



MEMORANDUM

EUGENE WATER & ELECTRIC BOARD

Rely on us.

TO: Commissioners Simpson, Helgeson, Manning, Mital and Brown
FROM: Sue Fahey, Finance Manager; Susan Eicher, General Accounting Supervisor
DATE: July 25, 2016
SUBJECT: Resolution No. 1622 Requesting Electric Refunding Bond Sale Authorization and Resolution No. 1624 Authorizing Amendment and Restatement of the Electric Master Bond Resolution
OBJECTIVE: Approval of Resolutions No. 1622 and 1624

Issue:

Board approval is required to issue Electric Utility revenue refunding bonds to achieve interest savings. By refunding all or parts of the 2005, 2006, 2008 and 2011A bonds, the Electric Utility is expected to generate approximately \$10.7 million present value savings. The Electric Utility's current financial challenge is debt service coverage and refunding bonds at a lower interest rate will mitigate upward rate pressure.

With the upcoming Electric Utility bond refunding, EWEB has the opportunity to update and modernize the Master Electric Bond Resolution to include terms relating to financial products and structuring/bond security methods that didn't exist in 1986 when the current Master Electric System Bond Resolution was adopted. Staff worked with EWEB's bond and disclosure counsels, financial advisor and underwriter to update resolution language so that EWEB is provided enhanced flexibility while continuing to maintain strong credit worthy covenants indicative of a Utility that is well-managed, both financially and operationally.

Background:

At the June 7, 2016 Board meeting, Commissioners approved Resolution No. 1617 requesting City Council action on the issuance and sale of Electric Utility System Revenue Refunding Bonds, Series 2016. The City Council adopted Resolution No. 5162 at its July 11, 2016 meeting which authorized the sale of refunding bonds not to exceed \$156 million. After City Council authorization, the Board is required to approve a resolution authorizing the bond issuance. Resolution No. 1622 provides that authorization.

This bond issuance will be the largest in EWEB's history and after issuance, the 2016 bondholders will represent approximately 50% of the outstanding Electric Utility bonds. The 1986 Master Resolution allows for amendments if 50% of the bondholders consent. Accordingly, EWEB will be able to implement an amended and restated Master Resolution of which most provisions will become effective within the next year.

Certain financial mechanisms have been introduced over the past twenty years which were not contemplated and therefore not considered under the original Master Electric System Resolution. For example, the introduction of tax-credit bonds like Build America Bonds or Clean Renewable Energy Bonds which are taxable bonds that are sold with a federal subsidy payment that is then paid back to the issuer. The existing Master Electric System Resolution doesn't contemplate how to account for such subsidy payments as they relate to the Additional Bonds Test (the test that determines whether or not EWEB generates enough revenue to support additional debt), Rate Covenant (the covenant with bondholders that states EWEB will charge rates and charges in order to generate a Debt Service Ratio of 1.0x), or Reserve Fund Requirement (the additional source of reserve funds that are held by EWEB as required by bondholders) sections of the Resolution.

Many comparable bond market participants, similar in size and scope to that of EWEB, have been building Debt Service Reserve Fund ("DSRF") sizing flexibility. The current Electric Utility DSRF requirement is to fund an amount equal to average annual debt service for all Parity Bonds (Parity Bonds are those that have the same priority of claim against pledged revenues) outstanding. This level of funding has provided healthy liquidity balances that have helped maintain the high Electric Utility System bond ratings. Updates to the Master Resolution maintain this same level of funding for the Series 2016 Bonds, but provide additional flexibility for future Electric System Bonds whereby the DSRF requirement can be determined on a Series-by-Series basis. This additional flexibility allows EWEB to decide the DSRF liquidity funding level at the time of the future borrowing, whether it be higher or lower than the existing requirement, within the IRS tax-maximum calculation.

Discussion

The amendments EWEB is considering primarily focus on modernizing existing Resolution sections to include additional flexibility. Substantive changes include:

a) Annual Debt Service Definition

Discussion: The definition of "Annual Debt Service" is modified to take into account provisions related to Tax Credit Subsidy Payments, Variable Interest Rate Bonds, Balloon Indebtedness, Capital Appreciation Bonds and Derivative Products, among other things. Even though EWEB currently doesn't use any of these products, these provisions have all become standard in the municipal market over time and simply allow for the future use if deemed in EWEB's interest.

b) Treatment of Federal Subsidies

Discussion: Updates the resolution to include defined terms for "Tax Credit Subsidy Bond" and "Tax Credit Subsidy Payments." For purposes of calculating the Annual Debt Service amount, any tax subsidy payment would be credited against the annual total.

c) Series by Series Debt Service Reserve Requirement

Discussion: The current resolution reserve requirement calculates the requirement based on all outstanding Series of Bonds. An update to this requirement allows EWEB to determine and calculate the Reserve Requirement for each additional future Series of bonds at the time of issuance.

d) Reserve Account Instruments

Discussion: The definition of Reserve Account Instrument is updated to allow EWEB to purchase a Reserve Credit Facility if it meets certain ratings criteria (within the three highest rating categories of either Moody's or S&P), and then protects EWEB should the rating on the Reserve Credit Facility drop sometime after bond issuance and during the life of the policy by only requiring the Instrument to be within the three highest rating categories at the time of issuance.

e) Replenishment of Debt Service Reserve Account Requirement Procedures

Discussion: The current resolution does not contemplate the use of Reserve Credit Instruments in lieu of cash or bond proceeds as a source of funds for the Debt Service Reserve Account Requirement. As such, the existing master resolution does not contemplate the repayment or replenishment timeline should the value of those Reserve Credit Instruments drop resulting in an underfunded Debt Service Reserve Account. The 2016 Resolution states that EWEB will replenish the Reserve Account in equal monthly installments over a period of 18 months.

f) Operating Expenses

Discussion: The definition of operating expenses has been updated to include language on "Contract Resource Obligations." The designation of a Contract Resource Obligation as an operating expense allows EWEB to pay that obligation prior to payment of debt service on Parity Bonds. The definition also now excludes extraordinary, non-recurring and potentially volatile non-cash expenses. Additionally, changes in accounting principles which would have led to default under the debt service coverage requirement are also excluded.

g) Trojan Nuclear Project

Discussion: Since all Trojan bonds have been paid, references to Trojan and other related language have been removed.

h) Rate Stabilization Fund

Discussion: The 1986 resolution does not include rate stabilization fund language. The amendment specifies how to handle deposits and withdrawals to and from the rate stabilization fund in the debt service coverage calculation.

i) Determination of Certain Provisions to be Dictated by Future Supplemental Resolutions or a Board Certificate of Determination

Discussion: The updated resolution allows EWEB to dictate certain provisions on a Series-by-Series basis going forward through the use of Supplemental Resolutions or Certificates of Determination. These provisions include the use or non-use of a Trustee in holding the Bond Fund and/or other Funds as dictated by the Board, and optional redemption provisions and procedures.

j) Requirements for Issuance of Bonds

Discussion: The current resolution dictates that when additional bonds that are not refunding bonds are issued a certificate is required to be filed using one of two options:

- 1) Certificate signed by an authorized officer showing that the average of the net revenues of the electric system (less the debt service on the then outstanding Bonds) for any 24 month period out of the preceding (backwards looking) 36 months in which such new bonds are issued, were equal to not less than 1.20 times the average annual debt service on the Bonds including the debt service on the new bonds being issued; or

- 2) Certificate signed by a Consulting Engineer showing that debt service coverage of the subsequent (*forward looking*) five fiscal years for the then outstanding bonds, in addition to the new bonds being issued shall be at least equal to 1.35 times the Debt Service.

The 2016 Resolution modifies and coordinates these calculations to industry standards stating that Net Revenues for any 12 of the previous 24 months must equal 1.20 times of Maximum Annual Debt Service on all then outstanding bonds and the new bonds being considered. The calculation for the Professional Utility Consultant is also modified to be *backwards looking* over the same 12 out of 24 month period and allows certain net revenue adjustments.

Since the Amended and Restated Resolution is a complete rewrite, the 1986 Master Resolution is included for your reference.

Recommendation

Management recommends and requests approval of Supplemental Bond **Resolution No. 1622** authorizing and approving the issuance, sale and delivery of Electric Utility System Revenue Refunding Bonds Series 2016 and **Resolution No. 1624** approving the proposed updates to the Electric Utility System Master Bond Resolution.

Requested Board Action

Approval of Resolutions No. 1622 and 1624.

CITY OF EUGENE, OREGON
ACTING BY AND THROUGH THE EUGENE WATER & ELECTRIC BOARD
AMENDED AND RESTATED
ELECTRIC SYSTEM REVENUE BOND RESOLUTION

Adopted on August 2, 2016

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RESOLUTION NO. 1624

**A RESOLUTION AMENDING AND RESTATING THE ELECTRIC
UTILITY SYSTEM REVENUE BOND RESOLUTION ADOPTED
JUNE 16, 1986**

WHEREAS, the City of Eugene, Oregon (hereinafter referred to and defined as the “City”), acting by and through the Eugene Water & Electric Board (hereinafter referred to and defined as the “Board”), has previously adopted a Bond Resolution dated June 16, 1986 (hereinafter referred to and defined as the “1986 Resolution”) relating to the issuance of electric utility system revenue bonds by the City; and

WHEREAS, Section 10.2 of the 1986 Resolution provides that the 1986 Resolution may be amended for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of the 1986 Resolution, except as is provided therein, upon the consent of the Bondholders of not less than a majority of the Bonds then Outstanding; and

WHEREAS, the Board finds that it is in the best interest of the Board to amend and restate the 1986 Resolution to reflect changes in the market for electric utility revenue bonds.

**BE IT RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD OF THE
CITY OF EUGENE, OREGON AS FOLLOWS:**

Section 1. Definitions. The following words shall have the following definitions:

“Acquired Obligations” means those United States Treasury Certificates of Indebtedness, Notes, and Bonds--State and Local Government Series and other Government Obligations purchased to accomplish the defeasance or refunding of any Bonds.

“Annual Debt Service” means, for any Fiscal Year, an amount equal to:

- (A) the interest accruing during such Fiscal Year on all Outstanding Bonds less Tax Credit Subsidy Payments and excluding interest to be paid from the proceeds of sale of such Bonds or other obligations of the Board; and
- (B) the principal of all Outstanding Serial Bonds due in such Fiscal Year; and
- (C) the Sinking Fund Installments, if any, scheduled for all Outstanding Term Bonds for such Fiscal Year.

In the case of Variable Interest Rate Bonds, interest on Variable Interest Rate Bonds shall be calculated, unless otherwise stated in a Supplemental Resolution, at the rate applicable at the time of computation.

In the case of Balloon Indebtedness, it shall be assumed that the principal of such Balloon Indebtedness, together with interest thereon at the rate applicable to such Balloon Indebtedness, shall be amortized in equal annual installments over a term equal to the least of (1) 30 years from the date of issue or (2) the average weighted useful life (expressed in years and rounded to the

next highest integer) of the properties and assets constituting the project (if any) financed out of the proceeds of such Balloon Indebtedness.

In the case of Capital Appreciation Bonds, the principal and interest portions of the Compounded Amount becoming due at maturity, or by virtue of a mandatory sinking fund deposit, shall be included in the calculation of accrued and unpaid and accruing interest on principal in such manner as is specified in the Supplemental Resolution authorizing such Series of Bonds.

Debt service on Bonds with respect to which a parity Derivative Product is in force shall be based on the net economic effect expected to be produced by the terms of the Bonds and the terms of the Derivative Product.

“Annual Financial Statements” means the annual, audited financial statements of the Board opined on by an independent firm of certified public accountants.

“Authorized Representative” means the officer of the Board appointed pursuant to Section 17 of this Bond Resolution to serve as the Board’s designated representative in accordance with Oregon Revised Statutes 287A.300.

“Average Annual Debt Service” means the amount determined by dividing (a) the sum of all interest, principal and Sinking Fund Installments of Outstanding Bonds from the date of determination to the last maturity of such Bonds by (b) the number of Fiscal Years remaining from the date of determination to the last maturity of such Bonds.

“Balloon Indebtedness” means any Series or maturity of Bonds that are specifically designated in a Supplemental Resolution or Certificate of Determination as “Balloon Indebtedness.” The principal amount maturing on any date shall be the amount of Bonds scheduled to be amortized by prepayment or redemption prior to their stated maturity date.

“Base Period” has the meaning assigned to such term in Section 7.02(B)(ii).

“Board” means the Eugene Water & Electric Board of the City of Eugene Oregon, acting on behalf of the City, or if said Board shall be abolished, the person, board, body, commission or agency succeeding to the principal functions thereof or to which the powers and duties granted or imposed by this Bond Resolution shall be given by any law including the Charter of the City or any ordinance or resolution of the City Council.

“Bond Fund” means the Electric Revenue Bond Fund referenced in Section 2.02.

“Bond Register” means the books or records maintained by the Bond Registrar containing the name and mailing address of the Bondholder of each Bond and the principal amount and number of each of the Bonds held by each Bondholder.

“Bond Registrar” means U.S. Bank National Association, Portland, Oregon, whose duties include registering and authenticating the Bonds, maintaining the Bond Register, transferring

ownership of the Bonds, and serving as paying agent for the principal of and interest on the Bonds, and its successors and assigns.

“Bond Resolution” means this Amended and Restated Electric Utility System Bond Resolution No. 1624 adopted by the Commission on August 2, 2016.

“Bondholder” or “Owner” means the Bondholder of any Bond.

“Bondholders’ Trustee” means the Trustee; provided, however, if no Trustee is appointed, the trustee appointed by the Bondholders pursuant to Section 13.02.

“Bonds” means Electric System Revenue Bonds of the City acting by and through the Board issued pursuant to and under the 1986 Resolution and pursuant to and under the authority of Section 7.

“Business Day” means any day except a Saturday, a Sunday, a legal holiday, a day on which the offices of banks in Oregon or New York are authorized or required by law or executive order to remain closed, or a day on which the New York Stock Exchange is closed.

“Capital Appreciation Bonds” means Bonds that provide the payment of interest only at maturity or at a specified time or times prior to maturity or upon earlier redemption. The principal of any such Capital Appreciation Bonds shall be deemed to be their Compounded Amount for all purposes of this Bond Resolution, including, without limiting the generality of the foregoing, for purposes of determining the Reserve Requirement, coverage test of Section 10.02, issuance of Bonds test of Section 7, and any consents by Bondholders.

“Certificate of Determination” means the certificate of the Authorized Representative with the final terms of a Series of Bonds, which may include a bond purchase contract in the case of a negotiated sale.

“Code” means the Internal Revenue Code of 1986, as amended, together with corresponding and applicable regulations and revenue rulings issued or amended with respect thereto by the United States Treasury Department or the Internal Revenue Service, to the extent applicable to any tax-exempt or tax advantaged Bonds.

“Commission” means the Board of Commissioners of the Board.

“Compounded Amount” shall mean as of any date of computation, the principal amount of any Capital Appreciation Bond plus the interest accrued on such Bond compounded on the interest payment dates and at the rate provided in the applicable Supplemental Resolution to such date of computation.

“Construction Fund” shall mean any Construction Fund created pursuant to Section 2.03 hereof.

“Contract Resource Obligation” means an obligation of the Electric System to pay the following costs, whether or not Power and Services are available to the Electric System in return for such payment:

(A) costs associated with generation, transmission, distribution or telecommunication and related facilities (including any common undivided interest therein) hereafter acquired, purchased or constructed by the Board and declared by the Board to be a separate utility system, which costs shall include but not be limited to costs of normal operation and maintenance, renewals and replacements, additions and betterments and debt service on the bonds or other obligations of such separate electric utility system, or

(B) costs associated with the purchase of Power and Services under a contract.

“Defeased Bonds” shall have the meaning assigned to such term in Section 12.

“Derivative Payment Date” means any date specified in the Derivative Product on which a Derivative Product Payment is due and payable under the Derivative Product.

“Derivative Product” means a written contract or agreement between the Board and a third party that has (or whose obligations are unconditionally guaranteed by a party that has) (as of the date of the Derivative Product) at least an investment grade rating from a rating agency (the “Reciprocal Payor”) (provided, however, that if the Board’s Bonds are rated by Moody’s and S&P, such party shall have a rating by Moody’s and S&P at least as high as that of the Bonds), which provides that the Board’s obligations thereunder will be conditioned on the performance by the Reciprocal Payor of its obligations under the agreement, and

(A) under which the Board is obligated to pay, on one or more scheduled and specified Derivative Payment Dates, the Derivative Product Payments in exchange for the Reciprocal Payor’s obligation to pay or to cause to be paid to the Board, on scheduled and specified Derivative Payment Dates, the Reciprocal Payments;

(B) for which the Board’s obligations to make Derivative Product Payments may be secured by a pledge of and lien on the Revenues on an equal and ratable basis with the Outstanding Bonds;

(C) under which Reciprocal Payments are to be made directly into the Bond Fund;

(D) for which the Derivative Product Payments are either specified to be one or more fixed amounts or are determined as provided by the Derivative Product; and

(E) for which the Reciprocal Payments are either specified to be one or more fixed amounts or are determined as set forth in the Derivative Product.

“Derivative Product Payment” means any payment (designated as such by a Supplemental Resolution) required to be made by or on behalf of the Board under a Derivative Product and which is determined according to a formula set forth in the Derivative Product.

“DTC” means The Depository Trust Company of New York, as depository for the Bonds, or any successor or substitute depository for the Bonds.

“Electric System” means the electric utility properties, rights and assets, real and personal, tangible and intangible, now owned and/or operated by the Board in the generation,

transmission, distribution and sale of electric energy and the business incidental thereto, telecommunication facilities, and all properties, rights and assets, real and personal, tangible and intangible, hereafter constructed or acquired by the Board as additions, betterments, improvements or extensions to those electric utility properties, rights and assets, but shall not include the Trojan Facility and any generation, transmission and distribution facilities that may hereafter be purchased, constructed or otherwise acquired by the Board and declared by the Board to be a separate utility system not financed from Revenues except as a Contract Resource Obligation or except on a basis junior and inferior to the lien on Revenues pledged to secure the Bonds, the revenue of which separate utility system may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand such separate utility system. The Board may, by resolution, elect to combine with and include as a part of the Electric System any other separate electric utility system of the Board, if full provision for the payment or defeasance of any outstanding indebtedness of such separate system shall first have been made in a manner similar to that set forth in Section 12.

“Event of Default” means any of those events described as Events of Default in Section 13.

“Fiscal Year” means the fiscal year used by the Board at any time. At the time of the adoption of this Bond Resolution, the Fiscal Year is the 12-month period beginning January 1 of each year.

“GAAP” means generally accepted accounting principles which are the general guidelines and principles, standards and detailed rules, plus industry practices that exist for financial reporting.

“Government Obligations” means direct and general obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America.

“Investment Securities” means any investments that may be authorized by State law from time to time for Board funds.

“Letter of Representations” means the Blanket Letter of Representations from the Board to DTC.

“Maximum Annual Debt Service” means, on the date of calculation, the maximum amount of Annual Debt Service due in the current Fiscal Year or which will become due in any future Fiscal Year.

“Maximum Interest Rate” means a numerical rate of interest, which shall be set forth in the applicable Supplemental Resolution, which shall be the maximum rate of interest such Bonds may at any time bear.

“Moody’s” means Moody’s Investors Service, Inc., or its comparably recognized business successor.

“MSRB” means the Municipal Securities Rulemaking Board or any successor to its functions.

“Net Revenues” means, for any period, the excess of Revenues over Operating Expenses for such period, excluding from the computation of Revenues (i) any profit or loss derived from the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets of the Electric System, or resulting from the early extinguishment of debt; or (ii) insurance and condemnation proceeds (other than proceeds of insurance intended to replace lost revenues).

“Operating Expenses” means all operation and maintenance expenses included in the Annual Financial Statements (except as described in the next sentence) and shall include, without limiting the generality of the foregoing, (i) costs of purchased power, (ii) all Contract Resource Obligations upon satisfaction of the requirements of Section 9.02, (iii) payments by the Board for services rendered to the electric utility by other systems of the Board, and (iv) taxes paid to third parties. Operating Expenses shall not include any extraordinary, nonrecurring expenses, any non-cash pension expenses, any non-cash expenses related to the marking to market of financial or energy-related contracts, any costs or expenses for new construction, interest, amortization, replacements or renewals, any allowance for depreciation or any taxes or payments in lieu of taxes upon the properties or earnings of the Electric System.

“Outstanding” means, when used in connection with Bonds, means all Bonds except:

- (i) Bonds which have been paid, or which have been cancelled or delivered to the Board or Bond Registrar for cancellation after purchase by the Board;
- (ii) Bonds which have been defeased pursuant to Section 12; and
- (iii) Bonds in substitution for which other Bonds have been issued or delivered.

“Power and Services” means energy, capacity, reserves and services.

“Power Revenue Fund” means the “Electric System Power Revenue Fund” referenced in Section 2.01.

“Professional Utility Consultant” means an independent person or firm selected by the Board and having a favorable reputation for skill and experience with electric systems of comparable size and character to the Electric System for the purposes for which they are retained.

“Qualified Insurance” means any non-cancellable municipal bond insurance policy or surety bond issued in connection with a Series of Bonds by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), which insurance company or companies, as of the time of issuance of such policy or surety bond, is rated in one of the three highest rating categories by Moody’s, if Moody’s is then maintaining a rating on the Bonds, or S&P, if S&P is then maintaining a rating on the Bonds, or by either Moody’s or S&P if neither Moody’s nor S&P is then maintaining a rating on the Bonds.

“Qualified Letter of Credit” means any irrevocable letter of credit issued by an institution in connection with a Series of Bonds, which institution maintains an office, agency or branch in the United States and, as of the time of issuance of such letter of credit, is currently rated in one of the three highest rating categories by Moody’s, if Moody’s is then maintaining a rating on the Bonds, or S&P, if S&P is then maintaining a rating on the Bonds, or by either Moody’s or S&P if neither Moody’s nor S&P is then maintaining a rating on the Bonds.

“Rate Stabilization Account” has the meaning assigned to such term in Section 2.01.

“Reciprocal Payment” means any payment (designated as such by a Supplemental Resolution) to be made to, or for the benefit of, the Board under a Derivative Product by the Reciprocal Payor.

“Reciprocal Payor” means a party to a Derivative Product that is obligated to make one or more Reciprocal Payments thereunder.

“Reimbursement Obligation” has the meaning assigned to such term in Section 7.03.

“Reserve Account” means the account of that name in the Bond Fund.

“Reserve Account Instrument” means a Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement facility obtained by the Board to satisfy the Reserve Requirement for the Bonds which, as of the time of issuance of such equivalent credit enhancement facility, is rated in one of the three highest rating categories by Moody’s, if Moody’s is then maintaining a rating on the Bonds, or S&P, if S&P is then maintaining a rating on the Bonds, or by either Moody’s or S&P if neither Moody’s nor S&P is then maintaining a rating on the Bonds.

“Reserve Account Instrument Provider” means the issuer of a Reserve Account Instrument.

“Reserve Requirement” means, as of the date of computation, an amount equal to the least of (i) the Average Annual Debt Service on all Outstanding Bonds secured by the Reserve Account, (ii) 10% of the proceeds on their date of issuance of each Series of Bonds then Outstanding and secured by the Reserve Account, or (iii) the Maximum Annual Debt Service on the Outstanding Bonds secured by the Reserve Account. The Supplemental Resolution authorizing Bonds may provide that such Bonds are secured by the Reserve Account or establish a separate reserve account and set the reserve requirement for such Bonds, which requirement may be zero. The Reserve Requirement shall be calculated at least annually on the first Business Day of each Fiscal Year, on each date any amounts are withdrawn from the Reserve Account and upon issuance of a Series of Bonds.

“Revenues” means all income (including investment income except as excluded below), receipts, revenues, connection charges and Tax Credit Subsidy Payments received by the Board through the ownership and/or operation of the Electric System, including, but not limited to, any income derived by the Board through the ownership and operation of any facilities that may hereafter be purchased, constructed or otherwise acquired and operated by the Board as a separate utility system, which income is available after meeting all requirements of the

obligations of such separate system and is paid into the Power Revenue Fund. Revenues shall not include bond proceeds, grants, gifts, investment income or other money restricted to a particular purpose inconsistent with its use for the payment of debt service, including investment income derived pursuant to a plan of debt refunding or defeasance unless and until paid into the Power Revenue Fund.

“Rule” means the SEC’s Rule 15c2-12 under the Securities and Exchange Act of 1934, as the same may be amended from time to time.

“S&P” means S&P Global Rating, or its comparably recognized business successor.

“Securities Depository” means, initially, The Depository Trust Company, New York, New York, and its successors and assigns.

“Serial Bond” means any Bond other than a Term Bond.

“Series” means any series of Bonds.

“Sinking Fund Installment” means, for any Fiscal Year, the amount, if any, required to be deposited in the Bond Fund in such Fiscal Year to redeem (either during that Fiscal Year or at a later date) principal of Term Bonds, which amount is designated in the Supplemental Resolution(s) or Certificate of Determination authorizing the issuance of such Bonds as a Sinking Fund Installment.

“Supplemental Resolution” means any resolution adopted by the Commission pursuant to and in compliance with the provisions of Section 7 hereof providing for the issuance of Bonds, and shall also mean any other resolution adopted by the Commission pursuant to and in compliance with the provisions of Section 14 hereof amending or supplementing the provisions of this Bond Resolution.

“Tax Credit Subsidy Bond” means any Bond that is designated by the Board as a Tax Credit Subsidy Bond, pursuant to Section 54AA of the Code or any similar taxable tax credit bond program, and which is further designated by the Board as a “qualified bond” with respect to which the Board is eligible to receive a tax credit payable by the United States Treasury to the Board under Section 6431 or a similar provision of the Code.

“Tax Credit Subsidy Payments” means those amounts which the Board is scheduled to receive from the United States Treasury in respect of any bonds issued as Tax Credit Subsidy Bonds.

“Term Bonds” means any Bonds designated as Term Bonds in a Supplemental Resolution or Certificate of Determination.

“Treasurer” means the Treasurer of the Board or, if the Board should have no Treasurer, the Chief Financial Officer of the Board.

“Trojan Facility” means the Trojan Nuclear Power Plant in Rainier, Oregon and for which no bonds are Outstanding.

“Trustee” means U.S. Bank National Association, as trustee, and its successors and assigns.

“Undertaking” has the meaning assigned to such term in Section 15.

“Variable Interest Rate” means a variable interest rate or rates to be borne by a Series of Bonds or any one or more maturities within a Series of such Bonds. The method of computing such variable interest rate shall be specified in the Supplemental Resolution authorizing the issuance of such Bonds. The Supplemental Resolution or Certificate of Determination shall also specify either (i) the particular period or periods of time or manner of determining such period or periods of time for which each value of such variable interest rate shall remain in effect or (ii) the time or times upon which any change in such variable interest rate shall become effective.

“Variable Interest Rate Bonds” means, for any period of time, Bonds which during such period bear a Variable Interest Rate, except that Bonds the interest rate on which shall have been fixed for the remainder of the term thereof shall no longer be deemed to be Variable Interest Rate Bonds.

Section 2. Funds and Accounts.

2.01 Power Revenue Fund. The Power Revenue Fund shall continue to be held and maintained by the Board as long as any Bonds are Outstanding. Except as otherwise provided herein, the Board pledges to pay all Revenues into the Power Revenue Fund, out of which fund shall be paid, in the following order of priority:

- (A) the Operating Expenses when due;
- (B) the amounts required to be paid into the Bond Fund for interest payments on the Bonds and in the event the Board has entered into any Derivative Product on a parity of lien with the Bonds, to make any regularly scheduled Derivative Product Payments adjusted by any regularly scheduled Reciprocal Payments (provided, however, that termination payments with respect to any Derivative Product shall not rank on a parity of lien with the Bonds);
- (C) the amounts required to be paid into the Bond Fund for principal payments on the Bonds and the amounts, if any, required to be paid into the Bond Fund as Sinking Fund Installments;
- (D) the amounts required to be paid into the Reserve Account in the Bond Fund and to make all payments to reimburse principal and/or interest payments required to be made pursuant to a reimbursement or other agreement in connection with a Reserve Account Instrument;
- (E) the amounts required to pay debt service on any obligations of the Board having a lien on the Revenues subordinate to that of the Bonds; and
- (F) the amounts required for any other lawful purpose of the Board including, without limitation, payment into the Bond Fund to retire Bonds in advance of their maturities and deposits to the Rate Stabilization Account.

Nothing contained in this Section 2.01 shall be construed to require the deposit into the Power Revenue Fund of any of the revenue, income, receipts or other money of the Board derived by the Board through the ownership or operation of any separate utility system hereafter created or established from funds other than the proceeds of Bonds.

The Board has created a Rate Stabilization Account (the "Rate Stabilization Account") within the Power Revenue Fund. For purposes of calculating the coverage requirement in Section 10.02 and the issuance of Bonds test in Section 7.02, there may be added to Net Revenues collected in any year any amount withdrawn from the Rate Stabilization Account in such year and deposited into the Power Revenue Fund and there shall be subtracted from Net Revenues collected in any year any amount withdrawn from the Power Revenue Fund and deposited into the Rate Stabilization Account in such year. Credits to or from the Rate Stabilization Account may be posted within 180 days after the end of a Fiscal Year consistent with normal Board accounting practices and procedures. Such credits to or from the Rate Stabilization Account must pertain to activities occurring within that Fiscal Year.

2.02 Bond Fund.

(A) The Bond Fund shall be held and maintained by the Board or the Trustee for as long as any Bonds are Outstanding and shall be used solely for the purpose of paying the principal of and premium, if any, and interest on the Bonds in the manner provided in the Supplemental Resolution or Certificate of Determination authorizing such Bonds. The Bond Fund shall continue to be held by the Trustee until the Commission determines that it be held by the Board.

(B) As long as any of the Bonds are Outstanding, the Board covenants to set aside and to pay into the Bond Fund out of the Net Revenues and Bond proceeds, if any, certain fixed amounts without regard to any fixed proportion, namely, amounts sufficient, together with other money legally available and to be used therefor, as follows:

(i) the accrued interest, if any, received upon the delivery of the Bonds, and out of the Revenues first available therefor on or before an interest payment date, the amount necessary to pay the interest due on the Bonds;

(ii) capitalized interest, if any, received upon delivery of the Bonds;

(iii) out of the Revenues first available therefor after making the deposit for interest on the Bonds, on or before the principal payment date or redemption date the amount necessary to pay principal and premium, if any, on the Bonds on that principal payment date;

(iv) out of the Revenues first available therefor after making the deposit for interest on the Bonds, on or before the day a Sinking Fund Installment(s) is due, the amount equal to the Sinking Fund Installments due; and

(v) into the Reserve Account of the Bond Fund, the Reserve Requirement for any Series of Bonds secured by the Reserve Account, subject to the provisions of Section 2.02(C) below.

The Board hereby authorizes the Authorized Representative to establish additional accounts to be created in the Bond Fund and to determine the timing and amounts of deposits into such additional accounts.

(C) The Board covenants that it will at all times maintain the Reserve Account at the Reserve Requirement until there is a sufficient amount in the Bond Fund to pay the principal of, premium, if any, and interest on all then Outstanding Bonds. The specific amounts covered by a Reserve Account Instrument for any Bonds shall be credited against the amounts required to be maintained in the Reserve Account to satisfy the Reserve Requirement for such Bonds. If at any time the amount of money on deposit in the Reserve Account and the amount available to be drawn under Reserve Account Instruments, if any, is less than the Reserve Requirement, the Board shall make deposits to the Reserve Account or reimburse the Reserve Account Instrument Provider, as the case may be, within an 18 month period in amounts sufficient to bring the balance of the Reserve Account and the amount available to be drawn under the Reserve Account Instrument to the Reserve Requirement.

The Supplemental Resolution authorizing any Bonds may establish a separate debt service reserve account for any such Bonds and set forth the reserve account requirement for such Bonds or provide that some or all of such Bonds be secured by the Reserve Account.

(D) In the event of any expiration or termination of a Reserve Account Instrument, the Reserve Requirement for those Bonds for which such instrument was issued shall be funded with money, Investment Securities or a new Reserve Account Instrument within six months of the date of such expiration or termination.

(E) In the event there shall be a deficiency in the Bond Fund or any of its accounts created after the date of this Bond Resolution, to meet maturing installments of interest on, principal of or Sinking Fund Installments for the Bonds Outstanding, such deficiency shall be made up from the Reserve Account by the withdrawal of cash or investments therefrom or, if and to the extent applicable, from amounts drawn under a Reserve Account Instrument satisfying all or a portion of the Reserve Requirement, in sufficient amount to make up the deficiency. Any deficiency created in the Reserve Account or in the amounts available under the Reserve Account Instrument by reason of any such withdrawal or draw, as the case may be, shall then be made up from the Revenues first available therefor after making necessary provision for the required payments into the Bond Fund and any other account in the Bond Fund created hereafter for the accumulation of Sinking Fund Installments.

(F) If a Series of Bonds is secured by the Reserve Account, the Board shall not issue Bonds without providing for the full funding of the Reserve Account at the Reserve Requirement for those Bonds pursuant to this Section 2.02, either (a) by the contribution of proceeds of the Bonds proposed to be issued or of other money of the Board at the time of delivery of those Bonds, (b) by the provision of a Reserve Account Instrument at the time of delivery of those Bonds, or (c) by the accumulation, in five approximately equal annual installments, of amounts in the Reserve Account necessary to satisfy the Reserve Requirement for those Bonds within five years of their date of issuance.

(G) The cash and Investment Securities in the Reserve Account may be used to pay the last principal of and premium, if any, and interest on any Bonds remaining to be paid.

(H) At such time as the Reserve Requirement is less than the amount of cash and Investment Securities in the Reserve Account, the Reserve Account may be reduced to the amount of the Reserve Requirement by withdrawing the amount of money or Investment Securities from the Reserve Account necessary to make that reduction and depositing that money or those Investment Securities in the Power Revenue Fund.

2.03 Construction Fund.

The Supplemental Resolution providing for the issuance of any Series of Bonds (exclusive of refunding Bonds) may create and establish a separate fund known as the “_____Construction Fund” or such other designation as may be appropriate (the blank to be completed with a designation describing the project or other corporate use or purpose for which the Bonds are issued) to pay the cost of acquisition and construction of an electric power project or to pay the costs of such other corporate use or purpose as shall be specified in such Supplemental Resolution. The Construction Fund may be held by the Board or the Trustee for the benefit of the Bondholders of the Bonds, pending application thereof.

2.04 Investment Earnings in the Bond Fund. All money in the Bond Fund and any account in the Bond Fund shall be invested and reinvested to the fullest extent practicable in Investment Securities. The Treasurer may, and to the extent required for payments from an account in the Bond Fund shall, sell any such Investment Securities at any time, and except as otherwise provided below the proceeds of such sale, and of all payments at maturity and upon redemption of such investments, shall be deposited in the account from which the money to acquire such investments was obtained. Earnings on any such investment of money in the Bond Fund shall be deposited in the Bond Fund to be credited against the deposits next required by Section 2.02 to be made into that fund or, at the option of the Board, in the Power Revenue Fund. Interest earned on any investment of money in the Reserve Account shall be deposited in the Reserve Account until the Reserve Requirement for the Bonds has been satisfied, and then credited as provided above or, at the option of the Board, in the Power Revenue Fund. Interest earned on any such investment of money in any other account in the Bond Fund shall be deposited as required by the Supplemental Resolution under which that account was created.

2.05 Valuation of Investment Securities in Reserve Account. In calculating the value of Investment Securities held in the Reserve Account for the purpose of determining whether the balance in the Reserve Account equals the Reserve Requirement, Investment Securities shall be valued according to GAAP. Valuation of Investment Securities in the Reserve Account shall occur annually and immediately upon a withdrawal from the Reserve Account.

Section 3. Form of Bonds and Pledge of Revenues. The Bonds shall be in substantially the form approved by the Authorized Representative.

The Bonds are payable solely from and secured by the funds pledged therefor. There are hereby pledged as security for the payment of the principal of, premium, if any, and interest on the Bonds in accordance with their terms and the provisions of this Bond Resolution (i) the

proceeds of the sale of the Bonds, excluding those deposited into an escrow account, pending application thereof in accordance with the provisions hereof or of a Supplemental Resolution, (ii) the Revenues, and (iii) all funds and accounts maintained by this Bond Resolution, including investments, if any, therefor but excluding any separate reserve account pledged solely to a Series of Bonds; and the Bondholders shall have a lien on such proceeds, Revenues, and funds and accounts for such purpose and subject to such provisions of this Bond Resolution.

The Bonds of each Series issued hereunder and under the 1986 Resolution shall be equally and ratably payable and secured thereunder without priority by reason of the date of adoption of the 1986 Resolution, this Bond Resolution or the Supplemental Resolution providing for their issuance or by reason of their Series, number or date, date of issue, execution, authentication or sale thereof, or otherwise.

The principal of, premium, if any, and interest on the Bond shall not be payable from any funds of the City or the Board other than the Bond Fund nor shall the Bonds constitute a general obligation or full faith and credit obligation of the Board, or of the City, or create a charge upon the tax revenues of the City, or property of the Board, except the Revenues and other moneys and securities pledged under this Bond Resolution. Neither the full faith and credit nor the taxing power of the State of Oregon or of any political subdivision thereof are pledged for the payment of the principal of, premium, if any, or interest on the Bonds, and no Bondholder of the Bonds shall have the right to compel the exercise of the taxing power of the State of Oregon or any political subdivision thereof in connection with the Bonds.

Section 4. Registration and Transfer of Bonds.

4.01 Registration of Bonds. Each Bond shall be issued only in registered form as to both principal and interest and the ownership of each Bond shall be recorded on the Bond Register.

4.02 Bond Registrar; Duties. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the Board at all times. The Bond Registrar is authorized, on behalf of the Board, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this Bond Resolution, to serve as the Board's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this Bond Resolution. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become a Bondholder with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as members of, or in any other capacity with respect to, any committee formed to protect the rights of Bondholders.

4.03 Bond Register; Transfer and Exchange. The Bond Register shall contain the name and mailing address of each Bondholder and the principal amount and number of each Bond held by each Bondholder. A Bond surrendered to the Bond Registrar may be exchanged for a Bond or Bonds in any authorized denomination of an equal aggregate principal amount and of the same Series, interest rate and maturity. A Bond may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall

be without cost to the Bondholder or transferee. The Bond Registrar shall not be obligated to exchange any Bond or transfer ownership during the period between the applicable record date set forth in a Supplemental Resolution and the next upcoming interest payment or redemption date.

4.04 Securities Depository; Book-Entry Only Form. Unless provided otherwise in the Supplemental Resolution authorizing a Series of Bonds, the provisions regarding book-entry shall be governed as provided in this Section. If a Bond is to be issued in book-entry form, DTC shall be appointed as initial Securities Depository and each such Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the Board; or (iii) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the Board, the Board may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and the Board does not appoint a substitute Securities Depository, or (ii) the Board terminates the services of the Securities Depository, the Bonds no longer shall be held in book-entry only form and the Ownership of each Bond may be transferred to any person as provided in this Bond Resolution.

Neither the Board nor the Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the Board nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Bondholder except such notice as is required to be given by the Bond Registrar to the Securities Depository.

Section 5. Execution of Bonds. The Bonds shall be executed on behalf of the Board by the manual or facsimile signature of the President or Vice President and Treasurer or Assistant Treasurer of the Board and attested by the manual or facsimile signature of the Secretary or Assistant Secretary, either or all of whose signatures may be manual or in facsimile. The seal of the Board or a facsimile reproduction thereof may be impressed or printed thereon. Only Bonds bearing a Certificate of Authentication manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this Bond Resolution. The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this Bond Resolution.

If any officer whose signature appears on the Bonds ceases to be an officer of the Board authorized to sign Bonds before the Bonds bearing his or her signature are authenticated or delivered by the Bond Registrar or issued by the Board, those Bonds nevertheless may be authenticated, issued and delivered and, when authenticated, issued and delivered, shall be as binding on the Board as though that person had continued to be an officer of the Board authorized to sign Bonds. Any Bond also may be signed on behalf of the Board by any person

who, on the actual date of signing of the Bond, is an officer of the Board authorized to sign Bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Section 6. Use of Proceeds of Bonds. Unless provided otherwise in the Supplemental Resolution or a Certificate of Determination authorizing a Series of Bonds, the proceeds of the Bonds shall be deposited as follows:

- (1) accrued interest, if any, shall be deposited to the Bond Fund;
- (2) the amount necessary to fund the Reserve Requirement shall be deposited into the Reserve Account;
- (3) the amount necessary to carry out any refunding plan shall be deposited into an escrow account; and
- (4) any remaining proceeds shall be deposited into the Construction Fund and used to finance any project or purpose and pay costs of issuance of the Series of Bonds.

Section 7. Issuance of Bonds.

7.01 Authorization of Bonds. Before any Bonds shall be issued the Commission shall adopt a Supplemental Resolution authorizing such Bonds, fixing the amount and the details thereof, describing the purpose or purposes for which such Bonds are to be issued. In addition, such Supplemental Resolution shall specify the Maximum Interest Rate for such Bonds, and the provisions, if any, as to the calculation or change in the mode of a Variable Interest Rate Bond. The Bonds of each such Series shall be designated by such name, shall be in such denominations, shall be dated, shall bear interest at a rate or rates (including Variable Interest Rates) not exceeding the Maximum Interest Rate set forth in the Supplemental Resolution, shall be payable, as to principal, premium, if any, and interest, on such dates and at such place or places, shall be made redeemable at such times and prices, and shall be numbered as may be provided by the Supplemental Resolution or Certificate of Determination.

7.02 Requirements for Issuance of Bonds.

(A) Bonds may be issued payable from the Bond Fund on a parity of lien on the money deposited therein with the Bonds theretofore issued and secured by an equal charge and lien on Revenues, for any lawful purpose of the Board related to the Electric System on the conditions that, (a) except for Bonds issued pursuant to subsection 7.02(C), at the time of the issuance of such Bonds there is no deficiency in the Bond Fund and no Event of Default has occurred and is continuing and (b) the requirements of the applicable provisions of this Section 7.02 are complied with.

(B) Bonds may be issued for any lawful purpose of the Board related to the Electric System, including, but not limited to, the acquisition of land or an interest in land, acquiring, constructing and installing additions, betterments and improvements to and extensions of, acquiring necessary equipment for, or making necessary renewals, replacements or repairs and capital improvements to the Electric System, including the provision of funds necessary to complete any such undertaking, if there shall be on file with the Board either:

(i) a certificate of the Treasurer stating that Net Revenues in any 12 consecutive months out of the most recent 24 months preceding the authentication and delivery of the Bonds then proposed to be issued, as determined from the financial statements of the Electric System, were not less than 120% of Maximum Annual Debt Service on all then Outstanding Bonds and the Bonds then proposed to be issued, or

(ii) a certificate of a Professional Utility Consultant stating that the Net Revenues for any 12 consecutive months out of the most recent 24 months preceding the dated date of the Bonds proposed to be issued, as determined from the financial statements of the Electric System, adjusted as described below, shall be equal to at least 120% of Maximum Annual Debt Service, as estimated by the Professional Utility Consultant in accordance with subsection 7.02(E). The Net Revenues for the 12 month period selected by the Professional Utility Consultant (the “Base Period”) may be adjusted:

(a) to reflect any changes in Net Revenues for the Base Period that would have occurred if the schedule of rates and charges in effect at the time of the computation (or approved by the Board as of the time of such computation and to become effective within six months thereof) had been in effect during the portion of the Base Period in which such schedule was not in effect;

(b) to reflect a full 12 months of Net Revenues from any customers of the Electric System added prior to the computation date; and

(c) to reflect any changes in Net Revenues estimated as a result of, and upon completion of, any facilities under construction or to be acquired, constructed or installed as a part of the Electric System from the proceeds of any Bonds.

(C) Bonds also may be issued from time to time for the purpose of providing funds, with any other available funds, for retiring at or prior to their maturity or maturities any or all of the then Outstanding Bonds of any Series or any Reimbursement Obligation made pursuant to Section 7.03, including the payment of any redemption premium thereon, and, if deemed necessary by the Board, for paying the interest to accrue thereon to the date fixed for their retirement and any expenses incident to the issuance of such Bonds.

Bonds issued under this subsection 7.02(C) shall not be delivered unless the proceeds (excluding any accrued interest but including any premium) of such Bonds, together with any other money which has been made available for such purposes, and the principal of and the interest on the investment of such proceeds or any such money, shall be sufficient to pay the principal of and the redemption premium, if any, on the Bonds to be refunded and the interest which will become due and payable at the date of their payment or redemption, and the expenses incident to the issuance of such Bonds.

If such Bonds are to be issued under this subsection 7.02(C), there shall be filed with the Board a certificate signed by the Treasurer showing that the Annual Debt Service in any Fiscal Year thereafter shall not be increased by more than \$5,000 by reason of the issuance of the

Bonds, or there shall be filed with the Board either of the certificates required by subsection 7.02(B).

(D) In rendering any certificate under this Section 7, the Professional Utility Consultant may rely upon, and such certificate shall have attached thereto, financial statements of the Electric System, certified by the Treasurer, showing income and expenses for the period upon which the same are based and a balance sheet as of the end of such period, or similar statements by an independent certified public accountant.

(E) In estimating the Maximum Annual Debt Service for any certificate required to be delivered by it pursuant to subsection 7.02(B) or Section 9.02, the Professional Utility Consultant shall include the Annual Debt Service on all Bonds estimated to be Outstanding during each such Fiscal Year including the Bonds to be issued.

7.03 Reimbursement Obligations. In the event that the Board elects to meet the Reserve Requirement of Section 2.02 with respect to any Bonds through the use of a Reserve Account Instrument, the Board may contract with the Reserve Account Instrument Provider that the Board's Reimbursement Obligation, if any, to such entity ranks on a parity lien with the Bonds.

In the event that the Board elects additionally to secure any issue of Bonds through the use of a letter of credit, insurance or other credit enhancement device, the Board may contract with the entity providing such letter of credit, insurance or other credit enhancement device that the Board's Reimbursement Obligation for principal and interest on such Bonds, if any, to such entity ranks on a parity of lien with the Bonds.

7.04 Refunding Bonds and Subordinate Lien Bonds. Nothing contained herein shall prevent the Board from refunding at one time all of the Bonds then Outstanding. Nothing contained herein shall prevent the Board from issuing obligations with a lien on the Revenues that is subordinate to that of the Bonds. Any subordinate lien obligation shall not be subject to acceleration.

7.05 Derivative Products. The following shall be conditions precedent to the use of any Derivative Product on a parity with the Bonds under this Bond Resolution:

(A) General Parity Tests. The Derivative Product must satisfy the requirements for issuance of Bonds described in Section 7.02 of this Bond Resolution taking into consideration regularly scheduled Derivative Product Payments and regularly scheduled Reciprocal Payments under the Derivative Product (without regard to any termination payments).

(B) Opinion of Bond Counsel. The Board shall obtain an opinion of Bond Counsel on the due authorization and execution of such Derivative Product, the validity and enforceability thereof and opining that the action proposed to be taken is authorized or permitted by the applicable provisions of any Supplemental Resolution and will not adversely affect the excludability for federal income tax purposes of the interest on any Outstanding Series of Bonds issued as tax-exempt.

(C) Payments. Each Derivative Product shall set forth the manner in which the Derivative Product Payments and Reciprocal Payments are to be calculated and a schedule of Derivative Payment Dates.

(D) Supplemental Resolutions to Govern Derivative Products. Prior to entering into a Derivative Product, the Board shall adopt a Supplemental Resolution, which shall:

(i) establish general provisions for the rights of providers of Derivative Products; and

(ii) set forth such other matters as the Board deems necessary or desirable in connection with the management of Derivative Products as are not clearly inconsistent with the provisions of this Bond Resolution.

Section 8. Redemption Provisions and Purchase of Bonds.

8.01 Optional Redemption. The Bonds may be subject to redemption at the option of the Board on terms acceptable to the Authorized Representative, as set forth in the Supplemental Resolution or the Certificate of Determination.

8.02 Mandatory Redemption. Each Bond that is designated as a Term Bond in the Supplemental Resolution or Certificate of Determination, except as set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the dates and in the amounts as set forth in the Supplemental Resolution or Certificate of Determination. If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the Board and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The Authorized Representative shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

8.03 Selection of Bonds for Redemption; Partial Redemption. Unless otherwise provided in the Supplemental Resolution or Certificate of Determination, if fewer than all of the Outstanding Bonds are to be redeemed at the option of the Board, the Board shall select the Series and maturities to be redeemed. If fewer than all of the Outstanding Bonds of a maturity of a Series are to be redeemed, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Bond Registrar shall select all other Bonds to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any authorized denomination. If less than all of the Outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Bondholder, without charge, a new Bond (or Bonds, at the option of the Bondholder) of the same Series, maturity and interest rate in any authorized denomination in the aggregate principal amount to remain Outstanding.

8.04 Notice of Redemption. Unless provided otherwise in the Supplemental Resolution authorizing a Series of Bonds, notice of redemption shall be given as provided in this Section. Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Bondholder, shall be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Bondholder at the address appearing on the Bond Register on the record date set forth in the Supplemental Resolution or Certificate of Determination. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by a Bondholder.

8.05 Rescission of Optional Redemption Notice. In the case of an optional redemption, the notice of redemption may state that the Board retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Bondholders at any time prior to the scheduled optional redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of optional redemption has been rescinded shall remain Outstanding.

8.06 Effect of Redemption. Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in an escrow account established to refund or defease the Bond.

8.07 Purchase of Bonds. The Board reserves the right to purchase any or all of the Bonds offered to the Board at any time at any price acceptable to the Board plus accrued interest to the date of purchase.

Section 9. Separate Systems and Contract Resource Obligations.

9.01 Creation of Separate Systems. The Board is authorized to create, acquire, construct, own and operate one or more additional electric utility systems for the purpose of generating, transmitting or distributing electric energy, telecommunication facilities and businesses incidental thereto. The Board may declare any such system to be a separate utility system not financed from Revenues except as a Contract Resource Obligation or except on a basis junior and inferior to the lien on Revenues pledged to secure the Bonds, the revenue of which separate utility system may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand such separate utility system. The costs associated with any such separate utility system may, upon declaration of the Board, constitute a Contract Resource Obligation, and, upon compliance with the provisions of Section 9.02, constitute Operating Expenses of the Electric System regardless of whether power is delivered or capable of being delivered from the project.

9.02 Contract Resource Obligations as Operating Expenses. A Contract Resource Obligation may be included in the Electric System's Operating Expenses if the following requirements are met:

- (A) No Event of Default has occurred and is continuing.

(B) There shall be on file with the Board a certificate of the Professional Utility Consultant stating that the annual Net Revenues for each of the full Fiscal Years in the period specified in the next sentence, as such Net Revenues are estimated by the Professional Utility Consultant in accordance with Section 7.02(B), shall be equal to at least 120% of Maximum Annual Debt Service, as estimated by the Professional Utility Consultant in accordance with Section 7.02(B). The period for the determination of annual Net Revenues shall be the period beginning with the first Fiscal Year following the earliest of (a) the date to which interest is capitalized, (b) the date of initial operation of the facilities to be financed, or (c) in the case of an existing facility, the date of acquisition thereof, and ending with the fifth full Fiscal Year after such date.

(C) There shall be on file with the Board an opinion of the Professional Utility Consultant to the effect stated in subparagraph (i) below if the Contract Resource Obligation is to be used to supply Power and Services or to the effect stated in subparagraph (ii) below if the Contract Resource Obligation is to be used to supply transmission capability:

(i) Acquisition of the additional source of Power and Services from such Contract Resource Obligation is sound from a power supply planning standpoint and is technically and economically feasible in accordance with prudent utility practice and the estimated cost of such Contract Resource Obligation is reasonable.

(ii) The transmission capability to be acquired pursuant to the Contract Resource Obligation will be necessary within a reasonable time after the estimated date of commercial operation of the transmission facilities and the estimated cost of such Contract Resource Obligation is reasonable.

(D) The Contract Resource Obligation shall not be subject to acceleration.

Section 10. Covenants to Secure the Bonds. The Board covenants and agrees with each Bondholder as follows:

10.01 Rates. The Board shall establish, maintain and collect rates and charges for electric energy and other facilities, services and commodities sold, furnished or supplied by the Board which shall be nondiscriminatory and adequate to provide Revenues sufficient for the payment of the principal of and interest on the Bonds and all payments which the Board is obligated to set aside in the Bond Fund or to make as reimbursements under a Reserve Account Instrument, Operating Expenses, and all necessary repairs, replacements and renewals of the Electric System, for the working capital necessary for the operation thereof and for the payment of any and all amounts which the Board may now or hereafter become obligated to pay from Revenues.

10.02 Coverage.

(A) The Board also shall establish, maintain and collect rates and charges which shall be adequate to provide, in each Fiscal Year, Net Revenues, together with any transfers from the Rate Stabilization Account pursuant to Section 2.01 hereof, in an amount equal to at least 1.00 times the Annual Debt Service on all Outstanding Bonds.

(B) Within 60 days after the end of each Fiscal Year, the Board covenants to determine whether it complied with Section 10.02(A).

(C) Failure to collect Net Revenues sufficient to comply with Section 10.02(A) shall not constitute an Event of Default if:

i. within 30 days after it discovers noncompliance, the Board employs a Professional Utility Consultant which recommends changes in the Board's rates;

ii. within 120 days after employment, the Professional Utility Consultant recommends rate changes which are estimated by the Professional Utility Consultant to produce Revenues sufficient (once the rates recommended by the Professional Utility Consultant have been imposed by the Board) to comply with Section 10.02(A) in the Fiscal Year in which the recommendation is made; and

iii. within 45 days after it receives the Professional Utility Consultant's recommendations, the Board imposes rates at least as high as those recommended by such Professional Utility Consultant.

The calculation of the coverage requirement set forth above and the Board's compliance therewith, may be made solely with reference to this Bond Resolution without regard to future changes in GAAP. If the Board has changed one or more of the accounting principles used in the preparation of its Annual Financial Statements, because of a change in GAAP or otherwise, then an event of default relating to this coverage requirement shall not be considered an Event of Default if the coverage requirement ratio would have been complied with had the Board continued to use those accounting principles employed at the date of the most recent Annual Financial Statements prior to the date of this resolution.

10.03 Restrictions on Contracting Obligations Secured by Revenues.

(A) Except as provided in Section 9.02, the Board shall not hereafter create any other special fund or funds for the payment of revenue bonds, warrants or other revenue obligations, or issue any bonds, warrants or other obligations or create any additional indebtedness that will rank prior to the charge and lien on the Revenues or properties of the Electric System created herein to secure the payment of the principal of and interest on the Bonds.

(B) The Board shall not hereafter create any other special fund or funds for the payment of revenue bonds, warrants or other revenue obligations, or issue any bonds, warrants or other obligations or create any additional indebtedness that will rank on a parity with the charge and lien on the Revenues or properties of the Electric System for the payments into the Bond Fund, except as provided in Section 7.

10.04 Preservation of Electric System. The Board shall at all times maintain, preserve and keep the Electric System and all additions and betterments thereto and extensions thereof and every part and parcel thereof, except for any portion thereof that is no longer used, useful or necessary, in good repair, working order and condition, and will from time to time make all necessary and proper repairs, renewals, replacements, extensions and betterments thereto so that

at all times the business carried on in connection therewith shall be properly and advantageously conducted, and the Board shall at all times operate such properties and the business in connection therewith in an efficient manner and at reasonable cost.

10.05 Not to Sell Electric System. The Board shall not sell or otherwise dispose of all of the properties of the Electric System, except as herein provided, unless simultaneously with such sale or other disposition of such property provision is made for the payment of money into the Bond Fund in an amount sufficient to pay the principal of and interest on all Bonds then Outstanding, and the premium, if any, upon the retirement thereof, in full. The Board shall not sell or otherwise dispose of any part of the properties of the Electric System having a value greater than 5% of the total value of all properties of the Electric System (unless the same are no longer used, useful or necessary in the operation of the Electric System) unless provision is made for payment into the Bond Fund of an amount which will be in at least the same proportion to the amount of the Bonds payable out of the Bond Fund then Outstanding that the Net Revenues from the portion of the properties of the Electric System sold or disposed of that is available for debt service on such bonds Outstanding for the 12 months preceding such sale or disposition bears to the Net Revenues available for such debt service for the same period. Unless deposited in the Bond Fund as directed above or to make up any deficiency in that fund, the proceeds of any sale or disposition of a portion of the properties of the Electric System shall be paid into the Power Revenue Fund, and shall, at the option of the Board, be used for repairs, renewals, replacements or capital additions to the Electric System, for the retirement of Bonds prior to the maturity thereof by purchase or by call for redemption or for any other lawful purpose of the Board.

10.06 Insurance. The Board shall either self-insure or participate in an insurance pool in such manner and to such extent as the Board shall determine to be necessary and appropriate or, to the extent that insurance coverage is available, in the opinion of the Board, at reasonable cost with responsible insurers, keep the Electric System and the operation thereof insured, with policies payable to the Board, against the risks of direct physical loss, damage to or destruction of the Electric System or any part thereof, and against accidents, casualties or negligence, including liability insurance and employers' liability, at least to the extent that similar insurance or self-insurance is usually carried or maintained by utilities operating like properties. The cost of such self-insurance or membership in such insurance pool and the premiums on such insurance policies are declared to be normal Operating Expenses.

In the event of any loss or damage to property of the Electric System so insured, (i) the Board will promptly repair or replace the damaged portion of the insured property and apply the proceeds of any insurance policy for that purpose or (ii) in the event that the Board should determine not to repair or reconstruct such damaged portion of the properties of the Electric System, the proceeds of such insurance, to the extent available for such purpose, shall be paid into the Bond Fund to the extent that such transfer shall be necessary to make up any deficiency in that fund and the balance, if any, shall be deposited in the Power Revenue Fund and, at the option of the Board, shall be used either for repairs, renewals, replacements or capital additions to the Electric System or for the purchase, payment or redemption of Bonds.

10.07 Books and Records. The Board shall keep proper books of account using GAAP. The Board shall cause its books of account to be audited by an independent certified public accountant. Any Bondholder may obtain at the office of the Board copies of the Annual

Financial Statements of the Board. The Board shall permit the Bond Trustee to review the books and records pertaining to the Electric System at reasonable times upon reasonable notice and shall permit such Bond Trustee to make copies thereof.

10.08 Not to Provide Free Electricity. Except as permitted by State law, the Board shall not furnish or supply or permit the furnishing or supplying of electric energy or any other commodity, service or facility furnished by or in connection with the operation of the Electric System, free of charge to any person, firm or corporation, public or private, so long as any Bonds are Outstanding and unpaid. The Board will promptly enforce, to the extent allowed by law, the payment of any and all accounts owing to the Board and delinquent, by discontinuing service, or by filing legal suits, actions and proceedings, or both. Notwithstanding the foregoing, the Board may lend money and may provide commodities, services or facilities free of charge or at a reduced charge in connection with a plan adopted by the Board of low income assistance, conservation of electric energy, economic development or customer infrastructure.

10.09 To Make Only Economically Sound Improvements. The Board shall not spend any money in the Power Revenue Fund or the proceeds of any obligations for any renewals, replacements, extensions, betterments or improvements to the Electric System that are not economically sound or that will not properly and advantageously contribute to the conduct of the business of the Board in an efficient and economical manner. The foregoing shall not preclude the Board from paying any legal or contractual obligations.

10.10 Tax Covenants. The Board covenants that it will take all actions necessary to prevent interest on any Series of Bonds issued as tax-exempt from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the tax-exempt Series of Bonds or other funds of the Board treated as proceeds of the tax-exempt Bonds that will cause interest on the Bonds issued as tax-exempt to be included in gross income for federal income tax purposes. The Board also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Series of Bonds issued as tax-exempt, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Series of Bonds issued as tax-exempt.

Section 11. Bond Trustee

11.01 Duties, Immunities and Liabilities of Bond Trustee.

(A) The Bond Trustee shall perform such duties and only such duties as are specifically set forth in this Bond Resolution and, except to the extent required by law, no implied covenants or obligations shall be read into this Bond Resolution against the Bond Trustee.

(B) The Board may remove any Bond Trustee at any time, upon 15 days' prior notice, unless an Event of Default shall have occurred and then be continuing, and shall remove the Bond Trustee if at any time requested to do so by an instrument or concurrent instruments in writing signed by the Bondholders of not less than a majority in aggregate principal amount of the Bonds then Outstanding (or their attorneys duly authorized in writing) or if at any time the Bond Trustee shall cease to be eligible in accordance with subsection (E) of this Section, or shall

become incapable of acting, or shall be adjudged bankrupt or insolvent, or a receiver of the Bond Trustee or its property shall be appointed, or any public officer shall take control or charge of the Bond Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Bond Trustee, and thereupon shall appoint a successor Bond Trustee by an instrument in writing. The Board or any Bondholder may at any time petition any court of competent jurisdiction for the removal for cause of the Bond Trustee.

(C) Any Bond Trustee may at any time resign by giving written notice of such resignation to the Board and by giving the Bondholders notice of such resignation by mail at the addresses shown on the registration books maintained by the Bond Trustee. Upon receiving such notice of resignation, the Board may appoint a successor Bond Trustee by an instrument in writing or hold the Bond Fund itself.

(D) Any Bond Trustee shall be a bank or trust company organized under the law of the State of Oregon or the State of New York or a national banking association. In case at any time any Bond Trustee shall cease to be eligible in accordance with the provisions of this subsection (E), the Bond Trustee shall resign immediately.

11.02 Right of Bond Trustee to Rely on Documents. The Bond Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, statement, requisition, facsimile transmission, electronic mail, report, opinion, bond or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

Whenever in the administration of the trusts imposed upon it by this Bond Resolution the Bond Trustee shall deem it necessary or desirable that a matter be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate of the Board, and such certificate shall be full warrant to the Bond Trustee for any action taken or suffered in good faith under the provisions of this Bond Resolution in reliance upon such certificate, but in its discretion the Bond Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as to it may deem reasonable.

The Bond Trustee agrees to accept and act upon instructions or directions pursuant to this Bond Resolution sent by unsecured e-mail, facsimile transmission or other similar unsecured electronic methods; provided, however, that, the Bond Trustee shall have received an incumbency certificate listing persons designated to give such instructions or directions and containing specimen signatures of such designated persons, which such incumbency certificate shall be amended and replaced whenever a person is to be added or deleted from the listing.

11.03 Compensation

The Board shall pay to the Bond Trustee compensation for all services rendered under this Bond Resolution pursuant to a separate agreement and fee schedule approved by the Authorized Representative.

Section 12. Refunding and Defeasance of Bonds. In the event the Board shall issue refunding bonds pursuant to the laws of the State of Oregon or have money available from any other lawful source to pay the principal of and interest on the Bonds or such portion thereof included in a refunding or defeasance plan as the same become due and payable and to refund or defease such then Outstanding Bonds and to pay the costs of refunding, and shall have (a) irrevocably set aside in a special fund (hereinafter called the “escrow account”) for and pledged to such payment and refunding or defeasance money and/or noncallable Acquired Obligations sufficient in amount, together with known earned income from the investments thereof, to make such payments and to accomplish the refunding or defeasance as scheduled, (b) delivered a report of a firm of independent certified public accountants, or in the case of a gross funded current refunding, a certificate of the underwriter or financial advisor, verifying the sufficiency of the funds deposited to the escrow account; (c) filed with the escrow agent an opinion of nationally recognized bond counsel that the proposed defeasance will not cause interest on the defeased Bonds to be includable in gross income under the Code; and (d) made irrevocable provision for redemption of such Bonds, then in that case all right and interest of the Bondholders of the Bonds to be so retired or refunded (hereinafter called “Defeased Bonds”) in the covenants of this Bond Resolution, in the Revenues and in funds and accounts obligated to the payment of such Bonds shall thereafter cease and become void, except that such Bondholders shall have the right to receive payment of the principal of and interest on the defeased Bonds from the escrow account and, in the event the funds in the escrow account are not available for such payment, shall have the right to receive payment of the principal of, premium, if any, and interest on the defeased Bonds from the Revenues without any priority of lien or charge against those Revenues, funds and accounts or covenants with respect thereto except to be paid therefrom. After the establishment and full funding of such escrow account, the Board may then apply any money in other funds or accounts established for the payment or redemption of the defeased Bonds to such lawful purposes as it shall determine, subject only to the rights of the Bondholders of any other Bonds then Outstanding. Any money remaining in the escrow account after payment in full of all Bonds to be paid therefrom shall be deposited in the Power Revenue Fund.

Defeased Bonds shall not be considered Outstanding and shall not be included for any purpose in determining compliance with any provision of this Resolution.

Section 13. Defaults and Remedies.

13.01 Events of Default. The Board finds and determines that the continuous operation of the Electric System and the collection, deposit and disbursement of the Revenues in the manner provided in this Bond Resolution are essential to the payment and security of the Bonds, and the failure or refusal of the Board to perform the covenants and obligations contained in this Bond Resolution will endanger the necessary continuous operation of the Electric System and the application of the Revenues to the purposes set forth in this Bond Resolution.

The Board covenants and agrees with the purchasers and Bondholders from time to time of the Bonds, in order to protect and safeguard the covenants and obligations undertaken by the Board securing such Bonds, that the following shall constitute Events of Default:

(A) If default shall be made in the due and punctual payment of the principal of, interest on, or premium, if any, on any of the Bonds when the same shall become due and payable, whether on an interest payment date, principal payment date, at maturity or by proceedings for redemption or otherwise;

(B) If the Board shall fail to provide for any Sinking Fund Installment required by any Supplemental Resolution authorizing the issuance of Bonds;

(C) If an order, judgment or decree shall be entered by any court of competent jurisdiction: (i) appointing a receiver, trustee or liquidator for the Board or the whole or any substantial part of the Electric System; (ii) approving a petition filed against the Board seeking the bankruptcy, arrangement or reorganization of the Board under any applicable law of the United States or the State of Oregon; or (iii) assuming custody or control of the Board or of the whole or any substantial part of the Electric System under the provisions of any other law for the relief or aid of debtors and such order, judgment or decree shall not be vacated or set aside or stayed (or, in the case custody or control is assumed by such order, such custody or control shall not be otherwise terminated) within 60 days from the date of the entry of such order, judgment or decree; or

(D) If the Board shall default in the observance and performance of any other of the covenants, conditions and agreements on the part of the Board contained in this Bond Resolution or any covenants, conditions or agreements on the part of the Board contained in any Supplemental Resolution authorizing the issuance of Bonds and such default or defaults shall have continued for a period of 90 days after the Board shall have received from the Bond Trustee or from the Bondholders of not less than 20% in principal amount of the Bonds Outstanding a written notice specifying and demanding the cure of such default. For purposes of determining if an Event of Default has occurred and is continuing, if the coverage requirement set forth in Section 10.02 is met for any Fiscal Year it shall be deemed to have been met for all prior Fiscal Years.

13.02 Bondholders' Trustee to Represent Bondholders. Upon the occurrence and continuance of an Event of Default and if a Trustee has not been appointed pursuant to this Bond Resolution, a Bondholders' Trustee may be appointed by the Bondholders of 50% in principal amount of the Bonds then Outstanding, by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys in fact duly authorized and delivered to such Bondholders' Trustee, with notification thereof being given to the Trustee and the Board. Any Bondholders' Trustee appointed under the provisions of this Section 13.02 shall be a bank or trust company organized under the laws of the State of Oregon or the State of New York or a national banking association. The fees and expenses of the Bondholders' Trustee shall be borne by the Bondholders and not by the Board. The bank or trust company acting as Bondholders' Trustee may be removed at any time, and a successor Bondholders' Trustee may be appointed, by the Bondholders of a majority in principal amount of the Parity Bonds by an instrument or concurrent instruments in writing signed and acknowledged by such Bondholders or by their attorneys in fact duly authorized.

The Bondholders' Trustee appointed in the manner provided in this Section 13.02, and each successor thereto, is declared to be a trustee for the Bondholders of all of the Bonds and is

empowered to exercise all of the rights and powers herein conferred on the Bondholders' Trustee.

The Bondholders' Trustee is appointed for the purpose of exercising and prosecuting on their behalf such rights and remedies as may be available to such Bondholders under the provisions of the Bonds, this Bond Resolution, any Supplemental Resolution and applicable provisions of any law. Upon the occurrence and continuance of an Event of Default or other occasion giving rise to a right in the Bondholders' Trustee to represent the Bondholders, the Bondholders' Trustee in its discretion may upon the written request of the Bondholders of more than 50% in aggregate principal amount of the Bonds then Outstanding, shall proceed to protect or enforce its rights or the rights of the Bondholders of the Bonds by such appropriate action, suit, mandamus or other proceedings as it or the Bondholders of more than 50% in aggregate principal amount of the Bonds then Outstanding shall deem most effectual to protect and enforce any such right, at law or in equity, either for the specific performance of any covenant or agreement contained herein, or in aid of the execution of any power herein granted, or for the enforcement of any other appropriate legal or equitable right or remedy vested in the Bondholders' Trustee or the Bondholders of the Bonds under the Bonds, this Bond Resolution, any Supplemental Resolution or any law; and the Bondholders' Trustee shall be entitled, as a matter of right, to the appointment of a receiver of the funds and other assets pledged under this Bond Resolution and any Supplemental Resolution. If more than one such request is received by the Bondholders' Trustee from Bondholders, the Bondholders' Trustee shall follow the written request executed by the Bondholders of the greater percentage of Bonds then Outstanding in excess of 50%. All rights of action under the Bonds, this Bond Resolution or any Supplemental Resolution or otherwise may be prosecuted and enforced by the Bondholders' Trustee without the possession of any of the Bonds or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Bondholders' Trustee shall be brought in the name of the Bondholders' Trustee for the benefit and protection of all the Bondholders of such Bonds, subject to the provisions of this Bond Resolution.

13.03 Bondholders' Direction of Proceedings. The Bondholders of more than 50% in aggregate principal amount of the Bonds then Outstanding, shall be entitled (provided that the Bondholders' Trustee shall have the right to decline to follow any such direction which in the opinion of the Bondholders' Trustee would be unjustly prejudicial to Bondholders not parties to such direction), by an instrument or concurrent instruments in writing executed and delivered to the Bondholders' Trustee, to control and direct the enforcement of all rights and remedies granted to the Bondholders or the Bondholders' Trustee for the benefit of the Bondholders under this Bond Resolution or any Supplemental Resolution.

13.04 Limitation on Bondholders' Right to Sue. No Bondholder of any Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Bond Resolution, any Supplemental Resolution or any applicable law with respect to such Bond unless (A) such Bondholder previously shall have given to the Bondholders' Trustee written notice of the occurrence of an Event of Default; (B) the Bondholders of more than 50% in aggregate principal amount of the Bonds then Outstanding shall have made a written request upon the Bondholders' Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in its own name; (B) such Bondholders shall have tendered to the Bondholders' Trustee reasonable indemnity against

the costs, expenses and liabilities to be incurred in compliance with such request; and (D) the Bondholders' Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Bondholders' Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the exercise by any Bondholder of Bonds of any remedy hereunder or under law, it being understood and intended that no one or more Bondholders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security of this Bond Resolution or the rights of any other Bondholders of Bonds, or to enforce any right under this Bond Resolution, any Supplemental Resolution or applicable law with respect to the Bonds, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the equal and ratable benefit and protection of all Bondholders of the Outstanding Bonds, subject to the provisions of this Bond Resolution.

Section 14. Supplemental Resolutions.

14.01 Supplemental Resolutions without Consent of Bondholders. The Board from time to time may adopt a resolution or resolutions supplemental to this Bond Resolution or any Supplemental Resolution, which Supplemental Resolution or resolutions thereafter shall become a part of this Bond Resolution or such Supplemental Resolution, for any one or more or all of the following purposes:

(A) To add to the covenants and agreements of, and limitations and restrictions upon, the Board contained in this Bond Resolution or any Supplemental Resolution other covenants, agreements, limitations and restrictions thereafter to be observed, which shall not adversely affect the interests of the Bondholders of any Bonds, or surrender any right or power herein reserved to or conferred upon the Board; or

(B) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision or provisions contained in this Bond Resolution or any Supplemental Resolution regarding matters or questions arising under such resolution as the Board may deem necessary or desirable and not inconsistent with such resolution and which shall not adversely affect the interests of the Bondholders of any Bonds.

Before the Board shall adopt any Supplemental Resolution pursuant to this Section 14.01, there shall have been delivered to the Board an opinion of bond counsel to the Board stating that such Supplemental Resolution is authorized or permitted by this Bond Resolution and all Supplemental Resolutions and will, upon its adoption, be valid and binding upon the Board in accordance with its terms.

14.02 Supplemental Resolutions with Consent of Bondholders of Bonds. With the consent of the Bondholders of not less than 50% in aggregate principal amount of the Bonds at the time outstanding, the Board may adopt a resolution or resolutions supplemental hereto or to any Supplemental Resolution for the purpose of adding any provisions to or changing in any

manner or eliminating any of the provisions of this Bond Resolution or of any Supplemental Resolution, but no such Supplemental Resolution shall:

(A) Extend the fixed maturity of any Bonds or the time of payment of interest thereon from the established due date, or reduce the rate of interest thereon or the amount of the principal thereof, or reduce any premium payable on the redemption thereof, or accelerate any redemption provision, without the written consent of the Bondholder of each Bond so affected;

(B) Reduce the aforesaid percentage of Bondholders required to approve any such Supplemental Resolution, without the written consent of the Bondholders of all of the Bonds then Outstanding;

(C) Give to any Bond any preference over any other Bond; or

(D) Authorize the creation of any pledge prior to or, except as provided in Section 7 for the issuance of Bonds, on a parity with the pledge afforded by this Bond Resolution, without the consent of the Bondholder of each such Bond affected thereby.

It shall not be necessary for Bondholders to approve the particular form of any proposed Supplemental Resolution, but it shall be sufficient if such consent shall approve the substance thereof.

14.03 Effect of Supplemental Resolutions. Upon the adoption and delivery of any Supplemental Resolution pursuant to this Section 14, this Bond Resolution and/or the applicable Supplemental Resolution shall be, and be deemed to be, modified and amended in accordance therewith, and the respective rights, duties and obligations of the Board and the Bondholders of all applicable Bonds shall thereafter be determined, exercised and enforced under this Bond Resolution or such applicable Supplemental Resolution subject in all respects to such modifications and amendments.

14.04 Execution of Instruments by Bondholders. Any request, direction, consent or other instrument in writing required or permitted by this Bond Resolution to be signed or executed by Bondholders may be in any number of concurrent instruments of similar tenor, and may be signed or executed by such Bondholders in person or by an agent appointed by an instrument in writing. Proof of the execution of any such instrument shall be sufficient for any purpose of this Bond Resolution if made in the following manner: The fact and date of the execution by any person of any such instrument may be proved by either (i) an acknowledgment executed by a notary public or other officer empowered to take acknowledgments of deeds to be recorded in the particular jurisdiction, or (ii) an affidavit of a witness to such execution sworn to before such a notary public or other officer. Where such execution is by an officer of a corporation or association or a member of a partnership on behalf of such corporation, association or partnership, such acknowledgment or affidavit shall also constitute sufficient proof of his authority.

The foregoing shall not be construed as limiting the Board to such proof, it being intended that the Board may accept any other evidence of the matters herein stated that it may deem sufficient. Any request or consent of the Bondholder of any bond shall bind every future

owner of the same bond in respect of anything done by the Board pursuant to such request, direction or consent.

The right of a proxy for a Bondholder to act may be proved (subject to the Board's right to require additional proof) by a written proxy executed by such Bondholder as aforesaid.

14.05 Amendment of Bond Resolution in Any Respect by Approval of All Bondholders. Notwithstanding anything contained in the foregoing provisions of this Section 14, the rights and obligations of the Board and of the Bondholders and the terms and provisions of the Bonds and of this Bond Resolution and of any Supplemental Resolution may be amended in any respect upon the adoption of a Supplemental Resolution by the Board and the consent of the Bondholders of all of the Bonds then Outstanding, and the amendment shall be effective immediately upon such unanimous written consent of all of the Bondholders.

14.06 Bonds Owned by the Board. Bonds owned or held by or for the account of the Board shall not be deemed Outstanding for the purpose of any consent or other action or any calculation of Outstanding Bonds provided for in this Bond Resolution.

14.07 Endorsement of Amendment on Bonds. Bonds delivered after the effective date of any action amending this Bond Resolution or any Supplemental Resolution taken as provided above may bear a notation by endorsement or otherwise as to such action, and in that case, upon demand of the Bondholder of any Bond Outstanding at such effective date and presentation of his bond for the purpose at the principal office of the Bond Registrar, suitable notation shall be made on such Bond by the Bond Registrar as to any such action. If the Board shall so determine, new Bonds so modified as in the opinion of the Board and its counsel to conform to such action shall be prepared, delivered and, upon demand of the owner of any Bond then Outstanding, exchanged without cost to such Bondholder, upon surrender of such Bonds.

Section 15. Compliance with Undertakings to Provide Ongoing Disclosure. To meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for a Series of Bonds, the Board covenants to comply with any written undertaking to provide ongoing disclosure entered into for the benefit of the Bondholders of such Series of Bonds.

Section 16. Miscellaneous.

16.01 Contract with Bondholders. This Bond Resolution is adopted under the authority of and in full compliance with the Constitution and laws of the State of Oregon. In consideration of the purchase and acceptance of the Bonds by those who shall own the same from time to time, the provisions of this Bond Resolution and any Supplemental Resolution and of those laws shall constitute a contract with the Bondholder of each Bond. The covenants and agreements set forth herein to be performed on behalf of the Board shall be for the equal benefit, protection and security of the Bondholders of any and all of the Bonds, all of which, regardless of the time or times of their issue or maturity, shall be of equal rank without preference, priority or distinction of any of the Bonds over any others thereof except as expressly provided herein.

16.02 Benefits of Bond Resolution. Nothing in this Bond Resolution, expressed or implied, is intended or shall be construed to confer upon or give to any person or corporation

other than the Board, the Trustee, the Bond Registrar, any provider of a Qualified Letter of Credit, Qualified Insurance or Reserve Account Instrument, and the Bondholders from time to time of the Bonds any rights, remedies or claims under or by reason of this Bond Resolution or any covenant, condition or stipulation thereof; and all of the covenants, stipulations, promises and agreements in this Bond Resolution contained by or on behalf of the Board shall be for the sole and exclusive benefit of the Board, the Trustee, the Bond Registrar, any provider of a Qualified Letter of Credit, Qualified Insurance or Reserve Account Instrument, and the Bondholders from time to time of the Bonds.

16.03 No Personal Liability. No member of the Commission, officer, agent or employee of the Board shall be individually or personally liable for the payment of the principal, or redemption price, of or premium or interest on the Bonds or be subject to any personal liability or accountability by reason of the issuance of the Bonds or the performance of any obligations under or with respect to this Bond Resolution or any Supplemental Resolution.

16.04 Captions. The captions used in this Bond Resolution are for convenience only and do not and shall not be interpreted to have any substantive meaning.

16.05 Severability. If any one or more of the provisions of this Bond Resolution shall be declared by a court of competent jurisdiction to be contrary to law, then such provision shall be deemed separable from, and shall in no way affect the validity of, any of the other provisions in this Bond Resolution or of the Bonds issued hereunder.

Section 17. Sale of the Bonds. The Treasurer, Assistant Treasurer or General Manager, or such other person appointed in the Supplemental Resolution, is appointed as the Commission's Authorized Representative. The Commission has determined that it is in the best interest of the Commission to delegate to the Authorized Representative the authority to approve the number of Series, the series designations, final principal amounts, date of a Series of Bonds, denominations, interest rates, payment dates, redemption provisions, whether a Series of Bonds is taxable or tax-exempt or tax advantaged, any Bonds to be refunded, refunding provisions, maturity dates for a Series of Bonds and other provisions to be set forth in the Certificate of Determination to be signed by the Authorized Representative, in the manner provided herein. In determining the number of series, the series designations, final principal amounts, date of a Series of Bonds, denominations, interest rates, redemption provisions, tax status, price, any Bonds to be refunded, refunding provisions and maturity dates for a Series of Bonds, the Authorized Representative, in consultation with other Board officials and staff and advisors, shall take into account those factors that, in his or her judgment, will result in the lowest true interest cost on the Bonds to their maturity, including, but not limited to current financial market conditions and current interest rates for obligations comparable to the Bonds. The Authorized Representative (a) shall review the form of each preliminary official statement prepared in connection with the sale of any Series of Bonds to the public, (b) is authorized to "deem final" that preliminary official statement, (c) is authorized to distribute that preliminary official statement, and (d) is authorized to approve the preparation of and to execute and deliver to the underwriters a final official statement for each Series of Bonds to be sold to the public, in the form of the preliminary official statement, with such modifications and amendments as he or she deems necessary or desirable.

Section 18. Effective Date. Pursuant to Section 11.1 of the 1986 Resolution, the Board in its discretion hereby determines that by purchasing the City of Eugene, Oregon Electric System Revenue Refunding Bonds, Series 2016A and Series 2016B (Taxable) (collectively the “2016 Bonds”), the initial Bondholders of the 2016 Bonds are deemed to have consented to this Bond Resolution and such purchase constitutes sufficient proof of their consent by virtue of the inclusion of a copy or a summary of this Bond Resolution in the preliminary and final official statements for the 2016 Bonds and a conspicuous notice that purchasers of such 2016 Bonds will be deemed to consent. This Bond Resolution shall not take effect until the Bondholders of not less than a majority of the Bonds Outstanding and any insurer of the Bonds Outstanding shall have consented to this Bond Resolution; provided, however, the provisions in this Bond Resolution relating to the pledge of and lien on the Revenues for Contract Resource Obligations and Derivative Products shall not take effect until each Bondholder of Outstanding Bonds approves of this Bond Resolution or all Bonds issued prior to the adoption of this Bond Resolution are no longer Outstanding.

PASSED AND ADOPTED this 2nd day of August, 2016.

EUGENE WATER & ELECTRIC BOARD

President

I, Anne M. Kah, the duly appointed, qualified and acting Assistant Secretary of the Eugene Water & Electric Board, do hereby certify that the above is a true and exact copy of the resolution adopted by EWEB at its August 2, 2016 Board Meeting.

Assistant Secretary

CITY OF EUGENE, OREGON

ELECTRIC UTILITY SYSTEM REVENUE BONDS

BOND RESOLUTION

(adopted June 16, 1986)

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RESOLUTION

A RESOLUTION AUTHORIZING AND PROVIDING FOR THE ISSUANCE OF REVENUE BONDS OF THE CITY OF EUGENE, OREGON FOR THE PURPOSES OF THE ELECTRIC SYSTEM OF SAID CITY; COVENANTING AS TO ESTABLISHMENT, MAINTENANCE, REVISION AND COLLECTION OF CHARGES AND RATES FOR THE USE AND SERVICES OF SAID ELECTRIC SYSTEM AND THE COLLECTION AND DISBURSEMENT OF THE REVENUES DERIVED THEREFROM; PLEDGING THE REVENUES FROM SAID ELECTRIC SYSTEM TO THE PAYMENT OF THE PRINCIPAL AND INTEREST OF SAID BONDS AS THE SAME FALL DUE; CREATING CERTAIN FUNDS; SETTING FORTH THE LIMITATIONS OR CONDITIONS UPON THE ISSUANCE BY THE CITY OF ADDITIONAL BONDS PAYABLE FROM THE AFORESAID REVENUES; MAKING OTHER COVENANTS AND AGREEMENTS IN CONNECTION WITH THE FOREGOING AND REPEALING ALL RESOLUTIONS OR PARTS OF RESOLUTIONS IN CONFLICT WITH THIS RESOLUTION.

WHEREAS, the City of Eugene, Oregon (hereinafter referred to and defined as the "City"), acting by and through the Eugene Water & Electric Board (hereinafter referred to and defined as the "Board"), has heretofore issued Original Electric System Revenue Bonds (hereinafter defined) pursuant to the Original Resolution (hereinafter defined); and

WHEREAS, the City, acting by and through the Board, has heretofore issued Trojan Nuclear Project Revenue Bonds (hereinafter defined) pursuant to the Trojan Resolution (hereinafter defined); and

WHEREAS, the Board has determined that in order to finance additions, improvements, enlargements, extensions, expansion and betterments to the City's Electric System, it is advisable and in the best interest of the Board to issue from time to time revenue bonds of the City payable from the revenues of the Electric System (hereinafter defined) after payments of operating expenses of the Electric System and after payments into the Bond Funds for the Original Electric System Revenue Bonds and the Electric System Renewal and Replacement Fund heretofore created;

BE IT RESOLVED BY THE EUGENE WATER & ELECTRIC BOARD, as follows:

ARTICLE I

DEFINITIONS; COMPUTATIONS; CERTIFICATES AND OPINIONS; ORDERS AND DIRECTIONS

SECTION 1.1. Definitions of Special Terms.

Unless the context shall clearly indicate some other meaning or may otherwise require, the terms defined in this Section shall, for all purposes of this resolution and of any resolution or other instrument amendatory hereof or supplemental hereto and of any certificate, opinion, instrument or document herein or therein mentioned, have the meanings herein specified, with the following definitions to be equally applicable to both the singular and plural forms of any terms herein defined and vice versa:

"Additional Generating Facilities" shall mean any additional facilities for the generation of electric power and energy referred to in Section 7.2 of the Trojan Resolution, including related transformation and transmission facilities.

"Additional Security" shall mean a letter of credit, line of credit, insurance policy, standby purchase agreement or similar obligation or instrument or any combination of the foregoing.

"Authorized Officer" when used with reference to the Board shall mean the President, any Vice President, the Secretary, the Treasurer or the Assistant Treasurer thereof or other officer designated by resolution of the Board.

"Board" shall mean the Eugene Water & Electric Board of the City of Eugene Oregon, acting by and on behalf of the City, or if said Board shall be abolished, the person, board, body, commission or agency succeeding to the principal functions thereof or to which the powers and duties granted or imposed by the Resolution shall be given by any law including the Charter of the City or any ordinance or resolution of the City Council.

"Bonds" shall mean Electric Utility System Revenue Bonds issued from time to time pursuant to and under authority of Section 3.1 of the Resolution.

"Bond Fund" shall mean the Bond Fund created in Section 6.4 hereof and to be held and administered by the Bond Fund Trustee.

"Bond Fund Trustee" shall mean the trustee appointed pursuant to Section 7.1 hereof, and its successor

or successors, and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

"Bondholder" or "holder of a Bond" shall mean the registered owner of any Bond which at the time shall be registered other than to bearer, or such owner's duly authorized attorney in fact, representative or assigns.

"Capital Appreciation Bonds" shall mean Bonds issued pursuant to Section 3.8.

"Certified Interest Rate" means the rate of interest as certified pursuant to Section 3.11 hereof which would have been borne by Variable Rate Bonds had such Variable Rate Bonds been issued at a fixed interest rate.

"City" shall mean the City of Eugene, Oregon and its successor or successors.

"Compound Accreted Value" shall mean an amount determined in accordance with Section 3.9 hereof.

"Compounded Amount" shall mean as of any date of computation, the principal amount of any Capital Appreciation Bond plus the interest accrued on such Bond compounded on the interest payment dates and at the rate provided in the applicable Supplemental Resolution to such date of computation, if an interest payment date, or otherwise to the next preceding interest payment date.

"Construction Fund" shall mean any Construction Fund created pursuant to Section 6.6.

"Construction Fund Trustee" shall mean a construction fund trustee appointed pursuant to Section 7.1 hereof, its successor or successors and any other corporation which may at any time be substituted in its place pursuant to the Resolution.

"Consulting Engineer" shall mean the engineer or engineering firm or corporation retained by or on behalf of the Board pursuant to Section 8.6 hereof to perform the acts and carry out the duties provided for such Consulting Engineer in the Resolution.

"Cost of Acquisition and Construction" shall mean all costs of determining the feasibility of, and acquiring, constructing, financing, carrying out and placing in operation, a Project hereafter paid or incurred by the Board, and shall include, but shall not be limited to, moneys required for:

(i) working capital and reserves in such amounts as may be deemed necessary by the Board;

(ii) interest accruing in whole or in part on Bonds prior to the Date of Commercial Operation of the Project and for such additional period thereafter (not to extend beyond thirty-six months after such Date of Commercial Operation estimated at the time such Bonds are issued), but in each case only if, and to such extent as, the Board may reasonably determine;

(iii) acquisition of Fuel;

(iv) deposits from the proceeds of Bonds in any fund or account established pursuant to the Resolution to meet reserve requirements for Bonds;

(v) deposits from the proceeds of Bonds in any funds or accounts established pursuant to the Resolution as reserves for renewals, repairs, replacements, modifications, betterments, additions and contingencies; and for decommissioning or termination of a Project or as a general reserve;

(vi) all federal, state and local taxes and payments in lieu of taxes legally required to be paid in connection with the acquisition and construction of a Project;

(vii) all costs relating to injury and damage claims arising out of the acquisition and construction of a Project;

(viii) costs associated with the acquisition of electric power supply or transmission capability under arrangements whereby the Board purchases rights to receive, or leases or otherwise acquires rights to facilities to enable it to receive, an electric power supply or transmission capability; and

(ix) preliminary survey, investigation and development costs, engineering fees, contractors' fees, costs of permits, licenses and approvals, labor, materials, equipment, lands, rights of way, franchises, easements and other interests in land, utility services and supplies, payments to other public agencies, training and testing costs, insurance premiums, principal of and interest on notes issued in anticipation of Bonds, fees and expenses of trustees and paying agents, legal and financing costs, administrative and general costs, and all other costs incurred by the Board and properly allocable to the acquisition and construction of a

Project and carrying out and placing the same in operation.

"Date of Commercial Operation" and words of like import when used with reference to any Project shall mean the date upon which the Project is first ready for normal continuous operation as determined by the Consulting Engineer in the case of any Project solely owned by the Board or as determined pursuant to an Ownership Agreement applicable thereto in the case of any Project jointly owned; provided, however, that in the event a Project consists of more than one unit, system or facility for the generation, transmission or transformation of electric power and energy, the Date of Commercial Operation of the Project shall (except as otherwise herein expressly provided) be deemed to be the latest Date of Commercial Operation of any such unit, system or facility.

"Debt Service" shall mean, as of any particular date of computation, with respect to any Bonds and with respect to any period, the aggregate of the amounts to be paid or set aside in such period for the payment (or retirement) of the principal of, premium, if any, and interest (to the extent not capitalized) on such Bonds.

"Distribution Division" shall mean the electric utility properties, assets and rights, real and personal, tangible and intangible, now owned by the Board, and all properties and assets constructed or acquired as renewals, replacements, additions, improvements and betterments to and extensions of such properties and assets, including facilities for the generation, transmission and distribution of electric power and energy and the production, transmission and distribution of steam, but shall not include the City's ownership share of the Trojan Project or any Additional Generating Facilities that may be hereafter acquired or constructed by the Board pursuant to Section 7.2 of the Trojan Resolution, or any electric utility properties, assets and rights, real and personal, tangible and intangible, hereafter constructed or acquired by the Board as a separate utility system, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire any such separate utility system.

"Distribution Division General Fund" shall mean the Distribution Division General Fund created in Section 7.3 of the Trojan Resolution to be held and administered by the Board.

"Electric Power Facility" shall mean a system or facility for the generation, transmission, transformation or distribution (or any combination of the foregoing) of electric power and energy which may include, but shall not

be limited to participation in a hydro-electric project, geothermal facilities, solar projects including individual solar units, a solid waste disposal plant, and co-generation facilities.

"Electric System" shall mean the electric utility properties and assets, real and personal, tangible and intangible, now owned by the Board, and all properties and assets constructed or acquired as renewals, replacements, additions, improvements and betterments to and extensions of such properties and assets, including the Distribution Division, the City's ownership share of the Trojan Project, any Additional Generating Facilities that may be hereafter acquired and constructed by the Board pursuant to the provisions of Section 7.2 of the Trojan Resolution, and any electric utility properties including facilities for the production and transmission of steam hereafter constructed or acquired by the Board as a separate utility system, the revenues of which may be pledged to the payment of bonds issued to purchase, construct or otherwise acquire any such separate utility system.

"Electric System Renewal and Replacement Fund" shall mean the Electric Utility System Renewal and Replacement Fund created pursuant to the Original Resolution.

"Financing Contract" means any Take or Pay Contract of the Board with any person, which, at the time of entering into such Contract, is to be used or pledged by such person as all or part of the primary security for the repayment, in whole or in part, of bonds, certificates, warrants or other evidence of indebtedness issued or to be issued either directly or indirectly by such person.

"Fiscal Year" shall mean the twelve month period established by the Board or provided by law from time to time as its fiscal year, and which, as of the date of adoption of this Resolution, is the twelve month period commencing on January 1 of any year and ending on December 31 of such year.

"Fuel" shall mean any fossil, nuclear or other fuel, fuel facilities, assemblies and components, any mine or pipeline, and rights relating thereto, including any land, rights of way, leases and options therefor, restoration of lands in connection therewith and material and equipment therefor, together with all associated and related property and property rights incident to the acquisition, production, manufacture, transportation, storage, fabrication, processing, reprocessing and disposal of the fossil, nuclear or other fuel used or usable in connection with the acquisition, construction, maintenance and operation of the Electric System or any part thereof, and working capital and reserves therefor.

"Investment Securities" shall mean any of the following, if and to the extent that the same are legal for the investment of funds of the Board:

(i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America;

(ii) bonds, debentures, notes, participation certificates or other evidences of indebtedness issued or guaranteed by Bank for Cooperatives; Federal Intermediate Credit Bank; Federal Home Loan Bank System; Export-Import Bank of the United States; Federal Land Banks; Federal National Mortgage Association; United States Postal Service; Government National Mortgage Association; Federal Financing Bank, Farmers Home Administration, Federal Home Loan Mortgage Association or any agency or instrumentality of the United States of America or any other corporation wholly-owned by the United States of America;

(iii) Public Housing Bonds issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a pledge of annual contributions under an annual contributions contract or contracts with the United States of America or any agency thereof; or Project Notes issued by public agencies or municipalities and fully secured as to the payment of both principal and interest by a requisition or payment agreement with the United States of America or any agency thereof;

(iv) direct and general obligations, to the payment of the principal of and interest on which the full faith and credit of the issuer is pledged, of any of the following: any state of the United States, or any political subdivision of any such state; provided that (a) as to such obligations of a political subdivision, all the taxable real property within such political subdivision shall be subject to taxation thereby to pay such obligations and the interest thereon, without limitation as to rate or amount, and (b) at the time of their purchase under the Resolution, such obligations of any such state or political subdivision are rated in either of the two highest rating categories by two nationally recognized bond rating agencies;

(v) bank time deposits evidenced by certificates of deposit and bankers' acceptances issued by any bank or trust company (which may include the Bond Fund Trustee or any Construction Fund Trustee) which is a member of the Federal Deposit Insurance Corporation, provided that such time deposits and bankers'

acceptances (a) do not exceed at any one time in the aggregate five percent (5%) of the total of the capital and surplus of such bank or trust company, or (b) are secured by obligations described in items (i), (ii), or (iii) of this definition of Investment Securities, which such obligations at all times have a market value (exclusive of accrued interest) at least equal to such time deposits so secured;

(vi) repurchase agreements with any bank or trust company (which may include the Bond Fund Trustee or any Construction Fund Trustee) which is a member of the Federal Deposit Insurance Corporation, which such agreements are secured by securities which are obligations described in items (i), (ii) or (iii) of this definition of Investment Securities;

(vii) obligations consisting of notes, bonds and debentures which are direct obligations of a solvent corporation existing under the laws of the United States or any state thereof, provided that such investments shall be rated in the two highest rating categories established by at least two nationally recognized bond rating agencies; and

(viii) certificates or other instruments that evidence ownership of the right to payments of principal of or interest on obligations of any state of the United States of America or any political subdivision, provided that such obligations shall be held in trust by a bank or trust company or a national banking association meeting the requirements for the Bond Fund Trustee under Section 7.1 hereof, and provided further that the payments of all principal of and interest on such certificates or such obligations shall be fully insured or unconditionally guaranteed by, or otherwise unconditionally payable pursuant to a credit support arrangement provided by, one or more financial institutions or insurance companies or associations which shall be rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation or, in the case of an insurer providing municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bonds, such insurance policy shall result in such municipal bonds being rated in the highest rating category by Moody's Investors Service, Inc. and Standard & Poor's Corporation.

"Net Revenues" of the Electric System, the Trojan Project, the Distribution Division, any Additional Generating Facilities or any other facilities operated as a separate electric utility of the Board, as the case may be, shall mean, with respect to any period the Revenues thereof during such period less the Operating Expenses thereof during such period.

"Operating Expenses" of the Electric System, the Trojan Project, any Additional Generating Facilities, the Distribution Division or any other separate electric utility of the Board, as the case may be, shall mean the costs and expenses of operating and maintaining the Electric System, including, without limiting the generality of the foregoing, (i) all expenses includable in the operation and maintenance expense accounts relating to the Electric System according to generally accepted accounting principals, exclusive of depreciation and amortization of property (including Fuel) values or losses, and (ii) to the extent not included in the preceding clause (i) or paid from Bond proceeds or otherwise, the Board's share of the costs and expenses of operating and maintaining any electric plants and properties jointly owned with others.

"Operating Fund" shall mean the Operation and Maintenance Fund created in Section 4.3 of the Original Resolution hereof and to be held and administered by the Board.

"Original Electric System Revenue Bonds" shall mean the Outstanding Electric Utility System Revenue Bonds, Series A, C, D and E heretofore issued pursuant to the Original Resolution.

"Original Issue Discount Bonds" shall mean Bonds of a Series which are originally reoffered to the public at a price (excluding accrued interest) of less than 98% of their principal amount.

"Original Resolution" shall mean the resolution adopted by the Board on July 19, 1960, entitled "Resolution Authorizing the Issuance of Twenty-five Million Five Hundred Thousand Dollars (\$25,500,000) Municipal Electric Utility System Revenue Bonds of the City of Eugene, Oregon, For the Purpose of Adding to, Enlarging, Improving and Extending the Electric Utility System of Said City; Providing For the Payment of the Principal and Interest of Said Bonds and Repealing All Resolutions or Parts of Resolutions in Conflict With This Resolution", and the Supplemental resolutions heretofore adopted by the Board on July 16, 1962, June 13, 1966, May 13, 1968, and November 6, 1975, respectively, as amended.

"Outstanding" or "outstanding" when used with reference to Bonds shall mean, as of any date, Bonds theretofore or thereupon issued pursuant to the Resolution, except: (a) any Bonds cancelled by the Bond Fund Trustee or a Paying Agent or paid at or prior to such date; (b) Bonds in lieu of or in substitution for which other Bonds shall have been delivered pursuant to the Resolution; and (c) Bonds deemed to be no longer outstanding hereunder as provided in Section 13.1 hereof.

"Ownership Agreement" shall mean an agreement entered into by and among the Board and any other person or persons, as the same may be amended from time to time, which specifies ownership percentages in any Electric Power Facility and arrangements for the planning, design, financing, acquisition, construction, installation, operation and maintenance thereof and provisions as to the respective rights and obligations of the parties thereto.

"Paying Agent" shall mean as to Bonds of any particular Series, the bank or trust company designated for the payment of the principal of, premium, if any, and interest on the Bonds of such Series in the Supplemental Resolution providing for the issuance of such Series of Bonds.

"Power Revenue Fund" shall mean the Power Revenue Fund created in Section 4.2 of the Original Resolution and to be held and administered by the Board.

"Project" shall mean: (i) the Electric Power Facility to be constructed by the Board or an existing Electric Power Facility to be otherwise acquired by the Board; (ii) any Electric Power Facility added to an existing Electric Power Facility of the Board; (iii) where the Board will acquire a proportionate interest in an electric power facility to be constructed or otherwise acquired pursuant to an Ownership Agreement, the interest of the Board in such facility; (iv) where the Board will receive an electric power supply or transmission capacity by making a prepayment of costs associated with such power supply or transmission capacity, the rights of the Board to such electric power supply or transmission capacity; (v) any mine, well, pipeline, plant, structure or other facility for the development, production, manufacture, transportation, storage, fabrication or processing of Fuel or any facility or rights with respect to the supply of water, in each case for substantial use in any of the Board's Electric Power Facilities, or, where the Board will acquire a proportionate interest in any of the foregoing to be constructed or otherwise acquired pursuant to an Ownership Agreement, the interest of the Board therein; (vi) any renewals, replacements, repairs, modifications, additions, betterments, improvements and extensions for any of the foregoing, and any decommissioning or termination of the foregoing (vii) the Board's purchase of an electric power supply pursuant to Take or Pay Contracts; (viii) participation in a joint action agency; (ix) any commercial, residential or industrial energy conservation projects undertaken by the Board; or (x) any combination of the items set forth in the foregoing clauses (i) through (ix); together, in each such case, with all rights, interests and facilities of every kind related or incidental thereto or necessary or desirable to carry out such Project; provided, however, that at such

time as the Original Electric System Revenue Bonds are no longer Outstanding "Project" shall not mean any Electric Power Facility or interest therein or the electric power and energy or the capacity and output thereof which the Board has elected to acquire, construct and operate as a separate utility system, the acquisition and construction of which has been financed by bonds, notes, certificates, warrants or other evidences of indebtedness payable solely from the revenues or other income derived from the ownership or operation of such separate utility system, provided that the Consulting Engineer has certified that in his opinion the acquisition or construction or operation of such separate utility system will not result in a reduction of the Net Revenues below the amounts covenanted by Section 8.2 hereof to be produced.

"Record Date" shall mean with respect to any Series of Bonds the fifteenth (15th) day (whether or not a business day) of the calendar month immediately preceding an interest payment date or such other day as may be provided in the Supplemental Resolution authorizing the issuance of such Series.

"Renewal and Replacement Fund" shall mean the Renewal and Replacement Fund created in Section 6.5 hereof and to be held and administered by the Board.

"Renewal and Replacement Fund Requirement" shall mean with respect to a Series of Bonds as of any date of calculation, an amount specified in the Supplemental Resolution providing for the issuance of a Series of Bonds.

"Reserve Account Requirement" shall mean, as of any date of calculation, an amount equal to the average of the annual installments of Debt Service with respect to all Bonds outstanding for the then current and all future Fiscal Years.

"Resolution" shall mean this Resolution as from time to time amended or supplemented by one or more Supplemental Resolutions.

"Revenues" of the Electric System, the Trojan Project, any Additional Generating Facilities, the Distribution Division or any other facility operated as a separate electric utility of the Board, as the case may be, shall mean and include all income, fees, charges, receipts, profits and other moneys derived by the Board from its ownership or operation of the Electric System, including, without limiting the generality of the foregoing, (i) all income, fees, charges, receipts, profits and other moneys derived from the sale, furnishing or supplying of the services, facilities, commodities and electric power and energy of the Electric System; and (ii) all income from

investments of moneys held under the Resolution other than investment income retained in or transferred to any Construction Fund. "Revenues" shall not include deposits subject to refund until such deposits have become the property of the Board; at such time as the Original Electric System Revenue Bonds are no longer Outstanding any income, fees, charges, receipts, profits or other moneys derived by the Board from its ownership or operation of any separate utility system the acquisition and construction of which has been financed by bonds, notes, certificates, warrants or other evidences of indebtedness payable solely from the revenues or other income derived from the ownership or operation of such separate utility system, provided that the Consulting Engineer has certified that in his opinion the acquisition or construction or operation of such separate utility system will not result in a reduction of the Net Revenues below the amounts covenanted by Section 8.2 hereof to be produced; or any gifts, grants, donations or other moneys received by the Board from any State or Federal agency or other person if such gifts, grants, donations or other moneys are the subject of any limitation or reservation (i) imposed by the donor or grantor or (ii) imposed by law or administrative regulation to which the donor or grantor is subject, limiting the application of such funds in a manner inconsistent with the application of Revenues hereunder. Any such grants, donations or other moneys shall be held and applied in the manner required by such limitation or reservation.

"Serial Bonds" shall mean Bonds which are not Term Bonds.

"Series of Bonds" or "Bonds of a Series" shall mean all Bonds designated as being of the same series issued and delivered on original issuance in a simultaneous transaction, and any Bonds thereafter delivered in lieu thereof or in substitution therefor pursuant to the Resolution.

"Supplemental Resolution" shall mean any resolution adopted by Board pursuant to and in compliance with the provisions of Article III hereof providing for the issuance of Bonds, and shall also mean any other resolution adopted by Board pursuant to and in compliance with the provisions of Article X hereof amending or supplementing the provisions of the Resolution.

"Take or Pay Contract" shall mean a contract, including an Ownership Agreement or an agreement to purchase an electric power supply, which obligates the Board to make payments unconditionally and with respect to any Electric Power Facility without regard to the operational status of the facility.

"Term Bonds" shall mean Bonds the retirement or the redemption of which shall be provided for from moneys credited to the Bond Retirement Account in the Bond Fund pursuant to Article VI hereof.

"Trojan Nuclear Project Revenue Bonds" shall mean the outstanding bonds heretofore issued pursuant to the Trojan Resolution and any additional Trojan Nuclear Project Revenue Bonds which may hereafter be issued pursuant to the Trojan Resolution.

"Trojan Project" shall mean all properties and assets, real and personal, tangible and intangible, comprising the "Project" as defined in the Agreement for Construction, Ownership and Operation of the Trojan Nuclear Plant among Portland General Electric Company, Pacific Power & Light Company, and the City of Eugene, Oregon, dated October 5, 1970, as the same may be amended from time to time.

"Trojan Resolution" shall mean the resolution adopted by the Board on June 23, 1971, entitled "RESOLUTION AUTHORIZING THE ISSUANCE OF REVENUE BONDS OF THE CITY OF EUGENE, OREGON, FOR THE PURPOSE OF ACQUIRING AN UNDIVIDED INTEREST IN CERTAIN FACILITIES NECESSARY OR INCIDENTAL TO THE GENERATION OF ELECTRIC POWER AND ENERGY BY THERMAL MEANS, PRESCRIBING THE FORM AND DETAILS THEREOF, COVENANTING AS THE REVENUES DERIVED FROM SUCH FACILITIES, AND AS TO THE USE AND APPLICATION OF SUCH REVENUES; SETTING FORTH LIMITATIONS AND CONDITIONS ON THE ISSUANCE BY THE CITY OF ADDITIONAL REVENUE BONDS PAYABLE FROM THE REVENUES OF SUCH FACILITIES AND FROM THE CITY'S ELECTRIC SYSTEM; AND MAKING OTHER COVENANTS AND AGREEMENTS WITH THE HOLDERS AND OWNERS FROM TIME TO TIME OF SUCH BONDS" as the same may be amended or supplemented from time to time.

"Unissued Bonds" shall mean Bonds not theretofore issued and not then being issued which in the opinion of the Consulting Engineer will be required to be issued to complete the payment of the Cost of Acquisition and Construction of a Project for which Bonds have theretofore been issued or are then being issued.

"Value of Investment Securities" and words of like import shall mean the amortized value thereof, provided, however, that all United States of America, United States Treasury Obligations--State and Local Government Series shall be valued at par and those obligations which are redeemable at the option of the holder shall be valued at the price at which such obligations are then redeemable. The computations made under this paragraph shall include accrued interest on the Investment Securities. For the purposes of this definition "amortized value", when used with respect to a security purchased at par means the

purchase price of such security and when used with respect to a security purchased at a premium above or discount below par, means as of any subsequent date of valuation, the value obtained by dividing the total premium or discount by the number of interest payment dates remaining to maturity on any such security after such purchase and by multiplying the amount as calculated by the number of interest payment dates having passed since the date of purchase and (i) in the case of a security purchased at a premium, by deducting the product thus obtained from the purchase price, and (ii) in the case of a security purchased at a discount, by adding the product thus obtained to the purchase price.

"Variable Rate Bonds" shall mean any Bonds issued bearing interest at a rate per annum subject to adjustment from time to time based on the terms thereof, based upon an index, or otherwise calculated in a manner which precludes the actual rate for the entire term of such Bonds from being ascertainable in advance.

SECTION 1.2. Definitions of General Terms.

Unless the context shall clearly indicate otherwise or otherwise require, in the Resolution words importing persons include firms, partnerships, associations, corporations (public and private), public bodies and natural persons, and also include executors, administrators, trustees, receivers or other representatives.

Unless the context shall clearly indicate otherwise or otherwise require, in the Resolution the terms "herein", "hereunder", "hereby", "hereto", "hereof" and any similar terms, refer to the Resolution and to the Resolution as a whole and not to any particular section or subdivision hereof.

Unless the context shall clearly indicate otherwise or otherwise require, in this Resolution (i) references to Articles, Sections and other subdivisions, whether by number or letter or otherwise, are to the respective or corresponding Articles, Sections or subdivisions of this Resolution as such Articles, Sections or subdivisions may be amended from time to time; and (ii) the word "heretofore" means before the time of adoption of this Resolution, the word "now" means at the time of adoption of this Resolution, and the word "hereafter" means after the time of adoption of this Resolution.

ARTICLE II

COMPUTATIONS; CERTIFICATES AND OPINIONS, EVIDENCE OF ACTION BY THE BOARD

SECTION 2.1. Computations. Unless the facts shall then be otherwise, all computations required for the purposes of the Resolution shall be made on the assumption that (i) the principal of and interest on all Bonds shall be paid as and when the same become due; (ii) all credits required by the Resolution to be made to the Bond Retirement Account in the Bond Fund shall be made in the amounts and at the times required by the Resolution; and (iii) all Bonds required by the Resolution to be redeemed from moneys credited to the Bond Retirement Account in the Bond Fund shall be redeemed on the respective sinking fund installment dates therefor in the amounts and at the times required by the Resolution.

SECTION 2.2. Certificates and Opinions. Except as otherwise specifically provided in the Resolution each certificate or opinion with respect to compliance with a condition or covenant provided for in the Resolution shall include: (i) a statement that the person making such certificate or opinion has read such covenant or condition; (ii) a brief statement as to the nature and scope of the examination or investigation upon which the statements or opinions contained in such certificate or opinion are based; (iii) a statement that, in the opinion of such person, an examination and investigation has been made as is necessary to enable the expression of an informed opinion as to whether or not such covenant or condition has been complied with; (iv) a statement as to whether or not, in the opinion of such person, such covenant or condition has been complied with; and (v) an identification of any other certificates or opinions relied on in such certificate or opinion.

Any opinion of counsel may be qualified by reference to the constitutional powers of the United States of America, the sovereign police powers of the State of Oregon, judicial discretion and bankruptcy, insolvency, reorganization, moratorium and other laws affecting creditors' rights.

SECTION 2.3. Evidence of Action by the Board. Except as otherwise specifically provided in the Resolution, any request, direction, command, order, notice, certificate or other instrument of, by or from the Board shall be effective and binding upon the Board for the purposes of the Resolution if signed by the person or persons authorized to execute the same by statute, charter or by-law or by a resolution or vote of the Board.

ARTICLE III

AUTHORIZATION AND ISSUANCE OF ELECTRIC SYSTEM REVENUE BONDS

SECTION 3.1. Authorization of Bonds; Payment Thereof and Security Therefor. There are hereby authorized to be issued hereunder and secured hereby revenue bonds of the City, to be known and entitled (or designated) as "Electric Utility System Revenue Bonds". The Bonds may be issued hereunder from time to time in series, pursuant and subject to the terms, conditions and limitations of the Resolution, in such amounts as may be determined by the Board, for any corporate use or purpose relating to the Electric System, including, without limitation, payment of all or a portion of the Cost of Acquisition and Construction of any Project or refunding any Bond or Bonds. The principal amount of Bonds which may be issued hereunder and secured hereby shall not be limited, except as may hereafter be provided by law. The validity of the Bonds shall neither be dependent on nor affected by the validity or regularity of any proceedings relating to the acquisition, purchase, construction, reconstruction, addition, expansion, improvement, betterment, extension, renewal or replacement of the Electric System, or relating to the authorization, execution or delivery of any contracts pertaining thereto, nor by the use and application of the proceeds of the Bonds, and no holder of a Bond shall be required to see that the moneys derived from such Bond are applied to the purpose or purposes for which such Bond is issued.

SECTION 3.2. Pledge of Revenues; Funds and Other Moneys. The Bonds are payable solely from and secured by the funds pledged therefor. There are hereby pledged as security for the payment of the principal of, premium, if any, and interest on, the Bonds in accordance with their terms and the provisions of the Resolution, subject only to the provisions of the Resolution permitting the application thereof for the purposes and on the terms and conditions set forth in the Resolution (i) the proceeds of sale of the Bonds pending application thereof in accordance with the provisions hereof or of a Supplemental Resolution, (ii) the Revenues (subject to the provisions of the Trojan Resolution), and (iii) all funds and accounts established by the Resolution, including the investments, if any, thereof; and the Bondholders shall have a lien on, and a security interest in, such proceeds, Revenues and funds and accounts for such purpose and subject to such provisions of the Resolution and the Trojan Resolution. Such pledge and the Bonds shall, so long as Original Electric System Revenue Bonds are outstanding, be subordinate and inferior to the lien and charge on the Revenues of the Electric System of the Original Electric System Revenue Bonds issued under the Original Resolution and to payment of Operating Expenses and

payments to the Electric System Renewal and Replacement Fund.

The Bonds of each Series issued hereunder shall be equally and ratably payable and secured hereunder without priority by reason of date of adoption of the Supplemental Resolution providing for their issuance or by reason of their Series, number or date, date of issue, execution, authentication or sale thereof, or otherwise.

The principal of, premium, if any, and interest on the Bonds shall not be payable from any funds of the City or the Board other than the Bond Fund nor shall the Bonds constitute a general obligation of the Board, or of the City, or create a charge upon the tax revenues of the City, or upon any other revenues or property of the City, or property of the Board, except the Revenues and other moneys and securities pledged under the Resolution. Neither the faith and credit nor the taxing power of the State of Oregon or of any political subdivision thereof are pledged for the payment of the principal of, premium, if any, or interest on the Bonds, and no holder of the Bonds shall have the right to compel the exercise of the taxing power of the State of Oregon or of any political subdivision thereof in connection with any default with respect to the Bonds.

SECTION 3.3. General Provisions for Issuance of Bonds. The Bonds of each Series shall be issued by means of a Supplemental Resolution adopted by the Board in accordance with the provisions of this Article and Article X. Such Supplemental Resolution shall designate the Bonds by an appropriate Series designation, in addition to the title "Electric Utility System Revenue Bonds", and by such further particular designation, if any, as the Board deems appropriate, and shall, unless or except as is otherwise set forth herein, also specify: (a) the authorized principal amount of such Series of Bonds; (b) the purpose or purposes for which the Bonds of such Series are being issued; (c) the date or dates and the maturity date or dates and the first interest payment date of the Bonds of the Series, which maturity date or dates shall occur on August 1 or semi-annually on February 1 and August 1 (provided that any principal installment date, whether by stated maturity or sinking fund installment, subsequent to the first principal installment date shall not be more than one year following the next preceding such principal installment date), and which first interest payment date shall be on or prior to one year from the date of such Bonds and shall occur on February 1 or August 1 or any other dates specified by such Supplemental Resolution, with interest being payable on said Bonds semi-annually each February 1 and August 1 after such first interest payment date or as otherwise specified by such Supplemental Resolution; (d) the interest rate or rates of the Bonds of such Series, or the manner of determining

such rate or rates; (e) the denominations of and manner of numbering and lettering the Bonds of such Series; (f) whether the Bonds of such Series will be issued in fully registered form or in any other form permitted hereunder, the privileges, if any, of convertibility from one form to another, and the place or places of such registration and conversion; (g) the redemption premium or premiums, or the redemption price or prices, if any, to be paid upon the redemption of the Bonds of such Series, the period or periods, if any, during which such premiums or prices shall be payable and the terms and conditions, if any, of such redemption; (h) if any of the Bonds of the Series are issued as Term Bonds, the amount and due dates of each sinking fund installment for the Term Bonds of such Series, which due dates shall be either on August 1 or on both February 1 and August 1 or such other dates as specified by such Supplemental Resolution, and the date or dates and redemption price or prices upon which the Term Bonds of the Series may be redeemed from such installments, and the manner and procedure of applying such installments to the redemption of the Term Bonds of such Series; (i) the place or places of payment of the Bonds of the Series and premium, if any, and interest thereon, and the Paying Agents therefor; (j) the use, application and investment, if any, of the proceeds of such sale or other disposition, which use, application and investment shall not be inconsistent or in conflict with the provisions hereof; (k) any other provisions which may be required to be inserted therein by other provisions of the Resolution; and (l) any other necessary or desirable provisions not inconsistent or in conflict with the provisions of the Resolution.

For the purpose of determining compliance with the conditions of Section 3.4 and 3.6:

A. (1) each Supplemental Resolution authorizing a Series of Bonds a portion (but not all) of the proceeds of which is to be applied to pay all or a portion of the Cost of Acquisition and Construction of any Project shall specify (i) the portion of the principal amount of Bonds of such Series allocable to such Project, (ii) the portion of the principal amount of each maturity of the Bonds of such Series allocable to such Project, and (iii) if all or any portion of the Bonds of such Series are to be issued as Term Bonds, the portion of each sinking fund installment allocable to such Project, and (2) the portion of the principal amount of Bonds of such Series allocable to such Project shall be treated as if it constituted a separate Series of Bonds;

B. (1) each Supplemental Resolution authorizing a Series of Bonds a portion (but not all) of the proceeds of which is to be applied to any corporate use

or purpose of the Board relating to the Electric System, pursuant to Section 3.4 (other than the payment of all or a portion of the Cost of Acquisition and Construction of any Project) shall specify (i) the portion of the principal amount of Bonds of such Series allocable to such corporate use or purpose, (ii) the portion of the principal amount of each maturity of the Bonds of such Series allocable to such corporate use or purpose, and (iii) if all or any portion of the Bonds of such Series are to be issued as Term Bonds, the portion of each sinking fund installment allocable to such corporate use or purpose, and (2) the portion of the principal amount of Bonds of such Series allocable to such corporate use or purpose shall be treated as if it constituted a separate Series of Bonds; and

C. (1) each Supplemental Resolution authorizing a Series of Bonds a portion (but not all) of the proceeds of which is to be applied to the refunding of any Bond or Bonds pursuant to Section 3.6 shall specify (i) the portion of the principal amount of Bonds of such Series allocable to such refunding, (ii) the portion of the principal amount of each maturity of the Bonds of such Series allocable to such refunding, and (iii) if all or any portion of the Bonds of such Series are to be issued as Term Bonds, the portion of each sinking fund installment allocable to such refunding, and (2) the portion of the principal amount of Bonds of such Series allocable to such refunding shall be treated as if it constituted a separate Series of Bonds.

SECTION 3.4. Conditions for the Issuance of Bonds Other Than Refunding Bonds Hereunder. One or more Series of Bonds (exclusive of refunding Bonds issued pursuant to Section 3.6) may be issued hereunder at any time and from time to time for any corporate use or purpose relating to the Electric System, including, without limitation, payment of all or a portion of the Cost of Acquisition and Construction of any Project, but only upon compliance as to each such Series with the provisions of Section 3.3 and of this Section (except where specifically indicated otherwise in this Section).

A. The first installment of principal of such Series of Bonds shall be payable at such time as the Board shall determine, subject to the provisions of Section 3.3.

B. An Authorized Officer of the Board shall certify at the time of issuance of such Series of Bonds that to their knowledge there does not exist an Event

of Default (as defined in Section 9.2 hereof) or an Event of Default under the Original Resolution.

C. There shall be filed with the Board and the Bond Fund Trustee at the time of issuances of such Series of Bonds

(1) a certificate signed by an Authorized Officer based on audited figures or to the extent audited figures are not available on figures certified by an independent certified public accountant, showing that the average of the Net Revenues of the Distribution Division (less debt service on the Original Bonds) for any consecutive twenty-four month period out of thirty-six months immediately preceding the month in which such Bonds are issued were equal to not less than one and twenty hundredths (1.20) times the average annual Debt Service on the Bonds including the Series of Bonds then being issued in the then current and all future Fiscal Years; or

(2) a certificate of the Consulting Engineer showing that (a) the estimated Net Revenues of the Distribution Division (less debt service on the Original Bonds) together with other moneys lawfully available therefor as estimated by the Consulting Engineer (as provided in Section 3.5 hereof) for each of the five Fiscal Years, commencing with the first Fiscal Year subsequent to (i) if the proceeds of the Series of Bonds then being issued will be applied to pay the Cost of Acquisition and Construction of a Project, the Date of Commercial Operation (as estimated by the Consulting Engineer) of such Project; or (ii) if the proceeds of such Series of Bonds will be applied to any other corporate use or purpose, the Fiscal Year in which the Series of Bonds then being issued is delivered, shall be at least equal to one and thirty-five hundredths (1.35) times the Debt Service for such Fiscal Year on all outstanding Bonds, including the Bonds then being issued, all Unissued Bonds for such Project (if the proceeds of the Series of Bonds then being issued will be applied to pay the Cost of Acquisition and Construction of a Project) and all Unissued Bonds for any other Project.

D. If the proceeds of the Series of Bonds then being issued will be applied to pay all or any portion of the Cost of Acquisition and Construction of a Project, there shall be filed with the Board and the Bond Fund Trustee at the time of issuance of such Series of Bonds a certificate of the Consulting

Engineer setting forth (i) the then estimated Date of Commercial Operation of the Project for which such Series of Bonds is being issued; (ii) the then current estimate of the Cost of Acquisition and Construction of such Project, exclusive of payments, if any, to the Reserve Account in the Bond Fund, capitalized interest, if any, on Bonds (including Unissued Bonds) and expenses of issuing Bonds (including Unissued Bonds); (iii) the amount, if any, which has theretofore been expended to pay the Cost of Acquisition and Construction of such Project; (iv) the amount of moneys, if any, available for the payment of the Cost of Acquisition and Construction of such Project (including moneys, if any, then held in a Construction Fund available for such payment); and (v) if the Consulting Engineer's estimate of the Date of Commercial Operation of such Project pursuant to clause (i) above or of the Cost of Acquisition and Construction of such Project pursuant to clause (ii) above is different from such Date or Cost as estimated by the Consulting Engineer prior to delivery to the initial purchasers of the then most recent Series of Bonds, if any, issued to pay all or any portion of the Cost of Acquisition and Construction of such Project, a statement of the reasons for the difference in such Date or Cost.

E. If the proceeds of the Series of Bonds then being issued will be applied to pay all or any portion of the Cost of Acquisition and Construction of a Project, there shall be filed with the Board and the Bond Fund Trustee at the time of issuance of such Series of Bonds a certificate of the Consulting Engineer to the effect that (1) the plan for developing the Project is consistent with sound utility power supply planning and the Project is technically and economically feasible and of such character that it would be useful to the Board for its intended purpose and, (2) the Project can be economically and efficiently utilized by the Board for its intended purpose and can reasonably be expected to contribute advantageously to the conduct of the business of the Electric System.

F. If the Series of Bonds are being issued to pay all or any portion of the Cost of Acquisition and Construction of a Project for which the Board has the responsibility of managing the construction, the Supplemental Resolution providing for the issuance of the initial Series of Bonds to pay all or any portion of the Cost of Acquisition and Construction of such Project may appoint as the construction engineer or engineering firm (the "Construction Engineer") for such Project a construction engineer or engineering firm of national reputation, recognized for knowledge, skill

and experience in the design, construction and operation of electric power facilities. The Supplemental Resolution may also specify the duties of the Construction Engineer including, but not confined to, (i) preparation of drawings, designs, plans, specifications, surveys, reports, certificates and estimates, and (ii) supervision and inspection. In the event of the appointment of such Construction Engineer, the duties to be performed by the Consulting Engineer with respect to such Project as to any determination of the Date of Commercial Operation and as to any determination pursuant to paragraph D of this Section and Sections 6.12, 6.13 and 6.14 shall be performed by the Construction Engineer.

G. The provisions of:

(i) This Section 3.4 shall not apply to the initial Series of Bonds issued pursuant to this Resolution, unless or except as is otherwise set forth in the Supplemental Resolution providing for the issuance thereof;

(ii) paragraphs C and E of this Section 3.4 shall not apply to (1) any Series of Bonds issued to pay a portion of the Cost of Acquisition and Construction of a Project with respect to which the certificates referred to in such paragraphs C and E were filed in connection with the issuance of the initial Series of Bonds issued to pay the Cost of Acquisition and Construction of such Project, or (2) any Series of Bonds issued to pay the costs of preliminary and development work, including engineering, legal and financial studies, in connection with the planning, development and determination of the feasibility of electric generation or transmission facilities if immediately after the issuance of such Series of Bonds the aggregate principal amount of Bonds outstanding which shall have been issued to pay such costs shall not exceed \$4,000,000; and

(iii) paragraphs C and E of this Section 3.4 shall not apply to any Series of Bonds issued to pay (a) the Cost of Acquisition and Construction of any Project referred to in item (vi) of the definition of "Project" in Section 1.1 which (1) in the opinion of the Consulting Engineer (as evidenced by a certificate filed with the Board and the Bond Fund Trustee) is necessary to achieve design capability or required by any governmental agency or authority, or (2) in the opinion of the Consulting Engineer (as evidenced by a certificate filed with the Board and the Bond Fund Trustee) is

necessary or desirable to improve operating reliability or to reduce unit power costs or to prevent a loss of Revenues, or (b) the cost of preventing or correcting any unusual loss or damage (including major repairs) to any Project or any part thereof in excess of insurance proceeds available therefor or for which moneys are not available in the Electric System Renewal and Replacement Fund, the Renewal and Replacement Fund or the Distribution System General Fund, or (c) extraordinary costs of Fuel for which moneys are not available in the Operating Fund or the Electric System Renewal and Replacement Fund, the Renewal and Replacement Fund or the Distribution System General Fund.

H. If the date of any certificate of the Consulting Engineer delivered pursuant to paragraphs C, D, E or G of this Section 3.4 shall be a date other than the date upon which such Series of Bonds is being issued, there shall be filed with the Board and the Bond Fund Trustee at the time of issuance of such Series of Bonds a certificate of such Consulting Engineer to the effect that, to the knowledge of such Consulting Engineer, there have been no material changes in any matters covered in such certificate pursuant to paragraph C, D, E or G which would change the opinion of the Consulting Engineer with respect thereto as expressed in such certificate pursuant to paragraph C, D, E or G.

SECTION 3.5. Certificates of the Consulting Engineer. If the Consulting Engineer is required for the purposes of paragraph C of Section 3.4 hereof to estimate the Debt Service on Unissued Bonds, the Consulting Engineer shall estimate the Debt Service for such Unissued Bonds based upon the assumption that:

(1) such Unissued Bonds will be issued in an amount not less than the amount required to place the Project, the payment of the Cost of Acquisition and Construction for which such Unissued Bonds will be required to be issued, in normal continuous operation, together with such amounts as are necessary to provide for (a) the payment of interest on such Unissued Bonds from the time of their issuance to the termination of such period as such Consulting Engineer shall consider appropriate; (b) the amounts necessary to meet the Reserve Account Requirement upon the issuance of such Unissued Bonds and any other deposit into any fund or account required by the Resolution; and (c) the expenses of issuing such Unissued Bonds, including discount; and

(2) such other assumptions with respect to the issuance of such Unissued Bonds as the Consulting Engineer may consider proper and set forth in the Consulting Engineer's certificate.

The Consulting Engineer may reduce his estimate of the amount of Unissued Bonds required to be issued to pay the Cost of Acquisition and Construction of a Project by:

(i) an amount equal to the income which the Consulting Engineer estimates will be derived from the investment of the proceeds of the Bonds issued and Unissued Bonds to be issued to pay the Cost of Acquisition and Construction of such Project pending their application to the payment of the Cost of Acquisition and Construction of such Project; and

(ii) any amounts which the Consulting Engineer estimates are or will be available to the Board from the Revenues of the System or any other moneys for the purpose of paying a portion of the Cost of Acquisition and Construction of the Project.

In making the estimate of Net Revenues for various Fiscal Years for the purpose of certifying compliance with the provisions of paragraph C(2) of Section 3.4 hereof, the Consulting Engineer shall use as a basis the Net Revenues for any consecutive twelve (12) months' period selected by the Board out of the eighteen (18) months' period next preceding the date of issuance of the Series of Bonds then being issued (hereinafter referred to as the "Base Period"). In making such computations the Consulting Engineer shall adjust the Net Revenues for such Fiscal Year as follows:

(A) If any changes have been made in the schedule of rates and charges imposed by the Board on sales of power and energy and services furnished by the Electric System which are in effect at the time of adoption of the Supplemental Resolution providing for the issuance of the Bonds then being issued and were not in effect for all or any part of the Base Period, the Consulting Engineer, may, if such changes result in increases in such rates and charges, and shall, if such changes result in reductions in such rates and charges, adjust the Net Revenues for the Base Period to reflect any change in such Net Revenues which would have occurred if the schedule of rates and charges in effect at the time of the adoption of the Supplemental Resolution providing for the issuance of the Bonds had been in effect during the portion of the Base Period in which such schedule was not in effect.

(B) If the certificate is required in connection with the issuance of a Series of Bonds for the purpose of acquiring operating electric utility properties having an earnings record, the Consulting Engineer shall estimate the effect which the acquisition of such electric utility properties and the integration thereof into the Electric System would have had on the Net Revenues for the Base Period if such properties had been a part of the Electric System during the entire Base Period and shall adjust the Net Revenues for the Base Period to give effect to such acquisition. Any such estimate shall be based upon the operating experience and records of the Board with respect to the Electric System and upon any available financial statements and records relating to the operating revenues and expenses of such electric utility properties to be acquired.

(C) In computing the projected Net Revenues for each of the Fiscal Years covered by the certificate of the Consulting Engineer, the Consulting Engineer may adjust the amount of Net Revenues for the Base Period, as adjusted pursuant to the preceding paragraphs, by the estimate of the Consulting Engineer of the net increase over, or net decrease under, such Net Revenues for the Base Period by reason of any one or more of the following factors:

(a) changes in income to result from sales of surplus power to other utilities;

(b) changes in income to result from increases or decreases of sales of power and energy to customers of the Electric System under existing rate schedules for the various classes of such customers or as such rate schedules may be estimated by the Consulting Engineer to be revised by the Board on the basis of estimates of rate changes required in order that the Board will be able to comply with the requirements of Section 8.2 hereof;

(c) projected escalation of Revenues pursuant to escalation clauses;

(d) projected cost increases for new facilities;

(e) projected cost increases due to price, wage and salary escalation clauses, or other projected revisions of prices, wages and salary;

(f) projected cost of purchasing and power and energy;

(g) projected revisions of the cost of Fuel;

(h) projected revisions of the cost of machinery, equipment and supplies;

(i) projected revisions of production, transmission and distribution and administrative costs associated with the increases in sales of power and energy and the acquisition and construction of additional facilities;

(j) such projection of additional income and expenses as the Consulting Engineer shall deem reasonable and proper, including increases in investment earnings; and

(k) such other factors as the Consulting Engineer may consider appropriate and set forth in the Consulting Engineer's certificate.

In rendering any certificate required pursuant to Section 3.4, the Consulting Engineer may rely upon estimates from other sources which the Consulting Engineer considers reliable, making such adjustments and provisions for contingencies based on similar projects and other considerations as deemed appropriate by the Consulting Engineer.

SECTION 3.6. Refunding Bonds. Without complying with the provisions of Section 3.4 hereof, the Board by means of a Supplemental Resolution adopted in compliance with the provisions of Section 3.3 hereof may issue hereunder refunding Bonds at any time for the purpose of refunding (including by purchase) at any time all or any portion of Bonds outstanding, including amounts to pay principal, redemption premium and interest to the date of maturity or redemption (or purchase) and the expense of issuing the refunding Bonds and of effecting such refunding.

The proceeds of the refunding Bonds of each Series issued pursuant to this Section 3.6 shall be applied for the purposes of making deposits in such Funds and Accounts under the Resolution as shall be provided by the Supplemental Resolution authorizing such refunding Bonds and shall be applied to the refunding purposes thereof in the manner provided by such Supplemental Resolution.

SECTION 3.7. Subordinate Lien Obligations; Separate Utility Systems. Nothing contained in the Resolution shall prohibit or prevent, or be deemed or construed to prohibit or prevent, the Board from authorizing and issuing bonds, notes, certificates, warrants or other evidences of

indebtedness for any corporate use or purpose relating to the Electric System payable as to principal and interest from the Revenues subject and subordinate to the deposits and credits required to be made to the Operating Fund, the Bond Fund for the Original Electric System Revenue Bonds, and the Bond Fund, or from securing such bonds, notes, certificates, warrants or other evidences of indebtedness and the payment thereof by a lien and pledge on the Revenues junior and inferior to the lien and pledge on the Revenues herein created for the payment and security of the Bonds.

Nothing contained in the Resolution shall prohibit or prevent, or be deemed, or construed, to prohibit or prevent the Board, at such time as the Original Electric System Bonds are no longer Outstanding, from authorizing and issuing bonds, notes, certificates, warrants or other evidences of indebtedness other than Bonds to acquire and construct Electric Power Facilities or interests therein or the electric power and energy or the capacity or output thereof, which the Board has elected to acquire, construct and operate as separate utility systems, and which bonds, notes, certificates, warrants or other evidences of indebtedness are payable solely from the revenues or other income derived from the ownership or operation of such separate utility systems; provided that the Consulting Engineer shall certify that in his opinion the acquisition or construction or operation of such separate utility systems will not result in a reduction of the Net Revenues below the amounts covenanted by Section 8.2 hereof to be produced.

SECTION 3.8. Capital Appreciation Bonds. A Supplemental Resolution providing for the issuance of a Series of Bonds may provide that the payment of interest on any specified Bonds of the Series shall only be made at maturity or at a specified time or times prior to maturity or upon earlier redemption, by sinking fund installment or otherwise. Any such Supplemental Resolution shall specify the Compounded Amount of such Bonds as of each interest payment date on the Bonds from the date of issue to maturity. The principal of any such Capital Appreciation Bonds shall be deemed to be their Compounded Amount for all purposes of this Resolution, including, without limiting the generality of the foregoing, for purposes of determining the Reserve Account Requirement as defined in Section 1.1 and the provisions relating to redemption, acceleration and actions by Bondholders.

SECTION 3.9. Original Issue Discount Bonds. A Supplemental Resolution providing for the issuance of a Series of Bonds may provide that specified Bonds of the Series be originally reoffered to the public as Original Issue Discount Bonds. For the purposes of provisions of the Resolution relating to redemption, acceleration and actions

by Bondholders, the principal amount of Original Issue Discount Bonds shall be deemed to be their Compound Accreted Value, whether or not expressly stated in such provisions. For all other purposes of the Resolution, the principal amount of Original Issue Discount Bonds shall be deemed to be their face amount. Compound Accreted Value shall be determined as follows: The original offering price of an Original Issue Discount Bond is its initial Compound Accreted Value. On each interest payment date, until the Bond comes due, there will be a new Compound Accreted Value, equal to the prior Compound Accreted Value plus an accretion from the date as of which the prior Compound Accreted Value was calculated at a rate per annum equal to the yield to maturity on the original offering price, less the interest coming due on the interest payment date. Between interest payment dates (or prior to the first interest payment date) the difference between the most recent Compound Accreted Value and the next Compound Accreted Value will accrue linearly in the same manner as interest accrues and, if it becomes necessary to determine the Compound Accreted Value in the interim, it will include the accrual. From and after the date on which an Original Issue Discount Bond comes due, whether at maturity or by acceleration or redemption, its Compound Accreted Value will remain constant. The original offering price, the date as of which it was calculated and the yield to maturity (compounded on the interest payment dates) shall be established by a certificate of the underwriters for the Series of Bonds filed with the Bond Fund Trustee which, upon acceptance by the Bond Fund Trustee, shall be conclusive.

SECTION 3.10. Put Bonds. A Supplemental Resolution providing for the issuance of a Series of Bonds may provide for their repurchase or redemption, at the option of the holders, by the Board or its designee or by the Bond Fund Trustee, on a date or dates and with such notice as specified in the applicable Supplemental Resolution. A repurchase or redemption pursuant to such provision shall not cause any bond so repurchased or redeemed to lose the benefit of any security hereunder or to be no longer deemed to be outstanding pursuant to Article XIII. The repurchase or redemption price shall be financed by the proceeds of resale of the repurchased Bonds, by the issuance of refunding Bonds in accordance with this Article, by using moneys available therefor in the Bond Retirement Account in accordance with Section 6.4(C), or by any other lawful means, or by a combination of the foregoing. To the extent permitted by law and the Supplemental Resolution, the Board, the Bond Fund Trustee or an agent appointed by the Board for such purpose may resell the repurchased Bonds and the Board may issue Bonds (which shall be treated under this Resolution as refunding Bonds) for the purpose of financing any loss incurred by the repurchase and resale. The repurchase or redemption price shall not be treated as Debt

Service for the purpose of calculating payments into the Bond Fund pursuant to Section 6.4 but shall be treated as principal, interest or redemption price, as the case may be, for the purposes of Section 9.2(a), (b) and (c) and Section 9.6. If Bonds of a Series are made subject to repurchase or redemption pursuant to this section, Debt Service shall be calculated hereunder by using the schedule of Debt Service which would apply if the option were not exercised except to the extent the option has been exercised and the option price has been paid (or provision for payment has been made pursuant to Section 13.1). Nothing in this paragraph shall be deemed to preclude any repurchase or redemption of Bonds otherwise required or permitted by the terms of this Resolution.

SECTION 3.11. Variable Rate Bonds. A

Supplemental Resolution providing for the issuance of a Series of Bonds may provide for the Bonds to bear interest at a variable, adjustable, convertible or other similar rate or rates of interest. Any such Supplemental Resolution shall specify: (1) the manner of determining the interest rate or rates and the frequency of change thereof, (2) the maximum rate or rates, if any, at which the Bonds may bear interest and (3) provisions, if any, with respect to the conversion of such Bonds to Bonds bearing a fixed rate of interest and the reconversion of such Bonds to bear interest at a variable rate. The method or methods for determining the interest rate on Bonds bearing interest at a variable or similar rate of interest may include the selection of such rate by a rate determination agent as provided in an agreement between the Board and such agent, the utilization of an index or indices as described in the applicable Supplemental Resolution, or such other standard or combination of standards set forth in the Supplemental Resolution.

In connection with the issuance of any Bonds bearing interest at a variable, adjustable, convertible or similar rate, the Board shall obtain a certificate from the underwriters for such Bonds setting forth the Certified Interest Rate, which for the purposes of this section and Section 3.12 shall mean the rate of interest which would have been borne by such Bonds had they been issued at a fixed interest rate, assuming the same maturity dates, terms and provisions (other than interest rate or any repurchase or redemption by the Board at the option of the holder) as the Bonds assuming the same credit rating or ratings of the Board and making any other assumptions deemed necessary and proper, as determined by the underwriters. Such certificate shall contain or have attached thereto data and factual information supporting such Certified Interest Rate; and such certificate, when accepted by the Board, shall be conclusive.

Debt Service for any Variable Rate Bonds shall be calculated for purposes of the definition of Reserve Account Requirement in Section 1.1 by using the Certified Interest Rate. For purposes of calculating the payments into the Interest Account in the Bond Fund pursuant to Section 6.4 the interest accrued or estimated to accrue during the calendar month in which the payment is to be made shall be the amount of the required payment, subject in the case of an estimate to an adjustment at the end of the month.

SECTION 3.12. Additional Security. To the extent permitted by law, a Supplemental Resolution providing for the issuance of a Series of Bonds may provide that the Board obtain or cause to be obtained Additional Security providing for payment of all or a portion of the purchase price or principal, premium, if any, or interest due or to become due on specified Bonds of such Series, or providing for the purchase of such Bonds or a portion thereof by the issuer of the Additional Security, or providing, in whole or in part, for the funding of the Reserve Account pursuant to Section 6.4. In connection therewith, the Board may enter into agreements with the issuer of the Additional Security to provide the terms and conditions thereof, including the security, if any, to be provided to the issuer. The Board may secure the Additional Security by an agreement providing for the purchase of the Bonds secured thereby with such adjustments to the rate of interest, method of determining interest, maturity, or redemption provisions as specified in the Supplemental Resolution. Debt Service with respect to any Bonds so secured shall be calculated for purposes of the definition of Reserve Account Requirement by using the rate of interest or Certified Interest Rate, if applicable, on the Bonds prior to adjustment under such agreement. The Board may also agree to reimburse directly the issuer of the Additional Security for any amounts paid thereunder together with interest thereon.

SECTION 3.13. Financing Contracts. The Board may not undertake any Financing Contract directly or indirectly requiring payments from the Power Revenue Fund prior to or on a parity with the payments required to be made from the Power Revenue Fund into the Bond Fund unless there is filed with the Bond Fund Trustee either:

1. a certificate of an Authorized Officer that the maximum annual future expected fixed cost component of payments under all Financing Contracts then under contract (including the Financing Contract to be entered into) is less than 10% of the average annual Debt Service for the then current and all future Fiscal Years; or

2. a certificate of the Consulting Engineer that the estimated Net Revenues of the Distribution System together with other moneys lawfully available therefor as

estimated by the Consulting Engineer for each of the five Fiscal Years, commencing with the first Fiscal Year in which any payment is required under such Financing Contract, shall be at least equal to one hundred thirty-five hundredths (1.35) times the average annual Debt Service for such Fiscal Years on all outstanding Bonds.

All payments due on any Financing Contract entered into pursuant to this Section 3.13 shall be deemed to be Operating Expenses for purposes of this Resolution and paid from the Operating Fund prior to payments to the Bond Fund; provided, however, that notwithstanding any other provisions of this Resolution as to payment of Operating Expenses (a) if the property, services or commodities covered by the Financing Contract are not being and are not expected to be received or made available, or (b) an Event of Default has occurred and is continuing, and such property, services or commodities are not necessary for the proper operation of the Electric System, then and in that event the payments due under such Financing Contract shall be payable on a parity with payments required to be made from the Power Revenue Fund into the Bond Fund; provided further that the obligation of the Board under any such Financing Contract shall not, directly or indirectly, be payable out of, or constitute a charge against, any moneys or securities in any fund or account maintained by the Board pursuant to Article VI hereof, other than the Power Revenue Fund. In any event, the payments on Financing Contracts entered into pursuant to this Section 3.13 shall not be included as part of the Reserve Account Requirement for any other purposes under this Resolution.

ARTICLE IV

GENERAL TERMS AND PROVISIONS

SECTION 4.1. Term of Bonds. Unless or except as is otherwise set forth in the Supplemental Resolution providing for their issuance, the Bonds of a Series of Bonds shall be issued in fully registered form, or if permitted by law, book entry or uncertificated form, and may contain such variations, amounts and insertions as are incidental to such differences of numbering, denominations and forms, including variations in the provisions for the registration and transfer of said Bonds.

Unless or except as is otherwise set forth in the Supplemental Resolution providing for their issuance, Bonds shall be issued in the denomination of \$500, or any multiple of \$500 except Capital Appreciation Bonds which shall be in such denominations as the Board shall determine in the Supplemental Resolution providing for their issuance; and shall be numbered from R-1 upwards in chronological order as issued, or in any other manner determined by the Board.

Unless or except as is otherwise set forth in the Supplemental Resolution providing for their issuance, the principal of, premium, if any, and interest on each series of the Bonds shall be payable in any coin or currency of the United States of America which at the time of payment is legal tender for public and private debts. Unless or except as is otherwise set forth in the Supplemental Resolutions providing for their issuance, the principal of, and premium, if any, on each Series of Bonds shall be payable at the principal office of the Bond Fund Trustee or the Paying Agent for the Bonds. Unless or except as is otherwise set forth in the Supplemental Resolution providing for their issuance, payment of the interest on each Bond shall be made on each interest payment date to the registered owner of record upon the books of registry as of the Record Date by check or draft drawn upon the Bond Fund Trustee and mailed to such registered owner at such owner's address as it appears on the books of registry kept pursuant to the provisions of Section 4.5 hereof.

SECTION 4.2. Execution of Bonds. Unless or except as otherwise set forth in the Supplemental Resolution providing for their issuance, the Bonds shall be executed with the manual or facsimile signatures of the President or Vice President and Treasurer or Assistant Treasurer of the Board and attested with the manual or facsimile signature of the Secretary or Assistant Secretary thereof, and the facsimile seal of the Board shall be imprinted on each of the Bonds. In case any of the officers who shall have signed, attested, authenticated or registered any of the Bonds shall cease to be such officer before such Bonds have

been actually issued and delivered, such Bonds shall be valid nevertheless and may be issued by the Board with the same effect as though the persons who had signed, attested, authenticated or registered such Bonds had not ceased to be such officers.

SECTION 4.3. Authentication of Bonds. Unless or except as otherwise provided in the Supplemental Resolution provided for their issuance, Bonds shall bear thereon a certificate of authentication, substantially in the form set forth in Section 12.1 hereof duly executed by the Registrar therefor. At any time and from time to time, the Board may deliver Bonds executed on behalf of the Board as aforesaid to the Registrar therefor. Such Registrar shall, at the written order and direction of the Board authenticate and deliver Bonds in the case of each Series of Bonds at the time of their initial delivery, not to exceed the principal amount of such Series authorized by the particular Supplemental Resolution. Upon such authentication of each Bond, the Registrar therefor shall endorse on such Bond the date of registration. Such order and direction shall be executed and delivered for and behalf of the Board by any officer of the Board authorized to execute the Bonds as aforesaid. No order or direction of the Board or any other document shall be necessary to authorize authentication of Bonds delivered in accordance with the provisions hereof upon transfers, exchanges or redemption. Only such Bonds as shall bear thereon such certificate of authentication, duly executed, shall be entitled to any right or benefit under the Resolution or be secured hereby. No Bond shall be valid or obligatory for any purpose unless such certificate of authentication upon such Bond shall have been duly executed by the Registrar therefor. Such certificate of authentication by the Registrar therefor upon any Bond executed on behalf of the Board shall be conclusive and the only evidence that the Bond so authenticated has been duly authenticated and delivered under the Resolution and that the holder thereof is entitled to the benefit of the Resolution.

SECTION 4.4. Bonds Are Negotiable Instruments. All of the Bonds shall be negotiable instruments to the extent provided by the Uniform Commercial Code of the State of Oregon. The Board, the Bond Fund Trustee, the Paying Agents and any other person may treat the registered owner of any Bond, as the absolute owner of such Bond for the purpose of making payment thereof and for all other purposes, and neither the Board, the Bond Fund Trustee, nor the Paying Agents shall be bound by any notice or knowledge to the contrary, whether such Bond shall be overdue or not. All payments of or on account of interest to any registered owner of any Bond (or to his registered assigns), and all

payments of or on account of principal to any registered owner of any Bond, shall be valid and effectual and shall be a discharge of the Board, the Bond Fund Trustee, and the Paying Agents, in respect of the liability upon the Bonds or claims for interest, as the case may be, to the extent of the sum or sums paid.

SECTION 4.5. Books of Registry. At all times during which any Bonds remains outstanding and unpaid, the Bond Fund Trustee shall keep or cause to be kept at its principal office books (herein referred to as the "books of registry") for the registration and transfer of Bonds. The Bond Fund Trustee is hereby appointed as paying agent, transfer agent and registrar (herein referred to as the "Registrar") for all Bonds. Upon presentation at its principal office for such purpose the Registrar, under such reasonable regulations as it may prescribe, shall register or transfer, or cause to be registered or transferred, on said books of registry, Bonds as hereinbefore set forth. The books of registry shall at all times be open for inspection by the Board or its duly authorized agent or representative. At reasonable times and under reasonable regulations established by the Bond Fund Trustee, the books of registry pertaining to bonds in registered form and any such lists may be copied by the Board or inspected and copied by the holders or owners (or a designated representative thereof) of ten percent (10%) or more in principal amount of Bonds then Outstanding, such ownership and the authority of any such designated representative to be evidenced to the satisfaction of the Bond Fund Trustee.

SECTION 4.6. Transfer of Bonds. Any fully registered Bond without coupons, unless or except as may otherwise be provided in the Supplemental Resolution providing for the issuance of such Bond, may, in accordance with its terms, be transferred upon the books required to be kept pursuant to the provisions of Section 4.5 hereof, by the person in whose name it is registered, in person or by such holder's duly authorized attorney, upon surrender of such fully registered Bond to the Bond Fund Trustee for cancellation, accompanied by delivery of a written instrument of transfer duly executed by the registered owner in person or such owner's duly authorized agent, in form satisfactory to the Bond Fund Trustee.

Whenever any fully registered Bond shall be surrendered for transfer, the Board shall execute and deliver, at the principal office of the Bond Fund Trustee (or send by registered mail to the new owner thereof at such owner's request, risk and expense), in the name of the transferee or transferees, a new duly executed fully registered Bond or Bonds, of the same Series, interest rate and maturity and for a like aggregate principal sum. To the

extent of denominations authorized in respect of any such Bond, one such fully registered Bond may be transferred for several such fully registered Bonds of the same Series, interest rate, maturity and aggregate principal amount, and several such fully registered Bonds may be transferred for one or several such fully registered Bonds of the same Series, interest rate, maturity and aggregate principal amount. Unless or except as may otherwise be provided in the Supplemental Resolution providing for the issuance of the Bonds of the Series, all transfers pursuant to this section shall be made without expense to the holder of such Bonds, except as otherwise herein provided, and except that the Bond Fund Trustee shall require the payment by the holder of the Bond requesting such transfer of any tax or other governmental charges required to be paid with respect to such transfer. All fully registered Bonds surrendered pursuant to this Section shall be cancelled.

The Supplemental Resolution providing for the issuance of a Series of Additional Bonds may establish the periods within which the Bond Fund Trustee for such Series shall not be required to provide for the transfer of Bonds of such Series.

SECTION 4.7. Exchange of Bonds. Bonds of a Series, upon surrender thereof at the principal office of the Bond Fund Trustee, together with an assignment duly executed by the registered owner or such owner's authorized agent in such form as shall be satisfactory to the Bond Fund Trustee, may, at the option of the registered owner thereof, be exchanged for an equal aggregate principal amount of Bonds of the same Series and maturity, of any denomination or denominations authorized by this Resolution, and bearing interest at the same rate, and in the same form as the Bonds surrendered for exchange. All Bonds of a series so surrendered pursuant to this Section shall be cancelled by the Bond Fund Trustee. Any Bonds of a Series to be delivered to the registered owner upon any such exchange shall be delivered to the registered owner at the principal office of the Bond Fund Trustee, or sent by mail to the owner thereof at such owner's request, risk and expense.

The Supplemental Resolution providing for the issuance of a Series of Bonds may establish the periods within which the Bond Fund Trustee for such Series shall not be required to provide for the exchange of Bonds of such Series.

Unless or except as may otherwise be provided in the Supplemental Resolution providing for the issuance of the Bonds of a Series, all exchanges pursuant to this Section shall be made without expense to the holders of such Bonds, except as otherwise herein provided, and except that the Bond Fund Trustee shall require the payment by the

holder of the Bond requesting such exchange of any tax or other governmental charges required to be paid with respect to such exchange.

SECTION 4.8. Mutilated, Lost, Stolen or Destroyed Bonds. In case any Bond shall at any time become mutilated in whole or in part, or be lost, stolen or destroyed, or be so defaced as to impair the value thereof to the owner, the Board shall execute and deliver at the principal office of the Bond Fund Trustee (or send by registered mail to the owner thereof at his request, risk and expense), a new Bond of the same series, interest rate and maturity and of like tenor and effect in exchange or substitution for and upon the surrender for cancellation of such defaced, mutilated or partly destroyed Bond, or in lieu of or in substitution for such lost, stolen or destroyed Bond. In any such event the applicant for the issuance of a substitute Bond shall furnish the Board and the Bond Fund Trustee evidence or proof satisfactory to the Board and the Bond Fund Trustee of the loss, destruction, mutilation, defacement or theft of the original Bond, and of the ownership thereof, and also such security and indemnity as may be required by the Board and the Bond Fund Trustee. Any duplicate Bond issued under the provisions of this Section in exchange and substitution for any defaced, mutilated or partly destroyed Bond or in substitution for any allegedly lost, stolen or wholly destroyed Bond, shall be entitled to the identical benefits under the Resolution as was the original Bond in lieu of which such duplicate Bond is issued, and shall be entitled to equal and proportionate benefits with all the other Bonds of the same Series issued hereunder. Neither the Board nor the Bond Fund Trustee nor any other Paying Agent appointed hereunder shall be required to treat both the original Bond and any duplicate Bond as being outstanding for the purpose of determining the principal amount of Bonds which may be issued hereunder or for the purpose of determining any percentage of Bonds outstanding hereunder, but both the original and duplicate Bond shall be treated as one and the same.

Notwithstanding the foregoing provisions of this Section as to the issuance of duplicate or replacement Bonds, (i) if any such lost, stolen, destroyed, defaced or mutilated Bond has matured or been called for redemption and the date fixed for the redemption thereof has arrived, at the option of the Board, payment of the amount due thereon may be made without the issuance of any duplicate or replacement Bond upon receipt of like evidence, indemnity, security and expenses and the surrender for cancellation of any such defaced or mutilated Bond and upon such other conditions as the Board may prescribe; (ii) if any such lost, stolen, destroyed, defaced or mutilated Bond shall mature or is of a class or Series which shall mature within

one year following the date of application for a duplicate Bond, or has been called or will be called, or is of a class or Series which has been called or will be called, for redemption within one year following such date, instead of issuing a duplicate or replacement Bond the Board upon receiving like evidence, indemnity, security and expenses and the surrender for cancellation of any such defaced or mutilated Bond and upon such other conditions as the Board may prescribe, may issue or cause to be issued a transferable certificate of ownership to the applicant and pay on such certificate the interest and the redemption price or the principal sum thereof, on the interest payment dates and the redemption date or maturity date, upon surrender of such certificate, and all such transferable certificates of ownership shall be in such form as may be determined by the Board or as otherwise provided by law; and (iii) if the provisions of applicable law shall provide for the payment of lost, stolen, destroyed, mutilated or defaced Bonds in lieu of the issuance of duplicates or certificates of ownership therefor, such lost, stolen, destroyed, mutilated or defaced Bonds may be paid in accordance with the provisions of such laws.

All expenses necessary for the providing of any duplicate Bond or certificate of ownership shall be borne by the applicant therefor.

SECTION 4.9. Disposition and Destruction of Bonds and Coupons. All Bonds and coupons surrendered to the Bond Fund Trustee or other Paying Agent for payment shall be cancelled upon such payment by the Bond Fund Trustee or such other Paying Agent, as the case may be.

Whenever in the Resolution provision is made for the cancellation of any Bonds by any Paying Agent other than the Bond Fund Trustee, such Bonds so cancelled shall be delivered to the Bond Fund Trustee or as it may direct. All cancelled Bonds, including those cancelled by the Bond Fund Trustee, shall be delivered to the Board or as it may direct. Upon the written request of the Board, such Paying Agent or the Bond Fund Trustee may, however, in lieu of such cancellation and delivery, destroy such Bonds. If any Bonds are destroyed by the Bond Fund Trustee, the Board may require that such destruction be done in the presence of its appointee, and if any Bonds are destroyed by a Paying Agent other than the Bond Fund Trustee, the Board or the Bond Fund Trustee may require that such destruction be done in the presence of their respective appointee or officer. If the Bond Fund Trustee shall destroy any Bonds it shall deliver a certificate of such destruction to the Board, and if such destruction be performed by a Paying Agent other than the Bond Fund Trustee, such Paying Agent shall deliver a

certificate of such destruction to both the Board and the Bond Fund Trustee.

SECTION 4.10. Temporary Bonds. Any Series of Bonds may be initially issued in temporary form exchangeable for definitive Bonds when ready for delivery. The temporary Bonds may be printed, lithographed or typewritten, shall be of such denominations as may be determined by the Board, and may contain such reference to any of the provisions of the Resolution as may be appropriate. Every temporary Bond shall be executed by the Board upon the same conditions and in substantially the same manner as the definitive Bonds. If the Board issues temporary Bonds it will execute and furnish definitive Bonds without delay, and thereupon the temporary Bonds shall be surrendered, for cancellation, in exchange therefor at the principal office of the Bond Fund Trustee and the Bond Fund Trustee shall deliver in exchange for such temporary Bonds an equal aggregate principal amount of definitive Bonds of authorized denominations, of the same Series and maturity or maturities. Until so exchanged, the temporary Bonds shall be entitled to the same benefits under the Resolution as definitive Bonds delivered under the Resolution.

SECTION 4.11. CUSIP Identification Numbers. At the sole option of the Board, CUSIP identification numbers may be printed on the Bonds of any Series of Bonds, but no such number shall be deemed to be a part of any Bond or a part of the contract evidenced thereby, and no liability shall hereafter attach to the Board or any officer or agent thereof (including the Bond Fund Trustee and the Paying Agents) because of or on account of said CUSIP identification numbers or any use made thereof.

ARTICLE V

REDEMPTION OF BONDS

SECTION 5.1 Redemption of Bonds. The Bonds of a Series shall be subject to redemption prior to their stated maturities upon such terms and conditions and at such dates and redemption prices or premiums as shall be set forth in the Supplemental Resolution providing for the issuance of such Bonds, and upon the further terms and conditions as are hereinafter set forth.

SECTION 5.2 Selection of Bonds for Redemption. In the event of the redemption at any time of only a part of the Bonds of a Series, the Bonds to be redeemed shall be redeemed in such order as is set forth in the Supplemental Resolution providing for the issuance of such Bonds. Whenever provision is made in any Supplemental Resolution for the selection by lot of Bonds to be redeemed, the Bond Fund Trustee, in any manner which it deems fair, shall select the particular Bonds to be redeemed from among those Bonds which are then subject to redemption and to selection by lot for such redemption. The Bond Fund Trustee shall promptly notify the Board and each other Paying Agent for the Bonds of the Series of Bonds of which such Bond to be redeemed is one, in writing, of the numbers of the Bonds so selected for redemption.

SECTION 5.3 Notice of Redemption. Notice of redemption of Bonds shall be given by publication (except as provided below), at least twenty-five (25) days prior to the date fixed for the redemption thereof, of one such notice in one issue of The Bond Buyer, a financial journal published in New York, New York, or in lieu of publication in The Bond Buyer, in some other newspaper specializing in financial matters printed in the English language and customarily published on each business day and of general circulation in the City of New York, New York or in daily newspapers of general circulation printed in the English language, published in each of the Cities of Eugene, Oregon, Portland, Oregon, and New York, New York. Notice of the redemption of any Bond shall be mailed not less than twenty-five (25) days prior to the redemption date, by registered mail, to the registered owner of such Bond as of the forty-fifth (45th) day (whether or not a business day) next preceeding the date fixed for redemption at his address as it appears on the books of registry. Notice of redemption by publication need not be given to the holder of any Bond if notice shall have been so mailed as aforesaid to the registered owner thereof; provided that, if notice is given by publication as aforesaid, neither failure to mail

such notice to the registered owner of any Bond, nor any defect in any notice so mailed, shall affect the sufficiency of the proceedings for the redemption of any of such Bonds.

The Board shall give written notice to the Bond Fund Trustee of its election to redeem Bonds at least forty-five (45) days prior to the redemption date, or such shorter period as shall be acceptable to the Bond Fund Trustee, and if notice of redemption is to be published by the Bond Fund Trustee, such notice shall contain all the information necessary to enable the Bond Fund Trustee to publish the notice of redemption in the manner aforesaid. As to Bonds which are redeemable by the Bond Fund Trustee without action being taken by the Board under the terms of the Resolution, the Bond Fund Trustee shall proceed to publish notice of redemption of such Bonds at the time specified in the Resolution without further direction from the Board. Whenever notice of redemption has been duly given as herein provided the Bond Fund Trustee shall, at least three (3) days prior to the date fixed for redemption in such notice, transfer to the Paying Agent or Paying Agents for the Bonds so to be redeemed amounts in cash which, in addition to other moneys, if any, held by such Paying Agent or Paying Agents for such purpose, will be sufficient to redeem on the redemption date, all the Bonds so to be redeemed.

Each notice of redemption, whether published or mailed, shall state: (i) the title of the Bonds to be redeemed, the Series designation (if any) thereof, the redemption date, the place or places of redemption and the redemption price or redemption premium, if any, payable upon such redemption; (ii) if less than all the bonds of a particular Series are to be redeemed, the numbers of the Bonds to be redeemed; (iii) that the interest on the Bonds, or on the principal amount thereof to be redeemed, designated for redemption in such notice shall cease to accrue from and after such redemption date; and (iv) that on said date there will become due and payable on each said Bond the principal amount thereof to be redeemed at the then applicable redemption price (or together with the then applicable redemption premium, if any) and the interest accrued on such principal amount to the redemption date. Each notice of redemption mailed to the holder of a fully registered Bond to be redeemed shall, if less than the entire principal sum thereof is to be redeemed, also state the principal amount hereof to be redeemed and that such fully registered Bond must be surrendered to the Bond Fund Trustee in exchange for the payment of the principal amount thereof to be redeemed and the issuance of a new Bond or Bonds equal in principal amount to that portion of the principal sum not to be redeemed of the Bond to be surrendered, as provided in Section 5.4 hereof.

Notice of redemption of Bonds shall be given by the Bond Fund Trustee in the name and for and on behalf of the Board without further authorization.

SECTION 5.4. Partial Redemption of Bonds. In the event that part only of the principal sum of a Bond shall be called for redemption or prepaid, payment of the amount to be redeemed or prepaid shall be made only upon surrender of such Bond to the Bond Fund Trustee. Upon surrender of such Bond, the Board shall execute and deliver to the registered owner thereof, at the principal office of the Bond Fund Trustee, a new fully executed Bond or Bonds, of authorized principal sums equal in aggregate principal amount to, and of the same Series, maturity and interest rate as, the unredeemed portion of the Bond surrendered.

SECTION 5.5 Effect of Redemption. If a Bond is subject by its terms to prior redemption and has been fully called for redemption and notice of the redemption thereof has been duly given as hereinbefore provided and if moneys for the payment of such Bond (or of the principal amount thereof to be redeemed) at the then applicable redemption price or together with the then applicable premium, if any, and the interest to accrue to the redemption date on such Bond (or the principal amount thereof to be redeemed) are held for the purpose of such payment by the Bond Fund Trustee or other Paying Agent for the Series of Bonds of which such Bond is one, then such Bond (or the principal amount thereof to be redeemed) so called for redemption shall, on the redemption date designated in such notice, become due and payable and interest on said Bond (or the principal amount thereof to be redeemed) so called for redemption shall cease to accrue.

SECTION 5.6 Cancellation of Redeemed Bonds. All Bonds surrendered or redeemed pursuant to the provisions of this Article shall be cancelled.

ARTICLE VI

CREATION OF FUNDS AND ACCOUNTS; PAYMENTS THEREFROM: INVESTMENT OF MONEYS

SECTION 6.1. Existing Funds Continued. Subject to the provisions of Section 7.5 of the Trojan Resolution, the Power Revenue Fund and the Operating Fund created in the Original Resolution and the Distribution Division General Fund created in the Trojan Resolution shall be continued for as long as any of the Bonds or Original Electric System Revenue Bonds are Outstanding, and all Revenues of the Electric System shall continue to be paid into the Power Revenue Fund. Moneys and securities from time to time in the Power Revenue Fund shall be trust funds of the Board for the uses and purposes provided in the Original Resolution, the Trojan Resolution, this Resolution, and any resolution or resolutions authorizing bonds or other evidences of indebtedness permitted by Sections 7.1, 7.2 and 7.4 of the Trojan Resolution and this Resolution, and shall be paid out and applied solely for the uses and purposes for which said moneys are pledged by the provisions of the Original Resolution, the Trojan Resolution, this Resolution and any such other resolution.

So long as any of the Original Electric System Revenue Bonds are Outstanding, the Bond Funds for the Original Electric System Revenue Bonds and the Electric System Renewal and Replacement Fund shall be continued and moneys shall be deposited therein and used and applied as provided by the Original Resolution.

So long as any of the Original Electric System Revenue Bonds are Outstanding and as required by the Trojan Resolution (i) the payments required by the Original Resolution to be made into the Electric System Renewal and Replacement Fund shall continue to be made at the times, in the amounts, and in the manner required by the Original Resolution until the moneys in said Fund shall equal \$500,000 and (ii) the Electric System Renewal and Replacement Fund shall thereafter be maintained in an amount not less than \$500,000 by additional payments from the Power Revenue Fund, if necessary, as provided in the Original Resolution.

Moneys in the Electric System Renewal and Replacement Fund shall be used for the purposes provided by the Original Resolution. However, the Board has covenanted and agreed with the holders of the Trojan Nuclear Project Revenue Bonds that, except as provided in Sections 6.1(A) and (E) of the Original Resolution and except for

income derived from the investment of funds in the Electric System Renewal and Replacement Fund which causes the amount in such fund to be in excess of \$500,000, no such moneys shall be used for the purposes authorized by the Original Resolution in connection with the Distribution Division unless moneys for such purposes are not available in the Distribution Division General Fund (heretofore created and established), and that no moneys in the Electric System Renewal and Replacement Fund, other than moneys deposited in such Fund as proceeds from the sale of properties of the Trojan Project or the proceeds of insurance on the Trojan Project shall be used for such purposes in connection with the Trojan Project unless moneys are not available therefor in the Trojan Reserve and Contingency Fund created and established under the Trojan Resolution and that no funds shall be used for such purposes for any Additional Generating Facilities (other than moneys derived from the sale of the properties thereof or as the proceeds of insurance thereon) unless moneys are not available in the special fund created therefor pursuant to paragraph 3 of Section 7.2 of the Trojan Resolution.

SECTION 6.2. Payments to the Power Revenue Fund.

So long as Original Electric System Revenue Bonds are Outstanding, if the Revenues of the Distribution Division in the Power Revenue Fund are not equal to the amounts required to be paid into the Operating Fund to pay the Operating Expenses thereof or required to be made into the Bond Funds for the Original Electric System Revenue Bonds or the Electric System Renewal and Replacement Fund in any month, an amount of money equal to the difference between the amount of the Revenues of the Distribution Division in the Power Revenue Fund and the amounts of such respective Revenues required to be paid to the Operating Fund, the Bond Funds for the Original Electric System Revenue Bonds or the Electric System Renewal and Replacement Fund shall be transferred to the Power Revenue Fund from the Distribution Division General Fund.

SECTION 6.3. Reorganization of Electric System.

As, if and when the Board pursuant to Section 7.5 of the Trojan Resolution has reorganized the Electric System, the Operating Expenses of the Distribution Division and all other obligations of the Board incurred in connection with the ownership and operation of the Distribution Division, including the payment of indebtedness incurred by the Board therefor, shall thereafter be paid from the moneys paid into the Distribution Division General Fund, and the Operating Expenses of each of the Additional Generating Facilities, and all other expenses and obligations of the Board incurred in connection with the ownership and operation thereof, including the payment of all indebtedness incurred by the Board therefor, shall be payable from the moneys paid into the separate fund created therefor pursuant to paragraph 3 of Section 7.2 of the Trojan Resolution. The payment of the

Operating Expenses of the Distribution Division, including payments required to be made into the Trojan General Fund pursuant to Section 7.9(0) of the Trojan Resolution, shall, to the extent permitted by law and so long as any of the Trojan Bonds are Outstanding, constitute the first charge against the Revenues of the Distribution Division.

SECTION 6.4 Bond Fund. There is hereby created and established a special fund of Board to be maintained in trust by the Bond Fund Trustee and to be known as the "Bond Fund" the existence of which shall be continued for so long as any Bonds issued pursuant to the Resolution are outstanding and unpaid. The Bond Fund and the moneys deposited in such Fund shall, except as otherwise provided in part D of this Section, be used solely for the purpose of paying the principal of, premium, if any, and interest on the Bonds, and of retiring the Bonds prior to maturity in the manner herein provided. Subject to the provisions of the Trojan Resolution, each month, after making the transfers hereinabove provided to the Operating Fund, the bond fund for the Original Electric System Revenue Bonds and the Electric System Revenue and Replacement Fund the Board shall transfer from the Distribution Division General Fund as a first claim thereon to the Bond Fund Trustee for deposit into the Bond Fund amounts as follows and in the following order of priority, to wit:

A. The Bond Fund Trustee shall create a separate account in the Bond Fund to be known as the "Interest Account". In order to provide for the payment of the interest on the Bonds, not later than the twenty-fifth day of the sixth month prior to the date upon which an installment of interest falls due on the Bonds of a Series, or if the first installment of interest on the Bonds of such Series shall fall due in less than six months, then on the twenty-fifth day of the month immediately succeeding the month in which the Bonds of such Series are delivered to the initial purchasers, and in any event prior to the date upon which such installment of interest falls due, and on or before the twenty-fifth day of each succeeding calendar month thereafter, the Board shall pay to the Bond Fund Trustee, and the Bond Fund Trustee shall credit to the Interest Account an amount such that, if the same amount were so credited to the Interest Account on the twenty-fifth day of each calendar month thereafter prior to the next date upon which an installment of interest falls due on the Bonds of such Series, the aggregate of the amounts so credited to the Interest Account would on such date be equal to the installment of interest then falling due on all Bonds of such Series. In order to provide for the payment of the interest on the Bonds of a Series with any frequency other than semiannually, the Board shall pay or cause to be paid from the Power Revenue Fund amounts in accordance with the provisions of the Supplemental Resolution pursuant to which

such Series of Bonds is issued. In making the credits required by this paragraph any amounts required to be credited to the Interest Account representing accrued interest received on the sale of Bonds, interest capitalized from the proceeds of the Bonds of a Series and any other transfers and credits otherwise made or required to be made to said Account shall be taken into consideration and allowed for.

B. The Bond Fund Trustee shall create a separate account in the Bond Fund to be known as the "Principal Account". In order to provide for the payment of the principal of Serial Bonds, not later than the twenty-fifth day of the twelfth month prior to the date upon which an installment of principal of Serial Bonds of each Series falls due, or if the first installment of principal of Serial Bonds of such Series shall fall due in less than twelve months, then on the twenty-fifth day of the month immediately succeeding the month in which the Bonds of such Series are delivered to the initial purchasers, and in any event prior to the date upon which such installment of principal falls due, and on or before the twenty-fifth day of each succeeding calendar month thereafter, the Board shall pay to the Bond Fund Trustee, and the Bond Fund Trustee shall credit to the Principal Account an amount such that, if the same amount were so credited to the Principal Account on the twenty-fifth day of each calendar month thereafter, prior to the next date upon which an installment of principal falls due on the Serial Bonds of such Series, the aggregate of the amounts so credited to the Principal Account would on such date be equal to the installment of principal then falling due on the Serial Bonds of such Series. In making the credits required by this paragraph, any earnings on moneys in said Account shall be taken into consideration and allowed for.

C. The Bond Fund Trustee shall create a separate Account in the Bond Fund to be known as the "Bond Retirement Account" in order to meet the specified sinking fund installment requirements of Term Bonds and otherwise to retire Bonds prior to maturity. Not later than the twenty-fifth day of the twelfth month prior to the date upon which a sinking fund installment of Term Bonds of each Series falls due, or if the first sinking fund installment of the Term Bonds of such Series shall fall due in less than twelve months, then on the twenty-fifth day of the month immediately succeeding the month in which the Bonds of such Series are delivered to the initial purchasers, and in any event prior to the date upon which such sinking fund installment falls due, and on or before the twenty-fifth day of each succeeding calendar month thereafter, the Board shall pay to the Bond Fund Trustee, and the Bond Fund Trustee shall credit to the Bond Retirement Account an amount such that, if the same amount were so credited to the Bond Retirement Account on the twenty-fifth day of each

calendar month thereafter, prior to the next date upon which a sinking fund installment falls due on the Term Bonds of such Series, the aggregate of the amounts so credited to the Bond Retirement Account for the purpose of retiring the Term Bonds of such Series would on such date be equal to the sinking fund installment then falling due on the Term Bonds of such Series. In making the credits required by this paragraph, any earnings on moneys in said Account shall be taken into consideration and allowed for.

The Bond Fund Trustee shall without further authorization or direction apply the moneys on credit to the Bond Retirement Account on each date upon which a sinking fund installment is due to the retirement of the Term Bonds of such Series in accordance with the Supplemental Resolution providing for the issuance of such Series of Bonds, or, if so directed by the Board, semi-annually on both such due date and the day six months prior to such due date, in the respective principal amounts on credit to the Bond Retirement Account on such dates for such Term Bonds, so that the aggregate amounts so applied will equal the respective principal amounts required to be credited to the Bond Retirement Account on such sinking fund installment dates by the Supplemental Resolution providing for their issuance; provided, however, that if the last sinking fund installment for such Term Bonds falls due on the stated maturity date thereof, the amount of such installment shall not be applied to the redemptions of such Term Bonds but shall be applied to the payment thereof at such maturity date in the same manner as amounts are applied from the Principal Account for the payment of Serial Bonds at maturity. The Bond Fund Trustee shall give notice of all such redemptions, in the name and on behalf of the Board, in accordance with the provisions of Article V hereof. The Bond Fund Trustee may also, without further authorization or direction, apply the moneys credited to the Bond Retirement Account for the retirement of the Term Bonds of a particular Series to the purchase of such Bonds, at a purchase price (including accrued interest and any brokerage or other charge) not to exceed the redemption price then applicable upon the redemption of such Bonds from sinking fund installments, plus accrued interest, in which event the principal amount of such Bonds required to be redeemed on the next respective ensuing sinking fund installment date shall be reduced by the principal amount of the Bonds so purchased; provided, however, that no Bonds of such Series shall be purchased during the interval between the date on which notice of redemption of said Bonds from sinking fund installments is given and the date of redemption set forth in such notice, unless the Bonds so purchased are Bonds called for redemption in such notice or are purchased from moneys other than those credited to the Bond Retirement Account with respect to sinking fund installments.

In the event that moneys in the Bond Retirement Account, other than moneys credited thereto as sinking fund installments pursuant to the Resolution are to be applied to the retirement of a Series of Bonds, the Board may direct the Bond Fund Trustee within thirty days of the deposit of such moneys to apply such moneys to the purchase of Bonds of such Series. The price payable on any such purchase (including any brokerage or other charge) shall not exceed the highest redemption price applicable at the time or any time thereafter with respect to such Series of Bonds, plus accrued interest. Any such moneys not applied to the purchase of Bonds shall be applied to the redemption of Bonds of each Series then subject to redemption from such moneys in the proportion, as nearly as practicable, which the principal amount of Bonds of such Series then outstanding and unpaid and so subject to redemption bears to the total principal amount of Bonds then outstanding and unpaid and so subject to redemption.

Except for the redemption of Term Bonds from moneys credited to the Bond Retirement Account as sinking fund installments, not less than One Hundred Thousand Dollars (\$100,000) aggregate principal amount of Bonds shall be purchased or called for redemption at any one time pursuant to this paragraph C unless the Board directs the purchase or redemption of a lesser amount. The Bond Fund Trustee shall give notice of all such redemptions, in the name and on behalf of the Board, in accordance with the provisions of Article thereof.

Any purchase of Bonds pursuant to this part C may be made with or without tenders of Bonds and at either public or private sale. All Bonds purchased, redeemed or retired pursuant to this part C shall be cancelled and shall not be reissued. The accrued interest to be paid on the purchase or redemption of Bonds shall be paid from the Interest Account.

In the event of the purchase or redemption of Term Bonds of a particular Series pursuant to this paragraph C or otherwise, except from moneys credited to the Bond Retirement Account as sinking fund installments, or if such Term Bonds to be so redeemed are deemed to be no longer outstanding and unpaid pursuant to Section 13.1, the amount required to be credited to the Bond Retirement Account on each sinking fund installment date thereafter, as specified in the Supplemental Resolution providing for the issuance thereof, shall be reduced in the proportion, as nearly as practicable, which the principal amount of such sinking fund installment bears to the total principal amount of all sinking fund installments so specified for the Term Bonds of such Series, but only if such reduction is requested by a resolution of the Board filed with the Bond Fund Trustee.

All expenses in connection with the purchase, redemption or payment of Bonds pursuant to this paragraph C shall be paid by Board from the Power Revenue Fund.

D. The Bond Fund Trustee shall create a separate Account in the Bond Fund to be known as the "Reserve Account". Commencing with the twenty-fifth business day of the month following the month in which the first Series of Bonds are delivered and on the twenty-fifth business day of each and every month thereafter until the month five years subsequent to such date of issuance, there shall be deposited in the Bond Fund for credit to the Reserve Account therein an amount such that, if the same amount were so deposited in said Fund and credited to said Account on the twenty-fifth business day of each succeeding month thereafter, the aggregate of the amounts so deposited and credited will on the date five years subsequent to such date of delivery be equal to the Reserve Account Requirement. In the event of the issuance of any additional Series of Bonds, the Supplemental Resolution authorizing the issuance of such additional Series of Bonds shall provide for further and additional deposits from the moneys in the Power Revenue Fund into the Bond Fund for credit to the Reserve Account, in such amounts and at such times as may be reasonably practicable as set forth in said proceedings, so that by no later than five years from the date of such additional Series of Bonds there shall then be on deposit in the Bond Fund and credited to the Reserve Account therein an amount equal to the Reserve Account Requirement provided, however, that the proceedings authorizing the issuance of additional Series of Bonds may provide for payments into the Bond Fund for credit to the Reserve Account from the proceeds of such additional Bonds or from any other moneys lawfully available therefor, in which event, in providing for deposits and credits required by the foregoing provisions of this paragraph, allowance shall be made for any such amounts so paid into this Account. Subject to the foregoing, the amount of moneys and Value of Investment Securities in the Bond Fund to the credit of the Reserve Account shall at all times be maintained in the Reserve Account in an amount equal to the Reserve Account Requirement for all bonds then outstanding.

The Board shall calculate the Reserve Account Requirement upon the issuance of any Series of Bonds and may recalculate such Requirement at any other time. A copy of each calculation of the Reserve Account Requirement shall be furnished by the Board to the Bond Fund Trustee.

If, as of the date of valuation (as hereinafter defined) after the end of each Fiscal Year or as of a date upon which there is a withdrawal from the Reserve Account (other than earnings on Investment Securities), the moneys and Value of Investment Securities in the Reserve Account shall be less than the Reserve Account Requirement, then the

Board shall, beginning with the twenty-fifth day of the second month next succeeding such date, after making the transfers hereinabove provided for from the Power Revenue Fund to the Operating Fund to the Bond Fund for the Original Electric System Revenue Bonds and to the Bond Fund for credit to the Interest Account, the Principal Account and the Bond Retirement Account therein, make monthly transfers from the Power Revenue Fund to the Bond Fund for credit to the Reserve Account until there shall be on deposit in the Reserve Account moneys and Value of Investment Securities equal to the Reserve Account Requirement. If a Series of Bonds is issued at any time during a period in which such monthly transfers are required to be made, the Board may deposit proceeds of such Series in the Bond Fund for credit to the Reserve Account sufficient to make up the deficiency in the Reserve Account, to the extent such proceeds are not required for capitalized interest or reserve requirements of such Series. In addition, the Board may, at its option, make transfers from time to time from the Renewal and Replacement Fund to the Bond Fund, for credit to the Reserve Account to make up any deficiency or portion thereof in that account, and any monthly transfer being made from the Power Revenue Fund to the Bond Fund for credit to the Reserve Account shall be adjusted accordingly; provided, however, that any such transfers from the Renewal and Replacement Fund shall be required to be made in accordance with the provisions of Section 6.5 hereof.

If on any August 1 and February 1, the moneys and Value of Investment Securities in the Reserve Account shall exceed the Reserve Account Requirement, such excess shall be credited to the Power Revenue Fund as of such date or applied to the retirement of Bonds by redemption or purchase as an Authorized Officer of the Board shall direct.

When a Series of Bonds is refunded in whole or in part or is otherwise paid so that all of the Bonds of such Series are no longer outstanding within the meaning of Article XIII hereof, moneys may be withdrawn from the Reserve Account to pay or provide for the payment of such Bonds or refunded Bonds, as the case may be, or may be transferred and applied to any reserve fund or account established for the refunding bonds issued to refund such refunded Bonds; provided that immediately after such withdrawal or transfer there shall be on credit to the Reserve Account an amount equal to the Reserve Account Requirement.

Within sixty days after the end of each Fiscal Year (the "date of valuation"), the Bond Fund Trustee shall prepare and submit to the Board a statement of value as of such date of all Investment Securities on deposit in the

Reserve Account in the Bond Fund and as promptly as practicable after any other date upon which is made a deposit or transfer involving the Reserve Account in the Bond Fund, the Bond Fund Trustee shall prepare and submit to the Board a statement of the value as of such date of all Investment Securities so deposited or transferred. The Bond Fund Trustee shall file such statements with the Board promptly after preparation thereof. The Board may rely on such statement as to such matters.

Notwithstanding the foregoing, a Supplemental Resolution providing for the issuance of a Series of Bonds may provide for the funding of the Reserve Account in whole or in part by the deposit with the Bond Fund Trustee of a surety bond, an insurance policy or a letter of credit unconditionally payable on demand to or for the benefit of the Bond Fund Trustee for the benefit of the holders of the Bonds, and the obligation of the Board hereunder to fund the Reserve Account shall be deemed satisfied as of any date to the extent of the then available balance of any such surety bond, insurance policy or letter of credit. The surety bond, insurance policy or letter of credit shall be payable (upon the giving of notice as required thereunder) on any interest payment date on which moneys will be required to be withdrawn from the Reserve Account and applied to the payment of the principal of or interest on any Bonds and when such withdrawals cannot be made from amounts on deposit in the Reserve Account. The insurer providing such surety bond or insurance policy shall be an insurer whose municipal bond insurance policies insuring the payment, when due, of the principal of and interest on municipal bond issues results in such issues being rated in the highest rating category by both Standard & Poor's Corporation and Moody's Investors Service, Inc., or their successors, to the extent such agencies then rate any outstanding Bonds. The letter of credit issuer shall be a bank or trust company which is rated no lower than the second highest rating category, and the letter of credit itself shall be rated in the highest rating category, by both Standard & Poor's Corporation and Moody's Investors Service, Inc., or their successors, to the extent such agencies then rate any outstanding Bonds. If a disbursement is made pursuant to a surety bond, and insurance policy or a letter of credit provided pursuant to this paragraph, the Board shall be obligated either (i) to reinstate the maximum limits of such surety bond, insurance policy or letter of credit or (ii) to deposit into the Reserve Account funds in the amount of the disbursement made under such surety bond, insurance policy or letter of credit, or such combination of such alternatives, as shall provide that the amount on deposit in or credited to the Reserve Account equals the Reserve Account Requirement, unless and to the extent that at such time a lesser amount is required by reason of an election to provide the Reserve Account Requirement in installments.

If the issuer of a surety bond, insurance policy or letter of credit on deposit in or credited to the Reserve Account shall cease to have a rating described in the immediately preceding paragraph, the Board shall use reasonable efforts to replace such surety bond, insurance policy or letter of credit with one issued by an issuer having a rating so described (which may obligate the Board to pay, or commit to pay, increased fees, expenses or interest in connection with such replacement), but the Board shall not be required to deposit Revenues in the Reserve Account in lieu of replacing such surety bond, insurance policy or letter of credit with another.

To the extent permitted by law and the applicable Supplemental Resolution, the Board may enter into an agreement with the issuer of such surety bond, insurance policy or letter of credit to provide the terms and conditions thereof including provisions requiring the Board to reimburse directly such issuer for any amounts paid under the terms of the surety bond, insurance policy, or letter of credit, together with interest thereon; provided, however, that the obligation of the Board to reimburse the issuer as provided in any such agreement shall in all cases be subordinate to the lien on the Revenues for payment of Operating Expenses and payments required to be made into the Bond Fund.

E. Moneys on deposit in the Bond Fund shall be transmitted by the Bond Fund Trustee to the Paying Agents at such times as shall be necessary prior to the date upon which any installment of interest or principal is due on the Bonds (either at the maturity date thereof or redemption date prior to maturity) to pay, and in amounts sufficient to meet such installments of, principal of, premium, if any, and interest on the Bonds, when due. In the event that there shall be a deficiency in the Interest Account, Principal Account or Bond Retirement Account three business days before any interest, principal or sinking fund payment is due on the Bonds, the Bond Fund Trustee shall promptly make up such deficiency from the Reserve Account by the withdrawal of cash therefrom for that purpose or by the sale or redemption of Investment Securities held in the Reserve Account, if necessary, in such amounts as will provide cash in the Reserve Account sufficient to make up any such deficiency or by the transfer of Investment Securities (or undivided interests therein) in which moneys in the Interest Account, Principal Account or Bond Retirement Account, as the case may be, may be invested, or by taking such steps as may be necessary to realize the benefit of any surety bond, insurance policy or letter of credit deposited in the Reserve Account.

Moneys set aside from time to time with the Paying Agents for the purpose of paying the principal of, premium,

if any, and interest on the Bonds shall be held in trust for the holders of the Bonds in respect of which the same shall have been so set aside. Until so set aside, all moneys in the Bond Fund shall be held in trust for the benefit of the holders of all Bonds at the time outstanding, equally and ratably.

Whenever the amounts on deposit in the Bond Fund (regardless of the account therein to which such amounts are credited) shall be sufficient to provide moneys to retire all Bonds then outstanding, including such interest thereon as thereafter may become due and payable and any premiums upon redemption thereof, no further deposits need be made by the Board into the Bond Fund, and without further authorization or direction the Bond Fund Trustee shall call, except in the event of the final maturity of all bonds then Outstanding, all Bonds which may be redeemed by their terms, for redemption on the next succeeding redemption date for which the required notice of redemption can practicably be given, and shall apply such moneys to such retirement or redemption.

SECTION 6.5. Renewal and Replacement Fund. There is hereby created and established a special fund of the Board to be maintained in trust by the Board and to be known as the "Renewal and Replacement Fund", the existence of which shall be continued for so long as any Bonds issued pursuant to the Resolution are outstanding and unpaid. The Supplemental Resolution providing for a Series of Bonds shall establish the Renewal and Replacement Fund Requirement, if any, for such Series of Bonds. After making the transfers hereinabove provided for into the Operating Fund, into the bond fund for the Original Electric System Revenue Bonds and into the Bond Fund, and, after making the transfer into the bond fund for the Electric Utility System Conservation Revenue Bonds of the City, there shall be transferred monthly from the Distribution Division General Fund, to the extent moneys are available therein, to the Renewal and Replacement Fund an amount necessary so that there shall be on deposit in the Renewal and Replacement Fund an amount equal to the Renewal and Replacement Fund Requirement established in the Supplemental Resolution for such Series of Bonds. Unless upon the delivery of each Series of Bonds there will then already be credited to the Renewal and Replacement Fund an amount equal to the Renewal and Replacement Fund Requirement established by the Supplemental Resolution for such Series of Bonds, the Supplemental Resolution providing for the issuance of such Bonds shall provide for further and additional monthly credits to the Renewal and Replacement Fund from the moneys in the Power Revenue Fund, in such equal amounts and commencing at such time, so that by no later than five years from the date of such Bonds there shall then be on deposit in the Renewal and Replacement Fund an amount equal to such Renewal and Replacement Fund Requirement; provided, however,

that the proceedings providing for the issuance of a Series of Bonds may provide for payments in to the Renewal and Replacement Fund from the proceeds of such Bonds or from any other moneys lawfully available therefor, in which event, in providing for deposits required by the foregoing provisions of this sentence, allowance shall be made for any such amounts so paid into the Renewal and Replacement Fund.

Moneys in the Renewal and Replacement Fund may be used from time to time to make up deficiencies in the Reserve Account in the Bond Fund pursuant to Section 6.4. To the extent not required to make up any deficiencies in the Reserve Account, moneys on credit to the Renewal and Replacement Fund shall be applied by the Board for:

1. (i) the costs of renewals, extraordinary repairs, replacements, modifications, additions, betterments for the Electric System, and the payment of the costs of any decommissioning or termination of any Project, or (ii) the extraordinary operation and maintenance costs of (including extraordinary costs of Fuel and the cost of replacement power and energy during extended outages), and the cost of preventing or correcting any unusual loss or damage (including major repairs) to, the Electric System.

2. The payment of the Board's Ownership Share of the costs under any Ownership Agreement of (i) renewals, replacements and improvements of a Project, whether elective, pursuant to regulatory law, or otherwise, (ii) any repair, restoration or reconstruction of a Project in excess of any proceeds of insurance or award upon condemnation available therefor, (iii) extraordinary operation and maintenance costs of, and the cost of preventing or correcting any unusual loss or damage (including major repairs) to, a Project, (iv) termination, demolition, shut down or decommissioning of a Project and (v) extraordinary costs of Fuel.

If as of February 1 and August 1 in any year, the moneys and Value of Investment Securities in the Renewal and Replacement Fund, after deducting any amount committed or obligated for the purposes specified in this Section but not yet paid, shall exceed the Renewal and Replacement Fund Requirement, the amount of such excess shall be credited to the Power Revenue Fund.

SECTION 6.6 Construction Fund. The Supplemental Resolution providing for the issuance of any Series of Bonds (exclusive of refunding Bonds) to pay the Cost of Acquisition and Construction of a Project or to pay the costs of such other corporate use or purpose as shall be specified in such Supplemental Resolution may create and

establish (unless theretofore created and established with respect to such purpose) a separate special trust fund to be known as the " Construction Fund" or such other designation as may be appropriate (the blank to be completed with a designation describing the Project or other corporate use or purpose for which the Bonds are issued). The Construction Fund may be held in trust by the Construction Fund Trustee (appointed pursuant to Section 7.1 hereof) for the benefit of the Board and the holders of the Bonds, as their interests may appear, or by the Board for the benefit of the holders of the Bonds, pending application thereof. In the event any interest on such Bonds is to be capitalized from the proceeds of such Bonds, there shall be created in the Construction Fund a special account to be known as the "Construction Interest Account".

A. From the proceeds derived from the sale of such Bonds there shall be deposited:

1. With the Board or the Construction Fund Trustee, as the case may be, for credit to the Construction Interest Account (if any, otherwise with the Bond Fund Trustee for deposit in the Bond Fund for credit to the Interest Account), an amount equal to the accrued interest on the Bonds paid as part of the purchase price;

2. With the Board or the Construction Fund Trustee, as the case may be, for credit of such Construction Interest Account (if any, otherwise with the Bond Fund Trustee for deposit in the Bond Fund for credit to the Interest Account) the amount, if any, equal to the interest on the Bonds being capitalized from the proceeds thereof;

3. With the Board for payment into the Operating Fund such amount, if any, as shall be specified by the applicable Supplemental Resolution;

4. With the Bond Fund Trustee for payment into the Bond Fund for credit to the Reserve Account the amount if any, as shall be specified in the Supplemental Resolution;

5. With the Board for payment into the Renewal and Replacement Fund such amount, if any, as shall be specified by the applicable Supplemental Resolution;

6. With the Board or the Construction Fund Trustee, as the case may be, for credit to the applicable Construction Fund the balance of the Bond proceeds which shall be applied to the payment of the Cost of Acquisition and Construction of such Project or to the payment of the costs of such other corporate use

or purpose as shall be specified in the applicable Supplemental Resolution.

B. Moneys credited to the Construction Interest Account shall be used for the purpose of paying interest on the Bonds. On or before the 25th day of the month next preceding the maturity of an installment of interest on the Bonds for the payment of which moneys have been credited to the Construction Interest Account, the Board or the Construction Fund Trustee, as the case may be, shall transfer from the Construction Interest Account to the Bond Fund Trustee for deposit in the Bond Fund for credit to the Interest Account an amount which, together with any moneys theretofore received or held by the Bond Fund Trustee for that purpose, shall be sufficient to pay such next maturing installment of interest.

D. Subject to the terms of any applicable Ownership Agreement, all moneys received by the Board by reason of damages collected from contractors or others in connection with the purpose of which any such Bonds shall have been issued shall be applied as follows: during any period of construction related to such purpose, any such moneys received by the Board shall be transferred to the Board or the appropriate Construction Fund Trustee, as the case may be, for deposit in the appropriate Construction Fund; otherwise any such moneys received by the Board shall be paid: (i) if such moneys are not in excess of \$100,000, into the Power Revenue Fund, or (ii) if such moneys are in excess of \$100,000, (A) into the Bond Retirement Account in the Bond Fund and applied to the purchase or redemption of Bonds or (B) into the Power Revenue Fund and applied by the Board for the purpose of constructing extensions, betterments or improvements to the System, as the Board shall determine.

SECTION 6.7. Payments from Construction Fund.

Unless or except as is otherwise set forth in the Supplemental Resolution providing for the issuance of any Series of Bonds to pay the Cost of Acquisition and Construction of a Project or to pay the costs of such other corporate use or purpose as shall be specified in such Supplemental Resolution, and except for payments from a Construction Fund otherwise specifically provided, transfers or payments from such Construction Fund shall be made in accordance with the provisions of this Section.

Moneys in a Construction Fund for a Project being constructed pursuant to an Ownership Agreement shall be paid by the Board or the Construction Fund Trustee to the parties and in the amounts and manner and at the times required by the Ownership Agreement, upon, in the case of payment by the Construction Fund Trustee, the filing with the Construction Fund Trustee of a certificate executed by an Authorized

Officer of the Board stating the amount payable to such parties pursuant to the Ownership Agreement, and certifying that such payment is authorized by the Resolution.

In the case of payments by the Construction Fund Trustee, the Board shall approve and direct the payment of all amounts due and owing by the Board on account of the Cost of Acquisition and Construction of a Project or on account of the costs of such other corporate use or purpose as shall be specified in the applicable Supplemental Resolution, other than amounts payable under the preceding paragraph of this Section, and, by written order signed by an Authorized Officer, direct the Construction Fund Trustee, to make such payments, provided that each such order shall state with respect to such payments:

- (1) the item number of the payments;
- (2) the name and address of the person, firm or corporation to whom the payment is due; and
- (3) the amount to be paid.

As a condition precedent to the Board's approval of the written order to the Construction Fund Trustee described above, the Authorized Officer signing such order shall determine: (i) that an obligation in the stated amount has been incurred by or on behalf of the Board, or that an advance has been made by or on behalf of the Board, and each item thereof is a proper and reasonable charge against the Construction Fund and that such amount has not been theretofore paid or reimbursed; and (ii) that there has not been filed with or served upon the Board any notice of any lien, or attachment upon or claim affecting the right to receive payment of any of the moneys payable to the person, firm or corporation named in such order which has not been released or will not be released simultaneously with the payment of such obligations and, in the event any assignment of the right to receive payment has been made and notice thereof has been given to the Board and the Board has accepted such assignment, the order directing payment shall recite that fact and direct payment to be made to the assignee thereof as shown by the records of the Board.

Upon receipt of any such order, such Construction Fund Trustee shall pay such obligation from such Construction Fund unless for any reason the Board should determine not to pay any item in the order, and shall give notice of such decision to such Construction Fund Trustee prior to such payment. Such Construction Fund Trustee, in making any disbursement, shall pay each such obligation by wire transfer or other method of payment or deliver to the Board a check or draft for the payment thereof payable to the order of the payee to whom payment is due, all as set

forth in the order of the Board directing such disbursement.

SECTION 6.8. Revolving Account. The Board may in the Supplemental Resolution providing for the issuance of a Series of Bonds to pay the Cost of Acquisition and Construction of a Project or to pay the costs of such other corporate use or purpose as shall be specified in such Supplemental Resolution, immediately after the deposit with a Construction Fund Trustee of the moneys specified in subparagraph 6 of paragraph A of Section 6.6, direct the Construction Fund Trustee to create a separate special account in the Construction Fund to be known as the "Revolving Account". In the event the Board directs the Construction Fund Trustee to create a Revolving Account, the Construction Fund Trustee shall, from moneys in the Construction Fund, credit to the Revolving Account such amount, if any, as is specified in such Supplemental Resolution, but not to exceed One Million Dollars (\$1,000,000.00) or such greater amount or amounts as from time to time determined by the Board to reasonably allow for inflation. Moneys on credit to the Revolving Account shall be used for payment of those items of the Cost of Acquisition and Construction of such Project or of the costs of such other corporate use or purpose as shall be specified in the applicable Supplemental Resolution which cannot conveniently be paid in the manner specified in Section 6.7. The Revolving account shall be reimbursed from time to time for such items of cost paid by the Board by payments from the Construction Fund by the Construction Fund Trustee upon being furnished with documents evidencing the propriety of the payments to be reimbursed substantially in such manner as is provided in Section 6.7 for payments out of the Construction Fund. Moneys in the Revolving Account shall be deemed to be part of the Construction Fund until disbursed as provided in this Section 6.8. Upon approval by the Board, moneys in the Revolving Account shall be disbursed by check or draft signed by the Treasurer or other officer designated by the Board.

SECTION 6.9. Termination of Construction Fund. As soon as practicable after the Consulting Engineer shall have filed the report required by Section 6.11 hereof in the case of a Construction Fund for a Project, or as soon as practicable after the Board shall have determined to terminate any other Construction Fund, any balance then remaining in such Construction Fund shall be applied or paid by the Board or the Construction Fund Trustee in the following order of priority until exhausted:

First, to the Bond Fund Trustee for deposit in the Bond Fund for credit to the Interest Account the amount, if any, of the interest on the Bonds to be capitalized from the proceeds thereof;

Second, in the case of a Construction Fund for a Project, to set aside in the Construction Fund the amounts specified in the report pursuant to clauses (g),(j) and (k) of Section 6.12 hereof, and to apply the same to the payment of the Cost of Acquisition and Construction of the Project in accordance with the provisions of Sections 6.7 and 6.8 hereof;

Third, to pay to the Bond Fund Trustee for credit to the Reserve Account in the Bond Fund an amount which when added to the moneys and value of Investment Securities therein will equal the Reserve Account Requirement;

Fourth, to transfer to the Renewal and Replacement Fund an amount which when added to the moneys and Value of Investment Securities therein will equal the Renewal and Replacement Fund Requirement; and

Fifth, to transfer to the Power Revenue Fund the remainder of such balance unless such remainder shall exceed One Hundred Thousand Dollars (\$100,000), in which event such remainder shall, at the option of the Board, either (i) be paid to the Bond Fund Trustee for credit to the Bond Retirement Account to be applied to the purchase or redemption of Bonds or (ii) be transferred to one or more other Construction Funds.

As soon as practicable after the Consulting Engineer shall have filed the report required by Section 6.13 hereof in the case of a Construction Fund for a Project, any balance then remaining in the Construction Fund shall be used and applied by the Construction Fund Trustee in the following order of priority until exhausted:

First, to pay to the Bond Fund Trustee for credit to the Reserve Account in the Bond Fund an amount which when added to the moneys and value of Investment Securities therein will equal the Reserve Account Requirement;

Second, to transfer to the Renewal and Replacement Fund an amount which when added to the moneys and value of Investment Securities therein will equal the Renewal and Replacement Fund Requirement; and

Third, to transfer to the Power Revenue Fund the remainder of such balance unless such remainder shall exceed One Hundred Thousand Dollars (\$100,000), in which event such remainder shall, at the option of the Board, either (i) be paid to the Bond Fund Trustee for credit to the Bond Retirement Account to be applied to the purchase or redemption of Bonds or (ii) be transferred to one or more other Construction Funds.

SECTION 6.10. Lien on Moneys in the Construction Fund. The proceeds of Bonds in any Construction Fund, pending their application as provided in the Resolution, shall be subject to a prior and paramount lien and charge in favor of the holders of the Bonds, and the holders of the Bonds shall have a valid claim on such moneys for the further security of the Bonds until paid out or transferred as herein provided.

SECTION 6.11. Preliminary Report of the Consulting Engineer. Except as may be otherwise set forth in the Supplemental Resolution providing for the issuance of the initial Series of Bonds for a Project, as soon as practicable after the Date of Commercial Operation of such Project and the date on which the Consulting Engineer shall determine that the cost (including contingencies) of all work remaining to be done in order to complete the acquisition, construction and installation of such Project (hereinafter in Section 6.12 and 6.13 called "remaining work") will not exceed the amount, if any, specified in said Supplemental Resolution and in any event not later than the period, if any, specified in said Supplemental Resolution following such Date of Commercial Operation, or as soon as practicable after the termination of a Project pursuant to an Ownership Agreement, if any, applicable thereto, as the case may be, the Consulting Engineer shall file a report to that effect with the Construction Fund Trustee for such Project containing the information required by Section 6.12.

SECTION 6.12. Contents of Preliminary Report of the Consulting Engineer. The report required by Section 6.11 hereof shall set forth, to the extent applicable, as of the date of such report, the following in reasonable detail:

(a) The total costs of construction on the Project, exclusive of claims of contractors and others which are the subject of actual or prospective dispute or controversy (hereinafter in this Section called "dispute or controversy") and exclusive of the cost (including contingencies) estimated to complete the remaining work;

(b) The portion of the total costs of construction specified pursuant to the foregoing clause (a) which has been paid in full;

(c) The portion of the total costs of construction specified pursuant to the foregoing clause (a) which remains to be paid, including all amounts which are not the subject of dispute or controversy but are dependent upon the satisfaction of any agreements or conditions precedent to such payment;

(d) The aggregate amount of the claims of contractors and others which are the subject of dispute or controversy;

(e) The cost (including contingencies) necessary to complete any remaining work;

(f) The portion of the costs of construction specified pursuant to clause (a) which has been included in Cost of Acquisition and Construction under the Resolution and which has been paid in full;

(g) The portion of the costs specified pursuant to clauses (c), (d) and (e) which is included in the Cost of Acquisition and Construction under the Resolution;

(h) The total Cost of Acquisition and Construction, exclusive of the items of Cost of Acquisition and Construction which are costs of construction, as estimated by the Consulting Engineer;

(i) The portion of the Cost of Acquisition and Construction specified pursuant to the foregoing clause (h) which has been paid in full;

(j) The portion of the Cost of Acquisition and Construction specified pursuant to the foregoing clause (h) which remains to be paid; and

(k) Such amount, if any, as the Consulting Engineer shall determine is necessary or desirable to be set aside in the Construction Fund for contingencies in order to avoid the possible necessity of issuance or further issuance of Bonds for the Cost of Acquisition and Construction.

SECTION 6.13. Final Report of the Consulting Engineer. Except as may be otherwise set forth in the Supplemental Resolution providing for the issuance of the initial Series of Bonds for a Project, as soon as practicable after the date as of which it shall be determined that the acquisition, construction and installation of the Project has been fully completed (as determined under an Ownership Agreement applicable thereto, if any) and that the total costs of construction thereof have been fully paid and satisfied (including, but without limitation, final payment or satisfaction of each dispute or controversy and payment in full for all remaining work), the Consulting Engineer shall file a report to that effect with the Construction Fund Trustee appointed with respect to such Project setting forth (a) the basis of such determination in reasonable detail, and (b) the amount remaining in the Construction Fund established for the Project after such full payment and satisfaction.

SECTION 6.14. Payment of Funds in Construction Fund to Bond Fund Trustee. In the event any Project is terminated pursuant to the Ownership Agreement (if any) with respect to the Project or otherwise the Construction Fund Trustee appointed with respect to the Project shall at the option of the Board pay over and deliver the moneys and Investment Securities in the Construction Fund and the Construction Interest Account therein, after making provision for payment of the remaining commitments of and obligations payable from such Construction Fund, the Reserve Account Requirement and the Renewal and Replacement Fund Requirement, either to (i) the Bond Fund Trustee for deposit in the Bond Fund for credit to the Bond Retirement Account and application to the purchase or redemption of Bonds issued for such Project, or (ii) one or more Construction Funds.

SECTION 6.15. Investment of Funds. Moneys in the Interest Account, Principal Account and Bond Retirement Account in the Bond Fund shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Bond Fund Trustee (at the direction of the Board) solely in, and obligations credited to such Accounts shall be, investments specified in items (i), (ii), (iii), (iv), (v)(b) and (vi) of the definition of Investment Securities contained in Section 1.1 and which shall mature or be subject to redemption at the option of the holder thereof on or prior to the respective dates when the moneys in such Accounts will be required for the purposes intended. Moneys in the Reserve Account in the Bond Fund not required for immediate disbursement for the purpose for which said Account is created shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Bond Fund Trustee at the direction of the Board solely in, and obligations credited to said Reserve Account shall be, investments specified in items (i), (ii), (iii), (iv), (v)(b) and (vi) of the definition of Investment Securities contained in Section 1.1 and which shall mature at or prior to five years from the date of investment thereof except with respect to a Series of Bonds for which moneys have been irrevocably set aside in escrow to pay principal of, premium, if any, and interest on such Series of Bonds, in which case Investment Securities shall mature prior to the last maturity date of such Series of Bonds. The Bond Fund Trustee shall not be liable for any depreciation in value of any such investments.

Moneys in the Power Revenue Fund, Operating Fund and Renewal and Replacement Fund not required for immediate disbursement for the respective purposes for which said Funds are created shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Board, to the extent allowed by law, solely in, and obligations deposited in said Funds shall be, Investment Securities

which shall mature or be subject to redemption at the option of the holder thereof, (i) in the case of the Power Revenue Fund and the Operating Fund not later than such times as shall be necessary to provide moneys when needed to provide payments from such Funds and (ii) in the case of the Renewal and Replacement Fund within five (5) years from the date of such investment or reinvestment.

Moneys in the Construction Fund, including a Construction Interest Account therein or any Revolving Account authorized by Section 6.7 hereof, not required for immediate disbursement for the purposes for which said Fund and Accounts are created shall, to the fullest extent practicable and reasonable, be invested and reinvested by the Board or the Construction Fund Trustee, as the case may be, for such Fund and Accounts, to the extent allowed by law, at the direction of the Board, solely in, and obligations deposited in said Fund and Accounts shall be, Investment Securities which shall mature or be subject to redemption at the option of the holder thereof not later than such times as shall be necessary to provide moneys when needed to provide payments from such Fund and Accounts. Any investment of moneys in any Construction Fund established for a Project shall be made with due regard to the latest estimates of the Consulting Engineer filed with or certified to the Bond Fund Trustee and the Board with respect to the amounts needed from time to time to pay the Cost of Acquisition and Construction of such Project and the estimated dates of such payment.

To the extent permitted in the Resolution, all income received from the investment or reinvestment of moneys in the Funds established or continued hereunder shall be deposited in the respective Funds from which such investments are made to the extent of any deficiencies therein and otherwise to the Power Revenue Fund; provided, however, that, at the direction of the Board, all or a portion of the income received from the investment or reinvestment of moneys in any such Fund may be deposited in the Construction Fund, including the Construction Interest Account therein. All income received from the investment or reinvestment of moneys in a Construction Fund shall be deposited in said Fund. The Bond Fund Trustee or Construction Fund Trustee, as the case may be, shall not be liable for any depreciation in value of any such investments.

Nothing in the Resolution shall prevent any Investment Securities acquired as investments of funds held under the Resolution from being issued or held in book-entry form on the books of the Department of the Treasury of the United States.

Notwithstanding the foregoing, so long as Original Electric System Revenue Bonds are outstanding, moneys in the Power Revenue Fund and the Operating Fund shall be invested pursuant to Section 4.12 of the Original Resolution.

ARTICLE VII

CONCERNING THE TRUSTEES AND THE PAYING AGENTS

SECTION 7.1. Qualifications and Appointment of Trustees; Resignation or Removal Thereof; Successor Thereto. In the Supplemental Resolution providing for the issuance of the initial Series of Bonds to pay the Cost of Acquisition and Construction of a Project or to pay the costs of such other corporate use or purpose as shall be specified in such Supplemental Resolution, the Board may appoint a trustee hereunder (herein defined and referred to as the "Construction Fund Trustee") to hold and administer the Construction Fund created and established thereby. A Construction Fund Trustee shall be a bank or trust company with capital stock, surplus and undivided profits aggregating in excess of fifty million dollars (\$50,000,000). A Construction Fund Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution as such Construction Fund Trustee by executing and delivering to the Board a written acceptance of the provisions of the Resolution. The Board may remove a Construction Fund Trustee for cause, and a Construction Fund Trustee shall be removed at the request of and upon the affirmative vote of the holders of a majority of the principal amount of the Bonds then outstanding. In the event of the removal, resignation, disability or refusal to act of the Construction Fund Trustee, the Board will thereupon appoint a successor Construction Fund Trustee, which shall be a bank or trust company with capital stock, surplus and undivided profits aggregating in excess of fifty million dollars (\$50,000,000), and such successor shall have all the powers and obligations of the Construction Fund Trustee under the Resolution theretofore vested in its predecessor.

In the Supplemental Resolution providing for the issuance of the initial Series of Bonds hereunder, the Board shall appoint a trustee hereunder (herein defined and referred to as the "Bond Fund Trustee") to hold and administer the fund and accounts created and established in Section 6.4 hereof. The Bond Fund Trustee shall be a bank or trust company with capital stock, surplus and undivided profits aggregating in excess of fifty million dollars (\$50,000,000). The Bond Fund Trustee shall signify its acceptance of the duties and obligations imposed upon it by the Resolution as such Bond Fund Trustee by executing and delivering to the Board a written acceptance of the provisions of the Resolution. The Bond Fund Trustee may be removed at the request of and upon the affirmative vote of the holders of a majority of the principal amount of Bonds outstanding. In the event of the removal, resignation, disability or refusal to act of the Bond Fund Trustee, a successor may be appointed by the holders of a majority of

the principal amount of Bonds outstanding, excluding any Bonds held by or for the account of the Board, and such successor shall have all the powers and obligations of the Bond Fund Trustee under the Resolution theretofore vested in its predecessor, or in any Bondholders' Committee created under Article IX; provided, that unless a successor Bond Fund Trustee shall have been appointed by the holders of Bonds as aforesaid, the Board by a duly executed written instrument signed by a majority of the Board shall forthwith appoint a Bond Fund Trustee to fill such vacancy until a successor Bond Fund Trustee shall be appointed by the holders of Bonds as authorized in this Section. Any successor Bond Fund Trustee appointed by the Board shall, immediately and without further act, be superseded by a Bond Fund Trustee appointed by the holders of Bonds. A successor Bond Fund Trustee shall be a bank or trust company with capital stock, surplus and undivided profits aggregating in excess of fifty million dollars (\$50,000,000).

The Bond Fund Trustee may also be a Construction Fund Trustee. A Construction Fund Trustee may serve as Construction Fund Trustee for more than one Construction Fund.

If the Bond Fund Trustee or a Construction Fund Trustee publishes reports of condition at least annually, pursuant to law or to the requirements of a supervising or examining authority of the United States of America, or any state, then for the purposes of determining its qualifications hereunder, the capital stock, surplus and undivided profits of such trustee at any time shall be deemed to be its capital stock, surplus and undivided profits as set forth in its most recent report of conditions so published.

Any trustee hereunder may resign at any time by giving not less than sixty (60) days' written notice to the Board and to the Bondholders by publishing a notice of resignation once within ten (10) days after the giving of such notice to the Board in the same newspapers in which notices of redemption of Bonds are to be published pursuant to Section 5.3 hereof.

The resigning trustee, if within fifty (50) days after the publication of notice of its resignation no successor trustee shall have been appointed and shall have accepted such appointment, may petition any court of competent jurisdiction for the appointment of a successor trustee, or any holder of a Bond who has been a bona fide holder of a Bond for at least six (6) months may, on behalf of such holder and others similarly situated, petition any such court for the appointment of a successor trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law,

appoint a successor trustee having the qualifications required hereby.

In case at any time any of the following shall occur: (1) any trustee hereunder shall cease to be eligible in accordance with the provisions hereof and shall fail to resign after written request therefor has been given to such trustee by the Board or by any holder of a Bond who has been a bona fide holder of a Bond for at least six months, or (2) any trustee hereunder shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of such trustee or of its property shall be appointed, or any public officer shall take charge or control of such trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, or (3) any trustee hereunder shall neglect or fail in the performance of its duties hereunder, then, in any such case, the Board may remove such trustee by an instrument in writing or any such holder of a Bond may, on behalf of himself and all others similarly situated, petition any court of competent jurisdiction for the removal of such trustee. Such court may thereupon, after such notice, if any, as it may deem proper and prescribe and as may be required by law, remove such trustee.

Any successor trustee shall meet the qualifications of this Section. Such successor trustee shall execute, acknowledge and deliver to its predecessor, and also to the Board, an instrument in writing accepting such appointment hereunder, and thereupon such successor trustee, without any further acts, deed or conveyance, shall become fully vested with all the rights, powers, trusts, duties and obligations of its predecessor in trust hereunder, with like effect as if originally named as trustee; but such predecessor shall, nevertheless, on the written request of the Board or such successor trustee, execute and deliver an instrument transferring to such successor trustee all rights, powers, trusts, duties and obligations of such predecessor in trust hereunder and shall deliver all moneys held by it to such successor trustee, together with an accounting of funds held by it hereunder. The successor trustee shall have no responsibility for the acts of the predecessor trustee.

Upon acceptance of appointment by the successor trustee as provided in this Section, the Board shall publish notice of the succession of such trustee to the trusts hereunder at least once in the same newspapers in which notices of redemption are to be published under Section 5.3 hereof. If the Board shall fail to publish such notice within ten (10) days after acceptance of appointment

by the successor trustee, the successor trustee shall cause such notice to be published at the expense of the Board.

Any corporation into which a trustee hereunder may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation to which a trustee shall be a party, or any corporation to which a trustee may sell or transfer all or substantially all of its corporate trust business, shall be the successor trustee under the Resolution without the execution or filing of any paper or any further act on the part of the parties hereto, anything herein to the contrary notwithstanding; provided such corporation meets the qualifications of this Section.

SECTION 7.2. Duties of Trustees, Reliance on Certificates and Opinions. Prior to an Event of Default as defined in Section 9.2 hereof of which a trustee hereunder has actual knowledge, and after the curing or waiving of all such Events of Default, such trustee (1) shall not be liable except for the performance of such duties as are specifically set out in the Resolution to be performed by such trustee in the absence of, or without regard to, an Event of Default and (2) may conclusively rely, as to the truth of the statements and the correctness of the opinions expressed therein, in the absence of bad faith on the part of such trustee, upon certificates or opinions conforming to the requirements of the Resolution. In case of an Event of Default as defined in Section 9.2 hereof of which a trustee hereunder has actual knowledge, such trustee shall exercise such rights and powers vested in it by the Resolution, and use the same degree of care and skill in their exercise, as a prudent man would exercise or use under the circumstances in the conduct of his own affairs.

No provision of the Resolution shall be construed to relieve a trustee hereunder from liability for its own negligent action, its own negligent failure to act, or its own willful misconduct, except that such trustee shall at all times: (1) be protected from liability for any error of judgment made in good faith by a responsible officer or officers unless it shall be proved that such trustee was negligent in ascertaining the pertinent facts; and (2) be protected with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the holders of not less than a majority in principal amount of the Bonds then outstanding relating to the time, method and place of conducting any proceeding for any remedy available to such trustee or to be taken by it, or exercising any trust or power conferred upon such trustee, under the Resolution. Such trustee shall be protected when acting in good faith and upon advice of counsel who may be counsel to the Board.

SECTION 7.3. Evidence of Compliance with the Conditions Precedent; Examination of Evidence. The Board will furnish, or will cause to be furnished, to each trustee hereunder evidence of compliance with the conditions precedent, if any, provided in the Resolution (including any covenant compliance with which constitutes a condition precedent) which relate to any action to be taken by such trustee at the request or upon the application of the Board. Such trustee shall examine such evidence, and any evidence furnished to it pursuant to any other provisions of the Resolution, to determine whether or not such evidence conforms to the requirements of the Resolution.

SECTION 7.4. Statement by Trustee Hereunder of Funds and Accounts and Other Matters. Not more than 60 days after the close of each Fiscal Year each trustee hereunder shall furnish the Board and any Bondholder filing with such trustee a written request for a copy, a statement setting forth (to the extent applicable) in respect to such Fiscal Year (a) all transactions relating to the receipt, disbursement, and application of all moneys received by such trustee pursuant to the terms of the Resolution, (b) the amount held by such trustee at the end of such Fiscal Year to the credit of each fund and account provided for in the Resolution and the Value of Investment Securities therein, (c) a brief description of all obligations held by such trustee as an investment of moneys in any fund or account hereunder as of the end of such Fiscal Year, (d) the principal amount of Bonds purchased by such a trustee during such Fiscal Year from moneys available therefor in any fund or account pursuant to the provisions of the Resolution and the respective purchase price of such Bonds, (e) in the case of the Bond Fund Trustee, the principal amount of Bonds redeemed or retired during such Fiscal Year and the redemption prices thereof, if any, and (f) any other information which the Board may reasonably request.

SECTION 7.5. Trustees Hereunder May File Proofs of Claims and Other Papers and Documents. Any trustees hereunder may file such proofs of claims and other papers or documents as may be necessary or advisable in order to have claims of such trustee and of the holders of the Bonds allowed in any judicial proceedings relative to the Board, its creditors or its properties.

SECTION 7.6. Trustees Hereunder Not Liable for Acts of the Board or Other Trustees; No Representations by Trustee. No trustee hereunder shall be responsible or have any liability for any act of the Board or of any other trustee. No trustee hereunder shall be responsible in any manner whatsoever for the correctness of the recitals, statements and representations in the Resolution or in the Bonds, all of which are made by the Board solely. No

trustee hereunder makes any representation as to the validity of the Resolution or of the Bonds issued hereunder, and no trustee hereunder shall incur any liability or responsibility in respect of any such matters.

SECTION 7.7 Bond Registrar and Paying Agent.

Except as otherwise provided in the Supplemental Resolution providing for the issuance of a Series of Bonds, the Bond Fund Trustee shall serve as bond registrar and paying agent. If it is determined by Supplemental Resolution to use a separate or additional bond registrar or paying agent, the Supplemental Resolution shall contain or incorporate by reference to an earlier Supplemental Resolution appropriate provisions relating to the appointment, qualifications, duties and compensation of such bond registrar and paying agent.

SECTION 7.8. Trustees Hereunder and Paying Agents May Buy, Hold, Sell or Deal in Bonds and Coupons and Other Indebtedness of the Board. Each trustee hereunder and its directors, officers, employees or agents, and each Paying Agent and its directors, officers, employees or agents, may in good faith buy, sell, own, hold and deal in any of the Bonds or coupons issued under the provisions of the Resolution and may join any action which any holder of a Bond may be entitled to take, with like effect as if such trustee or Paying Agent were not a trustee or a Paying Agent, as the case may be, under the Resolution. Any trustee hereunder or any Paying Agent may in good faith hold any other form of indebtedness of the Board; own, accept or negotiate any drafts, bills of exchange, acceptances or obligations of the Board, and make disbursements for Board and enter into any commercial or business arrangement therewith.

SECTION 7.9. Reimbursement of Trustees and Paying Agents Hereunder for Fees, Expenses and Charges. Each trustee hereunder shall be entitled to reasonable fees and reimbursement by the Board for all expenses, charges, counsel fees and other disbursements reasonably incurred by it in the performance of its duties and powers under the Resolution, including those of its attorneys, agents and employees. Each trustee hereunder shall have a lien for such fees and reimbursement on the moneys pledged to secure the Bonds hereunder at any time held by it hereunder, prior to the lien or claim of the holders of the Bonds on all such moneys. Each Paying Agent shall also be entitled to reasonable fees and to reimbursement by the Board for all expenses and charges reasonably incurred by it in the performance of its duties hereunder.

ARTICLE VIII

COVENANTS TO SECURE BONDS

Particular Covenants. The Board hereby covenants and agrees with the purchasers and holders of all Bonds issued pursuant to the Resolution as follows:

SECTION 8.1 To Complete Projects; To Maintain the Properties of the Electric System; To Keep the Electric System in Good Repair. The Board shall, subject to the provisions of any applicable Ownership Agreement, (i) proceed with all reasonable diligence and in a sound and economical manner to construct, or cause to be constructed, to completion any Project undertaken by the Board and complete, or cause to be completed, such construction at the earliest practical time, (ii) fulfill all of its obligations with respect to such construction and at all times operate, or cause to be operated, the properties of the Electric System and the business in connection therewith in an efficient manner and at reasonable cost, and (iii) maintain, preserve and keep, or cause to be maintained, preserved and kept, the properties of the Electric System and all additions and betterments thereto and extensions thereof, and every part and parcel thereof in good repair, working order and condition, (iv) from time to time make, or cause to be made, all necessary and proper repairs, renewals, replacements, additions, extensions and betterments thereto, so that at all times the business carried on in connection therewith shall be properly and advantageously by conducted, and (v) comply, or cause to be complied, with the terms and conditions of any permit or license for the Electric System or any part thereof issued by any federal or state governmental agency or body and with any federal or state law or regulation applicable to the construction, operation, maintenance and repair of the Electric System of requiring a license, permit or approval therefor.

SECTION 8.2. Rate Covenant. The Board shall fix, establish and collect, or cause to be fixed, established and collected, rates, tolls, rents and other charges for electric power and energy (including capability) and for any services or facilities sold, furnished or supplied by the Electric System or any part thereof, which rates, tolls, rents and charges shall be (i) sufficient to meet the rate covenant in Section 7.6 of the Trojan Resolution for so long as Original Electric System Revenue Bonds and Trojan Bonds remain outstanding, (ii) sufficient in each Fiscal Year to produce Net Revenues of the Distribution Division in such Fiscal Year which, together with other moneys which lawfully may be applied to the purpose, will be equal to the Debt Service on all outstanding Bonds for such Fiscal Year, and

(iii) sufficient in each Fiscal Year to produce Net Revenues of the Distribution Division in such Fiscal Year which together with other moneys which lawfully may be applied to the purpose, will be equal to at least the sum of (A) Debt Service for such Fiscal Year on all Bonds, (B) the amounts, if any, required to be transferred from the Revenue Fund and deposited in the Renewal and Replacement Fund in such Fiscal Year, and (C) the additional amounts, if any, required to pay all other charges or liens whatsoever payable from the Net Revenues of the Distribution Division in such Fiscal Year.

SECTION 8.3. Ownership Agreements. The Board (i) shall perform its obligations under each Ownership Agreement and shall take such actions and proceedings from time to time as shall be necessary to protect and safeguard the security for the payment of the Bonds afforded by the provisions of each of said Agreements, and (ii) shall not voluntarily consent to or permit any rescission of or consent to any amendment to or otherwise take any action under or in connection with any Ownership Agreement which in any manner will materially and adversely affect the rights of the holders from time to time of the Bonds, provided that this provision shall not prevent a supplement to or amendment of any Ownership Agreement so as to provide for the ownership, construction, installation and operation of additional generating units or transmission facilities or a supplement to or amendment of any Ownership Agreement to extend the term thereof. A copy of each Ownership Agreement, including each supplement or amendment thereto, as certified by an Authorized Officer of the Board, shall be filed with the Bond Fund Trustee.

SECTION 8.4. Sale, Lease or Other Disposition of Properties of the System or Projects. The Board shall not sell, mortgage, lease or otherwise dispose of the properties of the System except as provided in this Section.

(1) The Board may sell, lease, or otherwise dispose of the properties comprising the Electric System if simultaneously with such sale or other disposition thereof provision is made for the payment of cash into the appropriate funds sufficient to pay the principal of, premium, if any, and interest on, all Bonds, Original Electric System Revenue Bonds, Trojan Bonds and other indebtedness payable from the Revenues of the Electric System then outstanding, in full accordance with the requirements of the Resolution.

(2) The Board may sell, lease or otherwise dispose of any part of the properties comprising the Electric System having a value of \$5,000,000 or less on such terms and conditions as may be prescribed by the Board. The Board may sell, lease or otherwise dispose of the properties comprising the Electric System having

a value in excess of \$5,000,000 if the Consulting Engineer shall certify to the Board in writing that such terms and conditions of the proposed sale, lease or other disposition of any such properties are fair and reasonable, and that the estimated Revenues to be derived from the remaining properties of the Electric System, after taking into consideration the use by the Board of the proceeds of such proposed sale, lease or other disposition of such properties, will be sufficient to enable the Board to comply with all covenants and conditions of the Resolution. A copy of such certificate shall be filed with the Bond Fund Trustee at least ten (10) days prior to any such transfer and the Bond Fund Trustee, in the absence of bad faith, shall be protected in relying thereon. Proceeds of any sale, lease or other disposition of any portion of the properties of the Electric System pursuant to this paragraph shall be paid: (1) if such proceeds are not in excess \$500,000, into the Power Revenue Fund, or (ii) if such proceeds are in excess of \$500,000, (A) into the Bond Retirement Account in the Bond Fund and applied to the purchase or redemption of Bonds or (B) into the Power Revenue Fund and applied by the Board for the purpose of constructing extensions, betterments or improvements to the Electric System, as the Board shall determine.

(3) The Board may sell, lease, or otherwise dispose of surplus lands, crops, timber, buildings and any other portion of the works, plant and facilities of the Electric System and real and personal property comprising a part thereof, which, in the opinion of the Board, shall have become unserviceable, inadequate, obsolete, worn out, or unfit to be used in the operation of the Electric System, or no longer necessary, material to, or useful in such operation. Proceeds of any such sale, lease or other disposition of any portion of the properties of the Electric System pursuant to this paragraph shall be paid into the Power Revenue Fund.

(4) In the event that any part of the properties comprising the Electric System shall be transferred from the Board through the operation of law (including condemnation), or in the event that any Project shall be cancelled, terminated or permanently shut down as provided in any Ownership Agreement, subject to the terms of any applicable Ownership Agreement, any moneys received by the Board as a result thereof shall be paid: (i) if such proceeds are not in excess of \$500,000, into the Power Revenue Fund, or (ii) if such proceeds are in excess of \$500,000, (A) into the Bond Retirement Account in the Bond Fund and applied to the

purchase or redemption of Bonds or (B) into the Power Revenue Fund and applied by the Board for the purpose of constructing extensions, betterments or improvements to the Electric System, as the Board shall determine.

Notwithstanding the foregoing provisions of this Section, subject to the terms of any applicable Ownership Agreement, moneys received by the Board with respect to the sale, lease, transfer, disposition or termination of a Project or any part thereof prior to the Date of Commercial Operation of such Project shall be paid to the Board or the Construction Fund Trustee, as the case may be, for deposit to the Construction Fund established for such Project to be used to pay the Cost of Acquisition and Construction of such Project.

Notwithstanding the provisions of this Section, the Board may make such transfers of interest in any Project as may be required by an Ownership Agreement then or thereafter applicable to such or any other Project, provided that, subject to the terms of any applicable Ownership Agreement, prior to the Date of Commercial Operation of such Project, any moneys received by the Board with respect to such transfer shall be applied as provided in the immediately preceding paragraph, and after such Date of Commercial Operation, any moneys received by the Board with respect to such transfer shall be paid: (i) if such proceeds are not in excess of \$500,000, into the Power Revenue Fund, or (ii) if such proceeds are in excess of \$500,000, (A) into the Bond Retirement Account in the Bond Fund and applied to the purchase or redemption of Bonds or (B) into the Power Revenue Fund and applied by the Board for the purpose of constructing extensions, betterments or improvements to the Electric System, as the Board shall determine.

Nothing contained in this Section or in the Resolution shall be construed to prevent the Board from acquiring or constructing facilities, including any separate utility system, on or near the site of any Project, and using facilities of such Project in connection with the construction or operation therewith without compensation therefor; provided, however, that the Consulting Engineer shall certify to the Board and the Bond Fund Trustee that such use will not adversely affect the operations of such Project or interfere with the performance by the Board of its obligations under the Resolution.

SECTION 8.5. Insurance. The Board shall keep, or cause to be kept, the works, plants and facilities comprising the properties of the Electric System and the operations thereof insured to the extent available at reasonable cost with responsible insurers, with policies payable to the Board, against risks of direct physical loss,

damage to or destruction of the Electric System, or any part thereof, at least to the extent that similar insurance is usually carried by utilities operating like properties against accidents, casualties or negligence, including liability insurance and employer's liability; provided, however, that any time while any contractor engaged in constructing any part of the Electric System shall be fully responsible therefor, the Board shall not be required to keep such part of the Electric System insured. All policies of insurance shall be for the benefit of the holders of the Bonds and the Board as their respective interests may appear.

In the event of any loss or damage to the properties of the Electric System covered by insurance, subject to the provisions of any applicable Ownership Agreement, the Board will (1) with respect to each such loss, promptly repair and reconstruct to the extent necessary to the proper conduct of the operations of the Electric System the lost or damaged portion thereof and shall apply the proceeds of any insurance policy or policies covering such loss or damage for that purpose to the extent required therefor, unless, in case of loss or damage involving \$500,000 or more, the Board shall determine that such repair and reconstruction not be undertaken, and (2) if the Board shall not use the entire proceeds of such insurance to repair or reconstruct such lost or damaged property, the proceeds of such insurance policy or policies or any portion thereof not used for such repair or reconstruction, as the case may be, shall be paid: (i) if such proceeds are not in excess of \$500,000, into the Power Revenue Fund, or (ii) if such proceeds are in excess of \$500,000, (A) into the Bond Retirement Account in the Bond Fund and applied to the purchase or redemption of Bonds or (B) into the Power Revenue Fund and applied by the Board for the purpose of constructing extensions, betterments or improvements to the Electric System, as the Board shall determine.

In the case of loss, including loss of Revenues, caused by delay in completion of, or by suspension or interruption of generation or transmission of power and energy by, any Project, subject to the terms of any applicable Ownership Agreement, the proceeds received by the Board of any insurance policy or policies covering such loss occurring prior to the date upon which purchasers of power and energy from such Project are obligated to begin payments therefor shall be paid to the Board or the Construction Fund Trustee, as the case may be, for deposit in the Construction Fund established for such Project, and the proceeds received by the Board of any insurance policy and policies covering such loss after such date shall be paid into the Power Revenue Fund.

Upon request of the Bond Fund Trustee submitted to the Board prior to the end of any Fiscal Year the Board shall file or cause to be filed, within sixty (60) days after the close of such Fiscal Year, with the Bond Fund Trustee a certificate of an Authorized Officer of the Board describing in reasonable detail the insurance then in effect obtained pursuant to the requirements of this Section, setting forth separately insurance of each Project then in effect. A copy of each such certificate shall be furnished to any holder of Bonds who shall file with the Board a written request therefor.

SECTION 8.6 Consulting Engineer. The Board shall retain and appoint, as Consulting Engineer, an independent consulting engineer or engineering firm or corporation having special skill, knowledge and experience in analysing the operations of electric utility systems, preparing rate analyses, forecasting the loads and revenues of electric utility systems, preparing feasibility reports respecting the financing of electric utility systems and advising on the operation of electric generating facilities and in the marketing of power and energy therefrom who shall be available to advise the Board, upon request, and to make such investigations and determinations as may be necessary from time to time under the provisions of the Resolution. In addition to the other duties of the Consulting Engineer pursuant to the Resolution, the Consulting Engineer shall not later than 180 days following the end of every fifth calendar year from the date of the last such examination and report make an examination of and report on the properties and operations of the Electric System. Each such report shall be in sufficient detail to show whether the Board has satisfactorily performed and complied with the covenants, agreements and conditions set forth in the Resolution and any applicable Ownership Agreements with respect to the management of the business of the Electric System, the sufficiency of the amount being charged and collected for services under the requirements of the Resolution, the proper maintenance of the Electric System, and the making of repairs, renewals, replacements, modifications, additions and betterments necessary or desirable to improve operating reliability or reduce unit power costs and recommendations therefor. The Consulting Engineer may rely upon audit reports rendered pursuant to Section 8.7. If the Board in any material way shall have failed to perform or comply with such covenants, agreements and conditions, such report shall specify the details of such failure. A copy of each such report shall be filed with the Board and the Bond Fund Trustee and sent to any Bondholder filing with the Bond Fund Trustee a written request for a copy thereof. On the filing of such report, the Board shall undertake a review of the management of the business of the Electric System and shall cause the prompt taking of such action as shall be necessary

to fully perform and comply with the covenants, agreements and conditions as to which the report specified such failure of performance or compliance.

SECTION 8.7 Books of Account; Annual Audit. The Board shall maintain and keep proper books of account relating to the Electric System and in accordance with generally accepted accounting principles. Within one hundred twenty (120) days after the end of each Fiscal Year, the Board shall cause such books of account to be audited by an independent certified public accountant. A copy of each audit report in conformity with generally accepted accounting principles shall be filed promptly with the Bond Fund Trustee and sent to any Bondholder filing with the Bond Fund Trustee a written request for a copy thereof.

SECTION 8.8. To Pay Bonds Punctually. The Board shall duly and punctually pay, or cause to be paid, but only from the Revenues and income herein specified, the principal of, premium, if any, and interest on each and every Bond on the dates and at the places, and in the manner provided in the Bonds according to the true intent and meaning thereof, and the Board shall faithfully do and perform and at all times fully observe and keep any and all of its covenants, undertakings, stipulations and provisions contained in the Bonds and in the Resolution.

SECTION 8.9. Payment of Taxes and Other Claims. The Board shall, subject to any applicable Ownership Agreement, from time to time duly pay and discharge, or cause to be paid and discharged, all taxes, assessments and other governmental charges, or payments in lieu thereof, lawfully imposed upon the properties of the Electric System (or any part thereof) or upon the Revenues or income received therefrom when the same shall become due, as well as all lawful claims for labor, material and supplies, which, if not paid, might become a lien or charge upon said properties or any part thereof, or upon the Revenues derived from the ownership or operation thereof, or which might in any way impair the security of the Bonds, except any such assessments, charges or claims which the Board shall in good faith contest as to validity.

SECTION 8.10. Extension of Payment of Bonds and Coupons. The Board will not directly or indirectly extend or assent to the extension of the maturity of any of the Bonds or the time of payment of any claims for interest by the purchase of such Bonds, coupons or claims for interest or by any other arrangement and in case the maturity of any of the Bonds or the time for payment of any such claims for interest shall be extended, such Bonds or claims for interest shall not be entitled in case of any default under the Resolution to the benefit of the Resolution or to any

payment out of any assets of the Board or the funds (except funds held in trust for the payment of particular Bonds or claims for interest pursuant to the Resolution) held by the Paying Agents, except subject to the prior payment of the principal of all Bonds issued and outstanding the maturity of which has not been extended and of such portion of the accrued interest on the Bonds as shall not be represented by such extended claims for interest. Nothing herein shall be deemed to limit the right of the Board to issue refunding Bonds as provided in the Resolution and such issuance shall not be deemed to constitute an extension of maturity of Bonds.

SECTION 8.11. To Make Economically Sound Improvements and Extensions. The Board shall not expend any of the income, revenues, receipts, profits and other moneys derived by it from the ownership or operation of the Electric System for any renewals, replacements, additions, betterments and improvements to, or extensions of, the Electric System which are not economically sound or which will not properly and advantageously contribute to the conduct of the business of the Electric System in an efficient and economical manner unless required to do so to permit the continued operation of the Electric System.

SECTION 8.12. Employees' Fidelity Bonds; Agencies to Indemnify the Board. The Board shall require employees of the Board collecting or handling money in connection with the operation of the properties of the Electric System, including those employees holding and administering the Power Revenue Fund, the Operating Fund, the Renewal and Replacement Fund, and the Revolving Account in the Construction Fund, to obtain fidelity bonds with a responsible surety company or companies as surety in reasonable amounts usually obtained by public agencies operating like properties, to protect the Board from loss. The Board shall require agencies of the Board collecting or handling money on behalf of the Board to indemnify the Board for any losses.

SECTION 8.13. Not to Furnish Free Service; Enforcement of Accounts Due. So long as any Bonds issued pursuant to the Resolution are outstanding and unpaid, the Board will not furnish or supply electric power and energy or any other commodity, service or facility furnished by it or in connection with the operation of the Electric System, free of charge to the City or any properties owned or operated by it, or to any person, firm or corporation, public or private, and the Board will promptly enforce the payment of any and all accounts owing to the Board by reason of the ownership and operation of the Electric System.

SECTION 8.14. Further Assurances. The Board shall, at any and all times, insofar as it may be authorized so to do, pass, make, do, execute, acknowledge and deliver all and every such further resolutions, indentures, acts, deeds, conveyances, assignments, transfers and assurances as may be necessary or desirable for the better assuring, conveying, granting, assigning and confirming any and all of the rights, Revenues and other funds hereby pledged or charged with or assigned to the payment of the Bonds or intended so to be, or which the Board may hereafter become bound to pledge or charge or assign.

SECTION 8.15. Protection of Security. The Board is duly authorized under all applicable law to create and issue the Bonds and to adopt the Resolution and to pledge the Revenues and other moneys, securities and funds purported to be pledged by the Resolution in the manner and to the extent provided in the Resolution. The Revenues and other moneys, securities and funds so pledged are and will be free and clear of any pledge, lien, charge or encumbrance thereon or with respect thereto prior to, or of equal rank with, the pledge created by the Resolution, except as otherwise expressly provided herein, and all corporate action on the part of the Board to that end has been duly and validly taken. The Bonds are and will be valid and legally enforceable obligations of the Board in accordance with their terms and the terms of the Resolution. The Board shall at all times, to the extent permitted by law, defend, preserve and protect the pledge of the Revenues and other moneys, securities and funds pledged under the Resolution and each Supplemental Resolution and all the rights of the Bondholders hereto against all claims and demands of all persons whomsoever.

SECTION 8.16. Arbitrage Covenant. The Board shall not use, or permit the use of, any proceeds of the sale of Bonds in any manner which, if such use had been reasonably expected on the date of issue of the Bonds, would have caused the Bonds to be "arbitrage bonds," as defined in Section 103 of the Internal Revenue Code of 1954, as amended, and to that end the Board shall comply with the applicable regulations adopted under said Section 103 so long as any Bonds are outstanding.

SECTION 8.17. Not Industrial Development Bonds. No part of the proceeds of the Bonds or any other funds held under the Resolution shall at any time be used for any purpose which would cause any Bond which at the time of issuance thereof was not subject to treatment as an "industrial development bond", as defined in Section 103 of the Internal Revenue Code of 1954, as amended, as then in effect, to be subject to treatment under said Section 103 as such an "industrial development bond".

SECTION 8.18. Not to Issue Additional Bonds under the Original Resolution. The Board shall not issue any additional bonds under the Original Resolution except additional bonds to refund the Original Electric System Revenue Bonds.

SECTION 8.19. Compliance with Original Resolution and Trojan Resolution; Amendment Thereof. Until such time as the obligations of the Board under the Original Bond Resolution and the Trojan Resolution have been discharged in accordance with the terms thereof, the Board shall comply in all respects with each of the provisions, covenants and agreements of or contained in the Original Resolution and Trojan Resolution.

The Board will not hereafter consent to or agree to any supplement, change, amendment or modification of the Original Resolution or Trojan Resolution which would materially prejudice or adversely affect the rights or interests of the holders of the Bonds except as otherwise expressly provided herein.

ARTICLE IX

RESOLUTION A CONTRACT; ENFORCEMENT OF SAME; DEFAULTS; REMEDIES; BONDHOLDERS' COMMITTEE

SECTION 9.1. Resolution to Constitute a Contract With Bondholders; Enforcement of Same. So long as any of the Bonds are outstanding, each of the obligations, duties, limitations and restraints imposed upon the Board by the Resolution shall be deemed to be a covenant between the Board and every holder of said Bonds. The Resolution and every provision and covenant hereof, shall constitute a contract with every holder from time to time of the Bonds and, whether or not an Event of Default (as defined in Section 9.2 hereof) shall then exist, shall be enforceable by the Bond Fund Trustee or any owner or holder of a Bond or of any of the coupons of any of the Bonds, by mandamus or other appropriate action or proceeding at law or in equity in any court of competent jurisdiction, including, without limiting the generality of the foregoing, the bringing of a suit or suits to compel compliance with the provisions of the Resolution.

Without limiting the effect of the preceding paragraph, the Bond Fund Trustee, without the happening of an Event of Default (as defined in Section 9.2 hereof), may, and at the request of the holders of not less than a majority in principal amount of the Bonds then outstanding and upon being furnished with reasonable security and indemnity shall, take such steps and institute such suits, actions or proceedings in its own name, or as trustee, or in the name of the Board, all as the Bond Fund Trustee may deem appropriate, for the protection and enforcement of the rights of the holders of Bonds.

The Bond Fund Trustee may file such proofs of claims and other papers or documents as may be necessary or advisable in order to have claims of the Bond Fund Trustee and the holders of the Bonds allowed in any judicial proceedings relating to the Electric System or to the creditors of the Board with respect to the Electric System.

SECTION 9.2. Events of Default. Each of the following events is hereby defined as and declared to be and shall constitute an "Event of Default";

(a) if payment of the principal of or premium, if any, on any Bond shall not punctually be made when due and payable, whether at the stated maturity thereof or upon proceedings for the redemption thereof (whether by voluntary redemption or a mandatory sinking fund redemption or otherwise);

(b) if payment of the interest on any Bond shall not punctually be made when due;

(c) if the provisions of any Supplemental Resolution with respect to mandatory sinking fund installment payments or the redemption of Term Bonds therefrom, as the case may be, shall not punctually be complied with at the time and in the manner specified in such Supplemental Resolution;

(d) if the Board shall fail to duly and punctually perform or observe any other of the covenants, agreements or conditions contained in the Resolution or in the Bonds, on the part of the Board to be performed, and such failure shall continue for ninety (90) days after written notice thereof from the Bond Fund Trustee or the holders of not less than twenty percent (20%) of the Bonds then outstanding; provided that, if such failure shall be such that it cannot be corrected within such ninety (90) day period, it shall not constitute an Event of Default if corrective action is instituted within such period and diligently pursued until the failure is corrected;

(e) if an order, judgment, or decree shall be entered by any court of competent jurisdiction, with the consent or acquiescence of the Board, or if such order, judgment or decree, having been entered without the consent or acquiescence of the Board, shall not be vacated or set aside or discharged or stayed (or in case custody or control is assumed by said order, such custody or control shall not otherwise be terminated) within ninety (90) days after the entry thereof, and if appealed, shall not thereafter be vacated or discharged: (i) appointing a receiver, trustee or liquidator for the Board or for the Electric System or any part of the Electric System; or (ii) assuming custody or control of the Electric System or any part thereof under the provisions of any law for the relief or aid of debtors; or (iii) approving a petition filed against the Board under the provisions of Chapter IX of An act to establish a uniform Law on the Subject of Bankruptcies II USC 901-946; or (iv) granting relief to the Board under any amendment to said Bankruptcy Act, or under any other applicable bankruptcy act, which shall give relief substantially similar to that afforded by said Chapter IX; and

(f) if the Board shall (i) admit in writing its inability to pay its debts generally as they become due; or (ii) file a petition in bankruptcy or seeking a composition of indebtedness; or (iii) make an assignment for the benefit of its creditors; or (iv) file a petition or any answer seeking relief under the Bank-

ruptcy Act referred to in the preceding clause, or under any amendment thereto, or under any other applicable bankruptcy act which shall give relief substantially the same as that afforded by Chapter IX of said act; (v) consent to the appointment of a receiver of the whole or any substantial part of the Electric System; or (vi) consent to the assumption by any court of competent jurisdiction under the provisions of any other law for the relief or aid of debtors of custody or control of the Board or of the whole or any substantial part of the Electric System.

SECTION 9.3. Original Resolution and Trojan Resolution. The Board covenants and agrees that so long as any of the Original Electric System Revenue Bonds remain outstanding, the holders from time to time of the Bonds shall have the same rights and remedies to enforce the provisions of the Original Resolution as the holders of the Original Electric System Revenue Bonds have to enforce the provisions of the Original Resolution.

The rights and remedies granted to holders of Bonds pursuant to this Article IX are subject in all respects to the provisions of the Original Resolution so long as the Original Electric System Revenue Bonds remain outstanding and to the Trojan Resolution so long as Trojan Bonds remain outstanding.

SECTION 9.4. Notice to Bondholders of Event of Default. The Bond Fund Trustee, within ninety (90) days after the occurrence of an Event of Default (as defined in Section 9.2 hereof), shall give to the Bondholders, in the manner provided in Section 14.4 hereof, notice of all defaults known to the Bond Fund Trustee, unless such defaults shall have been cured before the giving of such notice (the term "default" or "defaults" for the purpose of this Section being defined to be any Event or Events of Default specified in said Section 9.2; provided that, except in the case of an Event of Default defined in any of subparagraphs (a) through (c) of Section 9.2 hereof, the Bond Fund Trustee shall be protected in withholding such notice if and so long as the board of directors, the executive committee, or a trust committee of directors or a trust committee of other responsible officers or a trust committee of directors and other responsible officers of the Bond Fund Trustee in good faith determines that the withholding of such notice is in the interests of the Bondholders.

SECTION 9.5. Inspection of Books and Records; the Board to Account as Trustee for Express Trust. The Board covenants that if an Event of Default (as defined in Section 9.2 hereof) shall have happened and shall not have been remedied, the books of record and account of the Board

relating to the Electric System and all other records relating thereto shall at all times be subject to the inspection and use of the Bond Fund Trustee and any persons holding at least twenty-five percent (25%) of the principal amount of Bonds outstanding and of their respective agents and attorneys or of any committee therefor.

The Board covenants that if an Event of Default (as defined in Section 9.2 hereof) shall have happened and shall not have been remedied, the Board will continue to account, as a trustee of an express trust, for all Revenues and other moneys, securities and funds pledged under the Resolution.

SECTION 9.6. Payment of Funds to the Bond Fund Trustee; Application of Revenues. The Board covenants that if an Event of Default shall have happened and shall not have been remedied, upon demand of the Bond Fund Trustee, the Board shall pay over to the Bond Fund Trustee and cause any Construction Fund Trustee to pay over to the Bond Fund Trustee (i) forthwith, all moneys, securities and funds then held by the Board and pledged under the Resolution, and moneys, securities and funds then held by any Construction Fund Trustee, and (ii) as promptly as practicable after receipt thereof, all Revenues.

During the continuance of an Event of Default as defined in items (a) through (c) of Section 9.2 hereof or of any other Event of Default as defined in Section 9.2 resulting in an Event of Default as defined in items (a) through (c) of Section 9.2 hereof, the Revenues received by the Bond Fund Trustee or by a Bondholders' Committee, as the case may be, whether received by the Bond Fund Trustee or by such Bondholders' Committee pursuant to the provisions of the first paragraph of Section 9.7 hereof as the result of the taking of possession of the business and properties of the Electric System, shall be applied by the Bond Fund Trustee or by the Bondholders' Committee, as the case may be, firstly to the payment of all necessary and proper Operating Expenses of the Electric System and all other proper disbursements or liabilities made or incurred by the Bond Fund Trustee or by the Bondholders' Committee, as the case may be; secondly, to the then due and overdue payments into the Bond Fund, including the making up of deficiencies therein; and lastly, for any lawful purpose of the Resolution or the Electric System.

In the event that at any time the funds held by the Bond Fund Trustee or the Bondholders' Committee pursuant to the preceding paragraph shall be insufficient for the payment of the principal of, premium, if any, and interest then due on the Bonds, such funds (other than funds held for the payment or redemption of particular Bonds or coupons) and all Revenues of the Board and other of its moneys

received or collected for the benefit or for the account of holders of the Bonds by the Bond Fund Trustee shall be applied as follows:

(1) Unless the principal of all of the Bonds shall have become due and payable,

First, to the payment of all necessary and proper Operating Expenses of the Electric System and all other proper disbursements or liabilities made or incurred by the Bond Fund Trustee, or by the Bondholders' Committee, as the case may be;

Second, to the payment to the persons entitled thereto of all installments of interest then due (including any interest on overdue principal) in the order of the maturity of such installments, earliest maturities first, and if the amounts available shall not be sufficient to pay in full any installment or installments of interest maturing on the same date, then to the payment thereof ratably, according to the amount due thereon, to the persons entitled thereto, without any discrimination or preference; and

Third, to the payment to the persons entitled thereto of the principal and premium, if any, due and unpaid upon the Bonds at the time of such payment without preference or priority of any Bond over any other Bonds, ratably, according to the amounts due respectively for principal and redemption premium, without any discrimination or preference.

(2) If the principal of all of the Bonds shall have become due and payable,

First, to the payment of all necessary and proper Operating Expenses of the Electric System and all other proper disbursements or liabilities made or incurred by the Bond Fund Trustee, or by the Bondholders' Committee, as the case may be;

Second, to the payment of the principal and interest then due and unpaid upon the Bonds without preference or priority of principal over interest or of interest over principal, or of any installment of interest over any other installment of interest, or of any Bond over any other Bonds, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or preference.

Whenever moneys are to be applied pursuant to the foregoing paragraphs, such moneys shall be applied by the Bond Fund Trustee or Bondholders' Committee, as the case may be, at such times, and from time to time, as it in its sole discretion shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future.

If and whenever all overdue installments of interest on all Bonds, together with the reasonable and proper charges, expenses, and liabilities of the Bond Fund Trustee and the holders of the Bonds, their respective agents and attorneys, and all other sums payable by the Board under the Resolution including the principal of and premium, if any, on all Bonds which shall then be payable, shall either be paid in full by or for the account of the Board or provision satisfactory to the Bond Fund Trustee shall be made for such payment, and all defaults under the Resolution or the Bonds shall be made good and secured to the satisfaction of the Bond Fund Trustee or provision deemed by the Bond Fund Trustee to be adequate shall be made therefor, the Bond Fund Trustee or the Bondholders' Committee, as the case may be, shall pay over to the Board all of its moneys, securities, funds and Revenues then remaining unexpended in the hands of the Bond Fund Trustee or the Bondholders' Committee, as the case may be (except moneys, securities, funds or Revenues deposited or pledged, or required by the terms of the Resolution to be deposited or pledged, with the Bond Fund Trustee or a Construction Fund Trustee), control of the business and possession of the property of the Board shall be restored to the Board, and thereupon the Board and the Bond Fund Trustee shall be restored, respectively, to their former positions and rights under the Resolution, and all Revenues shall thereafter be applied as provided in Article VI. No such payment over to the Board by the Bond Fund Trustee, or resumption of the application of Revenues as provided in Article VI, shall extend to or affect any subsequent default under the Resolution or impair any right consequent thereon.

SECTION 9.7. Possession of System by Bond Fund Trustee or Bondholders' Committee; Appointment of a Receiver. Upon the occurrence of an Event of Default (as defined in Section 9.2 hereof) and while such Event of Default shall be continuing, the Bond Fund Trustee or a Bondholders' Committee representing the holders of not less than a majority of the Bonds at the time outstanding, as a matter of right against the Board, without notice or demand, and without regard to the adequacy of the security for the Bonds, shall, but only if and to the extent then permitted by law, be entitled to take possession and control of the business and properties of the Electric System. Upon taking such possession, the Bond Fund Trustee or such Bondholders'

Committee shall operate and maintain the Electric System, make any necessary repairs, renewals and replacements in respect thereof, prescribe rates and charges for power and energy sold, furnished or supplied through the facilities of the Electric System and collect the Revenues of the Electric System.

Upon the occurrence of an Event of Default (as defined in Section 9.2 hereof) and at any time while such Event of Default shall be continuing, the Bond Fund Trustee or the holders of twenty-five percent (25%) or more in principal amount of the Bonds then outstanding or any committee therefor shall, but only if and to the extent then permitted by law, be entitled to the appointment of a receiver to take possession of the Electric System, to manage, and receive and apply the Revenues.

Notwithstanding the appointment of any receiver, the Bond Fund Trustee shall be entitled to retain possession and control of and to collect and receive income from any moneys, securities, funds and Revenues deposited or pledged with it under the Resolution or agreed or provided to be delivered to or deposited or pledged with it under the Resolution.

SECTION 9.8. Certain Powers and Rights of the Bond Fund Trustee. If an Event of Default shall happen and shall not have been remedied then and in every such case, the Bond Fund Trustee, either in its own name or as trustee of an express trust, or as attorney-in-fact for the holders of the Bonds, or in any one or more of such capacities, by its agents and attorneys, shall be entitled and empowered to proceed forthwith to institute such suits, actions and proceedings at law or in equity for the collection of all sums due in connection with the Bonds and to protect and enforce its rights and the rights of the holders of the Bonds under the Resolution for the specific performance of any covenant herein contained, or in aid of the execution of any power herein granted, or for an accounting against the Board as trustee of any express trust, or in the enforcement of any other legal or equitable right as the Bond Fund Trustee, being advised by counsel, shall deem most effectual to enforce any of its rights, or to perform any of its duties under the Resolution. The Bond Fund Trustee shall be entitled and empowered either in its own name or as a trustee of an express trust, or as attorney-in-fact for the holders of the Bonds or in any one or more of such capacities, to file such proof of debt, amendment of proof of debt, claim, petition or other document as may be necessary or advisable in order to have the claims of the Bond Fund Trustee and of the holders of the Bonds allowed in any equity, receivership, insolvency, bankruptcy, liquidation, readjustment, reorganization or other similar proceedings. For this purpose the Bond Fund Trustee is

hereby irrevocably appointed the true and lawful attorney-in-fact of the respective holders of the Bonds (and the successive holders of the Bonds by taking and holding the same shall be conclusively deemed to have so appointed the Bond Fund Trustee) with authority to make and file in the respective name of the holders of the Bonds any such proof of debt, amendment of proof of debt, claim, petition or other document in any such proceedings, and to receive payment of any sums becoming distributable on account thereof, and to execute any such other papers and documents and to do and perform any and all acts and things for and on behalf of the holders of the Bonds and of the coupons appurtenant thereto as may be necessary or advisable in the opinion of the Bond Fund Trustee in order to have the respective claims of the Bond Fund Trustee and the holders of the Bonds allowed in any such proceeding and to receive payment of and on account of such claims; provided, however, that nothing contained herein shall be deemed to give the Bond Fund Trustee any right to accept or consent to any plan of reorganization or compromise or otherwise take any action of any character in any such proceedings to waive or change in any way any right of any holder of Bonds or coupons appurtenant thereto.

All rights of action under the Resolution may be enforced by the Bond Fund Trustee without the possession of any of the Bonds or the production thereof on the trial or other proceedings.

SECTION 9.9. Bondholders' Committee. Upon the occurrence of an Event of Default (as defined in Section 9.2 hereof) and at any time such Event of Default shall be continuing, the holders of not less than twenty percent (20%) in principal amount of the Bonds then outstanding may call a meeting of the holders of Bonds for the purpose of electing a Bondholders' Committee. Such meeting shall be called and proceedings thereat shall be conducted as provided for other meetings of Bondholders pursuant to Section 11.2 hereof. At such meeting the holders of not less than a majority of the principal amount of the Bonds then outstanding must be present in person or by proxy in order to constitute a quorum for the transaction of business, less than a quorum, however, having power to adjourn from time to time without any notice other than that required by the fifth paragraph of said Section 11.2. A quorum being present at such meeting, the Bondholders present in person or by proxy may, by the votes cast by the holders of a majority in principal amount of the Bonds so present in person or by proxy, elect one or more persons who may or may not be Bondholders to the Bondholders' Committee which shall act as trustee for all Bondholders. The Bondholders present in person or by proxy at said meeting, or at any adjourned meeting thereof, shall prescribe the manner in which the successors of the persons elected to the Bondholders' Committee at such Bondholders'

meeting shall be elected or appointed, and may prescribe rules and regulations governing the exercise by the Bondholders' Committee of the power conferred upon it herein, and may provide for the termination of the existence of the Bondholders' Committee. The Bondholders' Committee may, with the consent of the holders of not less than fifty percent (50%) of the principal amount of Bonds outstanding, remove the Bond Fund Trustee. After the removal of the Bond Fund Trustee pursuant to the provisions of this Section and prior to the appointment of a successor Bond Fund Trustee pursuant to the provisions of Section 7.1 hereof, the members of the Bondholders' Committee elected by the Bondholders in the manner herein provided, and their successors, as a committee will be deemed to be trustees for the holders of all the Bonds then outstanding, and may exercise in the name of the Bondholders' Committee, as trustee, all the rights and powers conferred in this Article on the Bond Fund Trustee or any Bondholder.

SECTION 9.10. Bondholders May Direct Proceedings. Anything contained in the Resolution to the contrary notwithstanding, the holders of not less than a majority in principal amount of the Bonds at the time outstanding shall be authorized and empowered (1) to direct the time, method, and place of conducting any proceeding for any remedy available to the holders of the Bonds or to the Bond Fund Trustee therefor, or of exercising any trust or power conferred upon the Bond Fund Trustee hereunder; or (2) on behalf of the holders of the Bonds then outstanding, to consent to the waiver of any Event of Default or its consequences, and the Bond Fund Trustee shall waive any Event of Default and its consequences upon the written request of the holders of such majority. No waiver or rescission shall extend to any subsequent or other default, or impair any right consequent thereon.

SECTION 9.11. Suits by Individual Bondholders. Except as otherwise specifically provided in this Section, no holder of any of the Bonds shall have any right to institute any suit, action or proceeding at law or in equity for the enforcement of any provision of the Resolution or the execution of any trust under the Resolution or for any remedy under the Resolution, unless such holder shall have previously given to the Bond Fund Trustee written notice of the happening of an Event of Default (as defined in Section 9.2 hereof) and the holders of at least twenty per cent (20%) in principal amount of the Bonds then outstanding shall have filed a written request with the Bond Fund Trustee and shall have offered it reasonable opportunity either to exercise the powers granted under the Resolution or to institute such action, suit or proceeding in its own name, and unless such Bondholder shall have offered to the Bond Fund Trustee adequate security and indemnity against the costs, expenses and liabilities to be incurred therein

or thereby, and the Bond Fund Trustee for a period of sixty (60) days after the receipt by it of such notice, request and offer of indemnity shall have refused to comply with such request; it being understood and intended that, except as above provided, no one or more holders of Bonds shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the pledge created by the Resolution, or to enforce any right under the Resolution, except in compliance with the conditions precedent to the initiation of such litigation as herein provided, and that all proceedings at law or in equity to enforce any provision of the Resolution shall be instituted, had and maintained in the manner provided in the Resolution and for the equal benefit of all holders of the outstanding Bonds.

SECTION 9.12. Remedies Not Exclusive. No remedy by the terms of the Resolution conferred upon or reserved to the Bond Fund Trustee or the holders of the Bonds is intended to be exclusive of any other remedy, but each and every such remedy shall be cumulative and shall be in addition to any other remedy given hereunder to the Bond Fund Trustee or to the holders of the Bonds or now or hereafter existing at law or in equity or by statute.

SECTION 9.13. Waivers of Default. No delay or omission of the Bond Fund Trustee or any holder of Bonds to exercise any right or power arising upon the occurrence of a default hereunder, including an Event of Default (as defined in Section 9.2 hereof), shall impair any right or power or shall be construed to be a waiver of any such default or to be an acquiescence therein. Every power and remedy given by this Article to the Bond Fund Trustee or to the holders of Bonds may be exercised from time to time and as often as may be deemed expedient by the Bond Fund Trustee or by such holders.

SECTION 9.14. Waiver of Extension Laws. The Board will not at any time insist upon or plead, or in any manner whatsoever claim or take the benefit or advantage of, any stay or extension law now or at any time hereafter in force which may affect the covenants and agreements contained in the Resolution, or in the Bonds, but all benefit or advantage of any such law or laws is hereby expressly waived by the Board.

SECTION 9.15. Abandonment of Proceedings; Adverse Determination. In case the Bond Fund Trustee or the holders of the Bonds (or a committee therefor) shall have proceeded to enforce any right under the Resolution and such proceedings shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bond Fund Trustee or the holders of the Bonds (or such committee therefor), then and in every such case the Board, the Bond Fund Trustee and the holders of the Bonds shall be

restored to their former positions and rights hereunder, and all rights, remedies and powers of the Bond Fund Trustee and the holders of the Bonds shall continue as if no such proceedings had been taken.

ARTICLE X

AMENDING AND SUPPLEMENTING OF RESOLUTION

SECTION 10.1. Amending and Supplementing of Resolution Without Consent of Holders of Bonds. The Board, from time to time and at any time and without the consent or concurrence of any holder of any Bond, may adopt a resolution amendatory hereof or supplemental hereto (herein defined and referred to as a "Supplemental Resolution"), (i) for the purpose of providing for the issuance of Bonds pursuant to the provisions of Article III hereof; or (ii) if the provisions of such Supplemental Resolution shall not adversely affect the rights of the holders of the Bonds then outstanding, for any one or more of the following purposes:

1. to make any changes or corrections in the Resolution as to which the Board shall have been advised by counsel that the same are verbal corrections or changes or are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provision or omission or mistake or manifest error contained in the Resolution, or to insert in the Resolutions such provisions clarifying matters or questions arising under the Resolution as are necessary or desirable;

2. to add additional covenants and agreements of the Board for the purpose of further securing the payment of the Bonds;

3. to surrender any right, power or privilege reserved to or conferred upon the Board by the terms of the Resolution;

4. to confirm as further assurance any lien, pledge or charge, or the subjection to any lien, pledge, or charge, created or to be created by the provisions of the Resolution; and

5. to grant or to confer upon the holders of the Bonds any additional rights, remedies, powers, authority or security that lawfully may be granted to or conferred upon them, or to grant to or to confer upon the Bond Fund Trustee for the benefit of the holders of the Bonds any additional rights, duties, remedies, powers, authority or security.

Except for Supplemental Resolutions providing for the issuance of Bonds pursuant hereto, the Board shall not adopt any Supplemental Resolution authorized by the foregoing provisions of this Section unless in the opinion of counsel (which opinion may be combined with the opinion

required by Section 10.4 hereof) the adoption of such Supplemental Resolution is permitted by the foregoing provisions of this Section and the provisions of such Supplemental Resolution do not adversely affect the rights of the holders of the Bonds then outstanding.

SECTION 10.2. Amendment of Resolution With Consent of Holders of Bonds. With the consent of the holders of not less than a majority of the Bonds then outstanding, the Board from time to time and at any time may adopt a resolution amendatory hereof or supplemental hereto (herein also defined and referred to as a "Supplemental Resolution"), for the purpose of adding any provisions to, or changing in any manner or eliminating any of the provisions of, the Resolution, or modifying or amending the rights and obligations of the Board hereunder, or modifying or amending in any manner the rights of the holders of the Bonds then outstanding; provided, however, that, without the specific consent of the holder of each such Bond which would be affected thereby, no Supplemental Resolution amending or supplementing the provisions hereof shall: (1) change the fixed maturity date for the payment of the principal of any Bond or the dates for the payment of interest thereon or the terms of the redemption thereof, or reduce the principal amount of any Bond or the rate of interest thereon or the redemption price (or the redemption premium) payable upon the redemption or prepayment thereof; or (2) reduce the aforesaid percentage of Bonds, the holders of which are required to consent to any Supplemental Resolution amending or supplementing the provisions of the Resolution; or (3) give to any Bond or Bonds any preference over any other Bond or Bonds secured hereby; (4) authorize the creation of any pledge of the Revenues and other moneys pledged hereunder, prior, superior or equal to the pledge of and lien and charge thereon created herein for the payment of the Bonds except to the extent provided in Article III hereof; or (5) deprive any holder of the Bonds in any material respect of the security afforded by the Resolution; provided further, however, that without the specific consents of the holders of not less than a majority in principal amount of the Term Bonds then Outstanding and affected thereby, no Supplemental Resolution amending or supplementing the provisions of the Resolution shall (a) change the amount of any sinking fund installments for the retirement of Term Bonds or the due dates of such installments or the terms for the purchase or redemption thereof from such installments, or (b) reduce the aforesaid percentage of Term Bonds, the holders of which are required to consent to any such Supplemental Resolution. (Nothing in this paragraph contained, however, shall be construed as making necessary the approval of the holders of the Bonds of the adoption of any Supplemental Resolution authorized by the provisions of Section 10.1 hereof.)

The proof of the giving of any consent required by this Section and of the holding of Bonds for the purpose of giving consents shall be made in accordance with the provisions of Article XI hereof. It shall not be necessary that the consents of the holders of the Bonds approve the particular form of wording of the proposed amendment or supplement or of the Supplemental Resolution affecting such amendment or supplement, but it shall be sufficient if such consents approve the substance of the proposed amendment or supplement. After the holders of the required percentage of Bonds shall have filed their consents to the amending or supplementing hereof pursuant to this Section, the Board shall publish at least once a notice of such amending or supplementing hereof, in The Bond Buyer, published in New York, New York, or in lieu of publication in The Bond Buyer, in some other newspaper specializing in financial matters printed in the English language and customarily published on each business day and of general circulation in the City of New York, New York, or in daily newspapers of general circulation printed in the English language, published in each of the Cities of Eugene, Oregon, Portland, Oregon and New York, New York, and shall mail a copy of such notice, postage prepaid (1) to each registered owner of Bonds then outstanding, at his address, if any, appearing upon the registry books, and (2) to the Bond Fund Trustee, but failure to mail copies of said notice to any of said owners or holders shall not affect the validity of the Supplemental Resolution effecting such amendments or supplements or the consent thereto. (Nothing in this paragraph contained, however, shall be construed as requiring the giving of notice of any amending or supplementing of the Resolution authorized by Section 10.1 hereof.) A record, consisting of the papers required by this Section, shall be filed with the Bond Fund Trustee, and shall be proof of the matters therein stated until the contrary is proved. No action or proceeding to set aside or invalidate such Supplemental Resolution or any of the proceedings for its adoption shall be instituted or maintained unless such action or proceeding is commenced within sixty (60) days after the publication of the notice required by this paragraph.

SECTION 10.3. Notation Upon Bonds; New Bonds Issued Upon Amendments. Bonds delivered after the effective date of any action taken as provided in this Article may bear a notation as to such action, by endorsement or otherwise and in form approved by the Board. In that case, upon demand of the holder of any Bond outstanding at such effective date and the presentation of the holder's Bond for the purpose at the principal office of the Bond Fund Trustee or other Paying Agent, transfer agent or registrar hereunder for such Bond and at such additional offices, if any, as the Board may select and designate for that purpose, a suitable notation shall be made on such Bond. If the Board shall so

determine, new Bonds, so modified as in the opinion of the Board to conform to the amendments or supplements made pursuant to this Article, shall be prepared, executed and delivered, and upon demand of the holder of any Bond then outstanding shall be exchanged without cost to such holder, for Bonds then outstanding, upon surrender of such outstanding Bonds.

SECTION 10.4. Effectiveness of Supplemental Resolution. Upon the adoption (pursuant to this Article and applicable law) by the Board of any Supplemental Resolution amending or supplementing the provisions of the Resolution and the delivery to the Bond Fund Trustee of an opinion of counsel that such Supplemental Resolution is in due form and has been duly adopted in accordance with the provisions hereof and applicable law and that the provisions thereof are valid and binding upon the Board (upon which opinion the Bond Fund Trustee, subject to the provisions of Section 7.2 hereof, shall be fully protected in relying), or upon such later date as may be specified in such Supplemental Resolution, (i) the Resolution and the Bonds shall be modified and amended in accordance with such Supplemental Resolution, (ii) the respective rights, limitations of rights, obligations, duties and immunities under the Resolution of the Board, the Bond Fund Trustee, any Construction Fund Trustee, any Paying Agent and the holders of the Bonds shall thereafter be determined, exercised and enforced under the Resolution subject in all respects to such modifications and amendments; and (iii) all of the terms and conditions of any such Supplemental Resolution shall be a part of the terms and conditions of the Bonds and of the Resolution for any and all purposes.

SECTION 10.5. Supplemental Resolution Affecting Trustees Hereunder and Paying Agents. No Supplemental Resolution changing, amending or modifying any of the rights, duties and obligations of the Bond Fund Trustee, any Construction Fund Trustee or any Paying Agent may be adopted by the Board or be consented to by the holders of the Bonds without written consent of the Bond Fund Trustee or such Construction Fund Trustee or such Paying Agent.

ARTICLE XI

EXECUTION OF INSTRUMENTS BY HOLDERS OF BONDS; OWNERSHIP OF BONDS; MEETINGS OF HOLDERS OF BONDS; EXCLUSION OF BONDS OWNED BY THE BOARD

SECTION 11.1. Execution of Requests, Directions and Consents and Other Instruments and Proof of Same; Ownership of Bonds and Proof of Same. Any request, direction, consent or other instrument required by the Resolution to be signed or executed by holders of Bonds may be signed or executed by such holders in person or by an agent or agents duly appointed in writing, and may be in any number of concurrent writings of substantially similar tenor. Proof of the execution of any such request, direction, consent or other instrument or of a writing appointing any such agent, and of the holding or ownership of Bonds, shall be sufficient for any purpose of the Resolution and shall be conclusive in favor of the Board and the Bond Fund Trustee and any Paying Agent hereunder with regard to any action taken by them under such request, direction, consent or other instrument or of a writing appointing any such agent, if made in the following manner: the fact and date of the execution by any person of any such request, direction, consent or other instrument in writing may be proved by the certificate of any notary public or other officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments of deeds to be recorded within such jurisdiction, to the effect that the person signing such request, direction, consent or other instrument or writing acknowledged to him the execution thereof, or by an affidavit of a witness to such execution.

Nothing contained in this Section shall be construed as limiting the Board or the Bond Fund Trustee, in their separate discretion, to the proof above specified, it being intended that the Board and the Bond Fund Trustee in their separate discretion may accept any other evidence of the matters herein stated which to them may seem sufficient. Any request, direction, consent or vote of the holder of any Bond shall bind and be conclusive upon the holder of such Bond giving such request, direction or consent or casting such vote and upon every future holder of the same Bond in respect of anything done or suffered to be done by the Board or the Bond Fund Trustee or otherwise, or by the holders of other Bonds, in pursuance of such request, direction, consent or vote, and whether or not such future holder has knowledge of or information as to such request, direction, consent or vote; provided that any request, direction, consent or vote of the holder of a Bond required by any of the provisions hereof may be revoked by the holder giving such request, direction, constant or vote or by a subsequent holder, if such revocation in writing is filed with the Board and the Bond Fund Trustee prior to the time

when the request, direction, consent or vote of the percentage of the holders of the Bonds required by such provision shall have been given and action taken by the Board or the Bond Fund Trustee or otherwise, or by the holders of of other Bonds, under authority of such request, direction, consent or vote.

Anything in the Resolution to the contrary notwithstanding, the Board, the Bond Fund Trustee and any Paying Agent hereunder, may deem and treat the person in whose name any Bond shall at the time be registered on the books of registry kept for that purpose pursuant to the Resolution, as the absolute owner of such Bond or coupon for all purposes whatsoever, including payment thereof, and neither the Board, the Bond Fund Trustee nor any Paying Agent hereunder shall be affected by any notice to the contrary. The payment of or on account of principal to or upon the order of the person in whose name a Bond shall at the time be registered on said books of registry and the payment of interest to or upon the order of any person in whose name any Bond in fully registered form shall at the time be registered on said books of registry, shall be valid and effectual fully to satisfy and discharge all liability hereunder, upon such coupons or upon such Bond to the extent of the sum or sums so paid.

SECTION 11.2. Meetings of Holders of Bonds. The Board, the Bond Fund Trustee or the holders of not less than twenty percent (20%) in principal amount of the Bonds then outstanding may at any time call a meeting of the holders of the Bonds for the purpose of the consenting to, the approving, the requesting or the directing, by the holders of the Bonds, of any action required to be consented to or approved by them hereunder or which they may request or direct hereunder to be taken, or for the making by the holders of the Bonds of any appointments they may make hereunder, or for the purpose of taking any other action which the holders of the Bonds may take hereunder, or for any other purpose concerning the payment, security and enforcement of the Bonds. Every such meeting shall be held at such place, in the City of New York, State of New York, or in the City of Chicago, State of Illinois, or in the City of Eugene, State of Oregon, as may be specified in the notice calling such meeting. Written notice of such meeting, stating the place and time of the meeting and in general terms the business to be submitted, shall be mailed to the holders of Bonds whose names and addresses then appear upon the books of registry hereof, by the Board, the Bond Fund Trustee or the holders of the Bonds calling such meeting, not less than thirty (30) nor more than sixty (60) days before such meeting, and shall be published at least once on any day of the week, in the same newspapers in which notices of redemption are required to be published by

Article V hereof, the date of such publication to be not less than thirty (30) days nor more than sixty (60) days preceding the meeting; provided, however, that the mailing of such notice shall in no case be a condition precedent to the validity of any action taken at any such meeting. Any meeting of the holders of the Bonds shall, however, be valid without notice if the holders of all Bonds then outstanding are present in person or by proxy or if notice is waived before or within thirty (30) days after the meeting by those not so present.

Attendance and voting by holders of Bonds at meetings thereof may be in person or by proxy. Bondholders may, by an instrument in writing under their hands, appoint any person or persons with full power of substitution, as their proxy to attend and vote at any meeting for them.

In order that holders of Bonds payable to bearer and their proxies may attend and vote without producing their Bonds, the Bond Fund Trustee may make and from time to time vary such regulations as it shall think proper for the deposit of Bonds with or the exhibition of Bonds to any bank, banker or trust company, wherever situated, and for the issue by such bank, banker or trust company to the person depositing with or exhibiting such Bonds to them, of certificates in form approved by the Bond Fund Trustee. Such certificates shall constitute proof of ownership entitling the holders thereof or their proxies to be present and vote at any such meeting in the same way as if the persons so present and voting, either personally or by proxy, were the actual bearers of the Bonds in respect of which such certificates shall have been issued. Any regulations so made by the Bond Fund Trustee shall be binding and effective and copies of such regulations shall be kept on file by the Bond Fund Trustee and Paying Agents.

Persons named by the Bond Fund Trustee, or elected by the holders of a majority in principal amount of the Bonds represented at the meeting in person or by proxy in the event the Bond Fund Trustee is not represented at such meeting, shall act as temporary Chairman and temporary Secretary of any meeting of holders of Bonds. A permanent Chairman and a permanent Secretary of such meeting shall be elected by the holders of a majority in principal amount of the Bonds represented at such meeting in person or by proxy. The permanent Chairman of the meeting shall appoint two (2) Inspectors of Votes who shall count all votes cast at such meeting, except votes on the election of Chairman and Secretary as aforesaid, and who shall make and file with the Secretary of the meeting, the Board and the Bond Fund Trustee their verified report of all such votes cast at the meeting.

The holders of the same principal amount of the Bonds required by other provisions hereof to consent to,

approve, request, or direct any action proposed to be taken at a meeting of holders of the Bonds, or required by other provisions hereof to make appointments proposed to be made at such meeting, or required by other provisions hereof to take any other action proposed to be taken at such meeting, must be present at such meeting in person or by proxy in order to constitute a quorum for the transaction of such business, less than a quorum, however, having power to adjourn the meeting from time to time without other notice of such adjournment than the announcement thereof at the meeting; provided, however, that, if such meeting is adjourned by less than a quorum for more than ten (10) days, notice of such adjournment shall be published by the City or the Bond Fund Trustee at least five (5) days prior to the adjournment date of the meeting in the same newspapers in which notices of redemption are required to be published by Article V hereof.

Any registered owner of a Bond and any holders of a certificate provided for in this Section shall be entitled in person or by proxy to attend the vote at such meeting as holder of the Bond or Bonds registered or certified in his name without producing such Bond or Bonds (unless the Bond or Bonds described in any such certificate shall be registered in the name of or be produced by some other person at such meeting). Such persons and their proxies shall, if required, produce such proof of personal identity as shall be satisfactory to the Secretary of the meeting. All other persons seeking to attend or vote in such meeting must produce the Bond or Bonds claimed to be owned or represented at such meeting.

All proxies presented at such meeting shall be delivered to the Inspectors of Votes and filed with the Secretary of the meeting. The right of a proxy for a holder of a Bond to attend the meeting and act and vote thereat may be proved (subject to the Bond Fund Trustee's right to require additional proof) by a written proxy executed by such holder as aforesaid.

Officers or nominees of the Board and officers or nominees of the Trustee may be present or represented at any meeting of the holders of the Bonds and take part therein, but shall not be entitled to vote thereat, except for such officers or nominees who are holders of Bonds or proxies for holders of Bonds (including the Bond Fund Trustee).

The vote at any such meeting of the holder of any Bond, or such holder's proxy, entitled to vote thereat shall be binding upon such holder and upon every subsequent holder of such Bond (whether or not such subsequent holder has notice thereof).

Any Supplemental Resolution providing for the issuance of Bonds in uncertificated form may contain appropriate provisions supplemental to those in this section governing the participation of the owners of such Bonds in any meetings held pursuant to this section.

SECTION 11.3. Exclusion of Bonds Held by or for the Board and of Bonds No Longer Deemed Outstanding Hereunder. In determining whether the holders of the requisite aggregate principal amount of Bonds have concurred in any demand, request, direction, consent, vote or waiver under the Resolution, any Bonds which are owned by or on behalf of or for the account of the Board and, except for the purpose of Section 13.1 hereof, any Bonds which are deemed no longer outstanding hereunder as provided in said Section 13.1, shall be disregarded and not included for the purpose of any such determination, and such Bonds shall not be entitled to vote upon, consent to or concur in any action provided in the Resolution, except that for the purpose of determining whether the Bond Fund Trustee shall be protected in relying on such demand, request, direction, consent, vote or waiver, only Bonds which the Bond Fund Trustee knows are owned as aforesaid shall be disregarded by reason of such ownership. The Board or the Bond Fund Trustee may require each holder of a Bond or Bonds before his demand, request, direction, consent, vote or waiver shall be deemed effective, to reveal if the Bonds as to which such demand, request, direction, consent, vote or waiver is made, granted, cast or given are disqualified as provided in this Section.

ARTICLE XII
FORM OF BONDS

SECTION 12.1. Forms of Bond, Instrument of Assignment and Certificate of Authentication. Except or unless as may otherwise be provided in the Supplemental Resolution providing for their issuance, the Bonds and the form of the instrument of assignment, and the form of the certificate of authentication shall be in substantially the forms set forth in this Section, with necessary or appropriate variations, omissions and insertions as are incidental to their Series, numbers, denomination, maturities, interest rate or rates, paying agencies, registration provisions, redemption provisions and other details thereof or as are otherwise permitted or required by law or by the Resolution or such Supplemental Resolution.

(FORM OF REGISTERED BOND)

UNITED STATES OF AMERICA

STATE OF OREGON

No. _____

\$ _____

CITY OF EUGENE, OREGON

Electric Utility System Revenue Bond
Series _____

INTEREST RATE: MATURITY DATE: DATE
OF BONDS: CUSIP:

REGISTERED HOLDER:

PRINCIPAL SUM:

The City of Eugene, Oregon (hereinafter called the "City"), a municipal corporation of the State of Oregon, acting by and through the Eugene Water & Electric Board, an agency of the City of Eugene, Oregon (hereinafter called the "Board"), for value received, hereby promises to pay to the registered owner named above, or registered assigns, but solely from the revenues and receipts derived by the Board specified above from its electric system (the "Electric System") hereinafter specified and not otherwise, the principal sum specified above on the maturity date specified

above, (subject to the right of prior redemption hereinafter mentioned) upon presentation and surrender of this Bond, and to pay interest on said principal sum, but solely out of said revenues and receipts hereinafter specified and not otherwise, from the February 1 or August 1 next preceding the date of authentication to which interest shall have been paid, unless such date of authentication is February 1 or August 1, in which case from such date if interest has been paid to such date, or unless such date of authentication is on or after the sixteenth day of the calendar month preceding a February 1 or August 1 and before such February 1 or August 1, in which case from such February 1 or August 1 if interest has been paid to such date; provided, however, that such interest shall be payable from

_____ if the date of authentication is prior to _____ until the payment of said principal sum in full, at the rate of interest per annum specified above, payable on _____, _____ and semi-annually thereafter on February 1 and August 1 in each year in each case to the registered owner as of the close of business as of the fifteenth day (whether or not a business day) of the next preceding calendar month, by check or draft mailed to the registered owner hereof at his address as it appears in the books of registry kept pursuant to the Resolution hereinafter mentioned. The principal of and premium, if any, are payable at the principal office of the

_____, in the City of _____, _____ Bond Fund Trustee and Registrar under the Resolution hereinafter mentioned, or its successor in trust from time to time thereunder. The principal of, premium, if any, and interest on this Bond are payable in any coin or currency of the United States of America which at the time of such payment is legal tender for public and private debts.

This Bond is one of a duly authorized series of Bonds of like designation herewith, aggregating _____ dollars (\$ _____) in principal amount, issued under and pursuant to a Resolution adopted by the Board on _____, 1986 and a supplemental resolution adopted on _____, _____ by said Board (said Resolution and supplemental resolution being hereinafter referred to collectively as the "Resolution"), and under the authority of and in full compliance with the Constitution and statutes of the State of Oregon, and the Charter of the City of Eugene, Oregon, as amended, and proceedings of the City Council of the City of Eugene and the Eugene Water & Electric Board duly adopted.

This Bond and the series of which it is one constitute part of a duly authorized issue of Bonds (herein referred to as the "Bonds") issued, or to be issued, under the Resolution in one or more series in various principal amounts and of varying denominations, dates, maturities interest rates and other provisions as provided

in the Resolution, for any corporate use and purpose relating to the Electric System.

Bonds issued under the Resolution are payable as to principal, premium, if any, and interest solely from and are equally and ratably secured solely by a lien upon and pledge of the revenues of the Electric System pledged to such payment by the Resolution, which revenues so pledged consist of revenues derived by Board from the ownership or operation of its Electric System (subject to the provisions of the Trojan Resolution, as defined in the Resolution) and certain other moneys specified in the Resolution, subject to the provisions of the Resolution permitting the application of such revenues to the purposes and on the terms and conditions set forth in the Resolution and subject to the prior payment of operating expenses and certain City of Eugene Electric Utility System Revenue Bonds. The Bonds do not in any manner constitute a general obligation of the Board, or of the City, or create a charge upon the tax revenues of said City, or upon any revenues or property of said City, or property of said Board, but are a charge upon and payable solely from that portion of the revenues of the Electric System which constitute Net Revenues (as defined in the Resolution) and the holders of said Bonds may only look for repayment to Net Revenues and may not, directly or indirectly, be paid or compensated through the property of the City or by or through the taxing power of the City. Under the Resolution, the Board is obligated to deposit from the aforesaid revenues of the Electric System into the Bond Fund (established with the Bond Fund Trustee by the Resolution) certain fixed amounts sufficient to pay the principal of, premium, if any, and interest on this Bond and the issue of Bonds of which it is one as the same shall become due and payable, as is more fully provided in the Resolution.

Reference is hereby made to the Resolution, certified copies of which are on file in the principal office of the Board and in the principal office of the Bond Fund Trustee, and to all of the provisions of which any holder of this Bond by his acceptance hereof hereby assents, for definitions of terms; the description of and the nature and extent of the security for the Bonds issued under the Resolution, including this Bond; the properties constituting the Electric System; the revenues and other moneys pledged to the payment of the principal of and interest on the Bonds issued thereunder; the nature and extent and manner of enforcement of the pledge; the conditions upon which other bonds may be issued payable from all or a portion of the revenues of the Electric System prior to the Bonds and upon which Bonds may hereafter be issued under the Resolution payable on a parity with this Bond from the aforesaid revenues and equally and ratably secured therewith; the conditions upon which the Resolution may be amended or

supplemented with or without the consent of the holders of the Bonds of the issue of Bonds of which this Bond is one; the rights and remedies of the holder hereof with respect hereto and thereto, including the limitations therein contained upon the right of a holder hereof to institute any suit, action or proceeding in equity or at law with respect hereto and thereto; the rights, duties and obligations of the Board and the Bond Fund Trustee thereunder; the terms and provisions upon which the liens, pledges, charges, trusts, assignments and covenants made therein may be discharged at or prior to the maturity or redemption of this Bond, and this Bond thereafter no longer be secured by the Resolution or be deemed to be outstanding thereunder, if moneys or certain specified securities shall have been deposited with the Bond Fund Trustee sufficient and held in trust solely for the payment hereof; and for the other terms and provisions thereof.

The Bonds of the series of Bonds of which this Bond is one are subject to redemption prior to maturity, at the option of the Board, on and after _____ 1, _____, as a whole at any time, or in part from time to time on any interest payment date and in inverse order of their maturities (and in the event that less than all of the Bonds of a maturity are called for redemption, the particular Bonds of such maturity to be redeemed shall be selected by lot), at the redemption prices with respect to each Bond, expressed as a percentage of the principal amount of the Bond to be redeemed, set forth below, together with the interest accrued thereon to the date fixed for redemption:

<u>Period During Which Redeemed</u> <u>(Both Dates Inclusive)</u>	<u>Redemption</u> <u>Prices</u>
--	------------------------------------

provided, however, that there is further reserved the right to redeem the Bonds of the series of Bonds of which this Bond is one maturing on _____ 1, _____, in part on any interest payment date on and after _____ 1, _____, but only upon payment of the principal amount thereof from the amounts required to be credited as sinking fund installments to the Bond Retirement Account in the Bond Fund pursuant to the Resolution, together with payment of interest accrued thereon to the date fixed for redemption.

In the event this Bond is called for prior redemption, notice of such redemption shall be mailed, at least once not less than twenty-five (25) days prior to the date fixed for the redemption thereof, by registered mail, to the registered owner of this Bond as of the forty fifth (45th) day (whether or not a business day) next preceding the date fixed for redemption at his address as it appears on the books of registry. Notice of redemption of Bonds may also be given by publication at least twenty-five (25) days prior to the date fixed for the redemption thereof, of one such notice in one issue of The Bond Buyer, a financial journal published in New York, New York, or in lieu of publication in The Bond Buyer, in some other newspaper specializing in financial matters printed in the English language and customarily published on each business day and of general circulation in the City of New York, New York or in daily newspapers of general circulation printed in the English language, published in each of the Cities of Eugene, Oregon, Portland, Oregon, and New York, New York. If this Bond be of a denomination in excess of \$____,000, portions of the principal sum hereof in installments of \$____,000 or any multiple thereof may be redeemed, and if less than all of the principal sum hereof is to be redeemed, in such case upon the surrender of this Bond to the Bond Fund Trustee there shall be issued to the registered owner hereof, without charge therefor, for the then unredeemed balance of the principal sum hereof, registered Bonds of like series, maturity and interest rate in any of the authorized denominations provided by the Resolution. If this Bond (or any portion of the principal sum hereof) shall have been duly called for redemption and notice of such redemption duly given as aforesaid, and if on or before the redemption date there shall be deposited with the Bond Fund Trustee sufficient funds to pay the principal amount hereof to be redeemed at the then applicable redemption price and the interest accrued on the principal amount redeemed to the date of redemption, then this Bond (or the portion of the principal sum hereof to be redeemed) shall become due and payable upon such redemption date and interest shall cease to accrue and become payable from and after the redemption date on the principal amount hereof to be redeemed.

This Bond shall have all the qualities and incidents of negotiable instrument to the extent provided by the Uniform Commercial Code of the State of Oregon and shall be transferable by the registered owner hereof or by such owner's authorized agent at the principal office of the Bond Fund Trustee upon surrender and cancellation of this Bond, and thereupon a new registered Bond or Bonds without coupons of the same aggregate principal amount in authorized denominations and of the same series, interest rate and maturity will be issued to the transferee as provided in the Resolution and upon payment of any transfer charge therein prescribed. The City, the Board, the Bond Fund Trustee, the

Paying Agents and any other person may treat the person in whose name this Bond is registered as the absolute owner hereof for the purpose of receiving payment hereof and for all purposes and shall not be affected by any notice to the contrary, whether this Bond be overdue or not.

The Bonds of the series of Bonds of which this Bond is a part are issuable as registered Bonds without coupons in the denominations of \$_,000, or any multiple of \$_,000.

This Bond shall not be valid or obligatory for any purpose until the Certificate of Authentication shall have been signed by the Registrar.

It is hereby certified, recited and declared that all acts, conditions and things required by the Constitution and statutes of the State of Oregon and the Charter of the City of Eugene to exist, to have happened and to have been performed precedent to and in the issuance of this Bond do exist, have happened and have been performed in due time, form and manner as prescribed by law, and that the amount of this Bond, together with all other obligations or indebtedness of the City, does not exceed any constitutional, statutory or charter limitations of indebtedness.

IN WITNESS WHEREOF, the City of Eugene, Oregon, acting by and through the Eugene Water & Electric Board, has caused this Bond to be executed in its name with the manual or facsimile signatures of the President or Vice President and Treasurer or Assistant Treasurer of said Board, and attested by the manual or facsimile signatures of the Secretary or Assistant Secretary of said Board thereunto duly authorized, and the facsimile seal of said Board to be hereon imprinted, all as of the first day of _____, 19__.

CITY OF EUGENE, OREGON Acting
by and through the EUGENE
WATER & ELECTRIC BOARD

(Vice) President

Attest:

(Assistant) Treasurer

(Assistant) Secretary

(SEAL)

[FORM OF ASSIGNMENT]

For value received _____ hereby
sells, assigns and transfers unto _____

Please insert social security
or other tax identification
number of assignee

Please print or typewrite name and address of assignee

the within-mentioned Bond and hereby irrevocably constitutes
and appoints _____, Attorney-in-Fact, to
transfer the same on the books of registry in the office of
the within mentioned Registrar with full power of
substitution in the premises.

Signature Guaranteed:

Dated: _____

Note: The signature to this
assignment must
correspond with the
name as written on
the face of the
within Bond in every
particular, without
alteration, enlarge-
ment or any change
whatsoever.

(FORM OF CERTIFICATE OF AUTHENTICATION)

This Bond is one of the Bonds described in the within-mentioned Resolution, and is one of the Electric Utility System Revenue Bonds, Series _____, of the City of Eugene, Oregon.

Dated:

As Registrar

By _____
Authorized Signature

ARTICLE XIII

DEFEASANCE; MONEYS HELD FOR PAYMENT OF DEFEASED BONDS

SECTION 13.1. Discharge of Liens and Pledges; Bonds No Longer Outstanding and Deemed to be Paid Hereunder. Except as otherwise provided in Section 3.10 with regard to Put Bonds, the obligations of the Board under the Resolution and the liens, pledges, charges, trusts, covenants and agreements of the Board herein made or provided for, shall be fully discharged and satisfied as to any Bond and such Bond shall no longer be deemed to be outstanding hereunder,

(i) when such Bond shall have been cancelled, or shall have been surrendered for cancellation or is subject to cancellation, or shall have been purchased by the Bond Fund Trustee from moneys held by it under the Resolution; or

(ii) as to any Bond not cancelled or surrendered for cancellation or subject to cancellation or so purchased, when payment of the principal of and premium, if any, on such Bond, plus interest on such principal to the due date thereof (whether such due date be by reason of maturity or upon redemption or prepayment, or otherwise) either (a) shall have been made or caused to be made in accordance with the terms thereof, or (b) shall have been provided for by irrevocably depositing with the Bond Fund Trustee or a Paying Agent for such Bond, in trust, and irrevocably appropriating and setting aside exclusively for such payment, either (1) moneys sufficient to make such payment or (2) Investment Securities (which for the purposes of this Article shall include only those obligations described in items (i), (iv) and (viii) of the definition of Investment Securities in Section 1.1 hereof) maturing as to principal and interest in such amount and at such times as will insure the availability of sufficient moneys to make such payment, whichever the Board deems to be in its best interest, and all necessary and proper fees, compensation and expenses of the Bond Fund Trustee and the Paying Agents pertaining to the Bond with respect to which such deposit is made shall have been paid or the payment thereof provided for to the satisfaction of the Bond Fund Trustee and said Paying Agents.

At such time as a Bond shall be deemed to be no longer outstanding hereunder, as aforesaid, such Bond, except for the purposes of any payment from such moneys or Investment Securities, shall no longer be secured by or entitled to the benefits of the Resolution.

Notwithstanding the foregoing, in the case of a Bond which is to be redeemed or otherwise prepaid prior to its stated maturity, no deposit under clause (b) of subparagraph (ii) above shall constitute such payment, discharge and satisfaction as aforesaid until such Bond shall have been irrevocably designated for redemption or prepayment and proper notice of such redemption or prepayment shall have been previously published in accordance with Section 5.3 hereof or provision satisfactory to the Bond Fund Trustee shall have been irrevocably made for the giving of such notice.

Any such moneys so deposited with the Bond Fund Trustee or Paying Agents for the Bonds as provided in this Section may at the direction of the Board also be invested and reinvested in Investment Securities, maturing in the amounts and times as hereinbefore set forth. All income from all Investment Securities in the hands of the Bond Fund Trustee pursuant to this Section which is not required for the payment of the Bonds and interest and premium thereon with respect to which such moneys shall have been so deposited, shall be paid to the Board free and clear of any trust, lien, security interest, pledge or assignment securing any Bonds or otherwise existing under the Resolution.

Notwithstanding any provision of any other section of the Resolution which may be contrary to the provision of this Section, all moneys or Investment Securities set aside and held in trust pursuant to the provisions of this Section for the payment of Bonds (including interest and premium thereof, if any) and coupons shall be applied to and used solely for the payment of the particular Bond (including interest and premium thereof, if any) and coupons with respect to which such moneys and Investment Securities have been so set aside in trust.

Anything in Article X hereof to the contrary notwithstanding, if moneys or Investment Securities have been deposited or set aside with the Bond Fund Trustee or a Paying Agent pursuant to this Section for the payment of a specific Bond and such Bond shall be deemed to have been paid and to be no longer outstanding hereunder as provided in this Section, but such Bond shall not have in fact been actually paid in full, no amendment to the provisions of this Article shall be made without the consent of the holder of each Bond affected thereby.

The Board may at any time surrender to the Bond Fund Trustee for cancellation by it any Bonds previously executed and delivered, which the Board may have acquired in any manner whatever, and such Bonds upon such surrender for cancellation shall be deemed to be paid and no longer outstanding hereunder.

SECTION 13.2. Bonds Not Presented for Payment When Due; Moneys Held for the Bonds After Due Date of Bonds.

Subject to the provisions of the next sentence of this paragraph and to the extent permitted by law, if any Bond shall not be presented for payment when the principal thereof shall become due, whether at maturity or at the date fixed for the redemption thereof, or otherwise, and if moneys or Investment Securities shall at such due date be held by the Bond Fund Trustee, or a Paying Agent therefor, in trust for that purpose sufficient and available to pay the principal of and premium, if any, on such Bond, together with all interest due on such Bond to the due date thereof or to the date fixed for redemption thereof, all liability of the Board for such payment shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Bond Fund Trustee, or such Paying Agent, to hold said moneys or Investment Securities without liability to the holder of such Bond for interest thereon, in trust for the benefit of the holder of such Bond who thereafter shall be restricted exclusively to said moneys or Investment Securities for any claim of whatever nature of his part on or with respect to said Bond, including any claim for the payment thereof. The Board shall be entitled to receive annually from the Bond Fund Trustee or a Paying Agent all earnings on moneys or Investment Securities held by the Bond Fund Trustee or such Paying Agent remaining unclaimed by the holders of Bonds. Any such moneys or Investment Securities held by the Bond Fund Trustee or any Paying Agent remaining unclaimed by the holders of such Bonds for four (4) years after the principal of the respective Bonds with respect to which such moneys or Investment Securities have been so set aside has become due and payable (whether at maturity or upon redemption or prepayment or otherwise) shall upon the written request of the Board be paid to the Board, against its written receipt therefor, and the holders of such Bonds shall thereafter be entitled to look only to the Board for payment thereof. Before being required to make any such payment to the Board, the Bond Fund Trustee or such other Paying Agents may, at the expense of the Board, publish in the same newspaper or newspapers in which notices of redemption are to be published pursuant to the provisions of Section 5.3 hereof, a notice, in such form as may be deemed appropriate by such Bond Fund Trustee or Paying Agents, listing the Bonds so payable and not presented and stating that such moneys remain unclaimed and that after a date set forth therein any balance thereof then remaining will be returned to the Board.

ARTICLE XIV

MISCELLANEOUS

SECTION 14.1. Benefits of Resolution Limited to the Board, Trustees and Bondholders. With the exception of rights or benefits herein expressly conferred, nothing expressed or mentioned in or to be implied from the Resolution or the Bonds is intended or should be construed to confer upon or give to any person other than the Board, the Bond Fund Trustee, any Construction Fund Trustee and the holders of the Bonds, any legal or equitable right, remedy or claim under or by reason of or in respect to the Resolution or any covenant, condition, stipulation, promise, agreement or provision herein contained. The Resolution and all of the covenants, conditions, stipulations, promises, agreements and provisions hereof are intended to be and shall be for and inure to the sole and exclusive benefit of the Board, the Bond Fund Trustee, any such Construction Fund Trustee and the holders from time to time of the Bonds as herein and therein provided.

SECTION 14.2. Resolution Binding Upon Successors or Assigns of the Board. All the terms, provisions, conditions, covenants, warranties and agreements contained in the Resolution shall be binding upon the successors and assigns of the Board and shall inure to the benefit of the Bond Fund Trustee, its successors or substitutes in trust and assigns, and the holders of the Bonds.

SECTION 14.3. No Personal Liability. No member of the Board and no officer or employee of the Board shall be individually or personally liable for the payment of the principal of or interest or premium on any Bond. Nothing herein contained shall, however, relieve any such member, officer or employee from the performance of any duty provided or required by law.

SECTION 14.4. Notice to Bondholders. Except as is otherwise provided in the Resolution any provision in the Resolution for the mailing of a notice or other paper to holders of the Bonds shall be fully complied with if it is mailed postage prepaid, to each registered owner of any of the Bonds then outstanding at his address, if any, appearing upon the books of registry kept pursuant to Article IV hereof.

SECTION 14.5. Waiver of Notice. Whenever in the Resolution the giving of notice by mail, publication, or otherwise is required, the giving of such notice may be waived by the person entitled to receive such notice, and in any such case the giving or receipt of such notice shall not be a condition precedent to the validity of any action taken in reliance upon such waiver.

SECTION 14.6. Official Publications. Any publication, if any, to be made under the provisions of the Resolution in successive weeks may be made in each instance upon any business day of the week and need not be made on the same day of any succeeding week nor in the same newspaper for any or all of the successive publications, but may be made in separate newspapers permitted by such provisions. If and whenever any publications are required under the provisions of the Resolution to be made in different cities, such publication may be made in separate newspapers or journals permitted by such provisions in each such city. In the event that any required publication in any newspaper cannot be accomplished by reason of suspension of publication or otherwise, notice shall be published in any other newspaper or otherwise given by general news release, wire service or other procedure determined by the Bond Fund Trustee, in its discretion, to be in the best interest of the holders of the Bonds.

SECTION 14.7. Effect of Saturdays, Sundays and Legal Holidays. Whenever the Resolution requires any action to be taken on a Saturday, Sunday or legal holiday, such action shall be taken on the first business day occurring thereafter. Whenever in the Resolution the time within which any action is required to be taken or within which any right will lapse or expire shall terminate on a Saturday, Sunday or legal holiday, such time shall continue to run until midnight on the next succeeding business day.

SECTION 14.8. Partial Invalidity. If any one or more of the covenants or agreements or portions thereof provided in the Resolution on the part of the Board or the Bond Fund Trustee or any Construction Fund Trustee or any Paying Agent to be performed should be determined by a court of competent jurisdiction to be contrary to law, then such covenant or covenants, or such agreement or agreements, or such portions thereof, shall be deemed severable from the remaining covenants and agreements or portions thereof provided in the Resolution and the invalidity thereof shall in no way affect the validity of the other provisions of the Resolution or of the Bonds, but the holders of the Bonds shall retain all the rights and benefits accorded to them hereunder and under any applicable provisions of law.

If any provisions of the Resolution shall be held or deemed to be or shall, in fact, be inoperative or unenforceable or invalid as applied in any particular case in any jurisdiction or jurisdictions or in all jurisdictions, or in all cases because it conflicts with any constitution or statute or rule of public policy, or for any other reason, such circumstances shall not have the effect of rendering the provision in question inoperative or unenforceable or invalid in any other case or circumstance,

or of rendering any other provision or provisions herein contained inoperative or unenforceable or invalid to any extent whatever.

SECTION 14.9. Law and Place of Enforcement of the Resolution. The Resolution shall be construed and interpreted in accordance with the laws of the State of Oregon and all suits and actions arising out of the Resolution shall be instituted in a court of competent jurisdiction in said State.

SECTION 14.10. Effect of Article and Section Headings and Table of Contents. The heading or titles of the several articles and sections hereof, and any table of contents appended hereto or to copies hereof, shall be solely for convenience of reference and shall not affect the meaning, construction, interpretation or effect of the Resolution.

SECTION 14.11. Repeal of Inconsistent Resolution. Any resolution of the Board, and any part of any resolution, inconsistent with the Resolution is hereby repealed to the extent of such inconsistency.

SECTION 14.12. Effectiveness of the Resolution. This Resolution shall become effective upon its adoption.