X

MISCELLANEOUS

Section 10.01. Further Assurances. The City agrees that it will execute and deliver any and all such further agreements, instruments, financing statements or other assurances as may be reasonably necessary or requested by the Authority or the Trustee to carry out the intention or to facilitate the performance of this Installment Purchase Agreement, including, without limitation, to perfect and continue the security interests herein intended to be created.

Section 10.02. Notices. All notices or communications herein required or permitted to be given shall be in writing and, if to the City, mailed or delivered to it as follows: City Clerk, City of Anaheim, 200 South Anaheim Boulevard, Anaheim, California 92805 and concurrently therewith, City of Anaheim, Public Utilities Department, 201 South Anaheim Boulevard, Anaheim, California 92805, Attention: Public Utilities General Manager; and, if to the Authority, mailed or delivered to it as follows: Anaheim Housing and Public Improvements Authority, 200 South Anaheim Boulevard, Anaheim, California 92805; and if to the Trustee, mailed or delivered to it as provided in the Indenture. A duplicate copy of each notice or communication given hereunder by either the Authority or the City to the other shall also be given to the Trustee. The Authority, the City and the Trustee may, by notice given hereunder, designate any further or different address to which subsequent notices, certificates and other communications shall be sent.

Section 10.03. Governing Law. This Agreement shall be construed in accordance with and governed by the Constitution and laws of the State.

Section 10.04. Binding Effect. This Agreement shall inure to the benefit of and shall be binding upon the Authority, the City and their respective successors and assigns, subject, however, to the limitations contained herein.

Section 10.05. Severability of Invalid Provisions. If any one or more of the provisions contained in this Installment Purchase Agreement shall for any reason be held to be invalid,

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

Section 10.06. Article and Section Headings and References. The headings or titles of the several Articles and Sections hereof, and any table of contents appended to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Installment Purchase Agreement. All references herein to “Articles,” “Sections” and other subsections are to the corresponding Articles, Sections or subsections of this Installment Purchase Agreement; the words “herein,” “hereof,” “hereby,” “hereunder” and other words of similar import refer to this Installment Purchase Agreement as a whole and not to any particular Article, Section or subsection hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

Section 10.07. Amendments. This Agreement may not be effectively amended, changed, modified, altered or terminated except by the written agreement of the City and the Authority and the concurring prior written consent of the Trustee, given in accordance with the provisions of the Indenture.

Section 10.08. Disclaimer of Warranties. The Authority makes no warranty or representation, either express or implied, as to the value, design, condition, merchantability or fitness for any particular purpose or fitness for the use contemplated by the City of the Distribution System Assets, or any portion thereof, or any other representation or warranty with respect to the Distribution System Assets, or any portion thereof. In no event shall the Authority be liable for incidental, indirect, special or consequential damages in connection with this Installment Purchase Agreement or the existence, furnishing or functioning of the Distribution System Assets, or the City’s or the Authority’s or any other person’s use of the Distribution System Assets, except such damages as may arise by reason of the Authority’s breach of this Installment Purchase Agreement.

Section 10.09. Claims; Warranties, etc. The Authority irrevocably appoints the City as its agent and attorney-in-fact, so long as the City shall not be in default hereunder, to assert from time to time whatever claims and rights, including warranties with respect to any portion of the Distribution System Assets, which the Authority may have against the manufacturer, supplier or contractor of such portion of the Distribution System Assets. As between the Authority and the City, the City’s sole remedy for the breach of any warranty, indemnification or representation shall be against the manufacturer, supplier or contractor of any portion of the Distribution System Assets, and not against the Authority, nor shall such matter have any effect whatsoever on the rights of the Authority with respect to this Installment Purchase Agreement, including the rights to receive full and timely payments hereunder. The City expressly acknowledges that neither the Authority nor the Trustee makes, or has made, any representation or warranty

whatsoever as to the existence or availability of such warranties of the manufacturer, supplier or contractor with respect to any item of the Distribution System Assets.

Section 10.10. Waiver of Personal Liability. No director, officer, agent or employee of the Authority or member, director, officer, agent or employee of the City shall be individually or personally liable for the payment of 2020 Purchase Payments or any other sum hereunder or be subject to any personal liability or accountability by reason of the execution and delivery of this Installment Purchase Agreement; but nothing herein contained shall relieve any such director, member, officer, agent or employee from the performance of any official duty provided by law or by this Installment Purchase Agreement.

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

Section 10.12. Assignment.

(a) Pursuant to Section 4.01 of the Indenture, the Authority has assigned for security purposes its right, title and interest in and to this Installment Purchase Agreement (other than its Unassigned Rights) to the Trustee, for the benefit of the owners from time to time of the 2020 Bonds. The City hereby consents to such assignment.

(b) The City shall not assign its interests in this Installment Purchase Agreement without the prior written consent of the Authority and the Trustee.

Section 10.13. Indenture. The City acknowledges having read the Indenture, approves the Indenture and agrees to perform all duties imposed on it by the Indenture. The City further agrees that 2020 Bond proceeds shall be applied as set forth in the Indenture. Insofar as any section of the Indenture imposes duties and responsibilities on the City it is specifically incorporated herein by reference.

[Remainder of This Page Intentionally Left Blank]

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

CITY OF ANAHEIM

By _____
Public Utilities Assistant General Manager
— Finance and Administration

ANAHEIM HOUSING AND PUBLIC
IMPROVEMENTS AUTHORITY

By _____
Treasurer

[City of Anaheim Electric Utility Distribution System Series 2020-A, Series 2020-B
and Series 2020-C]

Exhibit A

DESCRIPTION OF THE DISTRIBUTION SYSTEM ASSETS

At the Delivery Date, the Distribution System Assets consist of the following:

Exhibit B

**Schedule of 2020 Purchase Payments
Attributable to 2020-A Bonds**

<u>Purchase Payment Date</u> ⁽¹⁾	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total 2020-A Purchase Payments</u>
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**Purchase
Payment Date**⁽¹⁾

**Principal
Component**

**Interest
Component**

**Total 2020-A
Purchase
Payments**

(1) In accordance with Section 5.02 of the Installment Purchase Agreement, the 2020 Purchase Payments shall be payable semiannually on the third Business Day preceding each Purchase Payment Date.

**Schedule of 2020 Purchase Payments
Attributable to 2020-B Bonds**

<u>Purchase Payment Date</u> ⁽¹⁾	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total 2020-B Purchase Payments</u>
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(1) In accordance with Section 5.02 of the Installment Purchase Agreement, the 2020 Purchase Payments shall be payable semiannually on the third Business Day preceding each Purchase Payment Date.

**Schedule of 2020 Purchase Payments
Attributable to 2020-C Bonds**

<u>Purchase Payment Date</u> ⁽¹⁾	<u>Principal Component</u>	<u>Interest Component</u>	<u>Total 2020-C Purchase Payments</u>
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(1) In accordance with Section 5.02 of the Installment Purchase Agreement, the 2020 Purchase Payments shall be payable semiannually on the third Business Day preceding each Purchase Payment Date.