

____ __, 2002

Potential Provider:

11 Pages

Public Financial Management, Inc. (“PFM”), as Investment Advisor to the [the Issuer] (the “Issuer”), is seeking bids from Eligible Providers for a Forward Purchase Agreement (the “Agreement”) for the Interest and Principal Funds (the “Funds”) related to the [the Bonds] (collectively, the “Bonds”). Information regarding the nature of the Funds and the amount to be invested under the Agreement can be found in the bidding specifications included with this letter.

The selection of the winning provider for the Agreement will be made on the basis of the selection requirements set forth in the attached Bidding Specifications. The winning provider and form of agreement must be acceptable to [Bond Counsel], as Bond Counsel, [Trustee], as Trustee, and the Issuer. **Bids will be accepted until __: __.m. Eastern Time on _____, _____, 2002. Bids should be faxed to Steve Wisloski at PFM, fax: (717) 232-7837 or (717) 233-6073, phone: (717) 232-2723**, using the Bid Sheet attached as Exhibit B to the Bidding Specifications.

Your bid should be based on the information provided in this package. Any bid modifying or amending any specification or requirement contained herein should be discussed and agreed to in advance of the bid. The Issuer reserves the right to accept or reject bids in whole or in part. Participation by any provider in this bidding process does not constitute the basis for any contract between the Issuer and that firm. If you have any questions or would like more information, please call the undersigned at (717) 232-2723.

We look forward to your response.

Sincerely,
PUBLIC FINANCIAL MANAGEMENT, INC.

[SIGNED]

Steve Wisloski
Senior Managing Consultant

Attachments

_____, 2002

BIDDING SPECIFICATIONS FOR A
DEBT SERVICE FUND
FORWARD PURCHASE AGREEMENT

[ISSUER]
[BONDS]

1. Bidding Date/Time: Bids must be faxed to Steve Wisloski at Public Financial Management, Inc. (“PFM”), no later than __:__ .m. Eastern Time on _____, _____, 2002. Bids should be faxed to (717) 232-7837 or (717) 233-6073 using the Bid Sheet attached as Exhibit B hereto.
2. Type of Agreement: **Forward Purchase Agreement** (the “Agreement”) in a form acceptable to [BOND COUNSEL] as Bond Counsel, [TRUSTEE] as Trustee and the Issuer. **The Agreement will be by and among the Trustee, the Issuer and the winning bidder (the “Provider”).**
3. Trustee: [TRUSTEE]
4. Agreement Description: The Agreement will provide, among other terms, for the periodic tender and purchase of Eligible Securities, as defined herein, to the Trustee. Eligible Securities will be tendered to the Trustee on each Delivery Date set forth in Exhibit A (or if such day is not a business day, the following business day) during the term of the Agreement at a purchase price equal to the Available Amount for each such Delivery Date set forth in Exhibit A. The maturity date of the Eligible Securities tendered on any Delivery Date shall be no later than the Maturity Date listed opposite such Delivery Date on Exhibit A. If the Maturity Date is not a business day, the maturity date of the Eligible Securities may be the next business day. Payment shall be made on a delivery-versus-payment basis.

Note that the Eligible Securities delivered on each Delivery Date must mature and/or pay interest in amounts that will provide Interest Income in an amount no lower than the product obtained by multiplying the Agreement Yield, the Available Amount for the Delivery Date, and a fraction equal to the number of days (30/360 basis) from the Scheduled Delivery Date to the applicable Maturity Date, divided by 360 (i.e., in addition to the full amount of the Available Amount, the full amount of investment earnings at the Agreement Rate from the Scheduled Delivery Date to the Maturity Date must be paid by the Eligible Security delivered, notwithstanding that the actual maturity date of that Eligible Security may be prior to the applicable Maturity Date)..

5. No Substitution: **Substitution for delivered Eligible Securities will not be permitted.** However, the Provider will be allowed subsequent deliveries of additional Eligible Securities (“Additional Eligible Securities”) after maturity (or coupon payments) of previously delivered Eligible Securities at a price equal to the maturity value thereof (i.e., at a price that will result in a 0.00% yield).
6. Eligible Securities: Direct obligations of the United States of America and securities fully and unconditionally guaranteed as to the timely payment of principal and interest by the United States of America, provided, that the full faith and credit of the United States of America must be pledged to any such direct obligation or guarantee (“Direct Obligations”);
7. Settlement Date: [SETTLEMENT DATE]
8. First Delivery Date: [FIRST DELIVERY DATE]
9. Final Maturity Date: [MATURITY DATE]
10. Agreement Yield: The fixed yield (determined on a semiannual, 30/360 daycount basis) offered by the Provider that will be used to determine the dollar amount of Interest Payments.
11. Interest Payments: Interest income to the Issuer will be realized in the difference between (a) the purchase price and (b) maturity value and/or coupon income of purchased Eligible Securities.
12. Basis of Award: The Agreement will be awarded to the bidder offering the highest agreement yield and otherwise complying with the requirements of these bidding specifications.
- The Issuer reserves the right, in its discretion, to reject any and all bids, to waive any irregularities in any bid, and to select the winning Provider among providers submitting identical bids in a manner it deems appropriate.
13. Eligible Providers: Providers are limited financial institutions with initial long-term credit ratings, or a guarantor’s rating, of at least A and A2 by Standard and Poor’s Ratings Group (“S&P”) and Moody’s Investors Service (“Moody’s”), respectively. The Provider must be otherwise acceptable to the Issuer and the Bond Insurer.
14. Failure to Tender: For securities tendered to the Trustee after the Scheduled Delivery Date the Purchase Price will remain unchanged relative to what it would have been had the Eligible Securities been tendered on the Scheduled Delivery Date. To the extent Eligible Securities are tendered late but within five (5) Business Days of the Scheduled Delivery Date, the Provider will be entitled to interest income actually earned on investment, through an adjustment in the purchase price, of the Available Amount between the Scheduled Delivery Date and the actual tender date. Failure of the Provider to tender Eligible

Securities within five (5) Business Days of the Scheduled Delivery Date will constitute a Provider Event of Default with the remedies related thereto available to the Issuer at its option.

15. Failure to Purchase:

For Eligible Securities properly tendered to the Trustee on the Scheduled Delivery Date but that the Trustee fails to purchase in a timely manner, the late Purchase Price will remain unchanged relative to what it would have been had the Eligible Securities been purchased on the Scheduled Delivery Date. To the extent Eligible Securities are purchased late but within five (5) Business Days of the Scheduled Delivery Date, the Provider will be entitled to late purchase interest at the effective Fed Funds Rate plus 1.00% for the period between the first tender date and the actual purchase date. Failure of the Trustee to purchase properly tendered Eligible Securities for more than five (5) Business Days will constitute a Trustee Event of Default with the remedies related thereto available to the Provider.

The Issuer shall not be responsible for any default of the Trustee, and vice versa. If a failure to purchase Eligible Securities is caused by an event beyond the control of the Issuer or Trustee (e.g., Fed Wire problem), that failure shall not be a Default. No Default of the Issuer or Trustee will give Provider rights against monies in the Funds.

16. Refunding or Acceleration of the Bonds:

To the extent the Issuer applies any available moneys to effect a refunding, acceleration or defeasance of Bonds for any purpose, and such application has the effect of reducing the expected Available Amount for any Delivery Date, then the Issuer shall have the option to either (a) continue the Agreement with respect to the Reduced Available Amounts, with a partial Termination Amount being due to the appropriate party (the Provider would be the Burdened Party for these purposes) with respect to the difference between the Scheduled Available Amounts and the Reduced Available Amounts or (b) terminate the agreement with a Termination Amount being due to the appropriate party (the Provider would be the Burdened Party for these purposes) as determined in accordance with paragraph #20 below.

The issuance of Refunding Bonds or other Bonds which do not have the effect of reducing the Scheduled Available Amounts will have no effect on the Agreement.

17. Ratings Downgrade:

Should the Provider's ratings fall below A- or A3 by S&P or Moody's, respectively, the Provider will be required to notify the Trustee and the Issuer as soon as practicable but in no case more than five (5) days after the occurrence of such event. The Provider may, at its option, but in either case within twenty (20) days of the ratings reduction event, either (a) assign the Agreement to a financial institution acceptable to the Trustee and the Issuer and rated at least A by S&P and A2 by Moody's, respectively, (b) (if the Provider continues to have an investment grade rating) obtain a guarantee of its obligations under the Agreement acceptable to the Trustee and the Issuer from a financial institution rated at least AA by S&P and Aa2 by Moody's,

respectively, or (c) cause collateral securities to be delivered to an independent custodian within 15 days of such event. The value of the collateral securities must be equal to at least 104% of the Termination Amount, if any, that would be owed by the Provider upon a termination of the Agreement. The collateral and the Termination Amount must be determined weekly. Eligible collateral includes direct obligations of the United States, obligations guaranteed as to timely payment of principal and interest by the United States, and senior debt obligations of FNMA and FHLMC.

Failure to effectuate one of these remedies on a timely basis will constitute an immediate Provider Event of Default for which the Provider will have no additional grace period for notice or remedy beyond the total of twenty (20) days already afforded to it.

18. Provider Default:

Upon a default by the Provider (which shall include, but not be limited to, any failure to pay any sums due under the Agreement when due, any failure to abide by any other covenant in the Agreement and the filing of any bankruptcy or similar proceeding by or against the Provider), the Provider will notify the Issuer as soon thereafter as practicable and in no case more than five (5) business days after such event. A Provider Default will result in the remedies described below being available to the Issuer. ***The Issuer will in no case be required to make a termination payment as a result of a default under the Agreement on the part of the Provider.***

If a Provider Termination Event exists, and while it is continuing, the Issuer shall have the right to terminate the Agreement, and the Termination Amount, if payable to the Issuer, shall be immediately due and payable by the Provider, and if payable to the Provider, shall be zero. In addition, if the Termination Event is caused by a Provider default, the Provider shall pay the Issuer on demand all amounts the Issuer determines are reasonable and necessary to render the Issuer whole for any net income foregone, and for any of its costs or expenses, including legal and other expenses in connection with the default, the termination of this Agreement, and the re-bidding of any additional agreements.

19. Issuer/Trustee Default:

If an unremedied Issuer or Trustee Event of default results in termination of the Agreement, the Termination Amount, if payable to the Provider, shall be immediately due and payable by the Issuer or Trustee, as applicable, and if payable by the Provider, shall be zero. In addition, if such a Termination Event occurs, the Issuer or Trustee, as applicable, shall pay the Provider on demand all amounts the Provider determines are reasonable and necessary to render the Provider whole for any net income foregone, and for any of its costs or expenses, including legal and other expenses in connection with the default and the termination of this Agreement.

20. Termination Amount:

An amount determined by the Burdened Party in good faith on the basis of the arithmetic mean of quotations from at least three Dealers of the amount, if any, that each such Dealer would require the burdened party to pay to the

Dealer (expressed as a positive number if the burdened party is the Provider and a negative number if the burdened party is the Trustee/Issuer) or would pay to the burdened party (expressed as a negative number if the burdened party is the Provider and a positive number if the burdened party is the Trustee/Issuer) in consideration of such Dealer entering into an agreement with the Burdened Party (with such documentation as the original parties to the Agreement and the Dealer may in good faith agree) which would have the effect of preserving for the Burdened Party the economic equivalent of its rights under the Agreement for the period commencing on the termination date of the Agreement and terminating on the Final Maturity Date.

In the event of a partial termination of the Agreement, the Termination Amount shall be determined only with respect to the scheduled reductions in the Available Amounts on each Scheduled Purchase Date from and after the date of such partial termination.

The non-Burdened Party must have a reasonable opportunity to observe and influence the solicitation of quotations, including the right to approve the list of solicited Dealers and the solicitation materials.

The Issuer will consider alternative methods of determining Termination Amount if such alternative method is described at or prior to the time of bidding.

The Agreement will also provide that a Termination Amount may be determined pursuant to any other method that, from time to time, is mutually agreeable to the parties thereto.

21. Assignment:

Rights and obligations under the Agreement may not be transferred or assigned by any party without the prior written consent of the parties to the Agreement and the Rating Agencies. Such consent will not be unreasonably withheld. In the event that the Agreement is transferred by the Provider, documentation and opinions similar to those required at settlement shall be required with respect to the successor provider.

22. Reasonable Notice Periods
and Cure Periods:

The Agreement must provide for reasonable notice and cure periods for all parties before an Event of Default is declared.

23. Documentation:

All bidders must be prepared to execute a final Agreement that conforms to the requirements of these Bidding Specifications and is in a form acceptable to the Issuer, its counsel, and the Bond Insurer. The Provider will be required to circulate a draft of the Agreement and all other related documents to all persons on the distribution list for receipt no later than four (4) business days following the Bid Date. All documents and other information given by Provider or any guarantor are public records and may not contain confidentiality provisions. The name of the Provider and other information concerning the investments may be disclosed in ongoing disclosure reports.

24. Legal/Bankruptcy Opinions: Prior to the execution of the Agreement, the Provider shall furnish to the Issuer (i) such statements, certificates or other documents as the Issuer and Bond Insurer may reasonably request evidencing that such Provider meets the qualifications described herein, and (ii) an opinion of counsel acceptable to the Issuer and Bond Insurer to the effect that the Agreement constitutes a legally valid, binding, and enforceable obligation of such Provider **and that the funds on deposit in the Fund, and the securities delivered to the Fund pursuant to the Agreement, and on payments made from the Funds to the Bondholders or otherwise, would not constitute property of the Provider under bankruptcy or insolvency proceedings, and will not be subject to automatic stay and will not be recoverable as a voidable preference in the event of bankruptcy/insolvency of the Provider. If a guarantor is providing the requisite ratings, a similar opinion of counsel of the guarantor will also be required at closing.**

If the Provider or guarantor is an insurance company, such opinion shall also state that in the event of a bankruptcy of the Provider or guarantor, the Provider's or guarantor's obligation under the Agreement is on parity with the Provider's or guarantor's obligations to policyholders under applicable law.

25. Governing Law/Jurisdiction: The Agreement shall be deemed to be a contract made under and shall be construed in accordance with and governed by the laws of the State of California, or at the Provider's election, New York, except that the capacity of the Issuer to enter into the Agreement shall be governed by and construed in accordance with the laws of the State of California. The Provider must also agree to be bound to the exclusive jurisdiction of any court of the State of California located in Los Angeles County or the United States District Court for the District of California as appropriate for the purpose of any suit, action or other proceeding arising out of the Agreement, or any of the transactions contemplated hereby, at the election of the party initiating any such suit, action or other proceeding, which is brought by or against the Provider or the Issuer. The parties each hereby irrevocably agree that all claims in respect of any such suit, action or proceeding may be heard and determined by such court. The Provider further agrees that service of process in any such action commenced in such state or Federal court shall be effective on the Provider by deposit of the same as registered mail addressed to the Provider at the address to which notices to the Provider are to be sent pursuant to the notice provisions of the Agreement. Any guarantor must also agree to the above jurisdictions, name and service of process provisions.

26. Expenses/Payments: All expenses associated with the provider's performance of the Agreement, including but not limited to the Provider's legal fees, brokerage fees and electronic funds transfer charges, are the responsibility of the provider. An enforceability opinion from the Issuer's General Counsel may be requested by the Provider, however, this opinion will be limited to California law.

The Provider will be required to pay to PFM on behalf of the Issuer a Bidding Agent fee of [FEE].

27. Bid Subject to Closing: In the event that the Agreement does not close for any reason, neither the Issuer nor any of the Issuer's advisors and consultants will be liable for any costs or losses incurred by the Provider.
28. Tax Certificate: By submitting a bid, each bidder represents that it did not consult with any other bidder about its bid, that it agrees to all bidding specifications in this document, that these bid specifications contain all material terms used by the Provider in formulating its bid, and that the bid was determined without regard to any other formal or informal agreement that the bidder has with the Issuer or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the Issuer or any other person for the purposes of satisfying the requirements of the Treasury Regulations paragraph 1.148-5 (d)(6)(iii)(B)(1) or (2).
- The Provider will be required to sign a certificate from Bond Counsel stating, among other things, that the Agreement was entered into at fair market value and disclosing the amount paid to any third parties in connection with the Agreement which amount may not exceed the amount allowed under Treasury Regulations 1.148-5(e)(3). Each potential provider will be required to represent whether or not it (or a related person) has a material financial interest in the Bonds. **Bond Counsel's form of Certificate is included as Exhibit C to these Specifications.**
29. Bond Counsel: [BOND COUNSEL]
30. No-Setoff: The Agreement must state that it is unconditional and must expressly disclaim any right of set-off or counter-claim.
31. Additional Information: Providers requesting additional information may contact Steve Wisloski at PFM, phone: (717) 232-2723.

EXHIBIT A: AVAILABLE AMOUNTS

For any day that is not a business day, the applicable date shall be the next business day.

EXHIBIT B

BID SHEET

We have received and read the Bidding Specifications for a Forward Purchase Agreement dated _____, 2002, concerning the investment of the Principal and Interest Funds related to the [ISSUER]'S [BONDS] (collectively, the "Bonds"). Our bid is as follows:

Agreement Yield: _____
(semiannual, 30/360 basis)

Provider: _____

Long-Term Ratings:
(Moody's/S&P)⁽¹⁾ _____

We hereby certify that we are an Eligible Provider under the requirements set forth in the Bidding Specifications:

Signed: _____

Name: _____

Title: _____

Phone/Fax Number: _____

Date: _____

PLEASE FAX YOUR BIDS TO: Steve Wisloski at PFM, fax: (717) 232-7837 or (717) 233-6073, phone: (717) 232-2723 **no later than** __: __.m. **Eastern Time on** _____, _____, **2002.**¹

Provider Representation: By submitting a bid, each potential provider represents that it did not consult with any other potential provider about its bid, that it agrees to all specifications in this request for bids, that these bid specifications contain all material terms used by the Provider in formulating its bid, and that the bid was determined without regard to any other formal or informal agreement that the potential provider has with the Issuer or any other person (whether or not in connection with the Bonds), and that the bid is not being submitted solely as a courtesy to the Issuer or any other person for the purposes of satisfying the requirements of the Treasury Regulations paragraph 1.148-5(d)(6)(iii)(B)(1) or (2) (e.g. the requirement to receive three bids from providers that do not have a material financial interest in the Bonds, at least one of which is from a reasonably competitive provider).

⁽¹⁾ Indicate if any of the ratings are on CreditWatch or have a negative credit outlook.

EXHIBIT C

Form of Certificate of the Provider