

RESOLUTION NO. 10-13590

A RESOLUTION AUTHORIZING THE GENERAL MANAGER TO SECURE ONE OR MORE LIQUIDITY FACILITIES TO SUPPORT LIQUIDITY AND RISK MITIGATION EFFORTS PURSUANT TO THE DISTRICT'S FINANCIAL POLICIES

FACTUAL BACKGROUND AND REASONS FOR ACTION

Pursuant to Resolution No. 10-13555, adopted by the Board of Commissioners (the "Commission") of Public Utility District No. 1 of Chelan County, Washington (the "District") on June 21, 2010, the Commission approved and adopted the District's Financial Policies, which include provisions establishing the District's financial liquidity policy (the "Financial Liquidity Policy"). The District's Financial Liquidity Policy provides for primary liquidity, such as unrestricted cash and investments, and secondary liquidity, such as general bank lines or letters of credit or similar instruments and other internal sources, including certain Hydro system funds, if available, that could be used to meet the District's short-term liquidity needs. The District established the liquidity target set forth in the Financial Liquidity Policy to provide adequate liquidity to support and supplement (i) operating reserves for normal business needs, (ii) contingency reserves for infrequent or unexpected events and (iii) planning reserves for future planned events.

The District's staff has conducted financial modeling incorporating, among other things, current revenue and expense forecasts based on expected operations and market conditions and several additional probabilistic and "what if" scenarios, which analyses have indicated that in some scenarios the District may not be able to satisfy all of the District's stated Financial Policies metrics, including its Financial Liquidity Policy, unless the District takes some actions.

The District's staff has considered several actions to enable the District to satisfy the requirements of its Financial Liquidity Policy and to help maintain financial stability, including refinement in identifying internal liquidity sources and refinement of the District's policy regarding prudent levels of liquidity requirements, all of which factors have been incorporated into the District staff's modeling efforts. The District's staff has also considered satisfying the requirements of the District's Financial Liquidity Policy in part from general bank lines or letters of credit or similar instruments.

Pursuant to RCW 54.16.070(1), the District is authorized to enter into prearranged agreements with financial institutions to borrow money.

In anticipation of the potential need for the District to supplement its internal liquidity sources with a general bank line or similar instrument to satisfy the District's Financial Liquidity Policy, including providing additional liquidity support to satisfy any collateral/margin requirements of the District in connection with any forward power purchase or sale agreements, to make any interest rate swap termination payments, to satisfy any collateral requirements associated with any interest rate swaps and for the District's general operating purposes, the District in coordination with Public Financial Management, the District's financial advisor,

issued a request for proposal soliciting qualified banks to provide proposals for a multi-purpose standby liquidity facility to which the District has received responses.

The District's staff recommends, and the General Manager concurs, that it is in the best interest of the District to secure a multi-purpose standby liquidity facility to satisfy in part the requirements of the District's Financial Liquidity Policy and to support the District's prudent Financial Policies.

ACTION

IT IS RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON, as follows:

Section 1. Findings of the Commission. In order to comply with the District's Financial Policies, generally, and with the District's Financial Liquidity Policy, specifically, the Commission hereby recognizes the obligation to manage the District's liquidity sources and requirements to enable the District to provide stable, reliable, high quality services at a reasonable cost to its customers over the long-term.

Section 2. Authorization to Secure Liquidity Facilities. After due consideration, the Commission has determined that it is in the best interest of the District to secure one or more multi-purpose standby liquidity facilities with an aggregate available principal amount not to exceed \$50,000,000 as supplemental, secondary liquidity sources to help the District satisfy the requirements of its Financial Liquidity Policy. Each such liquidity facility will be for an initial term of three years or less, bear interest (i) at a rate of 1.20% or less per annum on the amounts available to be drawn upon under such liquidity facility and (ii) at rate of LIBOR plus 2.45% or less per annum on the amounts drawn under such liquidity facility. The District may be subject to additional fees upon the occurrence of an event of default under such liquidity facility or in the event one or more of the rating agencies downgrades its unenhanced ratings on the District's long-term Consolidated System bonds below Baa1/BBB+ (or withdraws or suspends such ratings). Upfront fees that may be imposed by the bank under each such facility shall not exceed 0.25% of the amount authorized to be drawn under such facility, provided that the aggregate upfront fees for all such liquidity facilities shall not exceed 0.25% of \$50,000,000, and bank legal expenses payable by the District may not exceed \$50,000 plus disbursements. District bond counsel expenses are estimated at \$40,000. Bond counsel expenses will be governed by Service Agreement 10-081 with Orrick Herrington & Sutcliffe, LLP as authorized by Resolutions No. 10-13536 and 10-13571.

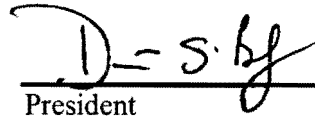
Section 3. Authorization to Negotiate Liquidity Facility Agreement. The Commission hereby authorizes the General Manager to negotiate, execute and deliver one or more liquidity facilities with aggregate available amounts not to exceed \$50,000,000 to be used to satisfy in part the District's Financial Liquidity Policy, such liquidity facilities to be in substantially the form attached hereto as Exhibit A, with such changes therein as the General Manager shall deem advisable and in the best interests of the District, as conclusively evidenced by his execution thereof, after giving due consideration to the responses to the request for proposals and other criteria established in the Financial Policies of the District and in this Resolution, including competitive interest rates, bank fees, flexibility, the financial stability of the potential provider-banks and the ability of the provider bank(s) to satisfy the District's

liquidity requirements. The General Manager and the District's staff are hereby directed to report to the Commission at the next regularly scheduled Commission meeting after a liquidity facility has been negotiated and executed or in the event the District is subject to additional fees upon the occurrence of an event of default under such liquidity facility or a rating downgrade (as described above).

Section 4. Further Action; Ratification of Prior Actions. The General Manager and the other officers, agents and employees of the District as designated by the General Manager shall be and each of them is hereby authorized, empowered and directed to execute and deliver such other documents and agreements, in addition to those enumerated herein, and to take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of this Resolution. All actions taken by the General Manager and the other officers, agents and employees of the District pursuant to or anticipation of the adoption of this Resolution but prior to its effective date are hereby ratified, confirmed and approved.

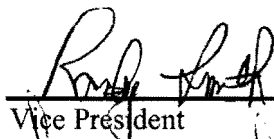
Section 5. Effectiveness. This Resolution shall take effect from and after its adoption.

DATED this 29th day of November 2010.



President

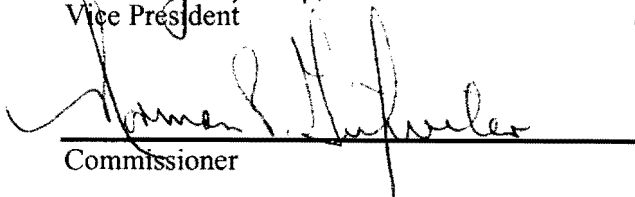
ATTEST:



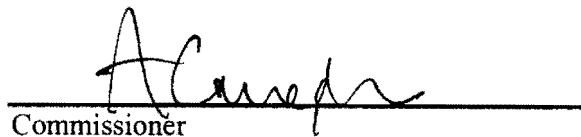
Vice President



Secretary



Commissioner



Commissioner

SEAL

EXHIBIT A

LIQUIDITY FACILITY
BY AND BETWEEN
PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON,
AND
[BANK]

DATED
_____, 2010

LIQUIDITY FACILITY

THIS LIQUIDITY FACILITY (the "Agreement") is dated as of _____, 2010 between the Public Utility District No. 1 of Chelan County, Washington (the "District"), a municipal corporation organized and existing under the laws of the State of Washington (the "State"), and _____, a _____ organized under the laws of _____ (the "Bank").

WITNESSETH:

WHEREAS, pursuant to Resolution No. 07-13067, adopted by the Commission of the District (the "Commission") on March 12, 2007, as from time to time amended and supplemented (as so amended and supplemented, the "Consolidated System Resolution"), the District, among other things, created an issue of revenue bonds payable solely from the Revenues (as defined in the Consolidated System Resolution) derived by the District from its ownership and operation of the Consolidated System (as defined in the Consolidated System Resolution) and authorized the District to enter into interest rate swap agreements;

WHEREAS, in connection with the issuance of Consolidated System Bonds in 2007 and 2009, and in anticipation of the issuance of Consolidated System Bonds in 2011 and 2013, the District has executed variable to fixed-rate interest rate swap agreements (collectively, the "Swap Agreements");

WHEREAS, the Consolidated System Resolution and the Swap Agreements provide for the payment of any termination payment (collectively, "Swap Termination Payments") from Revenues on a basis that is junior and subordinate to the payment of debt service on the Consolidated System Bonds;

WHEREAS, the District from time to time enters into forward sales of surplus generation ("Electricity Hedges") and in connection with such Electricity Hedges, may be required to post collateral ("Margin/Collateral Requirements");

WHEREAS, the District wishes to enter into a standby liquidity facility agreement to secure a ready source of funds to provide for (1) the payment of any Swap Termination Payments; (2) the satisfaction of any Margin/Collateral Requirements in connection with its Electricity Hedging; and (3) short-term financing in the event that the District adopts a commercial paper program or the provider of a liquidity facility or credit facility in connection with a series of the District's Consolidated System Bonds fails to honor its obligations;

WHEREAS, pursuant to RCW 54.160.070(1), the District is authorized to enter into prearranged agreements with financial institutions to borrow money;

WHEREAS, pursuant to Resolution No. _____, adopted by the Commission on _____, 2010 (the "Resolution"), the District is duly authorized incur indebtedness in the amount of \$[100,000,000] for the purposes specified above;

WHEREAS, such amounts may be borrowed by the District and shall be loaned by the Bank from time to time in accordance with this Agreement and each such loan (each, a "Loan") to be evidenced by a promissory note of the District (each, a "Promissory Note") payable

from Revenues, subject to the prior liens on Revenues of the Senior Consolidated System Bonds, the Consolidated System Bonds and any Payment Agreement Payments in respect of any Payment Agreements (each as defined in the Consolidated System Resolution) and to pay the principal of and interest on the Subordinate Consolidated System Obligations and any Payment Agreement Payments in respect of any Payment Agreements (each as defined in the Subordinate Consolidated System Resolution);

WHEREAS, the amount of each Loan will be advanced from time to time by the Bank to the District in accordance with the terms hereof;

NOW, THEREFORE, in consideration of the respective representations, covenants and agreements contained herein, the parties hereto agree as follows,

ARTICLE I

DEFINITIONS

Section 1.01. Definitions. The following terms have the meanings indicated below or in the referenced Section of this Agreement, unless the context shall clearly indicate otherwise:

“Affiliate” means a corporation, partnership, association, agency, authority, instrumentality, joint venture, business trust or similar entity organized under the laws of any state that directly, or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, the Bank.

“Agreement” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“Assignee” has the meaning assigned to that term in Section 8.03.

“Available Commitment” means initially [One Hundred Million Dollars (\$100,000,000)] and thereafter such amount adjusted from time to time as follows: (a) downward in an amount equal to the aggregate principal amount of all Loans made pursuant to this Agreement; and (b) downward to zero upon the expiration or termination of this Agreement in accordance with its terms.

“Bank” has the meaning assigned to that term in the introductory paragraph of this Agreement.

“Bank Interest Rate” has the meaning assigned to that term in Section 3.01(a).

“Bank Rate” means _____.

“Bank Rate Loan” means a Loan the interest rate on which is determined by reference to a Bank Rate.

“Base Rate” means _____.

“Borrowing Date” has the meaning assigned to that term in Section 2.01(a).

“Borrowing Notice” has the meaning assigned to that term in Section 2.01(a).

“Business Day” means any day other than (a) a Saturday, Sunday, or a day on which bank institutions in the State or the State of New York authorized or obligated by law or executive order to be closed, (b) a day upon which the principal office of the District is authorized or required by law to be closed, or (c) The New York Stock Exchange is closed.

“Change of Law” means the adoption, after the Effective Date, of any law, rule, regulation, statute, treaty, guideline or directive of any Governmental Authority or the occurrence on the Effective Date of any of the foregoing if adopted prior to the Effective Date or any change after the Effective Date in the application, interpretation or enforcement of any of the foregoing.

“Code” means the Internal Revenue Code of 1986.

“Commission” means the Commission of the District.

“Commitment Fee” has the meaning assigned to that term in Section 2.03.

“Consolidated System Bonds” means bonds issued pursuant to the Consolidated System Resolution payable from and secured by a pledge of Revenues, junior and subordinate to the lien and charge thereon of the Senior Consolidated System Bonds, but senior to the lien thereon of the Subordinate Consolidated System Obligations.

“Consolidated System Resolution” means Resolution No. 07-13067, adopted by the Commission of the District (the “Commission”) on March 12, 2007, as from time to time amended and supplemented.

“Default Rate” means _____.

“District” means Public Utility District No. 1 of Chelan County, Washington.

“Dollars”, “USD”, “\$” and “U.S. Dollars” means the lawful currency of the United States of America.

“Electricity Hedges” has meaning given such term in the recitals of this Agreement.

“Effective Date” means _____, 2010.

“Event of Default” has the meaning assigned to that term in Section 7.01.

“Excess Interest Amount” has the meaning assigned to that term in Section 3.01(b).

“Generally Accepted Accounting Principles” means generally accepted accounting principles applicable to local governmental entities consistently applied and

maintained throughout the period indicated and consistent with the prior financial practices of the District, except for changes permitted by the Governmental Accounting Standards Board or the Financial Accounting Standards Board or any similar accounting authority of comparable standing.

"Governmental Authority" means any national, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi governmental, judicial, public or statutory instrumentality, authority, body, agency, bureau, central bank or comparable authority.

"Incipient Default" has the meaning assigned to that term in Section 5.01(a).

"Interest Payment Date" means _____ and _____ of each year.

"Loan" has the meaning assigned to that term in the recitals of this Agreement. A Loan shall either be a Bank Rate Loan or a Treasury Rate Loan.

"Margin/Collateral Requirements" has meaning given such term in the recitals of this Agreement.

"Maturity Date" means, for each Loan, the date specified by the District in the Borrowing Notice for such Loan, which date shall be a date not later than _____ following the date on which such Loan is made.

"Maximum Lawful Rate" means the lower of (i) the maximum rate of interest permitted by applicable law or (ii) [twelve percent (12%)] per annum.

"Moody's" means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "Moody's" shall be deemed to refer to any other nationally recognized securities rating agency designated by the District and approved by the Bank.

"Notice of Termination" has the meaning assigned to that term in Section 7.02(b).

"Notice Office" means the office of the Bank located at _____ or such other office or mail code as the Bank may hereafter designate in writing as such to the District. Any Notice of a change in the Notice Office shall become effective on the fifth day after the delivery of Notice thereof to the District.

"Participant" means any entity to which the Bank has sold a participation in this Agreement pursuant to Section 8.03.

"Person" means an individual, a corporation, a partnership, a limited liability corporation, an association, a trust or any other entity or organization, including a government or a political subdivision or an agency or instrumentality thereof.

"Promissory Note" has the meaning assigned to that term in the recitals to this Agreement.

"Record Date" has the meaning assigned to that term in Section ____.

"Resolution" means Resolution No. ____, adopted by the Commission on _____, 2010.

"Revenue Fund" means the Revenue Fund created pursuant to Resolution No. 870, adopted by the Commission on September 14, 1954.

"Revenues" has the meaning assigned thereto in the Consolidated System Resolution.

"Section 3.01(a) Rate" has the meaning assigned to that term in Section 3.01(a).

"Senior Consolidated System Resolution" means Resolution No. 95-10188, adopted by the Commission on June 19, 1995, as supplemented and amended, including as amended and restated by Resolution No. 99-11303, adopted by the Commission on November 1, 1999, as amended and supplemented.

"Senior Consolidated System Bonds" means bonds issued pursuant to the Senior Consolidated System Resolution payable from and secured by a pledge of Revenues, senior to the lien and charge thereon of the Consolidated System Bonds and of the Subordinate Consolidated System Obligations.

"S&P" means Standard & Poor's Ratings Group, a division of The McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, "S&P" shall be deemed to refer to any other nationally recognized securities rating agency designated by the District and approved by the Bank.

"State" means the State of Washington.

"Stated Expiration Date" means the later of 5:00 p.m. on (i) the [____ (____th)] anniversary of the Effective Date, or (ii) the last day of any extension of such date pursuant to Section 8.10; provided, however, that if the date specified in (i) or (ii), as applicable, is not a Business Day, the next preceding Business Day.

"Subordinate Consolidated System Resolution" means Resolution No. 08-13378, adopted by the Commission on October 14, 2008, as amended and supplemented.

"Subordinate Consolidated System Obligations" means obligation issued pursuant to the Subordinate Consolidated System Resolution payable from and secured by a pledge of Revenues that is junior and subordinate to the lien and charge thereon of the Senior Consolidated System Bonds and of the Consolidated System Bonds.

"Swap Agreement" has meaning given such term in the recitals of this Agreement.

"*Swap Termination Payments*" has meaning given such term in the recitals of this Agreement.

"*Taxes*" has the meaning assigned to that term in Section ____.

"*Term Loan*" has the meaning assigned to that term in Section ____.

"*Term Loan Maturity Date*" has the meaning assigned to that term in Section ____.

"*Termination Date*" has the meaning assigned to that term in Section 7.02(b).

"*Termination Event*" has the meaning assigned to that term in Section 7.02(a).

"*Treasury Bank Rate*" has the meaning assigned to that term in Section 3.01(a)

"*Treasury Rate*" means _____.

"*Treasury Rate Loan*" means a Loan the interest rate on which is determined by reference to a Treasury Rate.

"*Written*" or "*in writing*" means any form of written communication or a communication by means of telecopy device, telegraph or cable.

Section 1.02. Incorporation of Certain Definitions by Reference. Unless otherwise provided, each capitalized term used herein and not defined herein has the meaning provided therefor in the Resolution.

Section 1.03. Computation of Time Periods. In this Agreement, in the computation of a period of time, from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.04. Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neutral genders. Except where the context otherwise requires, words importing the singular number shall include the plural number and vice versa, and words importing persons shall include corporations and associations, including cities, agencies and other public bodies, as well as natural persons. Unless otherwise indicated, references in this Agreement to subsections, Sections and Articles are to such subsections, Sections and Articles of this Agreement. The headings used throughout this Agreement are inserted for reference only and shall not be construed or considered in interpreting the terms and provisions of any Section or Article of this Agreement or the Agreement as a whole. Any and all Appendices referenced in this Agreement are incorporated herein by reference and shall be deemed to be an integral part hereof. Unless the context requires otherwise, the terms "herein," "hereof," "hereunder" and any similar terms, as used in this Agreement, shall refer to this Agreement as a whole and not to any particular provisions of this Agreement. The word "including" shall be construed to mean "including without limitation." Any reference to a "month" shall be a reference to a calendar month beginning on the first day of a calendar month and ending on the last day thereof, unless otherwise specified herein. Any reference to a "day" shall be a reference to a calendar day and not a Business Day.

Section 1.05. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared in accordance with Generally Accepted Accounting Principles, as applicable to governmental entities, as in effect from time to time, applied on a basis consistent with the most recent audited financial statements of the District delivered to the Bank.

Section 1.06. Time. All times are the time then in effect in Wenatchee, Washington.

ARTICLE II

THE COMMITMENT; FEES AND CERTAIN PAYMENTS

Section 2.01. Commitment to Extend Credit.

(a) **Commitment.** The Bank agrees, on the terms and subject to the satisfaction of the conditions contained in this Agreement, to extend credit to the District through the making of Loans from time to time during the term of this Agreement on the dates (each, a "Borrowing Date") specified by the District in a written notice delivered to the Bank for such purpose (a "Borrowing Notice") in the form of Exhibit A hereto attached with blanks appropriately completed. The aggregate principal amount of all Loans made by the Bank pursuant to this Agreement shall not exceed one hundred million dollars (\$100,000,000). Any Loans so made shall, from the date the proceeds thereof are made available, bear interest at the applicable Bank Interest Rate until paid in full.

(b) **Terms of the Promissory Notes.** The District's obligation to pay the principal of, and interest on, each of the Loans made by the Bank shall be evidenced by a Promissory Note duly executed and delivered by the District substantially in the form of Exhibit ___ hereto with the blanks appropriately completed in conformity therewith. Each Promissory Note shall (i) be payable to the order of the Bank and be dated the applicable Borrowing Date; (ii) be payable in the principal amount of the Loan evidenced thereby; (iii) mature, with respect to the Loan evidenced thereby not later than [] of the making of such Loan with principal payments to be made on each July 1, commencing on the July 1 next succeeding the date six (6) months after the date of the Loan, and on the Maturity Date; (iv) bear interest as provided in the appropriate clause of Section 3.01; and (v) be entitled to the benefits of this Agreement. Interest on the unpaid principal amount of each Loan shall be due and payable on each Interest Payment Date and, if different, on the Maturity Date. The Bank shall provide an amortization schedule for each Loan which shall provide for level principal and interest payments from the date such Loan is funded to and including the Maturity Date therefor and which shall be conclusive upon funding of the Loan absent manifest error. The Bank will note on its internal records the amount of each Loan and each payment in respect thereof, which notations shall, absent manifest error, be final and conclusive as to such payments, and will, prior to any transfer of any Promissory Note, endorse on the reverse side thereof the outstanding principal amount of the Loan evidenced thereby and attach a schedule showing the remaining payments with respect to each such Loan. Failure to make any such notation shall not affect the District's obligations in respect of the Loans.

Section 2.02. Right to Sell the Promissory Notes. The Bank expressly reserves the right to sell, at any time, the Promissory Note, a portion thereof or a beneficial interest therein subject, however, to the express terms of this Agreement. The Bank agrees that such sales will be made only to institutional investors or other entities or individuals which customarily purchase commercial paper or government securities in large denominations. The Bank agrees to notify the District promptly in writing of any such sale. The Bank shall provide the District with the written agreement of each Person purchasing a Promissory Note, a portion thereof or a beneficial interest therein in the form attached hereto as Exhibit D.

Section 2.03. Fees. The District hereby agrees to pay to the Bank in arrears on the last Business Day of any January, April, July or October following the Effective Date, and thereafter on the last Business Day of each January, April, July and October occurring thereafter and prior to the Stated Expiration Date and on the Stated Expiration Date (for the period from and including the fee payment date immediately preceding the Stated Expiration Date to and including the Stated Expiration Date), a non-refundable commitment fee (the "Commitment Fee") in an amount equal to _____, together with interest on the Commitment Fee from the date payment is due until payment in full at the Default Rate. The Commitment Fee shall be payable in immediately available funds and calculated on the basis of a 360-day year of twelve (12) 30-day calendar months and the actual days elapsed.

Section 2.04. Yield Protection.

(a) **Reserves.** If any United States (or other Governmental Authority having jurisdiction over the Bank, any Assignee or any Participant) federal, state or other, law, rule, regulation or guideline, whether or not having the force of law, or the enforcement, interpretation or administration thereof by any court or any administrative or Governmental Authority charged with the interpretation or administration thereof shall at any time (i) impose, modify or deem applicable any reserve, special deposit or similar requirement (including pursuant to Regulation D of the Board of Governors of the Federal Reserve System) against loans or commitments to extend loans extended by, or assets (funded or contingent) of, deposits with or for the account of, or other acquisitions of funds or bonds by the Bank or any Participant or Assignee, or (ii) subject loans or commitments to extend loans extended by the Bank or any Participant or Assignee to any assessment or other cost, or (iii) impose on the Bank or any Participant or Assignee any other or similar condition regarding this Agreement, the commitment or obligations of the Bank hereunder or the making of loans or holding of the Promissory Notes (or a portion thereof), and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Bank or any Participant or Assignee of making, funding or maintaining (or agreeing to fund or maintain) Loans hereunder or its holding of the Promissory Notes (or a portion thereof) (which increase in cost shall be the result of the reasonable allocation or attribution by the Bank or any Participant or Assignee of the aggregate of such cost increases resulting from such events), then, within sixty (60) days after the District's receipt of the Bank's written demand, the District shall pay to the Bank (for itself or the account of such Participant or Assignee) from time to time as specified by the Bank, additional amounts which shall be sufficient to compensate the Bank or any Participant or Assignee for such increased cost from the date of such change, together with interest on each such amount from the date payment is demanded until the earlier of the date of payment in full thereof and the date on which such payment is due at the Base Rate and, thereafter, at the Default Rate.

(b) Capital Charges. If the Bank or any Participant or Assignee shall have determined after the Effective Date that the adoption of any applicable law, rule, regulation or guideline adopted pursuant to or arising out of the July 1988 report of the Basel Committee on Banking Regulations and Supervisory Practices entitled "International Convergence of Capital Measurement and Capital Standards," or the adoption of any other law, rule, regulation or guideline (whether or not having the force of law) regarding capital adequacy (including any Governmental Authority having regulatory jurisdiction over the Bank or any parent company thereof or any Participant or Assignee) or any change in any applicable law, rule, regulation or guideline, as the case may be, or any change in the enforcement or interpretation or administration thereof by any court or any administrative or Governmental Authority charged with the interpretation or administration thereof, or compliance by the Bank (or any lending office thereof) or any parent company thereof or any Participant or Assignee with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority has or would have the effect of reducing the rate of return on capital of the Bank or any parent company thereof or any such Participant or Assignee, if any, as a consequence of its obligations hereunder or its making of Loans or holding of the Promissory Notes (or a portion thereof) to a level below that which the Bank or any parent company thereof or such Participant or Assignee could have achieved but for such adoption, change or compliance (taking into consideration the policies of the Bank or any parent company thereof or such Participant or Assignee, with respect to capital adequacy) then, within sixty (60) days after the District's receipt of the Bank's written demand, the District shall pay to the Bank (for itself or for the account of such Participant or Assignee) such additional amount or amounts as will compensate the Bank or its Participant or Assignee, if any, as the case may be, for such reduction from the date of such adoption, change or compliance with respect to such law, rule, regulation, guideline, request, or directive, together with interest on each such amount from the date payment is demanded until the earlier of the date of payment in full thereof and the date on which such payment is due at the Base Rate and, thereafter, at the Default Rate.

(c) Calculations. Each demand for compensation pursuant to Section 2.04(a) or 2.04(b) shall be accompanied by a certificate of the Bank in reasonable detail setting forth the computation of such compensation (including the reason therefor), which certificate shall be conclusive, absent manifest error, as against all other Persons, including the District.

The amounts owed by the District as compensation to the Bank pursuant to this Section 2.04 shall be calculated as though the Bank were the holder of all Loans other than Loans held by an Assignee or a Participant, and without regard to any sales of Loans by the Bank pursuant to Section 2.02 other than to an Assignee or Participant. The benefits of this Section 2.04, as so limited, shall be available to each Assignee and each Participant.

(d) Payment. The source of District payments under this Section 2.04 shall be limited to the moneys held in the Revenue Fund created pursuant to Resolution No. 870, adopted by the Commission on September 14, 1954, and available and available thereunder and under the Senior Consolidated System Resolution, the Consolidated System Resolution and the Subordinate Consolidated System for such purpose.

Section 2.05. Payment Particulars.

(a) General. All payments by or on behalf of the District under this Agreement shall be made to the Bank prior to __: __ .m. on the date such payment is due by wire transfer in Dollars and in immediately available funds to _____, (ABA # _____) for the account of [BANK] (Acct. # _____, Ref: _____), or such other account as the Bank may specify in writing from time to time. Any payment received by the Bank after __: __ .m. shall be deemed to be received by the Bank on the next succeeding day. To the extent permitted by law, upon the occurrence and during the continuance of an Event of Default, any amount owed to the Bank hereunder shall bear interest at the Default Rate, such interest to be payable on demand. All computations of interest and fees shall be made, unless expressly stated otherwise, on the basis of a 360-day year of twelve (12) 30-day calendar months and the actual days elapsed.

(b) Payments on Business Days. Except as may be otherwise provided herein, whenever any payment or action to be made or taken hereunder shall be stated to be due on a day which is not a Business Day, such payment or action shall be made or taken on the next following Business Day, and such extension of time shall be included in computing interest or fees, if any, in connection with such payment or action.

(c) Net of Taxes. All payments by or on behalf of the District under this Agreement shall be made without defense, counterclaim, set off, condition or qualification, and free and clear of and without deduction or withholding for or by reason of any present or future taxes, levies, assessments, imposts, deductions or charges of any nature whatsoever, excluding, however, taxes imposed on or measured by the net income of the Bank by any jurisdiction or any political subdivision or taxing authority thereof or therein (all such non excluded taxes, levies, assessments, imposts, deductions, charges, withholdings and liabilities being referred to as "Taxes"). If requested, the Bank, any Assignee and Participant shall from time to time provide the District and the United States Internal Revenue Service (to the extent such information and forms may be lawfully provided by the Bank or such Assignee or Participant) with such information and forms as may be required by Treasury Regulations Section 1.1411 or any other such information and forms as may be necessary to establish that the District is not subject to any withholding obligation under Section 1442 or other comparable provisions of the Code. If as a result of a Change of Law, the District shall be required by law to withhold or deduct any Taxes imposed by the United States or any political subdivision thereof from or in respect of any sum payable hereunder to the Bank, (i) the sum payable shall be increased as may be necessary so that, after making all required deductions (including deductions applicable to additional sums payable under this Section 2.05(c)), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the District shall make such deductions, and (iii) the District shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable law. If the District shall make any payment under this Section 2.05(c) to or for the benefit of the Bank with respect to Taxes and if the Bank shall claim any credit or deduction for such Taxes against any other taxes payable by the Bank to any taxing jurisdiction in the United States then the Bank shall pay to the District an amount equal to the amount by which such other taxes are actually reduced; provided, however, that the aggregate amount payable by the Bank pursuant to this sentence shall not exceed the aggregate amount previously paid by the Bank with respect to such Taxes. The source of District payments under

this Section 2.05(c) shall be limited to the moneys held in the Revenue Fund, and available and available thereunder and under the Senior Consolidated System Resolution, the Consolidated System Resolution and the Subordinate Consolidated System for such purpose.

(d) Priority of Application. Payments received by the Bank shall be applied, first, to past due interest; second, to current interest; third, to principal; and thereafter to fees, costs, charges and other expenses payable by the District under this Agreement.

ARTICLE III

THE BANK INTEREST RATE

Section 3.01. Loans to Bear Interest at Bank Interest Rate; Other Interest Provisions.

(a) Interest Rate. [INTEREST RATE PROVISIONS]

(b) Excess Interest Amount. The rate(s) set forth in Section 3.01(a), without giving effect to the reference therein to this Section 3.01(b) or to the last proviso therein limiting the Bank Interest Rate or the Default Rate to the Maximum Lawful Rate, is referred to in this Section 3.01(b) as the "Section 3.01(a) Rate." If the amount of interest payable in respect of any Loan for any interest payment period ending on any Interest Payment Date calculated at the Section 3.01(a) Rate exceeds the amount of interest that would be payable for such period had interest been calculated at the Maximum Lawful Rate, then interest on such Loan shall for such period accrue and be payable in an amount calculated on the basis of the Maximum Lawful Rate. The difference between (i) the amount of interest which would have accrued and been payable on such Loan for any interest payment period at the Section 3.01(a) Rate (calculated without regard to the immediately preceding sentence) and (ii) the amount of interest that did accrue and become payable as provided in the immediately preceding sentence is herein referred to as the "Excess Interest Amount". The Bank shall calculate and notify the District promptly in writing of the Excess Interest Amount, as the same is determined from time to time. If there is an Excess Interest Amount, then each Loan shall for the current and each subsequent interest period (or portion thereof) bear interest at the Maximum Lawful Rate until such time as the excess of (x) the amount of interest accrued and payable thereon at the Maximum Lawful Rate over (y) the amount of interest that would have accrued and been payable at the Section 3.01(a) Rate equals the Excess Interest Amount. If on the date of maturity or prepayment of any Loan, there is any Excess Interest Amount with respect to such Loan, such Excess Interest Amount shall be paid by the District to the owner of the Promissory Note on such date. The amount of such Excess Interest Amount shall constitute consideration for the limitation of the rate of interest on the Loans to the Maximum Lawful Rate. Each holder of a Promissory Note, by acceptance of the Promissory Note or interest therein, acknowledges that payment of any Excess Interest Amount is subordinate to the District's obligation to pay principal of and interest on the Promissory Note.

(c) Security for the Promissory Notes. The obligation of the District to make periodic payments of principal and interest on the Promissory Notes to reimburse the Bank for amounts paid under this Agreement and to pay any other amounts due hereunder shall be payable out of, and secured by a pledge of and lien and charge on, Revenues, subordinate in right of

payment to the obligations of the District to pay principal of and interest on the Senior Consolidated System Bonds, to pay principal of and interest on the Consolidated System Bonds and to pay principal of and interest on the Subordinate Consolidated System Obligations. The rights of the Bank under this Section 3.01(c) shall be in addition to any rights of subrogation which the Bank may otherwise have or be granted under law. By execution of this Agreement, the District does hereby pledge and grant a lien and charge on Revenues in the order of priority set forth above, subject only to the provisions, terms and conditions of the Senior Consolidated System Resolution, the Consolidated System Resolution and the Subordinate Consolidated System Resolution restricting or permitting the application of Revenues for the purposes set forth in this Agreement.

Section 3.02. Loan Interest Payments and Payment Dates; Term Loan.

(a) Payment of Principal. The principal of each Loan shall be payable in lawful money of the United States of America to each holder of a Promissory Note, by wire transfer of immediately available funds.

(b) Payment of Interest; Record Date. Interest on each Loan shall be payable in lawful money of the United States of America to each holder of a Promissory Note as of the close of business on the Business Day immediately preceding an Interest Payment Date or, if different, the Maturity Date (the "Record Date"), whether or not such day is a Business Day. Interest due on any Interest Payment Date or on any Maturity Date shall be paid by wire transfer of immediately available funds.

Section 3.03. Term Loan. If the principal amount of any Loan or any interest payment required thereunder is not paid when due, such Loan shall convert to a Term Loan having a term commencing on the date such payment was due and ending on the date that is [] after, such Term Loan to bear interest from the date such obligation was due until paid in full at a rate per annum equal to _____ and the principal of which shall be payable by the District in equal _____ installments, until the Term Loan Maturity Date, and the final payment for such Term Loan shall be due on the Term Loan Maturity Date.

Section 3.04. Optional Prepayment. Each Loan is subject to prepayment prior to maturity, at the option of the District, from any source of available funds, as a whole or in part on any date, at a prepayment price equal to 100% of the principal amount of the Loan to be repaid, together with accrued interest to the date fixed for prepayment.

ARTICLE IV

REPRESENTATIONS OF THE DISTRICT

Section 4.01. Representations of the District. The District makes the following representations to the Bank:

(a) Legal Existence; Powers. The District (i) is a municipal corporation organized and existing under the laws of the State, and (ii) has the legal right, power and authority to (A) control its properties and to carry on its business as now being and hereafter proposed to be conducted, (B) execute and deliver this Agreement and the Promissory Notes,

(C) perform all its obligations under this Agreement and the Promissory Notes, and (D) repay all Loans, to pay all interest thereon, and to pay all fees and other amounts payable hereunder.

(b) Due Authorization; No Violation; No Conflicts. The execution, delivery and performance by the District of this Agreement and the Promissory Notes have been duly authorized by all necessary action on the part of the District, and do not (i) violate any material provision of any court order by which the District is bound, (ii) conflict with, violate or contravene any material provision of existing law or regulation, or any order or decree or any court, tribunal, governmental authority, (iii) conflict with, violate or cause a default, or with the passage of time or the giving of notice, or both, would cause a default under any material provision of any bond, note or other evidence of indebtedness or mortgage, indenture, contract or other agreement to which the District is a party; and no consent of any Person and no license, approval or authorization of or notice to or registration, filing or declaration with, any governmental authority, bureau or agency is required in connection with the execution, delivery, performance, validity or enforceability of this Agreement or the Promissory Notes or for the District to issue the Promissory Notes or incur the Loans in accordance with this Agreement or, if required, the same has been obtained and is in full force and effect or will be obtained in sufficient time in order to fully perform under this Agreement, or (iv) result in the imposition of any lien on amounts in the Revenue Fund, except as permitted in the Senior Consolidated System Resolution, the Consolidated System Resolution and the Subordinate Consolidated System Resolution.

(c) Validity. This Agreement constitute a legal, valid and binding agreement of the District, except as (i) the enforceability thereof may be limited by bankruptcy, insolvency or similar laws affecting creditors' rights generally, (ii) the availability of equitable remedies which may be limited by equitable principles of general applicability and (iii) limitations on remedies available against municipal corporations in the State such as the District.

(d) Litigation. There are no actions, suits or proceedings at law or in equity pending or, to the knowledge of the District, threatened against or affecting it or its properties before any court, agency or official having jurisdiction over the District in which the District has determined an adverse decision could materially and adversely affect the financial position or operations of the District or which in any manner questions the validity of this Agreement or the District's ability to carry out the transactions contemplated herein.

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

(f) Financial Statements. The most recent financial reports of the District as of December 31, 2008 and 2009, copies of which have been furnished to the Bank, have been prepared in accordance with Generally Accepted Accounting Principles, applicable to governmental issuers, and fairly present the financial position and results of operations of the District, except as previously disclosed to the Bank in writing, as of the dates and for the periods set forth therein. Since December 31, 2009, except as previously disclosed to the Bank in writing, there have been no material adverse changes in the financial condition or operations of the District.

(g) Security. The lien on the Revenues created by or pursuant to this Agreement are subordinate to the liens on the Revenues created by or pursuant to the Senior Consolidated System Resolution, the Consolidated System Resolution and the Subordinate Consolidated System Resolution. As provided in Section [], the lien on the Revenues securing the payment of the Loans is subordinate the obligation of the District to pay principal of and interest on the Senior Consolidated System Bonds, to pay principal of and interest on the Consolidated System Bonds and any Payment Agreement Payments in respect of any Payment Agreements (each as defined in the Consolidated System Resolution) and to pay principal of and interest on the Subordinate Consolidated System Obligations and any Payment Agreement Payments in respect of any Payment Agreements (each as defined in the Subordinate Consolidated System Resolution). The pledge of and lien on Revenues created by this Agreement are valid and binding on the District.

(h) Consents. All consents, licenses, approvals, validations and authorizations of, and registrations, validations or declarations by or with any court or any Governmental Authority required to be obtained in connection with the execution, delivery, performance, validity or enforceability of this Agreement have been obtained and are in full force and effect.

(i) Accurate Information. All information, reports and other papers and data with respect to the District furnished to the Bank by the District or its agents were, at the time the same were so furnished, accurate in all material respects. Any financial, budget and other projections furnished to the Bank by the District or its agents were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this Agreement, represent the District's best estimate of its future financial performance. No fact is known to the District that materially and adversely affects or in the future may (so far as it can reasonably foresee) materially and adversely affect the security for the Promissory Notes, or the District's ability to repay when due its obligations under this Agreement or the Promissory Notes, or the financial statements of the District referred to in this Section 4.01, or such other information, reports, papers and data, except as has been otherwise disclosed in writing to the Bank.

(j) Legislation; Referendum. There is no State or local referendum or initiative certified for the ballot, or Federal, State or local legislation enacted or introduced and referred to committee which the District has determined would materially and adversely affect the financial condition or business operations of the District, or the validity or enforceability of this Agreement, or power of the District to carry out the transactions contemplated herein.

(k) Disclosure. There is no fact known to the District which the District has not disclosed to the Banks in writing that materially adversely affects or that the District has determined is likely to materially adversely affect the ability of the District to perform its obligations hereunder.

(l) Sovereign Immunity. The District is subject to liability for damages in contract and in tort as provided by the laws of the State. The District is subject to claims and to suit for money or damages in connection with or under this Agreement pursuant to and in accordance with the laws of the State applicable to municipal corporations.

ARTICLE V

REPRESENTATIONS OF THE BANK

Section 5.01. Representations of the Bank. The Bank represents to the District as follows:

(a) Organization; Power. The Bank is a _____ organized and existing under the laws of _____ and has all requisite power and authority (i) to conduct its business and to carry on its activities, and (ii) to execute, deliver and perform its obligations under this Agreement.

(b) Valid and Binding Obligations. This Agreement has been duly executed by an authorized representative of the Bank and constitutes the legal, valid and binding obligation of the Bank enforceable against the Bank in accordance with its terms, except as enforcement may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and subject to general equitable principles.

(c) Regulatory Approvals. Each material authorization, consent, approval, license or formal exemption from, or filing, declaration or registration with, any court, governmental agency or regulatory authority (Federal, state or local), required in connection with the execution, delivery and performance by the Bank of this Agreement has been obtained or made and is in full force and effect; provided, that the Bank makes no representation or warranty with respect to Blue Sky or state securities laws.

(d) Litigation. There is no action, suit, proceeding, inquiry or investigation at law or in equity or before or by any court, public board, body or official pending or, to the knowledge of the Bank, threatened against or affecting (i) the transactions contemplated in or the validity of this Agreement, (ii) the Bank's ability to perform its obligations under this Agreement or (iii) which in any material way contests the existence, organization or powers of the Bank or the titles of the officers of the Bank to their respective offices, or which in any manner draws into question the validity or enforceability of this Agreement.

(e) Rating. The Bank represents and warrants that on the Effective Date the Bank is rated ____/____ by Moody's and ____/____ by S&P and ____/____ by Fitch..

Section 5.02. Survival of Representations. All statements contained in any certificate, financial statement or other instrument delivered by or on behalf of the District pursuant to or in connection with this Agreement (including, but not limited to, any such statement made in or in connection with any amendment hereto) shall constitute representations made under this Agreement. All representations made under this Agreement shall be made and shall be true at and as of (a) the date of execution and delivery of the Promissory Notes and (b) the time of each Borrowing Date under this Agreement, except to the extent such representations relate solely to an earlier date.

ARTICLE VI

CONDITIONS PRECEDENT

Section 6.01. Conditions Precedent to Effectiveness of Agreement. This Agreement shall become effective on the Effective Date provided that each of the conditions enumerated in this Section 6.01 has been fulfilled to the satisfaction of the Bank. The Bank's execution and delivery of this Agreement shall evidence its agreement that such conditions have been met to its satisfaction or have been waived and that the Effective Date has occurred.

(a) **Representations.** On the Effective Date (and after giving effect to the effectiveness of this Agreement), (i) there shall exist no Event of Default, and no condition shall exist or event shall have occurred that with the lapse of time, the giving of notice or any combination thereof would constitute an Event of Default ("Incipient Default"), and (ii) all representations made by the District in this Agreement shall be true and correct with the same effect as though such representations had been made at and as of such time.

(b) **Delivery of Documents.** On or prior to the Effective Date, the Bank shall have received, in form and substance satisfactory to the Bank and its counsel and, unless indicated otherwise, dated the Effective Date:

- (i) true and complete executed originals of this Agreement;
- (ii) a certified copy of the resolution of the District approving the execution, delivery and performance of this Agreement and the transactions contemplated herein, certified by a duly authorized officer of the District on the Effective Date, which certificate shall state that the resolution has not been amended or annulled and is in full force and effect on the Effective Date;
- (iii) a certificate of a duly authorized officer of the District, certifying as to the incumbency and signature of each of the officers of the District authorized to sign this Agreement;
- (iv) the audited financial statements of the District for the Fiscal Years ended December 31, 2008 and 2009;
- (v) a certificate of a duly authorized officer of the District, certifying that all conditions precedent with respect to the execution of this Agreement shall have been satisfied and that, except as previously disclosed to the Bank, there has been no adverse change in the financial condition, business, assets, liabilities or prospects of the District since [DATE];
- (vi) an opinion of United States counsel to the Bank, as to such matters as the District may reasonably request;
- (vii) an opinion of foreign counsel to the Bank, as to such matters as the District may reasonably request.

(c) Other Supporting Documents. The Bank shall have received such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates or executed copies thereof) or opinions as the Bank may reasonably request.

(d) No Material Adverse Change. As of the Effective Date, the Bank shall have determined (in its reasonable judgment) that no material adverse change in the financial condition, business, assets, liabilities or prospects of the District shall have occurred.

(e) Certain Payments. The District shall have paid all the fees then due referred to in Section 2.03 hereof.

Section 6.02. Conditions Precedent to Loans. The obligation of the Bank to make a Loan on any date is subject to the satisfaction of the following conditions, unless waived in writing by the Bank:

(a) No Event of Default. No Event of Default or Incipient Default shall have occurred and be continuing.

(b) Receipt of Notices. The Bank shall have timely received by no later than [__:00 __.m.], (i) in the case of a Bank Rate Loan, (A) on or before the [second] Business Day before the applicable Borrowing Date a [Rate] as provided in Section _____ and (B) on or before the Borrowing Date a duly completed and executed Borrowing Notice as provided in Section 2.01 or (ii) in the case of a Treasury Rate Loan, on or before the Borrowing Date a duly completed and executed Borrowing Notice as provided in Section 2.01; provided, that if a [Rate] or a Borrowing Notice is not received until after [__:00 __.m.] on a Business Day, such [Rate] or Borrowing Notice, as the case may be, shall be deemed to have been received on the next following Business Day.

(c) Maximum Lawful Rate. The Bank Interest Rate on the applicable Borrowing Date does not exceed the Maximum Lawful Rate.

(d) Bring-Down Representation. The representations and warranties of the District contained in the Borrowing Notice for such Loan shall be true, complete and correct on the applicable Borrowing Date, as if made on the Borrowing Date.

(e) Receipt of Promissory Note. On the Borrowing Date, the Bank shall have received an originally executed Promissory Note evidencing such Loan.

ARTICLE VII

COVENANTS

Section 7.01. Covenants of the District. During the term of this Agreement, and until the obligations of the District to the Bank under this Agreement are paid in full and the Bank has no further commitment under this Agreement and until payment in full of all Loans, unless the Bank shall otherwise consent in writing, the District covenants and agrees as follows:

(a) Financial Statements. The District covenants that it will deliver to the Bank, within 180 days after the end of each fiscal year of the District, financial statements consisting of a balance sheet of the District as of the end of such fiscal year and a statement of income and retained earnings of the District for such fiscal year, setting forth in comparative form the corresponding figures for the preceding fiscal year, all in reasonable detail and accompanied in each case by (i) an audit report of nationally recognized independent public accountants stating that such financial statements have (except as noted therein) been prepared in accordance with Generally Accepted Accounting Principles as applicable to governmental agencies such as the District, and (ii) a certificate from an authorized financial officer of the District stating that no Event of Default or Default has come to such officer's attention which was continuing at the end of such fiscal year or on the date of such officer's certificate, or, if an Event of Default or Default has come to such officer's attention and was continuing at the end of such fiscal year or on the date of such certificate, indicating the nature of such Event of Default or Default and the action which the District proposes to take with respect thereto; (iii) a copy of the District's annual budget within sixty (60) days after its adoption; and (iv) such other information respecting the affairs, condition and/or operations, financial or otherwise, of the District as the Bank may from time to time reasonably request.

The District may satisfy the requirements of subsection (i) above by posting an electronic version of the District's audited financial statements at the following address on the District's website: _____ as long as it gives the Bank notice that such financial statements have been so posted.

(b) Notice of Default. The District covenants that it will deliver to the Bank, [(i)] immediately after the District shall have obtained knowledge of the occurrence of an Event of Default or Default, the written statement of an authorized officer of the District setting forth the details of such Event of Default or Default and the action which the District proposes to take with respect thereto[; and (ii) any ratings which may be assigned to unenhanced long-term debt of the District, or any changes (including suspensions and withdrawals) in such ratings].

(c) Compliance With Agreement. The District will observe and perform all of its obligations under this Agreement and the Promissory Notes.

(d) Related Obligations. The District shall promptly pay all amounts payable by it under this Agreement and the Promissory Notes according to the terms hereof and shall duly perform each of its obligations under this Agreement and the Promissory Notes.

(e) Inspection. The District covenants that upon reasonable notice and during normal business hours, it will permit any Person designated by the Bank in writing, at the Bank's expense, to discuss the business, affairs, finances and accounts of the District with the principal officers of the District [and its independent public accountants] to enable the Bank to monitor the District's compliance with this Agreement, all at such reasonable times and no more than once every calendar quarter.

(f) Maintenance of Existence. The District covenants that it will preserve and maintain its legal existence and maintain all franchises, rights and privileges necessary or desirable in the normal conduct of its business and operations.

(g) Maintenance and Approvals; Filings. The District shall at all times maintain in effect, renew and comply with all the terms and conditions of all consents, licenses, approvals and authorizations as may be necessary or appropriate under any applicable law or regulation for its execution, delivery and performance of this Agreement and the Promissory Notes.

(h) Pledge of Revenues. The obligations of the District under this Agreement shall be payable solely from the Revenues in the Revenue Fund available for such purpose, and the District hereby grants to the Bank, as holder of Promissory Notes, as security for payment by the District of the Promissory Notes, a pledge of and security interest in Revenues, which pledge and security interest shall subordinate pledge of Revenues by the District to pay principal of and interest on the Senior Consolidated System Bonds, to pay principal of and interest on the Consolidated System Bonds and to pay principal of and interest on the Subordinate Consolidated System Obligations. The granting of this pledge and security interest by the District does not limit in any manner the rights of the District to issue additional Consolidated System Bonds or Subordinate Consolidated System Obligations or subordinated debt or to grant a security interest to any other creditor.

(i) Compliance with Laws, Etc. The District covenants that it will not violate any laws, rules, regulations or governmental orders to which it is subject, which violation would materially and adversely affect its financial condition, business or results of operations or would materially and adversely affect the District's ability to perform its obligations under this Agreement.

(j) Regulation U. The District is not engaged principally, or as one of its important activities, in the business of extending credit for the purposes of purchasing or carrying margin stock (within the meaning of Regulation U of the Board of Governors of the Federal Reserve System), and will not use the proceeds of the Loans or any amounts paid by the Bank hereunder so as to violate Regulation U as it may be amended or interpreted from time to time by the Board of Governors of the Federal Reserve System.

(k) Subsequent Documents and Instruments. The District shall execute and deliver to the Bank all such documents and instruments as may be necessary or reasonably required by the Bank to enable the Bank to exercise and enforce its rights under this Agreement and to realize thereon, and record and file and re-record and re-file all such documents and instruments, at such time or times, in such manner and at such place or places, all as may be necessary or reasonably required by the Bank to validate, preserve and protect the rights of the Bank under this Agreement.

ARTICLE VIII

EVENTS OF DEFAULT; REMEDIES

Section 8.01. Events of Default. Each of the following shall constitute an “Event of Default” under this Agreement:

(a) Non Payment of Certain Amounts. Any principal or interest due on the Loans is not paid when due and such failure continues for a period of seven (7) Business Day; or

(b) Misrepresentation. Any representation, certification or statement made by the District in this Agreement or in any certificate, financial statement or other document delivered pursuant to this Agreement shall (in any such case) have been incorrect or untrue in any materially adverse respect when made or deemed to have been made; or

(c) Non Payment of Fees. Non-payment of any amounts payable under Section 2.03 within fifteen (15) Business Days after the District has received written notice from the Bank that the same were not paid when due; or

(d) Other Non-Payments. Non-payment of any other fees or amounts payable under this Agreement (together with interest thereon at the Default Rate) within sixty (60) days after receipt by the District of written notice thereof by the Bank; or

(e) Certain Breaches. The breach by the District of Section 7.01(b) or (g); or

(f) Other Breaches. The breach by the District of any other terms or provisions of this Agreement which is not remedied within sixty (60) days (or, in the case of a breach of Section 7.01(a), fifteen (15) Business Days) after written notice thereof shall have been received by the District from the Bank; provided, that, so long as the District shall be proceeding with due diligence to remedy any default in the due performance or observance of such covenants which, if begun and prosecuted with due diligence, cannot be completed within a period of 60 days, then such 60-day period shall be extended to the extent as shall be necessary to enable the District to begin and complete the remedying of such default through the exercise of due diligence; or

(g) Insolvency. A proceeding is instituted against the District in a court having jurisdiction over the District, any of its activities or any of its properties seeking an order for rehabilitation, reorganization, conservation, liquidation or dissolution in respect of the District under applicable law and such proceeding is not terminated for a period of one hundred eighty (180) consecutive days or such court enters an order granting the relief sought in such proceeding or the District shall institute or take any corporate action for the purposes of instituting any such proceeding; or the District shall become insolvent or unable to pay its debts as they mature, or the District shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the District or for any substantial part of their respective properties, or shall make a general assignment for the benefit of creditors, or the District shall fail generally to pay

its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; or

(h) Invalidity. This Agreement or any material provision hereof, at any time after the execution and delivery hereof, shall, for any reason, cease to be valid and binding on the District or in full force and effect or shall be declared, in a final, non-appealable judgment, to be null and void, or the validity or enforceability of this Agreement or any provision hereof shall be contested (i) by the District or (ii) by any governmental agency or authority having jurisdiction over the District, unless with respect to clause (ii) above, the same is being contested by the District in good faith and by appropriate proceedings; or the District shall deny that it has any or further liability or obligation under this Agreement.

Section 8.02. Remedies. If any Event of Default shall have occurred and be continuing:

(a) Immediate Termination. In the case of an Event of Default specified in Section 8.01(a) or (g), the obligation of the Bank to make Loans under this Agreement shall immediately terminate without notice (a "Termination Event") or demand, and thereafter the Bank shall be under no obligation to make Loans. Promptly upon the Bank obtaining knowledge of any Termination Event, the Bank shall give written notice of the same to the District; provided, that the Bank shall incur no liability or responsibility whatsoever by reason of its failure to give such notice and such failure shall in no manner affect the termination of this Agreement or of the Bank's obligation to make Loans pursuant to this Agreement.

(b) Termination with Notice. In the case of an Event of Default other than a Termination Event, the Bank may terminate this Agreement by giving written notice (a "Notice of Termination") in the form attached hereto as Exhibit B to the District specifying the date on which the Agreement shall terminate (the "Termination Date"), which shall be not less than thirty (30) days from the date of receipt of such notice, and on and after such Termination Date, the Bank shall be under no further obligation to make Loans hereunder.]

(c) Other Remedies. In addition to the rights and remedies set forth in Section 8.02(a) and (b) hereof, in the case of any Event of Default specified in Section 8.01 hereof, upon the election of the Bank: (i) all accrued amounts payable hereunder (other than payments of principal and redemption price of and interest on the Loans) shall upon notice to the District become immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived by the District; and (ii) the Bank shall have all the rights (including, without limitation, the right to seek a writ of mandamus) and remedies available to it under this Agreement or otherwise pursuant to law or equity; provided, however, that the Bank shall not have the right to declare any amount due hereunder due and payable except as provided herein, or to accelerate the maturity date of any Loans.

ARTICLE IX

MISCELLANEOUS

Section 9.01. No Waiver; Remedies. No failure or delay on the part of the Bank in exercising any right, power or privilege hereunder and no course of dealing shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies herein expressly provided are cumulative and not exclusive of any rights or remedies which the Bank would otherwise have. No notice to or demand on the District or any other party hereto in any case shall entitle the District or such other party to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Bank to any other or further action in any circumstances without notice or demand.

Section 9.02. Amendment. No provision of this Agreement may be changed, waived, discharged or terminated orally, but only by an instrument in writing signed by the parties hereto.

Section 9.03. No Personal Liability of District Members and Officials. No covenant or agreement contained in this Agreement shall be deemed to be the covenant or agreement of any present or future member, official, officer, agent or employee of the District, in his individual capacity, and neither the members, officers and employees of the District, nor any person executing this Agreement shall be liable personally hereunder or be subject to any personal liability or accountability by reason hereof.

Section 9.04. Limitation on Liability. As between the District and the Bank, the District assumes all risks of any act or omission of the Trustee. Neither the Bank nor any of its officers or directors shall be liable or responsible to any person for: (a) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged; (b) payment by the Bank against presentment of documents that do not comply with the terms of this Agreement, including failure of any documents to bear any reference or adequate reference to this Agreement; or (c) any other circumstances whatsoever in making or failing to make payment hereunder, except only that the District shall have a claim against the Bank, and the Bank shall be liable to the District, to the extent, but only to the extent of (i) the Bank's willful misconduct or negligence in determining whether documents presented under this Agreement strictly comply with the terms hereof; (ii) the Bank's willful misconduct or negligence in taking action in reliance on any certificate, statement or other document which is invalid, inaccurate, false or not genuine, whether by forgery, fraud or otherwise; or (iii) the Bank's wrongful failure to honor a Borrowing Notice required to be made by the Bank under the Agreement after compliance with all conditions precedent to such Borrowing Notice, unless such Borrowing Notice was not otherwise permitted by law. In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary unless the District have notified the Bank in writing that specifically identified documents to be presented to the Bank do not comply with this Agreement.

Neither the Bank nor any of its officers, directors or employees shall be liable or responsible for: (a) the validity, sufficiency or genuineness of documents, or of any endorsement(s) thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged by any Person other than the Bank; or (b) any other circumstances whatsoever in making or failing to make payment under this Agreement; provided, however, that the District shall have a claim against the Bank and the Bank shall be liable to the District for any and all claims, damages, losses, liabilities and reasonable costs or expenses (including reasonable attorney's fees and expenses) suffered by the District if and to the extent that a court of competent jurisdiction determines in a final, nonappealable judgment that such claims, damages, losses, liabilities and reasonable costs or expenses are a result of the Bank's making Loans or failure to make Loans in accordance with the terms and conditions of this Agreement as a result of the Bank's gross negligence or willful misconduct; provided, further, that the Bank shall in no event be liable to the District for punitive or consequential damages, and the District hereby waives its right to receive any such damages.

Section 9.05. Assignment; Participation. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; provided, however, that the District may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Bank and any such attempted assignment shall be void. The Bank may assign to one or more banks or other entities (collectively, "Assignees") all or any part of any of its rights or obligations hereunder, including the Promissory Notes, and to the extent of any such assignment the Bank shall be relieved of its obligations hereunder and each Assignee shall have the same rights and benefits hereunder and under the Promissory Notes, as it would have if it were the Bank hereunder; provided, however, that if the intended assignee is a Person which is not an Affiliate of the Bank, such assignment shall not be effected without the written consent of the District; and provided, further, that if the Bank is assigning its obligation to make Loans hereunder to a Person which is an Affiliate of the Bank, such assignment shall not be effected without the written consent of the District unless the obligations of such Affiliate are guaranteed by the Bank. Additionally, the Bank shall have the right at any time to sell, assign, grant or transfer participations in all or part of its obligations hereunder and the obligations of the District hereunder to any Participant without the consent of or notice to the District or any other party; provided, that any participation shall not relieve the Bank from any of its obligations hereunder and the District may deal exclusively with the Bank for all purposes of this Agreement, including the making of payment on Loans, notwithstanding such participation. The Bank may disclose to any Assignees, Participants or prospective Assignees or Participants any information or other data or material in the Bank's possession relating to this Agreement without the consent of or notice to the District.

Section 9.06. [Costs and Expenses. The District agrees to pay the reasonable out-of-pocket costs and expenses (including attorneys' fees) incurred by the Bank in connection with the preparation, execution and delivery of this Agreement, provided, that such costs and expenses shall not exceed \$ _____.]

Section 9.07. Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State. The parties agree that all actions and proceedings arising out of this Remarketing Agreement or any of the transactions contemplated herein shall be brought in the United States District Court for the Eastern District of Washington

or in a State Court in Chelan County, Washington and that, in connection with any such action or proceeding, each party shall submit to the jurisdiction of, and venue in, such court..

Section 9.08. Notices. All notices, requests and other communications to any party hereunder shall be in writing (including bank wire, telex or similar writing) or by telephone or telecopy (promptly confirmed in writing) and shall be given to such party, addressed to it, at its address or telephone number set forth below or such other address or telephone number as such party may hereafter specify for the purpose by notice to each other party. Each such notice, request or communication shall be effective (i) if given by telex, when such telex is transmitted to the telex number specified below and the appropriate answerback is received, (ii) if given by mail, 10 days after such communication is deposited in the mail with first-class postage prepaid, addressed as aforesaid, (iii) if given by telephone or telecopy, when given by telephone or telecopy to the party at its telephone number (if any) specified below or (iv) if given by any other means, when delivered at the address specified below:

Party	Address
Bank:	_____

	Attention: _____
	Telephone: _____
	Fax: _____

(With copy to General Counsel at the same address above))

District:	Public Utility District No. 1 of Chelan County, Washington
	27 North Wenatchee Avenue
	Wenatchee, WA 98801
	Attention: _____ Treasurer/Assistant
	General Manager
	Finance and Technology
	Telephone: (509) 663-8121
	Fax: (509) 661-8110
	Attention: _____

Section 9.09. Term of Agreement; Right of District to Terminate Upon Certain Events.

(a) General. The term of this Agreement shall be from the Effective Date to the later of (i) the Stated Expiration Date and (ii) the date on which all Loans made hereunder and all other amounts owing to the Bank hereunder have been paid in full.

(b) District's Right to Terminate. The Available Commitment may be terminated in whole or in part at any time by written notice from the District to the Bank if:

(i) the Bank fails to make Loans when obligated to do so in accordance with the provisions of this Agreement;

(ii) a proceeding is instituted in a court having jurisdiction in the premises seeking an order for relief, rehabilitation, reorganization, conservation, liquidation or dissolution in respect the Bank or for any substantial part of its property under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, or for the appointment of a receiver, liquidator, assignee, custodian, trustee or sequestrator (or other similar official) and such proceeding is not terminated for a period of sixty (60) consecutive days or such court enters an order granting the relief sought in such proceeding or the Bank shall institute or take any corporate action for the purpose of instituting any such proceeding; or the Bank shall become insolvent or unable to pay its debts as they mature, shall commence a voluntary case under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect, shall consent to the entry of an order for relief in an involuntary case under any such law or shall consent to the appointment of or taking possession by a receiver, liquidator, assignee, trustee, custodian or sequestrator (or other similar official) of the Bank or for any substantial part of its property, or shall make a general assignment for the benefit of creditors, or shall fail generally to pay its debts or claims as they become due, or shall take any corporate action in furtherance of any of the foregoing; [or]

(iii) the Bank's long-term obligations are no longer rated at least "___" or its equivalent by [all of][more than one of] the Rating Agencies rating the Bank's obligations, and the Bank's short-term obligations are no longer rated at the highest ratings by [all of][more than one of] the Rating Agencies providing such ratings; or

(iv) at the sole and absolute discretion of the District for any other reason.

The effective date of a termination on account of an event described in clause (i) or (ii) shall be the date of such event. The effective date of a termination on account of an event described in clause (iii) shall be thirty (30) days from the giving of notice by the District to the Bank of such termination. Nothing contained in this Section 8.08 shall diminish the District's obligation to pay Commitment Fees when due on portion of the Available Commitment not terminated under this Section 8.08(b).

Section 9.10. Extension of Agreement. On the Stated Expiration Date and each anniversary thereof (each a "Reset Date") prior to the final expiration of this Agreement, the Bank shall have the option either to (a) adjust or confirm the mechanism by which the fees paid by the District to the Bank pursuant to Section 2.03 hereof, effective for a one-year period starting on such Reset Date, by giving written notice to the District (a "Fee Notice") setting forth the new rates and/or fees or confirming the existing rates and/or fees, at least [____ ()] months prior to such Reset Date, whereupon, if such Fee Notice is approved in writing by the District, the Stated Expiration Date shall be extended for a period of [____] year; or (b) terminate this Agreement on and as of such Reset Date by not providing the Fee Notice as set forth above. If

no Event of Default has occurred and is continuing, the District may request in writing to the Bank, at least ninety (90) days but not more than one hundred twenty (120) days prior to the Stated Expiration Date, that the Bank deliver a Fee Notice. The District has no obligation to request a Fee Notice and the Bank has no obligation to deliver any Fee Notice. The Bank agrees to respond to a written request by the District for a Fee Notice within sixty (60) days of receipt of such request. If the Stated Expiration Date is extended as provided in this Section 8.09, the Bank shall give written notice of such extension in the form of Exhibit C to this Agreement to the District. If the Bank fails to respond to the District's request for a Fee Notice within sixty (60) days, the Bank shall be deemed to have rejected such request.

Section 9.11. Survival. All representations, warranties, covenants and agreements of the District contained in this Agreement as amended or supplemented from time to time or made in writing in connection herewith shall survive the execution and delivery hereof and the issuance of the Promissory Notes to the Bank and shall continue in full force and effect until payment in full of all the obligations of the District hereunder, it being understood that the agreements of the District found in Sections 2.03 and 8.05 shall survive the termination of this Agreement and payment in full of such obligations.

Section 9.12. Beneficiaries. Nothing expressed in or to be implied from this Agreement is intended to give, or shall be construed to give, any Person, other than the parties hereto and their permitted successors and assigns, any benefit or legal or equitable right, remedy or claim under or by virtue of this Agreement.

Section 9.13. Severability. Any provision of this Agreement that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

Section 9.14. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument.

Section 9.15. Complete and Controlling Agreement. This Agreement supersedes all prior undertaking and agreements, both written and oral, between the District and the Bank relating to this Agreement, including those contained in any commitment letter or term sheet between the District and the Bank.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

[BANK]

By _____
Name _____
Title _____

PUBLIC UTILITY DISTRICT NO. 1 OF
CHELAN COUNTY, WASHINGTON

By _____
Name _____
Title _____

EXHIBIT A

BORROWING NOTICE

RE: PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON

Reference is made to [(i)] the Liquidity Facility dated as of _____, 2010 (the "Agreement"), by and among the Public Utility District No. 1 of Chelan County, Washington (the "District") and [BANK]; (ii) the [Rate] dated _____, 20__ attached hereto as Appendix A; and (iii) the [Rate Notice] dated _____, 20__ attached hereto as Appendix B.]¹

Pursuant to Section 2.01(a) of the Agreement, the District hereby provides this Borrowing Notice (this "Notice") and requests the Bank to extend credit to the District through the making of the Loan described below (the "Subject Loan").

1. The District hereby requests the Bank to extend the Subject Loan in the principal amount of \$ _____ with a maturity date of _____, 20__.²

2. The District hereby requests that the Subject Loan be a [Treasury Rate Loan] [Bank Rate Loan] ³. [The [Bank Rate] to the District in respect of the Subject Loan is _____.]⁴

3. Upon the making of the Subject Loan, the Available Commitment shall automatically be decreased by the principal amount of the Loan to \$ _____.

4. The borrowing date of the Subject Loan shall be _____, 20__ (the "Borrowing Date").

5. As of the date hereof, the District's unenhanced long-term bond ratings are as follows: Moody's: [_____] and S&P: [_____].

6. The District hereby certifies as follows:

(a) The representations and warranties of the District contained in Article IV of the Agreement are true and correct as of the date of this Notice, except to the extent that such representations and warranties specifically refer to an earlier date.

(b) No Event of Default or Incipient Default has occurred and is continuing as of the date of this Borrowing Notice and no Event of Default or Incipient Default shall have occurred and be continuing as of the Borrowing Date.

¹ Insert language included in the square brackets only if the subject Loan is to bear interest determined by reference to the Bank Rate.

² Insert a date no more than _____ from the applicable Borrowing Date.

³ Select one rate.

⁴ Insert and complete this sentence only if the subject Loan is to bear interest determined by reference to the Bank Rate.

(c) [The Bank Interest Rate does not exceed the Maximum Lawful Rate.]

[(d) The terms of the Subject Loan (other than the inclusion of the [Bank Rate]) set forth in this Borrowing Notice are the same as those set forth in the _____].

(e) The District hereby accepts the [Bank Rate] set forth in the _____.]⁵

Unless otherwise defined herein, capitalized terms used herein shall have the meaning assigned in the Agreement.

7. On the Borrowing Date, please pay the proceeds of the Subject Loan to the following account: [insert wire payment instructions]

IN WITNESS WHEREOF, the undersigned has executed and delivered this Borrowing Notice as of the _____ day _____, 20__.

PUBLIC UTILITY DISTRICT NO. 1 OF
CHELAN COUNTY, WASHINGTON

By _____
Name _____
Title _____

⁵ Include these certifications only if the Subject Loan is to bear interest determined by reference to the Bank Rate.

APPENDIX A

SUBJECT RATE REQUEST

RE: PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON

Reference is made to (i) the Liquidity Facility dated as of _____, 2010 (the "Agreement"), by and among Public Utility District No. 1 of Chelan County, Washington (the "District") and [BANK]. Pursuant to Section 2.01(a) of the Agreement, the District hereby provides this [Bank Rate Request] for the proposed making of the Loan described below (the "Subject Loan"):

Aggregate principal amount: _____

Maturity Date: _____

Interest Payment Dates: June 15 and December 15 commencing _____ 15, 20__.

Desired Borrowing Date: _____

As of the date hereof, the District's unenhanced long-term general obligation bond ratings are as follows: Moody's: [_____] and S&P: [_____].

IN WITNESS WHEREOF, the undersigned has executed and delivered this Rate Request as of the _____ day _____, 20__.

PUBLIC UTILITY DISTRICT NO. 1 OF
CHELAN COUNTY, WASHINGTON

By _____
Name _____
Title _____

APPENDIX B

SUBJECT RATE NOTICE

RE: PUBLIC UTILITY DISTRICT NO. 1 OF CHELAN COUNTY, WASHINGTON

Reference is made to the [Bank Rate Request] of the District dated _____.

IN WITNESS WHEREOF, the undersigned has executed and delivered this Rate Notice as of
the _____ day _____, 20__.

[BANK]

By _____
Name _____
Title _____

EXHIBIT B

NOTICE OF TERMINATION

The undersigned, _____, a duly authorized officer of [BANK] (the "Bank"), hereby notifies Public Utility District No. 1 of Chelan County, Washington (the "District") that this notice constitutes a "Notice of Termination" in accordance with Section 7.02(b) of the Liquidity Facility (the "Agreement"), dated _____, 2010, among the District and the Bank, as a result of an Event of Default under Section 7.01() of the Agreement. This Agreement shall terminate on _____, which date is not earlier than thirty (30) days from the date of receipt of this notice. All capitalized terms herein having the meanings ascribed thereto in the Agreement.

[BANK]

By _____
Name _____
Title _____

EXHIBIT C

NOTICE OF EXTENSION

The undersigned, _____, a duly authorized officer of [BANK] (the "Bank"), hereby notifies Public Utility District No. 1 of Chelan County, Washington (the "District") that, effective upon the District's acceptance as indicated by its signature below, the Stated Expiration Date of the Liquidity Facility (the "Agreement"), dated _____, 2010, among the District and the Bank has been extended from _____ to _____.

[BANK]

By _____
Name _____
Title _____

PUBLIC UTILITY DISTRICT NO. 1 OF
CHELAN COUNTY, WASHINGTON

By _____
Name _____
Title _____

EXHIBIT D
FORM OF INVESTOR LETTER

[To come]

EXHIBIT E
FORM OF PROMISSORY NOTE

[TO COME]

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