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**\$196,000,000**  
**CALIFORNIA STATEWIDE COMMUNITIES DEVELOPMENT AUTHORITY**  
**POLLUTION CONTROL REFUNDING REVENUE BONDS**  
**(SOUTHERN CALIFORNIA EDISON COMPANY)**  
**\$157,500,000 2006 SERIES A**                      **\$38,500,000 2006 SERIES B**

**INTRODUCTORY STATEMENT**

This Reoffering Circular is provided to furnish information in connection with the reoffering of Pollution Control Refunding Revenue Bonds (Southern California Edison Company) 2006 Series A in the aggregate principal amount of \$157,500,000 (the “Series A Bonds”) and Pollution Control Refunding Revenue Bonds (Southern California Edison Company) 2006 Series B in the aggregate principal amount of \$38,500,000 (the “Series B Bonds” and, together with the Series A Bonds, the “Bonds”) issued by the California Statewide Communities Development Authority (the “Authority”). The Bonds were issued by the Authority on April 12, 2006 pursuant to an Indenture of Trust, dated as of April 1, 2006 (the “Original Indenture”), between the Authority and The Bank of New York Mellon (formerly, The Bank of New York), as trustee (the “Trustee”). The Original Indenture is being amended and restated in connection with the reoffering of the Bonds pursuant to the Amended and Restated Indenture of Trust, dated as of February 1, 2013 (the “Indenture Amendment”), between the Authority and the Trustee. The Original Indenture, as amended and restated by the Indenture Amendment, is herein referred to as the “Indenture.” Certain definitions for capitalized terms used herein are set forth in APPENDIX C hereto. Capitalized terms used but not defined herein have the meanings assigned to them in the Indenture.

**PURPOSE**

The Bonds were issued by the Authority at the request of Southern California Edison Company, a California corporation (the “Company”), for the purpose of refunding the following series of bonds issued in 1986 by the California Pollution Control Financing Authority (collectively, the “Series 1986 Bonds”): \$81,000,000 aggregate principal amount of Adjustable Tender Pollution Control Refunding Revenue Bonds (Southern California Edison Company) 1986 Series A; \$25,000,000 aggregate principal amount of Adjustable Tender Pollution Control Refunding Revenue Bonds (Southern California Edison Company) 1986 Series B; \$40,000,000 aggregate principal amount of Adjustable Tender Pollution Control Refunding Revenue Bonds (Southern California Edison Company) 1986 Series C; and \$50,000,000 aggregate principal amount of Adjustable Tender Pollution Control Refunding Revenue Bonds (Southern California Edison Company) 1986 Series D.

The Series 1986 Bonds were issued for the purpose of financing or refinancing a portion of the cost to the Company of the acquisition and construction of its undivided interest in certain air and water pollution control facilities and solid waste disposal facilities (the “Project”) at the San Onofre Nuclear Generating Station (“San Onofre”) located in San Diego County, California.

## **THE AUTHORITY**

The Authority is a joint powers agency organized and existing under the laws of the State of California and a public entity created pursuant to Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code.

To the knowledge of the Authority, there is no action, suit, proceeding, inquiry or investigation, at law or in equity, before or by any court, governmental agency, public board or body, pending against the Authority seeking to restrain or enjoin the reoffering of the Bonds, or in any way contesting or affecting any proceedings of the Authority taken concerning the reoffering thereof, the pledge or application of any moneys or security provided for the payment of the Bonds, the validity or enforceability of the documents executed by the Authority in connection with the Bonds, the completeness or accuracy of the Reoffering Circular or the existence or powers of the Authority relating to the reoffering of the Bonds.

## **SECURITY AND SOURCES OF PAYMENT**

Pursuant to a Loan Agreement, dated as of April 1, 2006 (the "Original Agreement"), between the Authority and the Company, the Authority lent the proceeds from the sale of the Bonds to the Company for the purpose of refinancing a portion of the cost of the Project through the refunding of all of the then outstanding Series 1986 Bonds. The Original Agreement is being amended in connection with the reoffering of the Bonds pursuant to the First Amendment to Loan Agreement, dated as of February 1, 2013 (the "Agreement Amendment"), between the Authority and the Company. The Original Agreement, as amended by the Agreement Amendment, is herein referred to as the "Agreement." Under the Agreement, the Company is obligated to repay the loan from the Authority by making payments at such times and in such amounts as are required to pay when due the principal of and interest on the Bonds (the "Repayment Installments"). Pursuant to the Agreement, the Company's obligations to make the Repayment Installments and to make Purchase Price payments on the Bonds when due, as described herein, and to perform and observe the other agreements on its part contained in the Agreement are absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority. To secure and provide for the payment of the Repayment Installments, the Company issued a series of its first and refunding mortgage bonds designated "First and Refunding Mortgage Bonds, Series 2006C" (the "Series 2006 First Mortgage Bonds") under a Trust Indenture, dated as of October 1, 1923, between the Company and The Bank of New York Mellon Trust Company, N.A. and D. G. Donovan, as successor trustees (the "First Mortgage Trustees"), as amended and supplemented (the "Company Indenture") in the same aggregate principal amount, bearing the same rate of interest and maturing on the same date as the Bonds. Pursuant to the Indenture, all rights, titles and interests of the Authority under the Agreement and the Series 2006 First Mortgage Bonds are assigned to the Trustee, except for certain rights of the Authority to receive payment for fees and expenses and rights to indemnification.

The Bonds shall not be deemed to constitute a debt or liability of the State of California (the "State") or of any political subdivision thereof, other than the Authority, but shall be payable solely from the funds provided therefor. The Authority shall not be obligated to pay the

principal of the Bonds, or the interest thereon, except from the funds provided under the Indenture and the Agreement and neither the faith and credit nor the taxing power of the State or of any political subdivision thereof, including the Authority, is pledged to the payment of the principal of or interest on the Bonds. The issuance of the Bonds did not, and the reoffering of the Bonds shall not, directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

## **MISCELLANEOUS**

Brief descriptions of the Authority, the Bonds, the Agreement, the Indenture, the Company Indenture and the Series 2006 First Mortgage Bonds are included in this Reoffering Circular. For information concerning the Company, see APPENDIX A hereto. The proposed form of the opinion of Greenberg Traurig, LLP, as Bond Counsel to the Authority, to be delivered on the Mode Change Date is included as APPENDIX B hereto. Certain definitions for capitalized terms used herein are set forth in APPENDIX C hereto. The references herein to the Bonds, the Agreement, the Indenture, the Company Indenture and the Series 2006 First Mortgage Bonds are qualified in their entirety by reference to such documents, copies of which may be obtained at the designated corporate trust office of the Trustee at 385 Rifle Camp Road, 3rd Floor, Woodland Park, New Jersey 07424 (the "Principal Office"). In addition, a copy of the Company Indenture may be obtained upon request to the Company, or through the Internet, as described in APPENDIX A. All such descriptions are further qualified in their entirety by reference to bankruptcy, insolvency, reorganization, moratorium or similar laws or governmental actions relating to or affecting generally the enforcement of creditors' rights.

## **THE PROJECT**

The Project consists of the Company's undivided interest in certain air and water pollution control facilities and solid waste disposal facilities at Units 2 and 3 at San Onofre.

Two replacement steam generators were installed at San Onofre in each of Units 2 and 3 in 2010 and 2011, respectively. In the first quarter of 2012, a water leak suddenly occurred in one of the heat transfer tubes in San Onofre's Unit 3 steam generators and the Unit was safely taken off-line. At the time, Unit 2 was off-line for a planned outage when areas of unexpected tube to support structure wear were found. Both Units have remained off-line for extensive inspections, testing and analysis of their steam generators. Each Unit will be restarted only when and if the Company determines that it is safe to do so and when start-up has been approved by the U.S. Nuclear Regulatory Commission (the "NRC").

See the Company's Annual Report on Form 10-K for the year ended December 31, 2012, which is incorporated herein by reference, for detailed discussion of San Onofre and the current outage and the various proceedings relating thereto at the NRC and the California Public Utilities Commission ("CPUC").

## THE BONDS

### GENERAL

On April 5, 2013 (the “Mode Change Date”) the Series A Bonds will begin to bear interest at the Term Rate of 1.375% per annum (the “Series A Term Rate”) and will continue to bear interest at the Series A Term Rate from the Mode Change Date to, and including, April 1, 2018 (such period being herein referred to as the “Series A Term Rate Mode”). Interest on the Series A Bonds at the Series A Term Rate will begin accruing on the Mode Change Date and will be payable on October 1, 2013 and on the first day of each April and October thereafter (the “Interest Payment Dates”) and will be calculated on the basis of a 360-day year comprised of twelve 30-day months. On and after April 2, 2018, the rate of interest on the Series A Bonds may be adjusted from time to time to Daily, Weekly, SIFMA-Based Term, Term, Fixed or Commercial Paper Rates, at the option of the Company, subject to certain restrictions and upon notice as described in the Indenture. On the Mode Change Date the Series B Bonds will begin to bear interest at the Term Rate of 1.90% per annum (the “Series B Term Rate”) and will continue to bear interest at the Series B Term Rate from the Mode Change Date to, and including, March 31, 2020 (such period being herein referred to as the “Series B Term Rate Mode” and, together with the Series A Term Rate Mode, the “Term Rate Modes”). Interest on the Series B Bonds at the Series B Term Rate will begin accruing on the Mode Change Date and will be payable on the Interest Payment Dates and will be calculated on the basis of a 360-day year comprised of twelve 30-day months. On and after April 1, 2020, the rate of interest on the Series B Bonds may be adjusted from time to time to Daily, Weekly, SIFMA-Based Term, Term, Fixed or Commercial Paper Rates, at the option of the Company, subject to certain restrictions and upon notice as described in the Indenture. **This Reoffering Circular does not contain any information regarding the Bonds after the end of the related Term Rate Mode.**

On April 2, 2018 (the “Series A Mandatory Purchase Date”), the Series A Bonds are subject to mandatory purchase by the Company at 100% of the principal amount thereof, as described below under “THE BONDS—MANDATORY PURCHASE.” The Series A Bonds are not subject to optional redemption prior to the Series A Mandatory Purchase Date but are subject to extraordinary optional redemption and to mandatory redemption prior to the Series A Mandatory Purchase Date in the manner and at the times described below under “THE BONDS—REDEMPTION.” On April 1, 2020 (the “Series B Mandatory Purchase Date” and, together with the Series A Mandatory Purchase Date, the “Mandatory Purchase Dates”), the Series B Bonds are subject to mandatory purchase by the Company at 100% of the principal amount thereof, as described below under “THE BONDS—MANDATORY PURCHASE.” The Series B Bonds are not subject to optional redemption prior to the Series B Mandatory Purchase Date but are subject to extraordinary optional redemption and to mandatory redemption prior to the Series B Mandatory Purchase Date in the manner and at the times described below under “THE BONDS—REDEMPTION.” The Bonds mature on April 1, 2028 (the “Maturity Date”). The principal of the Bonds will be payable on the Principal Payment Dates, upon surrender thereof at the Principal Office of the Trustee.

During the related Term Rate Mode, the Bonds will be reoffered as fully registered Bonds, without coupons, in denominations of \$5,000 and any integral multiple thereof (the



“Authorized Denominations”). The Bonds are registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”), pursuant to DTC’s book-entry only system (the “Book-Entry Only System”). Purchases of beneficial interests in the Bonds will be made in book-entry form, without certificates. If at any time the Book-Entry Only System is discontinued for the Bonds, the Bonds will be exchangeable for other fully registered certificated Bonds of the same series and interest rate in any Authorized Denominations. See “THE BONDS—BOOK-ENTRY ONLY SYSTEM—Discontinuance of Book-Entry Only System” herein. The Trustee may require the payment by any Owner of any tax or other governmental charge required to be paid with respect to such exchange or any transfer of a Bond.

The principal of and interest on the Bonds will be payable in lawful money of the United States of America. The interest on the Bonds will be paid by the Trustee on the Interest Payment Dates by check mailed by the Trustee to the respective Owners of record thereof on the 15th day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date (the “Record Date”) at their addresses as they appear on the applicable Record Date in the books required to be kept by the Trustee, except that in the case of an Owner of \$1,000,000 or more in aggregate principal amount of the Bonds of a series, payment of interest will be made by wire transfer of immediately available funds to an account within the continental United States on the Interest Payment Date following such Record Date upon the written request of such Owner to the Trustee.

## **REDEMPTION**

**Optional Redemption.** During the related Term Rate Mode, the Bonds are not subject to optional redemption at the written direction of the Company. The Bonds are subject, however, to extraordinary optional redemption during the related Term Rate Mode as described below under “THE BONDS—REDEMPTION—Extraordinary Optional Redemption.”

The Bonds are also subject to special mandatory redemption during the related Term Rate Mode as described below under “THE BONDS—REDEMPTION—Special Mandatory Redemption.”

**Extraordinary Optional Redemption.** During the related Term Rate Mode, Bonds will be redeemed by the Authority in whole, but not in part, at any time, upon the exercise by the Company of its option to redeem the Bonds and prepay the Repayment Installments in whole pursuant to the Agreement, at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of redemption, upon the occurrence of any of the following events:

- (i) all or substantially all of the Project is damaged or destroyed and the Company determines that it is not practicable or desirable to rebuild, repair and restore the Project;
- (ii) all or substantially all of the Project is condemned or such use or control thereof is taken by eminent domain as to render the Project unsatisfactory to the Company for continued operation;

(iii) unreasonable burdens or excessive liabilities are imposed upon the Authority or the Company with respect to the Project or the operation thereof; or

(iv) all or substantially all of the property of the Company is transferred or sold to any corporation other than an Affiliate of the Company or the Company is consolidated with or merged into a corporation other than an Affiliate of the Company in such manner that the Company is not the surviving corporation.

See “THE PROJECT” above and the discussion of the San Onofre outage in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012.

The Bonds will also be subject to optional redemption during the related Term Rate Mode, in whole or in part, on any date, at a redemption price equal to 100% of the principal amount thereof to be redeemed, plus accrued and unpaid interest, if any, to the date of redemption, if the Company delivers to the Trustee a written certificate (i) to the effect that by reason of a change in use of the Project or any portion thereof, the Company has been unable, after reasonable effort, to obtain an Opinion of Bond Counsel to the effect that a court, in a properly presented case, should decide that Section 150 of the Code (or successor provision of similar import) does not prevent that portion of the Repayment Installments payable under the Agreement attributable to interest on the Bonds from being deductible by the Company for federal income tax purposes, (ii) specifying that as a result of its inability to obtain such Opinion of Bond Counsel, the Company has elected to prepay amounts due under the Agreement equal to the redemption price of the Bonds to be so redeemed, and (iii) specifying the principal amount of Bonds which the Company has determined to be necessary to be so redeemed in order for the Company to retain its right to such interest deductions (which principal amount of Bonds will be so redeemed).

**Special Mandatory Redemption.** On any date not later than the 180th day following the occurrence of a Determination of Taxability, the Bonds will be redeemed at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date in whole, or in part if the Trustee and the Authority receive an Opinion of Bond Counsel to the effect that the redemption of a specified portion of the Bonds Outstanding would have the result that interest payable on the Bonds remaining Outstanding after such redemption would be Tax-Exempt to any holder or Beneficial Owner of a Bond (other than a holder or Beneficial Owner who is a “substantial user” of the facilities refinanced with the proceeds of the Bonds or a “related person” within the meaning of Section 103(b)(13) of the 1954 Code), upon which opinion the Trustee and the Authority may rely, and in such event the Bonds will be redeemed (in Authorized Denominations) in such amount as Bond Counsel in such opinion has determined is necessary as to accomplish that result. Upon a Determination of Taxability, the Trustee will give notice of such redemption as provided in the Indenture and described below.

**Selection of Bonds for Redemption.** If not otherwise provided in the Indenture, whenever less than all the Outstanding Bonds are to be redeemed on any one date, the Trustee, unless directed otherwise by the Company as provided in the Indenture, will select the Bonds of a series to be redeemed from the Outstanding Bonds of such series by lot, or in such other

manner as the Trustee deems fair; provided, that the Trustee will first select the following Bonds of a series for redemption in the following order of priority: first, any Bonds of such series held by the Trustee for the account of the Company and, second, any undelivered Bonds of such series, if the Company has offered to purchase all Bonds of such series in lieu of redemption. The Trustee, or the Company, as the case may be, will make the selection from Bonds of such series not previously called for redemption. For this purpose, each Bond in a denomination larger than the minimum Authorized Denomination at the time will be considered to be separate Bonds each in the minimum Authorized Denomination.

**Notice of Redemption.** Except as otherwise provided in the Indenture, the Trustee will give notice of the redemption of any Bonds of a series to be redeemed, as described above, upon receipt of notice from the Company, which notice must be given to the Trustee not less than three Business Days prior to the date notice of redemption must be given by the Trustee to the Owners of the Bonds to be redeemed as described in the next succeeding paragraph (unless the Company and the Trustee agree to a shorter period). Such notice of redemption need not be given by the Trustee to the Owners of the Bonds to be redeemed if such redemption date will occur on the related Mandatory Purchase Date.

Except as otherwise provided in the Indenture, the notice of redemption will be given by mail by the Trustee to the Authority, the Remarketing Agent and the Owners of any Bonds of a series designated for redemption in whole or in part at the addresses shown on the registration books not less than 20 days nor more than 60 days prior to the redemption date. Each notice of redemption will state the redemption date, the redemption price, the redemption place and manner of payment, the principal amount, the series of Bonds, the CUSIP numbers and, if less than all of the Bonds of a series are to be redeemed, the distinctive numbers (including CUSIP numbers) of the Bonds to be redeemed, and that on said date there will become due and payable on each of said Bonds the principal amount thereof to be redeemed and interest accrued thereon to the redemption date and that thereafter interest ceases to accrue and that the holders of said Bonds will cease to be entitled to any lien, benefit or security under the Indenture. The failure by the Trustee to mail such notice, or any defect therein, with respect to any Bond will not affect the validity of the proceedings for the redemption of any other Bond with respect to which no such failure or defect occurred.

With respect to any notice of optional redemption of Bonds of a series, unless, upon the giving of such notice, such Bonds are deemed to have been paid within the meaning of the Indenture, such notice may state (if so directed by the Company) that such redemption is conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal of and interest on such Bonds to be redeemed, and that if such moneys are not so received said notice will be of no force and effect and the Trustee will not be required to redeem such Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Any notice mailed as described above will be conclusively presumed to have been given, whether or not actually received by any Owner. If a Bond is presented to the Trustee for transfer

after notice of redemption of such Bond has been mailed as provided in the Indenture and described above, the Trustee will deliver a copy of such notice of redemption to the new Owner of such Bond.

**Partial Redemption of Bonds.** Upon surrender of any Bond redeemed in part only, the Trustee will provide a replacement Bond in a principal amount equal to the portion of such Bond not redeemed and deliver it to the registered owner thereof. The Bond so surrendered will be cancelled by the Trustee. The Authority, the Company and the Trustee are fully released and discharged from all liability to the extent of payment of the redemption price for such partial redemption.

**Effect of Redemption.** If notice of redemption has been duly given as described above and moneys for payment of the redemption price are being held by the Trustee, the Bonds so called for redemption will, on the redemption date designated in such notice, become due and payable at the redemption price specified in such notice, interest on the Bonds so called for redemption will cease to accrue, said Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and the holders of said Bonds will have no rights in respect thereof except to receive payment of the redemption price thereof. If such moneys are invested, they must be invested upon the specific written direction of the Company only in Permitted Investments having a maturity of 30 days or less and maturing not later than the redemption date.

All Bonds redeemed as described in the above provisions will be cancelled by the Trustee upon surrender thereof and the Trustee will deliver a certificate of such cancellation to the Authority and the Company by the Trustee.

## **MANDATORY PURCHASE**

**Mandatory Purchase at End of Term Rate Mode.** The Series A Bonds are subject to mandatory purchase on the Series A Mandatory Purchase Date (April 2, 2018; the first day after the last day of the Series A Term Rate Mode) at the Purchase Price. The Series B Bonds are subject to mandatory purchase on the Series B Mandatory Purchase Date (April 1, 2020; the first day after the last day of the Series B Term Rate Mode) at the Purchase Price. Failure to pay the Purchase Price on the related Mandatory Purchase Date constitutes an Event of Default under the Indenture (see (iii) of the first paragraph under “THE INDENTURE—DEFAULTS AND REMEDIES” below). Subject to the provisions of the Book-Entry Only System, Bonds so purchased are required to be delivered by the Owners (with all necessary endorsements) to the Principal Office of the Trustee at or before 10:00 A.M., New York City time, on the related Mandatory Purchase Date, and payment of the Purchase Price will be made by wire transfer of immediately available funds by the Trustee by 3:00 P.M., New York City time, on the related Mandatory Purchase Date. No notice of this mandatory purchase is required under the Indenture to be given to the Owners.

**Source of Funds for Purchase of Bonds.** By 3:00 P.M., New York City time, on the related Mandatory Purchase Date, the Trustee will purchase tendered Bonds from the tendering Owners at the Purchase Price by wire transfer of immediately available funds on deposit in the Purchase Fund. Funds for the payment of the Purchase Price will be derived solely from the

following sources in the order of priority indicated and neither the Trustee nor the Remarketing Agent is obligated to provide funds from any other source:

(a) immediately available funds on deposit in the Remarketing Proceeds Account of the Purchase Fund; and

(b) immediately available funds representing payments by the Company under the Agreement on deposit in the Company Purchase Account of the Purchase Fund.

**Undelivered Bonds.** If the Bonds are not delivered by the Owners to the Trustee by 12:00 Noon, New York City time, on the related Mandatory Purchase Date, the Trustee will hold the funds received for the purchase of the Bonds in trust in a separate account and will pay such funds to the former Owners of the Bonds upon presentation of the Bonds. It shall be the duty of the Trustee to hold such funds (which shall be held uninvested or, at the direction of the Company, invested overnight only in Government Obligations), without liability for interest thereon, in trust for the benefit of, and subject to a security interest in favor of, the Owners of such undelivered Bonds, who shall thereafter be restricted exclusively to such funds, for any claim of whatever nature on the part of such Owners under the Indenture or on, or with respect to, such Bonds. Such undelivered Bonds will cease to be Outstanding and, therefore, to accrue interest as to the former Owners on the related Mandatory Purchase Date, and moneys representing the Purchase Price will be available against delivery of those Bonds at the Principal Office of the Trustee. The Trustee will authenticate a replacement Bond of the same series for any undelivered Bond which may then be remarketed by the Remarketing Agent.

**No Sales After Payment Default.** Anything in the Indenture to the contrary notwithstanding, if there has occurred and is continuing an Event of Default described in (i), (ii) or (iii) of the first paragraph below under “THE INDENTURE—DEFAULTS AND REMEDIES,” the Remarketing Agent will not remarket any Bonds; provided, that nothing described herein or in the Indenture will be construed as prohibiting purchases by the Remarketing Agent of Bonds on the related Mandatory Purchase Date.

**Purchase Fund.** There has been established and maintained under the Indenture with the Trustee a separate fund to be known as the Purchase Fund and separate accounts within the Purchase Fund to be known as the “Remarketing Proceeds Account” and the “Company Purchase Account.” The Trustee has further established a separate subaccount for each series of Bonds within such Accounts.

(a) **Remarketing Proceeds Account.** Upon receipt of the proceeds of a remarketing of the Bonds of a series by the Remarketing Agent, the Trustee will deposit such proceeds in the series subaccount of the Remarketing Proceeds Account to be used to pay the Purchase Price of the Bonds of such series.

(b) **Company Purchase Account.** Upon receipt of money provided by the Company pursuant to the Agreement for the payment of the Purchase Price of Bonds of a series, the Trustee will deposit such money in the series subaccount of the Company Purchase Account of the Bonds of such series.

(c) **Investment.** Amounts held in the Remarketing Proceeds Account and the Company Purchase Account and any subaccount therein by the Trustee will be held uninvested or, at the direction of the Company, invested by the Trustee overnight only in Government Obligations.

#### **BOOK-ENTRY ONLY SYSTEM**

The following information concerning DTC and DTC's Book-Entry Only System has been obtained from DTC and contains statements that are believed to describe accurately DTC, the method of effecting book-entry transfers of securities distributed through DTC and certain related matters, but the Authority, the Company, the Underwriters and the Remarketing Agent take no responsibility for the accuracy of such statements.

**Book-Entry System.** DTC is acting as Securities Depository for the Bonds. The Bonds have been issued as fully-registered securities, registered in the name of Cede & Co. (DTC's partnership nominee), or such other name as may be requested by an authorized representative of DTC. One fully registered bond for each series in the aggregate principal amount of the Bonds of such series will be deposited with DTC.

DTC is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments that DTC's Participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others, such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (the "Indirect Participants"). The DTC rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com). So long as the Bonds are maintained in book-entry form with DTC, the following procedures will be applicable with respect to the Bonds.

Purchases of the Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written

confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Bonds, except in the event that use of the book-entry system for the Bonds is discontinued. See “THE BONDS—BOOK-ENTRY ONLY SYSTEM—Discontinuance of Book-Entry Only System” below.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC’s partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the Trustee and request that copies of notices be provided directly to them. THE AUTHORITY, THE COMPANY, THE REMARKETING AGENT AND THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO SUCH DIRECT AND INDIRECT PARTICIPANTS OR THE PERSONS FOR WHOM THEY ACT AS NOMINEES WITH RESPECT TO THE BONDS.

Redemption notices will be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC’s practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Authority as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.’s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Principal and interest payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on the payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the Company, the Underwriters, the Remarketing Agent or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Authority or the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

A Beneficial Owner shall effect delivery of its Bonds for purchase on the related Mandatory Purchase Date by causing the Direct Participant to transfer the Participant's interest in the Bonds, on DTC's records, to the Trustee. The requirement for physical delivery of Bonds in connection with such mandatory purchase will be deemed satisfied when the ownership rights in the Bonds are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Bonds to the Trustee's DTC account.

DTC may discontinue providing its services as Securities Depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor Securities Depository is not obtained, bond certificates are required to be printed and delivered as described in the Indenture (see "THE BONDS—BOOK-ENTRY ONLY SYSTEM—Discontinuance of Book-Entry Only System" below). The Beneficial Owner, upon registration of certificates held in the Beneficial Owner's name, will become the registered owner of the Bonds.

The Authority, upon the direction of the Company, may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor Securities Depository). In that event, bond certificates will be printed and delivered as described in the Indenture (see "THE BONDS—BOOK-ENTRY ONLY SYSTEM—Discontinuance of Book-Entry Only System" below).

So long as Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC), is the registered owner of the Bonds, as nominee of DTC, references herein to the Bondholders or Owners or holders or registered owners of the Bonds mean Cede & Co. (or such other nominee) and not the Beneficial Owners. Under the Indenture, payments made by the Trustee to DTC or its nominee will satisfy the Authority's obligations under the Indenture and the Company's obligations under the Agreement to the extent of the payments so made. Beneficial Owners will not be, and will not be considered by the Authority or the Trustee to be, and will not have any rights as, registered owners of Bonds under the Indenture.

THE AUTHORITY, THE COMPANY, THE UNDERWRITERS, THE REMARKETING AGENT AND THE TRUSTEE WILL HAVE NO RESPONSIBILITY OR OBLIGATION TO ANY DIRECT PARTICIPANT,



INDIRECT PARTICIPANT OR ANY BENEFICIAL OWNER OR ANY OTHER PERSON WITH RESPECT TO: (1) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC OR ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT; (2) THE PAYMENT OF ANY AMOUNT DUE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER IN RESPECT OF THE PRINCIPAL AMOUNT OR REDEMPTION OR PURCHASE PRICE OF OR INTEREST ON THE BONDS; (3) THE DELIVERY OF ANY NOTICE BY DTC TO ANY DIRECT PARTICIPANT OR BY ANY DIRECT PARTICIPANT OR INDIRECT PARTICIPANT TO ANY BENEFICIAL OWNER WHICH IS REQUIRED OR PERMITTED TO BE GIVEN TO REGISTERED OWNERS UNDER THE TERMS OF THE INDENTURE; (4) THE SELECTION OF THE BENEFICIAL OWNERS TO RECEIVE PAYMENT IN THE EVENT OF ANY PARTIAL REDEMPTION OF THE BONDS; OR (5) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC OR ANY PARTICIPANT AS REGISTERED OWNER.

As long as DTC (or any successor Securities Depository) or its nominee is the registered owner of the Bonds, the Trustee will send any notice of redemption or of proposed document amendments requiring consent of registered owners and any other notices required by the documents to be sent to registered owners only to such registered owner. Any failure of DTC to advise any Direct Participant, or of any Direct Participant or Indirect Participant to notify the Beneficial Owner, of any such notice and its content or effect will not affect the validity of the redemption of the Bonds called for redemption, the document amendment or any other action premised on that notice.

The Authority, the Company, the Trustee, the Underwriters and the Remarketing Agent cannot and do not give any assurances that DTC will distribute payments of debt service on the Bonds made to DTC or its nominee as the registered owner or any redemption or other notices to the Participants, or that the Participants or others will distribute such payments or notices to the Beneficial Owners, or that they will do so on a timely basis, or that DTC will serve and act in the manner described in this Reoffering Circular.

According to DTC, the foregoing information concerning DTC has been provided for informational purposes only and is not intended to serve as a representation, warranty, or contract modification of any kind.

**Discontinuance of Book-Entry Only System.** The Indenture provides that the Book-Entry Only System for registration of the ownership of the Bonds of a series in book-entry form may be discontinued at any time if: (1) after notice to the Authority or the Trustee, DTC determines to resign as Securities Depository for the Bonds of such series; or (2) after notice to DTC, the Trustee and the Remarketing Agent, the Company determines that a continuation of the system of book-entry transfers through DTC (or through a successor securities depository) for such series of Bonds is not in the best interests of the Company; or (3) after notice to the Authority or the Trustee, DTC determines that the current system of book-entry transfers through DTC does not permit DTC to act as a securities depository for the Bonds of such series during the time that Bonds are in a particular Mode. In each of such events (unless, in the cases described in clause (1) or (3) above, the Company appoints a successor securities depository), the Bonds of such series will be delivered in registered certificate form to such persons, and in such principal amounts, as may be designated by DTC, but without any liability on the part of the Authority, the Trustee or the Company for the accuracy of such designation. Whenever DTC

requests the Authority and the Trustee to do so, the Authority and the Trustee will cooperate with DTC in taking appropriate action after reasonable notice to arrange for another securities depository to maintain custody of certificates evidencing the Bonds.

The Authority, at the request of the Company, hereafter may enter into Supplemental Indentures without notice to or consent of the Owners of any of the Bonds in order (i) to offer to the Beneficial Owners of the Bonds the option of receiving any Bonds in certificated form or (ii) to require the execution and delivery of certificated Bonds representing a portion or all of the Bonds, (A) if DTC ceases to serve as depository and no successor depository can be found to serve upon terms satisfactory to the Company, or (B) if the Company determines that it would be in its best interest or in the best interests of the Beneficial Owners of the Bonds that they obtain certificated Bonds; provided, that any such Supplemental Indenture is in form reasonably satisfactory to the Trustee and the Authority.

If at any time DTC ceases to hold the Bonds, all references herein and in the Indenture to DTC will be of no further force or effect.

The Trustee, the Authority and the Remarketing Agent may rely on information from DTC and its Participants as to the identity of, and the respective principal amount of Bonds beneficially owned by, the Beneficial Owners of the Bonds.

In the event that the Book-Entry Only System is discontinued, the principal or redemption price of and interest on the Bonds will be payable, and the Bonds will be issued in the Authorized Denominations, in the manner described above under the caption "THE BONDS—GENERAL." All Bonds will be transferable or exchangeable by the Owner, in person or by the Owner's attorney duly authorized in writing, at the Principal Office of the Trustee in the registration books required to be kept by the Trustee pursuant to the provisions of the Indenture, upon surrender of such Bonds accompanied by delivery of a duly executed written instrument of transfer or exchange in a form approved by the Trustee. Whenever any Bond or Bonds are surrendered for registration of transfer or exchange, the Authority will execute and the Trustee will authenticate and deliver a new Bond or Bonds of Authorized Denominations of the same series and aggregate principal amount as the Bonds so surrendered, except that the Trustee may require the payment by any Owner requesting such registration of transfer or exchange of any tax or other governmental charge required to be paid with respect to such transfer or exchange.

Neither the Authority nor the Trustee will be required to make any transfer or exchange of any Bonds of a series (i) during the period commencing on the date ten days prior to the date of redemption of such Bonds to such redemption date or (ii) after such Bonds (or any portion thereof) have been selected for redemption.

## **THE LOAN AGREEMENT**

The following is a summary of certain provisions of the Agreement. This summary does not purport to be complete, comprehensive or definitive and is not to be considered a full statement of the terms of the Agreement and accordingly is qualified in its entirety by reference to the Agreement and is subject to the full text thereof.

## **PAYMENTS**

The Company has agreed to make Repayment Installments in amounts sufficient to pay the principal of and interest on the Bonds when due. The Company has also agreed to pay to the Trustee, on the related Mandatory Purchase Date, an amount which, together with other moneys held by the Trustee under the Indenture and available therefor, will enable the Trustee to make such payment in full in a timely manner. In addition, the Company has agreed to pay reasonable fees and expenses of the Trustee and the Authority. The Company has the option, and in certain circumstances the obligation, to prepay all or a portion of the Repayment Installments in certain circumstances or upon the occurrence of certain events involving the redemption of the Bonds.

To secure and provide for the payments of Repayment Installments when they become due, the Company issued and delivered to the Trustee, concurrently with the issuance of the Bonds, its Series 2006 First Mortgage Bonds and has covenanted under the Agreement to maintain the Series 2006 First Mortgage Bonds in place during the term of the Agreement. Payments of Repayment Installments made by the Company will be considered to be a satisfaction, to such extent, of its obligation to make corresponding payments on the Series 2006 First Mortgage Bonds. The Company has agreed that upon the occurrence and continuation of an Event of Default under the Indenture as described below in clause (iii) of the first paragraph under “THE INDENTURE—DEFAULTS AND REMEDIES,” the Trustee may demand an immediate mandatory redemption of the Series 2006 First Mortgage Bonds.

## **UNCONDITIONAL OBLIGATION**

The Company’s obligations to make payments pursuant to the Agreement and the Series 2006 First Mortgage Bonds and to perform and observe the other agreements on its part contained in the Agreement are absolute and unconditional, irrespective of any defense or any rights of set-off, recoupment or counterclaim it might otherwise have against the Authority, the Trustee or any other person. During the term of the Agreement, the Company must pay absolutely all the Repayment Installments and all other payments required under the Agreement, free of any deductions and without abatement, diminution or set-off. Until such time as the principal of and interest on all of the Bonds have been fully paid (or provision for the payment thereof has been made as required by the Indenture), the Company (i) will not suspend or discontinue any Repayment Installments, any Purchase Price payments that have become due or any payments under the Series 2006 First Mortgage Bonds; (ii) will perform and observe all of its other covenants contained in the Agreement and in the Indenture; and (iii) except as provided in the Agreement, will not terminate the Agreement for any cause, including, without limitation, the occurrence of any act or circumstances that may constitute failure of consideration, destruction of or damage to the Project, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either of these, or any failure of the Authority or the Trustee to perform and observe any covenant, whether express or implied, or any duty, liability or obligation arising out of or connected with the Agreement or the Indenture.

## CERTAIN ADDITIONAL COVENANTS OF THE COMPANY

**Maintenance of Corporate Existence.** The Company has agreed that, during the term of the Agreement, it will maintain its corporate existence, will continue to maintain its status as a corporation in good standing in the State, will not dissolve or otherwise dispose of all or substantially all of its assets, and will not combine or consolidate with or merge into another Person or permit one or more Persons to consolidate with or merge into it unless the surviving, resulting or transferee Person is legally existing under the laws of one of the states of the United States and assumes and agrees in writing to pay and perform all of the obligations of the Company under the Agreement. The Company need not comply with any of the provisions described in the immediately preceding sentence or the next succeeding paragraph if, at the time of such merger, combination, sale of assets, dissolution or reorganization, the Bonds will be defeased as provided in the Indenture.

**Maintenance and Repair, Taxes, Insurance and Other Charges.** For so long as the Company owns, operates or controls the Project, to the extent permitted by applicable law and regulation, the Company will maintain, or cause to be maintained, the Project during the term of the Agreement, in as reasonably safe condition as its operations permit and in good repair and in good operating condition, ordinary wear and tear excepted. The Company agrees, subject to certain rights of contest, to pay or to cause to be paid all taxes, assessments and governmental charges of any kind lawfully assessed or levied upon the Project, all utility and other charges and all assessments and charges lawfully made by any governmental body for public improvements that may be secured by a lien on the Project. The Company agrees to maintain insurance (which may include self-insurance) with respect to the Project and the Company's activities related thereto against such risks, and in such amounts, as are consistent with the insurance practices of the Company.

**Assignments.** The rights and obligations of the Company under the Agreement may be assigned by the Company to any Person in whole or in part; provided (i) that no assignment, except for an assignment described above under "THE LOAN AGREEMENT—CERTAIN ADDITIONAL COVENANTS OF THE COMPANY—Maintenance of Corporate Existence," will relieve the Company from primary liability for any of its obligations under the Agreement, including its obligation to maintain the Series 2006 First Mortgage Bonds and the Company Indenture in full force and effect, (ii) the Company will retain such rights and interests as will permit it to perform its obligations under the Agreement, and any assignee must assume in writing the obligations of the Company to the extent of the interest assigned, (iii) the Authority and the Trustee will be furnished a true and complete copy of such assignment together with an instrument of assumption and an opinion of counsel satisfactory to the Authority that the requirements described in this paragraph have been complied with, and (iv) the Company will, on the effective date of such assignment, cause to be delivered to the Authority and the Trustee a written opinion of Bond Counsel to the effect that such assignment does not adversely affect the Tax-Exempt status of interest on any outstanding series of Bonds.

**Tax Matters.** The Company agrees that it has not taken or permitted to be taken and will not take or permit to be taken any action which will cause the interest on the Bonds to be includable in the federal gross income of the holders or Beneficial Owners thereof (except a

person who is a “substantial user” of the facilities refinanced with proceeds of the Bonds or a “related person” within the meaning of Section 103(b)(13) of the 1954 Code).

## **DEFAULTS**

Any one of the following which occurs and continues will constitute an “Event of Default” under the Agreement:

(i) failure by the Company to pay or cause to be paid any Repayment Installments when due which failure causes an Event of Default under the Indenture; or

(ii) failure by the Company to pay or cause to be paid the Purchase Price of a Bond when due which failure constitutes an Event of Default under the Indenture; or

(iii) failure of the Company to observe and perform any covenant, condition or agreement on its part required to be observed or performed under the Agreement, other than making the payments referred to in (i) and (ii) above, which continues for a period of 30 days after written notice from the Trustee or the Authority, given to the Company, which notice must specify such failure and request that it be remedied, unless the Authority and the Trustee agree in writing to an extension of such time period; provided, however, that if the failure stated in the notice cannot be corrected within such period, the Authority and the Trustee will not unreasonably withhold their consent to an extension of such time period if corrective action is instituted within such period and diligently pursued until the default is corrected; or

(iv) an Event of Default under the Indenture.

The provisions of (iii) above are subject to the limitation that the Company will not be deemed in default if and so long as the Company is unable to carry out its agreements under the Agreement by reason of strikes, lockouts or other industrial disturbances; acts of public enemies; orders of any kind of the government of the United States or of the State or any of their departments, agencies, or officials, or any civil or military authority; insurrections; riots; epidemics; landslides, lightning; earthquake; fire; hurricanes; storms; floods; washouts; droughts; arrests; restraint of government and people; civil disturbances; explosions, breakage or accident to machinery, transmission pipes or canals; partial or entire failure of utilities; or any other cause or event not reasonably within the control of the Company, the settlement of strikes, lockouts and other industrial disturbances being entirely within the discretion of the Company, and the Company will not be required to make settlement of strikes, lockouts and other industrial disturbances by acceding to the demands of the opposing party or parties when such course is, in the judgment of the Company, unfavorable to the Company.

Whenever any Event of Default under the Agreement has occurred and continues,

(a) The Trustee, by written notice to the Company, is required to declare the unpaid balance of the Repayment Installments in respect of the Bonds to be due and payable immediately, provided that concurrently with such notice the unpaid principal

amount of the Bonds has become immediately due and payable (acceleration of the unpaid balance of the Repayment Installments being thus dependent upon the prior acceleration of the Bonds);

(b) The Trustee may have access to and may inspect, examine and make copies of the books and records and any and all accounts and data of the Company relating to the Project; and

(c) The Authority or the Trustee may take whatever action at law or in equity as may be necessary or desirable to collect the payments and other amounts then due and thereafter to become due or to enforce performance and observance of any obligation, agreement or covenant of the Company under the Agreement.

In case proceedings are pending for the bankruptcy or for the reorganization of the Company under the federal bankruptcy laws or any other applicable law, or in case a receiver or trustee has been appointed for the property of the Company or in the case of any other similar judicial proceedings relative to the Company, or the creditors or property of the Company, then the Trustee will be entitled and empowered, by intervention in such proceedings or otherwise, to file and prove a claim or claims for the whole amount owing and unpaid pursuant to the Agreement and in case of any judicial proceedings, to file such proofs of claim and other papers or documents as may be necessary or advisable in order to have the claims of the Trustee allowed in such judicial proceedings relative to the Company, its creditors or its property, and to collect and receive any moneys or other property payable or deliverable on any such claims, and to distribute such amounts as provided in the Indenture after the deduction of its charges and expenses.

#### **AMENDMENTS, CHANGES AND MODIFICATIONS**

Except as otherwise provided in the Agreement or the Indenture, the Agreement may not be effectively amended, changed, modified, altered or terminated except in accordance with the Indenture. See “THE INDENTURE—AMENDMENTS TO THE AGREEMENT” herein.

#### **TERM OF AGREEMENT**

The Agreement will continue in effect as long as any of the Bonds are Outstanding under the Indenture or the Trustee holds any moneys under the Indenture, whichever is later. All representations and certifications by the Company as to all matters affecting the Tax-Exempt status of interest on the Bonds will survive the termination of the Agreement.

#### **THE INDENTURE**

The following is a summary of certain provisions of the Indenture. This summary does not purport to be complete, comprehensive or definitive and is not to be considered a full statement of the terms of the Indenture and accordingly is qualified in its entirety by reference to the Indenture and is subject to the full text thereof.

## **ASSIGNMENT OF AGREEMENT; PLEDGE OF REVENUES**

Pursuant to the Indenture, all rights, titles and interests of the Authority under the Agreement (except for certain rights to receive payment of expenses and to indemnification), including the right to receive Repayment Installments, are assigned and pledged to the Trustee to secure the punctual payment of the principal of and interest on the Bonds.

All of the Revenues and the Series 2006 First Mortgage Bonds are irrevocably pledged to the punctual payment of the principal of and interest on the Bonds, and the Revenues and the Series 2006 First Mortgage Bonds may not be used for any other purpose while any of the Bonds remain Outstanding. Said pledge constitutes a first and exclusive lien on the Revenues for the payment of the Bonds in accordance with the terms of the Indenture.

## **APPLICATION OF THE BOND FUND**

The Bond Fund, into which the Repayment Installments are required to be deposited, will be maintained with the Trustee. Except as otherwise provided in the Indenture, while any Bonds are Outstanding, moneys in the Bond Fund will be used solely for the payment of the principal of and interest on the Bonds as the same become due and payable at maturity, upon redemption or otherwise. The Trustee is required to deposit into the Bond Fund all Repayment Installments it receives.

## **DEFAULTS AND REMEDIES**

Each of the following events constitutes an “Event of Default” with respect to the Bonds under the Indenture:

- (i) Failure to make payment of any installment of interest on any Bond when the same becomes due and payable;
- (ii) Failure to make due and punctual payment of the principal of any Bond when the same becomes due and payable, whether at the stated maturity thereof or upon proceedings for redemption thereof or upon the maturity thereof by declaration;
- (iii) Failure to make due and punctual payment of the Purchase Price of any Bond on the related Mandatory Purchase Date pursuant to the Indenture;
- (iv) The occurrence of an “Event of Default” under the Agreement;
- (v) Default by the Authority in the performance or observance of any other of the covenants, agreements or conditions on its part contained in the Indenture or in the Bonds, and the continuance of such default for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, has been given to the Authority and the Company by the Trustee, or to the Authority, the Company and the Trustee by the Holders of not less than 25% in aggregate principal amount of the Bonds at the time Outstanding; or

(vi) A “default” by the Company on any of its First Mortgage Bonds, as set forth in the Company Indenture.

No default described in (v) above will constitute an Event of Default unless the Authority and/or the Company have failed to correct such default within the applicable period; provided, however, that if the default is such that it can be corrected, but cannot be corrected within such period, it will not constitute an Event of Default if corrective action is instituted by the Authority or the Company within the applicable period and is being diligently pursued. With regard to any alleged default concerning which notice is given to the Company under the provisions described above, the Authority has granted to the Company under the Indenture full authority for the account of the Authority to perform any covenant or obligation the non-performance of which is alleged in said notice to constitute a default in the name and stead of the Authority with full power to do any and all things and acts to the same extent that the Authority could do and perform any such things and acts and with power of substitution. Notwithstanding such grant, the Company will have no obligation to cure any default of the Authority.

Upon the occurrence and continuation of an Event of Default described in (iii) above, the Trustee may, by notice to the First Mortgage Trustees, demand an immediate mandatory redemption of the Series 2006 First Mortgage Bonds as provided therein.

Upon the occurrence and continuance of an Event of Default under the Indenture, and upon the condition that, in accordance with the terms of the Company Indenture, the First Mortgage Bonds issued and outstanding thereunder have become immediately due and payable pursuant to any provision of the Company Indenture or the mandatory redemption of the Series 2006 First Mortgage Bonds has been demanded by the Trustee pursuant to the Indenture as described in the immediately preceding paragraph, the Bonds will, without further action, become and be immediately due and payable, anything in the Indenture or in the Bonds to the contrary notwithstanding, and the Trustee will give notice thereof in writing to the Authority and the Company, and notice to the Bondholders in the same manner as a notice of redemption under the Indenture. The amount so immediately due and payable upon the Bonds will be (i) the principal amount thereof plus (ii) interest accrued thereon to such date. Acceleration of the Bonds is thus dependent upon either (x) the prior acceleration of all outstanding First Mortgage Bonds or (y) the demand by the Trustee for the redemption of the Series 2006 First Mortgage Bonds.

The preceding paragraph, however, is subject to the condition that if the acceleration of the First Mortgage Bonds, or the demand for the mandatory redemption of the Series 2006 First Mortgage Bonds, as the case may be, has been rescinded and annulled, the automatic acceleration of the Bonds under the Indenture will be automatically rescinded and annulled without further action of the Trustee.

In the event the Trustee recovers any moneys following an Event of Default, such moneys and moneys in the Bond Fund on or after the occurrence of an Event of Default, are required to be applied (except as otherwise provided in the Indenture): (i) first, to the payment of all the Trustee’s fees and expenses, including for the services of counsel, agents and employees properly engaged and employed, and all other expenses and liabilities incurred, and any



advances made pursuant to the provisions of the Indenture with interest on all such advances at the rate of 10% per annum, (ii) second, in case the principal of none of the Outstanding Bonds has become due and remains unpaid, to the payment of any interest in default on the Outstanding Bonds in order of the maturity thereof, ratably and proportionately to the persons entitled thereto without discrimination or preference, and (iii) third, in case the principal of any of the Outstanding Bonds has become due by declaration of acceleration or otherwise and remains unpaid, to the payment of the principal of all Outstanding Bonds then due and unpaid, then to the payment of interest in default in order of maturity thereof, in every instance such payment to be made ratably to the persons entitled thereto without discrimination or preference.

## **SUPPLEMENTAL INDENTURES**

The Authority and the Trustee, without the consent of, or notice to, any of the Holders of the Bonds, may enter into Supplemental Indentures: (i) to add to the covenants and agreements of the Authority contained in the Indenture, or to assign or pledge additional security for the Bonds, or to surrender any right or power reserved or conferred upon the Authority in the Indenture, provided such change does not materially adversely affect the interests of the holders of the Bonds; (ii) to cure any ambiguity or correct or supplement any defective provision contained in the Indenture which does not materially adversely affect the interests of the holders of the Bonds; (iii) to permit qualification of the Indenture under the Trust Indenture Act of 1939 or similar federal statute, provided such change does not materially adversely affect the interests of the holders of the Bonds; (iv) to provide for the procedures required to permit any holder of a Bond, at its option, to utilize an uncertificated system of Bond registration and which does not materially adversely affect the interests of the holders of the Bonds; (v) to make any other change, which in the judgment of the Trustee, is not to the prejudice of the Trustee and which does not materially adversely affect the interests of the holders of the Bonds; (vi) to comply with the requirements of Fitch, Moody's or S&P, as applicable, as a condition of rating, or maintaining an existing rating on, the Bonds, provided such change is not materially adverse to the interests of the holders of the Bonds; (vii) to provide for (or subsequently modify) an additional Mode for the Bonds and the provisions relating thereto; (viii) to provide for the delivery of Bonds in book-entry form and as provided in the Indenture; (ix) to grant to the Trustee for the benefit of the Owners additional rights, remedies, powers or authority; (x) to subject to the Indenture additional collateral; (xi) to permit the qualification of the Bonds for sale under the securities laws of any state of the United States; (xii) to authorize different Authorized Denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different Authorized Denominations, redemptions of portions of Bonds of particular Authorized Denominations and similar amendments and modifications of a technical nature; (xiii) to evidence the succession of a new Trustee or the appointment by the Trustee, with the consent of the Company, of a separate trustee or co-trustee; (xiv) to make any change that does not materially adversely affect the rights of any Owner; or (xv) to make any change necessary, desirable or appropriate to facilitate the provisions of a Credit Facility.

The holders of not less than 66-2/3% in aggregate principal amount of the then Outstanding Bonds (provided, however, that if there is more than one series of Bonds Outstanding and if a proposed Supplemental Indenture directly affects the rights of the holders of

one or more series of Bonds, but less than all of such series, then the consent only of the holders of not less than 66-2/3% in aggregate principal amount of the Outstanding Bonds of all series so directly affected will be required) will have the right to consent to and approve the execution by the Authority and the Trustee of Supplemental Indentures which add any provisions to, change in any manner or eliminate any of the provisions of, the Indenture or of any Supplemental Indenture; provided, however, without the consent of the holders of all Bonds then Outstanding, no such Supplemental Indenture may (i) extend the fixed maturity of, reduce the principal amount of, reduce the rate or extend the time of payment of interest on, any Bond, or (ii) reduce the aforesaid percentage of holders of Bonds whose consent is required for the execution of such Supplemental Indentures, or (iii) extend the time of payment or reduce the amount of any payment, or (iv) permit the creation of any lien on the Revenues prior to or on a parity with the lien of the Indenture, or (v) permit the creation of any preference of any Bondholder over any other Bondholder, or (vi) deprive the holders of the Bonds of the lien created by the Indenture on the Revenues, or (vii) extend the due date for the purchase of the Bonds on the related Mandatory Purchase Date or reduce the Purchase Price of such Bonds. Upon receipt by the Trustee of a certified resolution authorizing the execution by the Authority of any such Supplemental Indenture, and upon the filing with the Trustee of evidence of the consent of Bondholders, the Trustee will accept such Supplemental Indenture by execution unless such Supplemental Indenture affects the Trustee's own rights, duties or immunities under the Indenture, in which case the Trustee may in its discretion, but is not be obligated to, enter into such Supplemental Indenture.

If at any time the Authority requests the Trustee to enter into any Supplemental Indenture described in the immediately preceding paragraph, the Trustee will cause notice of the proposed adoption of such Supplemental Indenture to be given to each Bondholder in substantially the manner provided with respect to redemption of Bonds. Such notice will be prepared by the Company and will briefly set forth the nature of the proposed Supplemental Indenture.

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

Promptly after the execution by the Authority and the Trustee of any Supplemental Indenture, the Trustee will mail a notice, to be prepared by the Company, setting forth in general terms the substance of such Supplemental Indenture, to each Bondholder at the address contained in the registration books maintained by the Trustee. Any failure of the Trustee to give such notice, or any defect therein, will not, however, in any way impair or affect the validity of any such Supplemental Indenture.

No Supplemental Indenture will become effective unless and until the Company consents to the execution and delivery of such Supplemental Indenture. The Company will be given prior written notice of the proposed execution and delivery of any Supplemental Indenture.

## **AMENDMENTS TO THE AGREEMENT**

The Authority and the Company may, with the consent of the Trustee, but without the consent of or notice to the Bondholders, amend, change or modify the Agreement (i) as may be required by the provisions of the Agreement and the Indenture, (ii) for the purpose of curing any ambiguity or formal defect or omission, (iii) in connection with any other change which, in the judgment of the Trustee, is not to the prejudice of the Trustee or materially adverse to the Bondholders, or (iv) to comply with the requirements of Fitch, Moody's or S&P, as the case may be, as a condition of rating, or maintaining an existing rating on, the Bonds, provided such change is not materially adverse to the interests of the Owners of any of the Bonds. Except for the amendments, changes or modifications as provided in the preceding sentence, the Authority and the Trustee may not consent to any amendment, change or modification of the Agreement without the consent of the holders of not less than 66-2/3% in aggregate principal amount of the Bonds then Outstanding (provided, however, that if there is more than one series of Bonds Outstanding and if a proposed amendment, change or modification of the Agreement directly affects the rights of the holders of one or more series of Bonds, but less than all of such series, then the consent only of the holders of not less than 66-2/3% in aggregate principal amount of the Outstanding Bonds of all series so directly affected will be required); provided, however, that the foregoing will not permit or be construed as permitting without the consent of the holders of 100% in aggregate principal amount of the Bonds then outstanding (a) an extension of the time of payment of any Repayment Installment or Purchase Price payment, or (b) a reduction in the amount of any payment or in the total payment of any Repayment Installments or Purchase Price payments payable under the Agreement, or (c) a change in the requirements of the Agreement with respect to the maintenance of the Series 2006 First Mortgage Bonds.

## **OPINION OF BOND COUNSEL; TRUSTEE CONSENT**

Anything in the Indenture to the contrary notwithstanding, no Supplemental Indenture or amendment, change or modification to the Agreement will become effective unless there has been delivered to the Trustee an opinion of Bond Counsel to the effect that such Supplemental Indenture or amendment, change or modification to the Agreement complies with the provisions of the Indenture and does not adversely affect the Tax-Exempt status of interest on the Bonds. The Trustee is required under the Indenture to consent to any Supplemental Indenture or amendment, change or modification to the Agreement provided such opinion of Bond Counsel is so delivered and provided such does not adversely affect the rights, duties, liabilities or immunities of the Trustee. If the rights, duties, liabilities or immunities are affected, the Trustee may, but need not, consent to it.

## **DISCHARGE OF INDENTURE**

If the entire indebtedness on all Bonds Outstanding has been paid and discharged in any one or more of the following ways:

- (a) by the payment of the principal of and interest on all Bonds Outstanding, as and when the same become due and payable; or

(b) by the delivery to the Trustee, for cancellation by it, of all Bonds Outstanding;

and if all other sums payable under the Indenture by the Authority have been paid and discharged, then the Indenture will cease, terminate and become null and void except only as provided in the Indenture, and the Trustee will, upon the written request of the Company or the Written Request of the Authority, and upon receipt by the Trustee of a certificate of the Company and an Opinion of Counsel, each stating that in the opinion of the signers all conditions precedent to the satisfaction and discharge of the Indenture have been complied with, execute proper instruments acknowledging satisfaction of and discharging the Indenture.

Notwithstanding the satisfaction and discharge of the Indenture or the discharge of the Indenture in respect of any Bonds, the provisions of the Indenture relating to the maturity of the Bonds, interest payments and dates thereof, exchange and transfer of Bonds, replacement of mutilated, destroyed, lost or stolen Bonds, the safekeeping and cancellation of Bonds, nonpresentment of Bonds and the duties of the Trustee in connection with all of the foregoing, will remain in effect and will be binding upon the Authority, the Trustee and the Owners of the Bonds and the Trustee will continue to be obligated to hold in trust any moneys or investments then held by the Trustee for the payment of the principal, Purchase Price and redemption price of and interest on the Bonds, and to pay to the Owners of Bonds the funds so held by the Trustee as and when such payment becomes due.

Any Bond or Authorized Denomination thereof will be deemed to be paid within the meaning of the Indenture when (a) payment of the principal of such Bond or Authorized Denomination thereof, plus interest thereon to the due date thereof (whether such due date is by reason of maturity or upon redemption) either (i) has been made or caused to be made in accordance with the terms thereof, or (ii) has been provided for by irrevocably depositing with the Trustee in trust and irrevocably setting aside exclusively for such payment (1) moneys sufficient to make such payment and/or (2) nonprepayable, noncallable Government Obligations, maturing as to principal and interest in such amount and at such time or times as will insure, without reinvestment, the availability of sufficient moneys, in the opinion of an accountant, banker or other expert reasonably acceptable to the Trustee, to make such payment and (b) all necessary and proper fees, compensation and expenses of the Trustee pertaining to any such deposit have been paid or the payment thereof provided for to the satisfaction of the Trustee; and provided that if such Bonds are to be redeemed prior to the maturity thereof, notice of such redemption must have been given or irrevocable provisions satisfactory to the Trustee must have been made for giving such notice. At such time or times as a Bond or Authorized Denomination thereof is deemed to be paid, such Bond or Authorized Denomination thereof will no longer be secured by or entitled to the benefits of the Indenture, except for the purposes of transfer and exchange and any such payment from such moneys and/or Government Obligations.

The Authority or the Company may at any time surrender to the Trustee for cancellation by it any Bonds previously authenticated and delivered which the Authority or the Company lawfully may have acquired in any manner whatsoever, and such Bonds, upon such surrender and cancellation, will be deemed to be paid and retired.

In the event any Bond has not be presented for payment when the principal thereof becomes due, either at maturity or otherwise, or at the date fixed for redemption thereof or in the event any interest payment thereon is unclaimed, and moneys sufficient to pay such Bond or interest have been deposited with the Trustee, all liability of the Authority and the Company to the owner thereof for the payment of such Bond or interest will cease, determine and be completely discharged and thereupon it will be the duty of the Trustee to hold such moneys, without liability for interest thereon, for the benefit of the owner of such Bond who will thereafter be restricted exclusively to such moneys, for any claim of whatever nature on his part under the Indenture or on, or with respect to, said Bond.

### **THE SERIES 2006 FIRST MORTGAGE BONDS**

The following description discusses the general terms and provisions of the Company's First Mortgage Bonds, including the Series 2006 First Mortgage Bonds. The Series 2006 First Mortgage Bonds have been issued under the Company Indenture.

The Company Indenture contains the full legal text of the matters described in this section. Because this section is a summary, it does not describe every aspect of the First Mortgage Bonds or the Company Indenture. This summary is subject to and qualified by all the provisions of the Company Indenture, including definitions of terms used in the Company Indenture. A copy of the Company Indenture may be obtained upon request to the Company, or through the Internet, as described in APPENDIX A.

#### **GENERAL**

Before issuing the Series 2006 First Mortgage Bonds, the Company specified the terms of the Series 2006 First Mortgage Bonds through a board or executive committee resolution, an officer's action, or a supplemental indenture. The Series 2006 First Mortgage Bonds were issued in the principal amount and mature on the Maturity Date of the Bonds and will bear interest at the same rate or rates, payable at the same times, as the Bonds. The Series 2006 First Mortgage Bonds are registered in the name of and owned and held by the Trustee for the benefit of the owners of the Bonds and will not be transferable except to a successor Trustee under the Indenture.

In the event of the mandatory redemption, unconditional optional redemption, or acceleration of the Bonds, the Company is required to redeem the Series 2006 First Mortgage Bonds in a principal amount equal to the principal amount of the Bonds to be paid.

The Company's obligation to make any payment of the principal of or interest on the Series 2006 First Mortgage Bonds, whether at maturity, upon redemption or acceleration, or otherwise, will be reduced by the amount of any reduction under the Indenture of the corresponding payment of principal of or interest on the Bonds.

## SECURITY

The Series 2006 First Mortgage Bonds, as to the security afforded by the Company Indenture, are secured equally and ratably with all the Company's other First Mortgage Bonds by a legally valid first lien or charge on substantially all of the property and franchises now owned by the Company (with exceptions and exclusions noted below). Such lien and the Company's title to its properties are subject to the terms of franchises, licenses, easements, leases, permits, contracts and other instruments under which properties are held or operated, statutes and governmental regulations, liens for taxes and assessments, and liens of the First Mortgage Trustees. In addition, such liens and the Company's title to its properties are subject to other liens, prior rights and other encumbrances, none of which, with minor or insubstantial exceptions, affects from a legal standpoint the security for the First Mortgage Bonds or the Company's rights to use such properties in its business, unless the matters with respect to the Company's interest in the Four Corners Generating Station, a coal-fired electric power generating plant located in San Juan County, New Mexico (the "Four Corners Generating Station"), and the related easement and lease referred to in the following paragraph may be so considered.

The Company's rights and the rights of the First Mortgage Trustees in the Four Corners Generating Station in northern New Mexico, located on land of the Navajo Nation under an easement from the United States and a lease from the Navajo Nation, may be subject to possible defects in title, including possible conflicting grants or encumbrances not ascertainable because of the absence of or inadequacies in the applicable recording law and the record systems of the Bureau of Indian Affairs and the Navajo Nation, the Company's possible inability to resort to legal process to enforce the Company's rights against the Navajo Nation without Congressional consent, possible impairment or termination under certain circumstances of the easement and lease by the Navajo Nation, Congress, or the Secretary of the Interior, and the possible invalidity of the Company Indenture lien against the Company's interest in the easement, lease, and improvements at the Four Corners Generating Station. The Company cannot predict what effect, if any, such possible defects may have on the Company's interest in the Four Corners Generating Station.

The Company has entered into a contract with Arizona Public Service Company ("APS") providing for the sale to APS of the Company's undivided interest in the Four Corners Generating Station. The contract is subject to various conditions and may currently be terminated by either party. Upon consummation of this transaction, the Company's undivided interest in the Four Corners Generating Station would be released from the lien of the Company Indenture in accordance with the provisions thereof.

The Company Indenture provides that property hereafter acquired (other than excepted kinds noted below) is to become subject to the lien of the Company Indenture. Such property may be subject to prior liens and other encumbrances.

Properties excepted from the lien of the Company Indenture include cash, accounts receivable, deposits, bills and notes, contracts, leases under which the Company is lessor, securities not specifically required to be pledged, office equipment, vehicles, and all materials,

supplies and electric energy acquired or produced for sale, consumption or use in the ordinary conduct of business.

### **SPECIAL TRUST FUND**

The Company is required to deposit in a special trust fund with The Bank of New York Mellon Trust Company, N.A., as trustee, on each May 1 and November 1, cash equal to 1-1/2% (subject to redetermination by agreement between the Company and The Bank of New York Mellon Trust Company, N.A., as trustee) of the aggregate principal amount of the First Mortgage Bonds and underlying bonds then outstanding (excluding certain bonds and underlying bonds, such as bonds called for redemption), less certain amounts paid or credited in respect of underlying bonds. The term “underlying bonds” is defined in the Company Indenture to mean any securities or other evidence of indebtedness secured by property subsequently acquired by the Company. Amounts in the special trust fund may, in general, be paid out for payment, redemption (at the redemption prices set forth in the First Mortgage Bonds and subject to the limitation on refunding applicable to various series) or purchase of First Mortgage Bonds or underlying bonds, or to reimburse the Company for the acquisition of certain additional properties. The foregoing deposit requirement has not affected the Company’s cash flow, because the cash deposited has been simultaneously offset by its payment to the Company to reimburse it for the acquisition of additional properties. Thus, there currently are no funds on deposit in the special trust fund.

### **ISSUE OF ADDITIONAL FIRST MORTGAGE BONDS**

In general, additional First Mortgage Bonds, ranking equally and ratably with the then-outstanding First Mortgage Bonds, may be issued in principal amounts equal to the lesser of (i) the amount authorized under the net earnings test described below and (ii) the sum of the following:

- (a) Certain First Mortgage Bonds and underlying bonds acquired, redeemed or otherwise retired.
- (b) Cash deposited to pay or redeem First Mortgage Bonds or underlying bonds.
- (c) 66-2/3% of the net amount of additional property constructed or acquired by the Company and not theretofore used for other purposes under the Company Indenture, subject to certain restrictions.
- (d) Cash deposited in an advance construction account with The Bank of New York Mellon Trust Company, N.A., as trustee (in certain events with such trustee’s consent), to be withdrawn to reimburse the Company for 66-2/3% of unbonded additional property.

As of December 31, 2012, the amount of First Mortgage Bonds acquired, redeemed or otherwise retired against which bonds might be issued under the Company Indenture pursuant to

clause (a) above was \$0. The net amount of additional property against which First Mortgage Bonds might be issued under the Company Indenture pursuant to clause (c) above was approximately \$24.85 billion, resulting in the ability to issue \$16.57 billion of First Mortgage Bonds pursuant to clause (c) (i.e. \$24.85 billion x .6666 = \$16.57 billion). The aggregate amount of additional First Mortgage Bonds that the Company could issue under clauses (a) and (c) above would, if other conditions were met, be approximately \$16.57 billion. As of December 31, 2012, the Company had approximately \$8.71 billion of First Mortgage Bonds outstanding (including \$939 million of First Mortgage Bonds issued to secure pollution control bonds).

Furthermore, in addition to the Company Indenture's bondable property requirement described in clause (c) above, the Company Indenture also provides that additional First Mortgage Bonds may not be issued unless the Company's net earnings (as defined) for twelve months shall have been at least two and one-half times (2.5x) the Company's total annual First Mortgage Bond interest charge. At December 31, 2012, under the net earnings test the Company could issue \$27.95 billion of additional First Mortgage Bonds (based on net earnings for the twelve months ended December 31, 2012 and assuming the current interest rates on variable-rate bonds). Notwithstanding the net earnings requirement, additional First Mortgage Bonds may be issued under the provisions referred to in (a) and (b) above under some circumstances involving, among other things, issuance of First Mortgage Bonds not bearing a higher interest rate than the First Mortgage Bonds to be retired, issuance of First Mortgage Bonds to pay or redeem First Mortgage Bonds maturing within two years, and issuance of First Mortgage Bonds on the basis of acquisition, redemption or other retirement of underlying bonds. Additional First Mortgage Bonds may not be issued under the provisions referred to in paragraphs (c) and (d) above during any period when indebtedness secured by a prior lien on acquired utility property has not been established as underlying bonds.

Other than the security afforded by the lien of the Company Indenture and restrictions on the issuance of additional bonds described above, there are no provisions of the Company Indenture which afford holders of the First Mortgage Bonds protection against the Company increasing the Company's ratio of total debt to total "bondable" assets.

## **DEFAULTS AND OTHER PROVISIONS**

The Company Indenture provides that the following are defaults:

- default in payment of principal;
- default for 60 days in payment of interest or satisfaction of the special trust fund obligation;
- default under the Company's covenants and conditions in the Company Indenture or in the First Mortgage Bonds for 60 days after notice by The Bank of New York Mellon Trust Company, N.A., as trustee;



- certain acts of bankruptcy and certain events in bankruptcy, insolvency, receivership or reorganization proceedings; and
- the Company's failure to discharge or stay within 60 days any judgment against the Company for the payment of money in excess of \$100,000.

A California court may not strictly enforce certain of the Company's covenants contained in the Company Indenture or the First Mortgage Bonds or allow acceleration of the due date of the First Mortgage Bonds, or mandatory redemption of the First Mortgage Bonds upon demand by the Trustee, if it concludes that such enforcement, acceleration or redemption would be unreasonable under the then existing circumstances. However, such enforcement, acceleration or redemption may be available if an event of default occurs as a result of a material breach of a material covenant contained in the Company Indenture or the First Mortgage Bonds.

The Company Indenture and the Trust Indenture Act of 1939 require the Company to file with the First Mortgage Trustees documents and reports with respect to the absence of default and compliance with the terms of the Company Indenture annually and upon the authentication and delivery of additional First Mortgage Bonds, the release of cash or property, the satisfaction and discharge of the Company Indenture, or any other action requested to be taken by the First Mortgage Trustees at the Company's request.

The holders of a majority in principal amount of outstanding First Mortgage Bonds may require the First Mortgage Trustees to enforce the lien of the Company Indenture upon the happening (and continuance for the prescribed grace period, if any) of any of the defaults referred to above, and upon the indemnification of the First Mortgage Trustees to their reasonable satisfaction.

#### **CONCERNING THE FIRST MORTGAGE TRUSTEES**

The Bank of New York Mellon Trust Company, N.A. and certain of its affiliates act as trustees for the Company's senior debt securities and certain pollution control bonds issued on the Company's behalf, including the Bonds. The Company maintains bank deposits with The Bank of New York Mellon Trust Company, N.A. and may borrow money from the bank from time to time.

Neither by the Company Indenture nor otherwise are the First Mortgage Trustees restricted from dealing in the First Mortgage Bonds as freely as though they were not the First Mortgage Trustees. However, the Trust Indenture Act provides that if a trustee acquires or has acquired a conflicting interest, as defined in the Trust Indenture Act, and a default under the indenture occurs or has occurred, such trustee must within 90 days following the default eliminate such conflict, cure the default, or resign. The Trust Indenture Act provides that a trustee with an uncured conflict of interest will not be required to resign if it can show that the conflict will be cured or the default waived within a reasonable time and a stay of its duty to resign is not inconsistent with the interests of the holders of the outstanding securities. In certain cases, the Company Indenture and the Trust Indenture Act require the First Mortgage Trustees to

share the benefit of payments received as a creditor after the beginning of the third month prior to a default.

#### **MODIFICATION OF THE COMPANY INDENTURE**

The holders of 80% in principal amount of all First Mortgage Bonds outstanding may authorize release of trust property, waive defaults and authorize certain modifications of the Company Indenture. However, the Company's obligation to pay principal and interest will continue unimpaired; and such modifications may not include, among other things, modifications giving any First Mortgage Bonds preference over other First Mortgage Bonds or authorizing any lien prior to that of the Company Indenture. In addition, modifications of rights of any series require the assent of the holders of 80% in principal amount of the First Mortgage Bonds of that series.

#### **THE TRUSTEE**

There will at all times be a Trustee under the Indenture which will be a bank, national association or trust company, organized and doing business under the laws of the United States or a state thereof and authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least \$75,000,000 and subject to supervision or examination by state or federal authorities. If such bank, national banking association or trust company publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining authority above referred to, then for the purposes of the Indenture the combined capital and surplus of such bank, national banking association or trust company will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

The Trustee may at any time resign by giving written notice to the Authority and the Company and by giving to the Bondholders notice by first class mail. The Trustee will also mail a copy of any such notice of resignation to the Rating Agencies. Upon receiving such written notice of resignation, the Authority, at the direction of the Company (provided that the Company is not in default under the Agreement), will appoint a successor trustee or registrar, as the case may be by an instrument in writing.

The Trustee may be removed at any time by an instrument or concurrent instruments in writing delivered to the Trustee, to the Authority and to the Company, and signed by the owners of a majority in aggregate principal amount of the Outstanding Bonds. In addition, the Trustee may be removed, upon written notice from the Authority, at the direction of the Company (provided that the Company is not in default under the Agreement), to the Trustee. Upon any such removal, the Authority, at the direction of the Company (provided that the Company is not in default under the Agreement), or such Bondholders, as the case may be, will appoint a successor Trustee. If no successor Trustee has been so appointed and accepted appointment within 30 days after the giving of such notice of resignation or removal, the Trustee resigning or being removed may petition at the expense of the Company any court of competent jurisdiction for the appointment of a successor Trustee.

The Authority has authorized and directed the Trustee under the Indenture, and the Trustee has agreed, to take such actions in accordance with the terms of the Series 2006 First Mortgage Bonds as are necessary to realize moneys under the Series 2006 First Mortgage Bonds to make timely payment of principal of and interest on the Bonds to the extent other moneys in the Bond Fund are not available for such payment.

The Trustee, as holder of the Series 2006 First Mortgage Bonds, will attend meetings of bondholders under the Company Indenture or deliver its proxy in connection therewith. So long as no Event of Default has occurred and is continuing under the Indenture, either at such meeting, or otherwise when the consent of the holders of the First Mortgage Bonds issued under the Company Indenture is sought without a meeting, the Trustee will vote as the holder of the Series 2006 First Mortgage Bonds, or will consent with respect thereto, proportionately with what the Trustee reasonably believes will be the vote or consent of the holders of all other outstanding First Mortgage Bonds voting or consenting; provided, however, that if (i) the Company has proposed one or more modifications to the Company Indenture and (ii) each Rating Agency has indicated in writing that such modification or modifications would not result in a withdrawal or a reduction of the ratings on the First Mortgage Bonds of the Company issued under the Company Indenture, the Trustee will vote as holder of the Series 2006 First Mortgage Bonds or will consent in writing with respect thereto, to approve, adopt and consent to such modification or modifications; and provided further, that the Trustee will not vote in favor of, or consent to, any modification of the Company Indenture which is of such a character or nature as would require the approval of the owners of the Bonds were such modification to be made to the Indenture without the approval of the owners of Bonds which would be required for a correlative modification of the Indenture. Where the direction to the Trustee described in this paragraph is not applicable, the Trustee is authorized under the Indenture to act with respect to the Series 2006 First Mortgage Bonds as otherwise permitted or required by the Indenture.

#### **REOFFERING**

The Underwriters have agreed, jointly and severally, subject to certain conditions to purchase the Bonds on the Mode Change Date at a purchase price of 100% of the principal amount thereof. The Company has agreed to pay the Underwriters compensation of \$803,250 and to reimburse the Underwriters for certain reasonable out-of-pocket expenses. The Underwriters have agreed to purchase all Bonds if any are purchased. The Company has agreed to indemnify the Underwriters against certain liabilities or to contribute to any payments required to be made by the Underwriters relating to such liabilities, including liabilities under the federal securities laws. The Underwriters may offer and sell Bonds to certain dealers (including dealers depositing Bonds into investment trusts) and others at prices lower than the offering price stated on the cover page of this Reoffering Circular. After the initial public reoffering, the public offering price of the Bonds may be changed from time to time by the Underwriters.

Each of the Underwriters and/or their affiliates engages in transactions with and performs investment banking and other services for the Company and its affiliates from time to time in the ordinary course of business.

De La Rosa & Co., one of the Underwriters of the Bonds, has entered into separate agreements with Credit Suisse Securities USA LLC, UnionBanc Investment Services LLC, and City National Securities, Inc. for retail distribution of certain municipal securities offerings, at the original issue prices. Pursuant to said agreement, if applicable to the Bonds, De La Rosa & Co. will share a portion of its underwriting compensation with respect to the Bonds, with Credit Suisse Securities USA LLC or UnionBanc Investment Services LLC or City National Securities, Inc.

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The consolidated financial statements incorporated in this Reoffering Circular by reference to the Annual Report on Form 10-K for the year ended December 31, 2012, have been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report incorporated herein.

#### **TAX MATTERS**

In the opinion of Greenberg Traurig, LLP, Bond Counsel, under existing statutes, regulations, rulings and court decisions and assuming continuing compliance with certain covenants and the accuracy of certain representations and certifications, (1) interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, except for interest on any Bond for any period during which that Bond is held by a “substantial user” or a “related person” as those terms are used in Section 103(b)(13) of the 1954 Code, and (2) interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Bond Counsel is further of the opinion that interest on the Bonds is exempt from personal income tax imposed by the State of California. Bond Counsel will express no opinion as to any other tax consequences regarding the Bonds.

The opinion of Bond Counsel will be based on, and will assume the accuracy of certain representations and certifications and compliance with, certain covenants of the Authority and the Company to be contained in the transcript of proceedings and that are intended to evidence and assure that under present law the Bonds are and will remain obligations the interest on which is excludable from gross income for federal income tax purposes. Bond Counsel will not independently verify the accuracy of those representations and certifications.

The 1954 Code and the Code prescribe a number of qualifications and conditions for the interest on state and local government obligations to be and to remain excludable from gross income of the owners thereof for federal income purposes under present law, some of which require future or continued compliance in order for the interest to be and to remain so excludable from the date of issuance of the obligations. Noncompliance with these requirements by the Authority or the Company may cause the interest on the Bonds to be included in gross income of the owners thereof for federal income tax purposes and thus to be subject to federal income tax

retroactively to the date of issuance of the Bonds. The Authority and the Company have covenanted to take the actions required of them for the interest on the Bonds to be and to remain excludable from gross income of the owners thereof for federal income tax purposes under present law, and not to take any actions that would adversely affect that excludability.

Except as described above, Bond Counsel will express no opinion regarding the federal income tax consequences resulting from the ownership of, receipt or accrual of the interest on, or disposition of the Bonds. Prospective purchasers of the Bonds should be aware that the ownership of the Bonds may result in other collateral federal tax consequences, including (i) the denial of a deduction for interest on indebtedness incurred or continued to purchase or carry the Bonds or, in the case of a financial institution, that portion of an owner's interest expense allocable to interest on the Bonds; (ii) the reduction of the loss reserve deduction for property and casualty insurance companies by 15% of certain items, including interest on the Bonds; (iii) the inclusion of interest on the Bonds in the earnings of certain foreign corporations doing business in the United States for purposes of a branch profits tax; (iv) the inclusion of interest on the Bonds in the passive income subject to federal income taxation of certain Subchapter S corporations with Subchapter C earnings and profits at the close of the taxable year; and (v) the inclusion of interest on the Bonds in the determination of the taxability of certain Social Security and Railroad Retirement benefits to certain recipients of such benefits. The nature and extent of the other tax consequences described above will depend on the particular tax status and situation of each owner of the Bonds. Prospective purchasers of the Bonds should consult their own tax advisors as to the impact of these other tax consequences.

Purchasers of the Bonds at other than their reoffering price indicated on the cover page of this Reoffering Circular should consult their own tax advisors regarding other tax considerations, such as the consequences of market discount.

Bond Counsel's opinion is based on existing law, which is subject to change. Such opinion is further based on factual representations made to Bond Counsel as of the date thereof. Bond Counsel assumes no duty to update or supplement its opinion to reflect any facts or circumstances that may thereafter come to Bond Counsel's attention, or to reflect any changes in law that may thereafter occur or become effective. Moreover, Bond Counsel's opinion is not a guarantee of a particular result, and is not binding on the Internal Revenue Service or the courts; rather, such opinion represents Bond Counsel's professional judgment based on its review of existing law, and in reliance on the representations and covenants that it deems relevant to such opinion.

From time to time, there are legislative proposals suggested, debated, introduced or pending in Congress that, if enacted into law, could alter or amend one or more of the federal tax matters described above including, without limitation, the excludability from gross income of interest on the Bonds, adversely affect the market price or marketability of the Bonds, or otherwise prevent the holders from realizing the full current benefit of the status of the interest thereon. It cannot be predicted whether or in what form any such proposal may be enacted, or whether, if enacted, any such proposal would apply to the Bonds. If enacted into law, such legislative proposals could affect the market price or marketability of the Bonds. Prospective

purchasers of the Bonds should consult their tax advisors as to the impact of any proposed or pending legislation.

### **CONTINUING DISCLOSURE AGREEMENT**

Pursuant to SEC Rule 15c2-12, as amended (the “Rule”), and unless exempt thereunder, the issuer of municipal securities, or an obligated person, must undertake to provide certain annual financial and other information to the Municipal Securities Rulemaking Board through its Electronic Municipal Market Access System (“EMMA”) on an ongoing basis. The Company has agreed to comply with the requirements of the Rule with respect to the Bonds which include, among other things, entering into an undertaking to provide to EMMA:

(a) a copy of the Company’s Annual Report on Form 10-K for each fiscal year (or a notice incorporating the same by reference), or in the event that the Company no longer files such reports with the SEC, such annual financial information and audited financial statements as will satisfy the Rule; and

(b) notice of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax-exempt status of the Bonds, or other material events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls, if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of an obligated person; (13) the consummation of a merger, consolidation, or acquisition involving an obligated person or the sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.

See “AVAILABLE INFORMATION” and “INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE” in APPENDIX A hereto.

The Company will represent to the Underwriters that it has not failed during the previous five years to comply in all material respects with any previous undertakings made by it pursuant to Section (b)(5) of the Rule. The Authority is not an obligated person under the Rule and is not required to provide continuing disclosure information with respect to itself or the Bonds.

## CERTAIN LEGAL MATTERS

Certain legal matters incident to the reoffering of the Bonds are subject to the legal opinion of Greenberg Traurig, LLP, acting as Bond Counsel to the Authority. The proposed form of the opinion of Bond Counsel is set forth as APPENDIX B to this Reoffering Circular. Bond Counsel has not been retained or consulted on disclosure matters and has not undertaken to review or verify the accuracy, completeness or sufficiency of this Reoffering Circular or other offering material relating to the Bonds and assumes no responsibility for the statements or information contained in or incorporated by reference in this Reoffering Circular, except that in its capacity as Bond Counsel, Greenberg Traurig, LLP has, at the request of the Underwriters, supplied the information under the heading “TAX MATTERS” above, reviewed the statements describing its legal opinion and reviewed the statements under the headings “THE BONDS” (except information relating to DTC and its Book-Entry Only System), “THE LOAN AGREEMENT” and “THE INDENTURE” solely to determine whether such information and summaries conform to the Bonds, the Agreement and the Indenture. This review was undertaken solely at the request and for the benefit of the Underwriters and did not include any obligation to establish or confirm factual matters set forth therein.

Certain legal matters will be passed upon for the Company by Barbara E. Mathews, Esq., Vice President, Associate General Counsel, Chief Governance Officer and Corporate Secretary of the Company. Certain legal matters will be passed upon for the Authority by Orrick, Herrington & Sutcliffe LLP. Certain legal matters will be passed upon for the Underwriters by Pillsbury Winthrop Shaw Pittman LLP.

The California Public Utilities Code (the “Utilities Code”) requires (with certain exceptions) that the Company obtain authorization of the CPUC in order to issue securities, and provides that securities issued without such an order then in effect are void. Section 1708 of the Utilities Code further provides that the CPUC may at any time, upon notice and opportunity for hearing, rescind, alter or amend any order and that any order rescinding, altering or amending a prior order will have the same effect as an original order. The Company has obtained an order of the CPUC authorizing the execution and delivery by the Company of the Agreement and the issuance and delivery by the Company of the Series 2006 First Mortgage Bonds. However, in recognition of the ambiguities in the Utilities Code, the legal opinion of Barbara E. Mathews, Esq. referred to above, which covers, among other things, the validity of the Company’s obligations under the Agreement and the Series 2006 First Mortgage Bonds, is subject to her statement therein that no opinion is expressed as to the possible effect of Section 1708 of the Utilities Code. The Company believes that the CPUC has no reason to initiate proceedings to rescind, alter or amend the aforesaid financing order in any respect. Furthermore, the Company is not aware of any instance in which the CPUC has attempted to rescind, alter or amend a financing order in a manner that would adversely affect the validity of outstanding securities.

This Reoffering Circular has been duly approved and delivered by the Company. The Company neither has nor assumes any responsibility as to the accuracy or completeness with respect to the information under the captions “INTRODUCTORY STATEMENT—THE AUTHORITY, “THE BONDS—BOOK-ENTRY ONLY SYSTEM,” “REOFFERING” and “TAX MATTERS.”

## **APPENDIX A**

### **SOUTHERN CALIFORNIA EDISON COMPANY**

#### **AVAILABLE INFORMATION**

Southern California Edison Company (the “Company”) is subject to the informational requirements of the Securities and Exchange Act of 1934, as amended (the “Exchange Act”), and in accordance therewith files reports, proxy statements and other information with the Securities and Exchange Commission (the “Commission”). Such reports, proxy statements and other information on file can be inspected and copied at the public reference facilities maintained by the Commission at 100 “F” Street, N.E., Washington, D.C. 20549. Information about the operation of the public reference room can be obtained by calling the Commission at 1-800-SEC-0330. The Company’s filings with the Commission are also available to the public at the Commission’s web site at <http://www.sec.gov>. In addition, reports, proxy statements and other information concerning the Company can be inspected at the American Stock Exchange or on the web site of the Company’s parent, Edison International (“EIX”), at <http://www.edison.com>.

#### **INCORPORATION OF CERTAIN DOCUMENTS BY REFERENCE**

The Annual Report on Form 10-K for the year ended December 31, 2012 and the Current Reports on Form 8-K dated March 6 and March 22, 2013 filed with the Commission by the Company are incorporated by reference in this Appendix A to this Reoffering Circular.

All documents subsequently filed by the Company pursuant to Section 13(a), 13(c), 14 or 15(d) of the Exchange Act prior to the termination of the offering of the Bonds shall be deemed to be incorporated by reference in this Appendix A to this Reoffering Circular and to be a part hereof from the date of filing such documents.

The Company hereby undertakes to provide without charge to each person to whom a copy of this Reoffering Circular has been delivered, on the written or oral request of any such person, a copy of any and all of the documents referred to above which have been or may be incorporated by reference in this Appendix A to this Reoffering Circular other than exhibits to such documents. The Company will also provide a copy of the Company Indenture upon request. Written requests for such copies should be directed to: Southern California Edison Company, P.O. Box 800, Rosemead, California 91770, Attention: Corporate Governance. Oral requests should be directed to 626-302-2662.

#### **THE COMPANY**

The Company was incorporated in 1909 under the laws of the State of California. The Company is an investor-owned public utility primarily engaged in the business of supplying electric energy to an approximately 50,000 square-mile area of southern California. The Company’s service territory contains a population of nearly 14 million people and the Company serves the population through approximately 5 million customer accounts. The mailing address



and telephone number of the Company are, respectively, P.O. Box 800, Rosemead, California 91770 and 626-302-1212.

All of the Company's common stock is owned by EIX. EIX is a publicly held company and files periodic reports and other documents with the Commission.

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**APPENDIX B**

**PROPOSED FORM OF OPINION OF BOND COUNSEL**

**[LETTERHEAD OF GREENBERG TRAURIG, LLP]**

April 5, 2013

California Statewide Communities  
Development Authority  
Sacramento, California

\$196,000,000  
California Statewide Communities Development Authority  
Pollution Control Refunding Revenue Bonds  
(Southern California Edison Company)  
2006 Series A and 2006 Series B

On April 12, 2006, the California Statewide Communities Development Authority (the “Authority”) issued its Pollution Control Refunding Revenue Bonds (Southern California Edison Company) 2006 Series A and 2006 Series B in the aggregate principal amount of \$196,000,000 (the “Bonds”) pursuant to the provisions of Chapter 5 of Division 7 of Title 1 (commencing with Section 6500) of the California Government Code, as amended (the “Act”). The Bonds were issued for the purpose of refunding certain bonds previously issued by the California Pollution Control Financing Authority, the proceeds of which were used to refinance a portion of the costs to Southern California Edison Company, a California corporation (the “Company”), of acquiring and constructing an undivided interest in certain air and water pollution control facilities and solid waste disposal facilities (the “Project”) at the San Onofre Nuclear Generating Station located in San Diego County, California.

The Bonds have been issued as fully registered Bonds in authorized denominations, dated April 12, 2006, maturing on April 1, 2028, bearing interest as determined from time to time in the manner set forth in the Bonds, and subject to tender for purchase and redemption prior to maturity at the times, in the manner and upon the terms set forth in the Indenture of Trust dated as of April 1, 2006 (the “Original Indenture”) between the Authority and The Bank of New York Mellon (formerly The Bank of New York), as trustee (the “Trustee”), as amended and restated effective as of the date hereof pursuant to the Amended and Restated Indenture of Trust dated as of February 1, 2013 between the Authority and the Trustee (the “Amended and Restated Indenture” and, together with the Original Indenture, the “Indenture”). In accordance with the Indenture, certain changes are being made to the terms of the Bonds, and the 2006 Series A Bonds are being reoffered on the date hereof in the aggregate principal amount of \$157,500,000 and the 2006 Series B Bonds are being reoffered on the date hereof in the aggregate principal

amount of \$38,500,000. The changes to the terms of the Bonds are resulting in a reissuance of the Bonds for federal income tax purposes, as further described in the Supplemental Tax Exemption Certificate and Agreement dated the date hereof among the Authority, the Company and the Trustee. As provided in the Act, the Bonds and the interest thereon are limited obligations of the Authority, payable solely from the sources hereinafter described, and shall not be deemed to constitute a debt or liability of the State of California (the "State") or of any political subdivision thereof, other than the Authority. The issuance of the Bonds has not directly or indirectly or contingently obligated the State or any political subdivision thereof to levy or to pledge any form of taxation or to make any appropriation for their payment. The Authority has no taxing power.

Based on our examination of the proceedings of record of the Commission of the Authority preliminary to and in connection with the issuance of Bonds and the approval of the Amended and Restated Indenture, representations and certifications of the Authority, public officials and others furnished to us without undertaking to verify the same by independent investigation and such other matters as we deem appropriate and from an examination of the Act and such other laws as we deem appropriate, we are of the opinion that under the laws of the State now in force the Bonds to the amount named are valid and legally binding special limited obligations of the Authority enforceable in accordance with their terms, subject to equitable principles and to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and to the limitations on legal remedies against governmental entities in the State.

Pursuant to the Loan Agreement dated as of April 1, 2006 between the Authority and the Company (the "Original Loan Agreement"), as amended effective as of the date hereof by the First Amendment to Loan Agreement dated as of February 1, 2013 between the Authority and the Company (the "First Amendment to Loan Agreement" and, together with the Original Loan Agreement, the "Loan Agreement"), the Authority loaned the proceeds from the sale of the Bonds to the Company for the purpose stated above, and the Company agreed to repay such loan by making payments at such times and in such amounts as are sufficient to pay the principal of, and interest on, the Bonds when due, whether at stated maturity, call for redemption or acceleration. The Loan Agreement (an executed counterpart of which has been examined by us) has, in our opinion, been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery thereof by, and the binding effect of the Loan Agreement on, the Company, is a valid and binding special limited obligation of the Authority enforceable in accordance with its terms, subject to equitable principles and to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and to the limitations on legal remedies against governmental entities in the State.

We have also examined an executed counterpart of the Indenture, which Indenture secures the Bonds and sets forth the covenants and undertakings of the Authority in connection with the Bonds. Under the Indenture, the revenues and receipts derived by the Authority from the payments by the Company under the Loan Agreement, together with certain of the rights of the Authority thereunder, are pledged and assigned to the Trustee as security for the Bonds. The Indenture has, in our opinion, been duly authorized, executed and delivered by the Authority and, assuming the due authorization, execution and delivery by, and the binding effect of the

Indenture on, the Trustee, is a valid and binding special limited obligation of the Authority, enforceable in accordance with its terms, subject to equitable principles and to bankruptcy, insolvency, reorganization, moratorium or other similar laws affecting creditors' rights generally and to the limitations on legal remedies against governmental entities in the State.

It is our opinion that, subject to compliance by the Authority and the Company with certain covenants, under present law, (a) interest on the Bonds is excludable from gross income of the owners thereof for federal income tax purposes, except for interest on any Bond for any period during which that Bond is held by a "substantial user" of the Project, or a "related person" as those terms are used in Section 103(b)(13) of the Internal Revenue Code of 1954, as amended, and (b) interest on the Bonds is not an item of tax preference for purposes of computing the federal alternative minimum tax imposed on individuals and corporations; however, such interest is taken into account in determining adjusted current earnings for purposes of computing the alternative minimum tax imposed on certain corporations. Failure to comply with certain of such Authority and Company covenants could cause the interest on the Bonds to be included in gross income for federal income tax purposes retroactively to the date of issuance of the Bonds. Ownership of the Bonds may result in other federal tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We are also of the opinion that each of the Amended and Restated Indenture and the First Amendment to Loan Agreement complies with the provisions of Article X of the Original Indenture and each does not, in and of itself or together with the other, adversely affect the exclusion of interest on the Bonds from the gross income of the owners thereof for federal income tax purposes.

It is our further opinion that, under the laws of the State as presently enacted and construed, interest on the Bonds is exempt from the personal income tax imposed by the State. We express no opinion regarding taxation of interest on the Bonds under any other provisions of California law. Ownership of the Bonds may result in other state and local tax consequences to certain taxpayers, and we express no opinion regarding any such collateral consequences arising with respect to the Bonds.

We express no opinion herein as to the accuracy, adequacy or completeness of the Reoffering Circular relating to the Bonds, dated April 2, 2013.

In rendering the opinions set forth above, we have relied upon certifications of the Company and the Authority with respect to certain material facts within the Company's and the Authority's knowledge. Our opinion represents our legal judgment based upon our review of the law and the facts that we deem relevant to render such opinion and is not a guarantee of a result. This opinion is given as of the date hereof and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention or any changes in law that may hereafter occur.

Respectfully submitted,

## APPENDIX C

### CERTAIN DEFINITIONS

Unless the context otherwise requires, the following terms relating to the Bonds shall, as used in this Reoffering Circular, have the following meanings:

“Affiliate” means any Person directly or indirectly controlling or controlled by or under direct or indirect common control with a specified Person; and “control” means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Agreement” means the Loan Agreement, dated as of April 1, 2006, between the Authority and the Company, as it will be supplemented and amended by the First Amendment to Loan Agreement, dated as of February 1, 2013, by and between the Authority and the Company, and as it may be supplemented and amended thereafter from time to time.

“Authority” means the California Statewide Communities Development Authority, or its successors and assigns.

“Authorized Denomination” means, during the related Term Rate Mode, \$5,000 and any integral multiple thereof.

“Beneficial Owner” or “beneficial owner” means each actual purchaser of a Bond for whom the participants of DTC hold such Bonds in book-entry form as described herein and in the Indenture.

“Bond Counsel” means, on the Issue Date, the firm that delivered the opinion that interest on the Bonds was not then includable in gross income of the owners thereof for federal income tax purposes (except as provided therein), and, thereafter, means Greenberg Traurig, LLP or any attorney at law or firm of attorneys of nationally recognized standing in matters pertaining to the validity of, and the exclusion from gross income for federal tax purposes of interest on, bonds issued by states and political subdivisions, selected by the Company and duly admitted to practice law before the highest court of any state of the United States, but shall not include counsel for the Company.

“Bond Fund” means the Bond Fund established pursuant to the Indenture and held by the Trustee into which all Repayment Installments are deposited and used to pay the principal of and interest on the Bonds.

“Bondholder” or “Owner” or “owner” or “holder of Bonds” or “holder” or “Holder” means the Person or Persons in whose name or names a Bond shall be registered on the books of the Authority kept by the Trustee for that purpose in accordance with the terms of the Indenture.

“Business Day” means a day on which banks or trust companies located in the cities in which the Principal Offices of the Trustee and the Remarketing Agent are located are not required or authorized to be closed and, in the case of any action to be taken by the Company, which is not a day on which banks or trust companies in Los Angeles, California are required or authorized to be closed.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable Treasury Regulations under it and, to the extent applicable to the Bonds or the Series 1986 Bonds, the 1954 Code.

“Company” means Southern California Edison Company, a corporation organized under the laws of the State, and its successors and assigns, and any surviving, resulting or transferee corporation as provided in the Agreement.

“Company Indenture” means that certain Trust Indenture, dated as of October 1, 1923, between Southern California Edison Company and The Bank of New York Mellon Trust Company, N.A. and D. G. Donovan, as successor trustees, as amended and supplemented.

“Company Purchase Account” means the account by that name created in the Purchase Fund and maintained by the Trustee pursuant to the Indenture, into which any moneys received by the Trustee from the Company will be deposited and used by the Trustee to pay the Purchase Price on the related Mandatory Purchase Date to the extent remarketing proceeds are not available in the Remarketing Proceeds Account.

“Determination of Taxability” means a determination that all of the interest payable on any Bond is not Tax-Exempt to the holder or Beneficial Owner of such Bond (other than a holder or Beneficial Owner who is a “substantial user” of the facilities refinanced with the proceeds of the Bonds or a “related person” within the meaning of Section 103(b)(13) of the 1954 Code). Such determination will be deemed to have been made upon the date on which, due to the untruth or inaccuracy of any representation or warranty made by the Company in the Agreement, or in connection with the offer and sale of the Bonds, or the breach of any covenant or warranty of the Company contained in the Agreement, interest on the Bonds, or any of them, is determined not to be Tax-Exempt to the owners or Beneficial Owners thereof (other than an owner or Beneficial Owner who is a “substantial user” of the facilities refinanced with the proceeds of such Bonds or a “related person” within the meaning of Section 103(b)(13) of the 1954 Code) by a final administrative determination of the Internal Revenue Service or final judicial decision of a court of competent jurisdiction. A determination or decision will not be considered final for purposes of the preceding sentence unless (A) the holder or holders or Beneficial Owner or Beneficial Owners of the Bonds involved in the proceeding in which the issue is raised (i) has given the Company prompt notice of the commencement thereof and (ii) has offered the Company the opportunity to control the proceeding, provided the Company agrees to pay all expenses in connection therewith and to indemnify such holder or holders or Beneficial Owner or Beneficial Owners against all liability for such expenses (except that any such holder or Beneficial Owner may engage separate counsel, and the Company will not be liable for the fees or expenses of such counsel); and (B) such proceeding will not be subject to a further right of appeal or will not have been timely appealed.

“DTC” means The Depository Trust Company, a limited purpose trust company organized under the laws of the State of New York, and its successors and assigns.

“Favorable Opinion of Bond Counsel” means, with respect to any action the occurrence of which requires such an opinion, an unqualified Opinion of Bond Counsel to the effect that such action is permitted under the Act and the Indenture and will not impair the exclusion of interest on the Bonds of a series from gross income for purposes of federal income taxation (subject to the inclusion of any exceptions contained in the opinion delivered upon original issuance of the Bonds). In situations where a Favorable Opinion of Bond Counsel is required or requested to be delivered under the Indenture or under the Agreement, the Trustee is required to accept (unless otherwise directed by the Company) an opinion in such form and with such disclosures and disclaimers as may be required so that such opinion will not be treated as a “covered opinion” or a “state or local bond opinion” for purposes of the Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230), 31 CFR Part 10.

“First Mortgage Bonds” means the first and refunding mortgage bonds issued under and secured by the Company Indenture.

“First Mortgage Trustees” means The Bank of New York Mellon Trust Company, N.A. and D.G. Donovan, as successor co-trustees, or any successor trustee at the time serving under the Company Indenture.

“Fitch” means Fitch, Inc., a nationally recognized statistical rating organization, and its successors and assigns, except that if such rating organization shall be dissolved or liquidated or shall no longer perform the functions of a rating organization, then the term “Fitch” shall be deemed to refer to any other nationally recognized statistical rating organization selected by the Company.

“Government Obligations” means those obligations described in (a) of the definition of Permitted Investments in the Indenture and set forth below.

“Indenture” means the Indenture of Trust, dated as of April 1, 2006, by and between the Authority and the Trustee, as it will be amended and restated by the Indenture Amendment, and as it may from time to time be supplemented, modified or amended thereafter by any Supplemental Indenture entered into pursuant to the provisions thereof.

“Indenture Amendment” means the Amended and Restated Indenture of Trust, dated as of February 1, 2013, by and between the Authority and the Trustee, which will amend and restate the Original Indenture.

“Interest Payment Date” means each date on which interest is to be paid on the Bonds with respect to the related Term Rate Mode, which is October 1, 2013, the first day of each April and October thereafter, and the day after the last day of the related Term Rate Mode.

“Issue Date” means April 12, 2006, the date of issuance and delivery of the Bonds.

“Mandatory Purchase Date” means (i) with respect to the Series A Bonds, the Series A Mandatory Purchase Date, and (ii) with respect to the Series B Bonds, the Series B Mandatory Purchase Date.

“Maturity Date” means April 1, 2028.

“Mode” means, as the context may require, the Commercial Paper Mode, the Daily Mode, the Weekly Mode, the SIFMA-Based Term Rate Mode, the Term Rate Mode or the Fixed Rate Mode authorized in the Indenture for the Bonds.

“Mode Change Date” means, for the Term Rate Modes, April 5, 2013.

“Moody’s” means Moody’s Investors Service, Inc., a nationally recognized statistical rating organization, and its successors and assigns, except that if such rating organization is dissolved or liquidated or no longer performs the functions of a rating organization, then the term “Moody’s” is deemed to refer to any other nationally recognized statistical rating organization selected by the Company.

“1954 Code” means the Internal Revenue Code of 1954, as amended, and the applicable Treasury Regulations thereunder.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel. In situations where a Favorable Opinion of Bond Counsel or an opinion of Bond Counsel is required or requested to be delivered under the Indenture or under the Agreement, the Trustee is required to accept (unless otherwise directed by the Company) an opinion in such form and with such disclosures and disclaimers as may be required so that such opinion will not be treated as a “covered opinion” or a “state or local bond opinion” for purposes of the Treasury Department regulations governing practice before the Internal Revenue Service (Circular 230), 31 CFR Part 10.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Company) selected by the Company and acceptable to the Trustee.

“Original Indenture” means the Indenture of Trust, dated as of April 1, 2006, by and between the Authority and the Trustee, pursuant to which the Bonds were issued.

“Outstanding,” when used as of any particular time with reference to Bonds of a series (subject to the provisions in the Indenture), means all Bonds of such series authenticated and delivered by the Trustee under the Indenture except:

(a) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation;

(b) Bonds paid pursuant to the provisions of the Indenture and Bonds in lieu of or in substitution for which other Bonds have been authenticated and delivered by the Trustee under the Indenture; and



(c) Bonds with respect to which the liability of the Authority and the Company have been discharged to the extent provided in, and pursuant to the requirements of, the Indenture.

Bonds purchased by the Trustee on behalf of the Company or by the Company will continue to be Outstanding until the Company directs the Trustee in writing to cancel them. Bonds purchased on the related Mandatory Purchase Date and not delivered to the Trustee for payment are not Outstanding, but there will be Outstanding Bonds authenticated and delivered in lieu of such undelivered Bonds as provided in the Indenture and described herein under “THE BONDS—MANDATORY PURCHASE—Undelivered Bonds.”

“Permitted Investments” means, to the extent permitted by law:

(a) Direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury of the United States of America) or obligations the timely payment of the principal of and interest on which are unconditionally guaranteed by the United States of America; and

(b) Money market funds registered under the Investment Company Act of 1940, whose shares are registered under the Securities Act of 1933, provided any such fund has been rated AAAM-G, AAAM or AAM by S&P (which may include funds for which The Bank of New York Mellon, its affiliates or subsidiaries provide investment advisory or other management services).

“Person” or “person” means an individual, a corporation, a partnership, a limited liability company, a trust, a joint venture, an unincorporated organization, or any other legally recognized entity, or a government or any agency or political subdivision thereof.

“Principal Office” (i) of the Trustee means the designated corporate trust office of the Trustee designated in writing to the Authority, the Company and the Remarketing Agent, which currently is located at 385 Rifle Camp Road, 3rd Floor, Woodland Park, New Jersey 07424; and (ii) of the Remarketing Agent, means its office designated in writing to the Authority, the Trustee and the Company.

“Principal Payment Date” means, with respect to the Bonds of a series, any date upon which the principal amount of such Bonds is due under the Indenture, including the Maturity Date, any redemption date, or the date the maturity of such Bonds is accelerated pursuant to the terms of the Indenture or otherwise.

“Purchase Fund” means the fund by that name established pursuant to the Indenture and described herein under “THE BONDS—MANDATORY PURCHASE—Purchase Fund.”

“Purchase Price” means an amount equal to the principal amount of the Bonds of a series to be purchased on the related Mandatory Purchase Date, plus an amount equal to accrued interest, if any, to the related Mandatory Purchase Date, as described herein under “THE BONDS—MANDATORY PURCHASE—Mandatory Purchase at End of Term Rate Mode.”

“Rating Agency” means Fitch, Moody’s or S&P to the extent they then are providing or maintaining a rating on the Bonds of a series at the request of the Company, or in the event that Fitch, Moody’s or S&P no longer maintains a rating on such Bonds of a series, any other nationally recognized statistical rating organization then providing or maintaining a rating on the Bonds at the request of the Company.

“Record Date” means, in regard to an Interest Payment Date, the 15th day (whether or not a Business Day) of the month immediately preceding each Interest Payment Date. “Record Date” means, in regard to a redemption date, the 10th day preceding such redemption date.

“Remarketing Agent” means J.P. Morgan Securities LLC and any investment banking firm which may at any time be appointed Remarketing Agent for the Bonds of a series as provided in the Indenture.

“Remarketing Proceeds Account” means the account by that name created in the Purchase Fund and maintained by the Trustee, into which remarketing proceeds received by the Trustee from the Remarketing Agent will be deposited and used by the Trustee to pay the Purchase Price on the related Mandatory Purchase Date.

“Repayment Installments” means any amount that the Company is required to pay to the Trustee pursuant to the Agreement as a repayment of the loan made by the Authority under the Agreement (including payments, if any, on the Series 2006 First Mortgage Bonds).

“Revenues” means all rents, receipts, Repayment Installments and other income derived by the Authority or the Trustee under the Agreement or otherwise in respect of the refinancing of the Project as contemplated by the Agreement, including any amounts paid pursuant to the Series 2006 First Mortgage Bonds, and any income or revenue derived from the investment of any money in any fund or account established pursuant to the Indenture (other than the Purchase Fund, any Rebate Fund identified and defined in the Tax Agreement and the accounts therein), including all Repayment Installments and any other payments made by the Company with respect to the Bonds pursuant to the Agreement; but such term does not include (i) payments to the Authority or the Trustee of their fees, charges and expenses (or those of their attorneys) pursuant to the Agreement, (ii) any indemnification payments made to the Authority or the Trustee by the Company under the Agreement, or (iii) any moneys paid to the Trustee for deposit in the Purchase Fund, any Rebate Fund or any account therein.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc., a nationally recognized statistical rating organization, and its successors and assigns, except that if such statistical rating organization is dissolved or liquidated or no longer performs the functions of a statistical rating organization, then “S&P” will be deemed to refer to any other nationally recognized statistical rating organization selected by the Company.

“Securities Depository” means The Depository Trust Company, 711 Stewart Avenue, Garden City, New York 11530, Fax (516) 227-4039 or 4190; or, in accordance with then-current guidelines of the Securities and Exchange Commission, such other addresses and/or such other

securities depositories, or no such depositories, as the Authority may designate in a certificate of the Authority delivered to the Trustee.

“Series 2006 First Mortgage Bonds” means the “First and Refunding Mortgage Bonds, Series 2006C,” pledged by the Agreement in support of payment of principal of and interest on the Bonds.

“Series A Bonds” means the “California Statewide Communities Development Authority Pollution Control Refunding Revenue Bonds (Southern California Edison Company) 2006 Series A” reoffered on the Mode Change Date in the aggregate principal amount of \$157,500,000.

“Series A Mandatory Purchase Date” means April 2, 2018, the first day after the last day of the Series A Term Rate Mode.

“Series A Term Rate Mode” means the period of time from the Mode Change Date to, and, including April 1, 2018, during which the Series A Bonds will bear interest at the Term Rate.

“Series B Bonds” means the “California Statewide Communities Development Authority Pollution Control Refunding Revenue Bonds (Southern California Edison Company) 2006 Series B” reoffered on the Mode Change Date in the aggregate principal amount of \$38,500,000.

“Series B Mandatory Purchase Date” means April 1, 2020, the first day after the last day of the Series B Term Rate Mode.

“Series B Term Rate Mode” means the period of time from the Mode Change Date to, and, including March 31, 2020, during which the Series B Bonds will bear interest at the Term Rate.

“State” means the State of California.

“Supplemental Indenture” means the Indenture Amendment and any indenture thereafter duly authorized and entered into between the Authority and the Trustee in accordance with the provisions of the Indenture.

“Tax Agreement” means the Tax Exemption Certificate and Agreement dated the Issue Date among the Authority, the Trustee and the Company, as supplemented and amended by the Supplemental Tax Exemption Certificate and Agreement dated the Mode Change Date among the Authority, the Trustee and the Company, as the same may be further amended and supplemented from time to time.

“Tax-Exempt” means, with respect to interest on any obligations of a state or local government, including the Bonds, that such interest is excluded from the gross income of the holders thereof (other than any holder who is a “substantial user” of facilities financed or refinanced with such obligations or a “related person” within the meaning of Section 103(b)(13) of the 1954 Code) for federal income tax purposes, whether or not such interest is includable as

an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax or environmental tax under the Code.

“Term Rate” means (i) with respect to the Series A Bonds, 1.375% per annum, the interest rate for the Series A Bonds during the Series A Term Rate Mode, and (ii) with respect to the Series B Bonds, 1.90% per annum, the interest rate for the Series B Bonds during the Series B Term Rate Mode, each of which were determined in accordance with the Indenture.

“Term Rate Mode” means (i) with respect to the Series A Bonds, the Series A Term Rate Mode, and (ii) with respect to the Series B Bonds, the Series B Term Rate Mode.

“Trustee” means The Bank of New York Mellon (formerly, The Bank of New York), a New York banking corporation, and its successors and assigns or any successor trustee appointed pursuant to the Indenture.

“Underwriters” means, in connection with the reoffering of the Bonds, J.P. Morgan Securities LLC, Barclays Capital Inc. and E.J. De La Rosa & Co., Inc.

“Written Request of the Authority” means a written request signed by or on behalf of the Authority by any member of the Governing Body of the Authority and any other person as may be designated and authorized to sign on behalf of the Authority pursuant to a resolution adopted by the Governing Body of the Authority.