

NEW ISSUE**Book-Entry Only****RATING: See "RATING" herein**

In the opinion of Sidley Austin Brown & Wood LLP, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions, and assuming compliance with certain covenants in the documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), as described herein, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California. See "TAX MATTERS" herein.

\$28,005,000

**California Consumer Power and Conservation Financing Authority
Energy Efficiency Master Trust Revenue Bonds
Series 2003A**

Dated: April 1, 2003**Due: March 1, as shown below**

The Energy Efficiency Master Trust Revenue Bonds, Series 2003A (the "Bonds") will be issued by the California Consumer Power and Conservation Financing Authority (the "Authority") pursuant to a Bond Indenture dated as of April 1, 2003 (the "Bond Indenture") between the Authority and the Treasurer of the State of California, as trustee (the "Bond Trustee"). The Bonds are being issued to provide funds to (i) finance the costs of the design, acquisition, installation and implementation of energy conservation projects, authorized under the Energy Conservation Assistance Act, as defined herein, by eligible borrowers which are public entities consisting of public or non-profit schools and hospitals, public care institutions and units of local government under a loan program (the "Program") administered by the California Energy Resources Conservation and Development Commission (the "Energy Commission") and (ii) pay costs associated with the issuance of the Bonds. See "APPLICATION OF BOND PROCEEDS AND OTHER AVAILABLE FUNDS."

The Bonds are to be issued only in book-entry form in denominations of \$5,000 or any integral multiple thereof. See "DESCRIPTION OF THE BONDS—Book-Entry Only System." Interest on the Bonds is payable semiannually on March 1 and September 1 of each year, beginning September 1, 2003. The Bonds are not subject to optional redemption prior to maturity. See "DESCRIPTION OF THE BONDS—Redemption."

The Bonds are special limited obligations of the Authority payable solely from revenues and receipts derived by the Authority from (i) payments by the Energy Commission under a Secured Loan Agreement (as defined herein), (ii) amounts in a reserve account (the "Debt Service Reserve Account") held in the custody of the Bond Trustee, including interest earnings thereon, that will be funded on the date of issuance of the Bonds in an amount equal to the 2003A Debt Service Reserve Requirement, as defined herein, and (iii) any amounts available pursuant to the Master Trust Agreement, as described herein. The obligation of the Energy Commission to make payments under the Secured Loan Agreement is a limited obligation of the Energy Commission, payable solely from loan repayments made by borrowers of certain Program loans pledged under the Secured Loan Agreement and certain other funds. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS."

The Bonds do not constitute an indebtedness or liability of the State of California (the "State") or of any political subdivision thereof, other than the Authority, or a pledge of the faith and credit of the State or of any political subdivision, but shall be payable solely from the funds and accounts described herein. The Authority has no taxing power. The Bonds do not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation therefor, or to make any appropriation for their payment.

Maturity Schedule

<u>Maturity</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>	<u>Maturity</u>	<u>Amount</u>	<u>Coupon</u>	<u>Yield</u>
2004	\$1,900,000	2½%	1.25%	2010	\$3,375,000	5%	3.60%
2005	3,700,000	2½	1.65	2011	2,515,000	4	3.84
2006	3,430,000	2	2.05	2012	1,565,000	5	3.98
2007	3,340,000	4	2.50	2013	935,000	4	4.10
2008	3,375,000	5	2.90	2014	415,000	4	4.20
2009	3,455,000	5	3.29				

(Plus accrued interest from April 1, 2003)

This cover page contains information for quick reference only. Investors must read the entire Official Statement to obtain information essential to the making of an informed investment decision.

The Bonds are subject to the approval of their validity by Sidley Austin Brown & Wood LLP, San Francisco, California, Bond Counsel, and subject to certain other conditions. Certain legal matters will be passed upon for the Energy Commission by its Chief Counsel, William M. Chamberlain, Esq. Certain legal matters will be passed upon for the Underwriter by Orrick, Herrington & Sutcliffe LLP, San Francisco, California. It is expected that the Bonds will be available for delivery on or about April 10, 2003.

HONORABLE PHILIP ANGELIDES
Treasurer of the State of California

Goldman, Sachs & Co.

Dated: March 27, 2003

California Consumer Power and Conservation Financing Authority

S. David Freeman, *Chair*
Philip Angelides, *Board Member and California State Treasurer*
John Robert Stevens, *Board Member*
Donald Vial, *Board Member*
Sunne Wright McPeak, *Vice Chair*

California Energy Resources Conservation and Development Commission

William J. Keese, *Chair*
Robert Pernell, *Commissioner*
Arthur H. Rosenfeld, Ph.D., *Commissioner*
James D. Boyd, *Commissioner*
John L. Geesman, *Commissioner*

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San Francisco, California

Underwriter's Counsel

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San Francisco, California

This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds, nor shall there be any sale of, the Bonds in any state or other jurisdiction in which it is unlawful to make such offer, solicitation or sale in such state or jurisdiction.

This Official Statement is not to be construed as a contract with the purchasers of the Bonds. Statements contained in this Official Statement which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as representations of fact. No dealer, broker, salesperson or other person has been authorized by the Authority, the Energy Commission, or the Underwriter to give any information or to make any representations other than as contained herein in connection with the offering of the Bonds, and, if given or made, such other information or representations must not be relied upon as having been authorized by the Authority, the Energy Commission, or the Underwriter.

The Underwriter has submitted the following statement for inclusion in this Official Statement: The Underwriter has reviewed the information in this Official Statement in accordance with, and as a part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriter does not guarantee the accuracy or completeness of such information.

The information and expressions of opinion stated herein are subject to change without notice, and neither delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority, the Energy Commission, or any borrowers under the Program, since the date hereof. This Official Statement, including any supplement or amendment hereto, is intended to be deposited with one or more repositories.

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICE OF THE SERIES BONDS AT A LEVEL ABOVE THAT WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED, IN RELIANCE UPON AN EXCEPTION FROM THE REGISTRATION REQUIREMENTS CONTAINED IN SUCH ACT. THE BONDS HAVE NOT BEEN REGISTERED OR QUALIFIED UNDER THE SECURITIES LAWS OF ANY STATE.

CAUTIONARY STATEMENTS REGARDING
FORWARD-LOOKING STATEMENTS IN
THIS OFFICIAL STATEMENT

Certain statements included or incorporated by reference in this Official Statement constitute “forward-looking statements” within the meaning of the United States Private Securities Litigation Reform Act of 1995, Section 21E of the United States Securities Exchange Act of 1934, as amended (the “Exchange Act”), and Section 27A of the United States Securities Act of 1933, as amended (the “Securities Act”). Such statements are generally identifiable by the terminology used such as “plan,” “projection,” “expectation,” “estimate,” “budget” or other similar words. Such forward-looking statements include, but are not limited to, (a) statements of the plans and objectives of the Authority or the Energy Commission to provide financing for energy conservation projects under the caption “THE PROGRAM,” (b) statements concerning future 2003A Program Loan Repayments under the captions

“THE PROGRAM,” “SECURITY AND SOURCES OF PAYMENT OF THE BONDS” and APPENDIX A, and (c) statements of the assumptions underlying or relating to statements described in (a) and (b) above (collectively, “Forward-Looking Statements”). All statements other than statements of historical facts included in this Official Statement are Forward-Looking Statements. Although the expectations reflected in such Forward-Looking Statements reflect the Authority’s, the Energy Commission’s and others’ current expectations, there can be no assurance that such expectations will prove to be correct.

THE ACHIEVEMENT OF CERTAIN RESULTS OR OTHER EXPECTATIONS CONTAINED IN SUCH FORWARD-LOOKING STATEMENTS INVOLVE KNOWN AND UNKNOWN RISKS, UNCERTAINTIES AND OTHER FACTORS THAT MAY CAUSE ACTUAL RESULTS, PERFORMANCE OR ACHIEVEMENTS DESCRIBED TO BE MATERIALLY DIFFERENT FROM ANY FUTURE RESULTS, PERFORMANCE OR ACHIEVEMENTS EXPRESSED OR IMPLIED BY SUCH FORWARD-LOOKING STATEMENTS. NEITHER THE AUTHORITY NOR THE ENERGY COMMISSION PLANS TO ISSUE ANY UPDATES OR REVISIONS TO THOSE FORWARD-LOOKING STATEMENTS IF OR WHEN ITS EXPECTATIONS OR EVENTS, CONDITIONS OR CIRCUMSTANCES ON WHICH SUCH STATEMENTS ARE BASED OCCUR.

TABLE OF CONTENTS

	<u>Page</u>
INTRODUCTION	1
Purpose of the Bonds	1
The Program	1
The Authority’s Master Trust Bond Program	2
Security and Sources of Payment of the Bonds	2
Other Information	3
THE ENERGY COMMISSION	3
THE PROGRAM	4
General	4
Authorizing Legislation	4
ECA Account Program History	4
Eligible Projects and Participants	5
Application Process	5
Loan Repayments	6
2003A Program Loans	8
Transfers from the Energy Conservation Assistance Account	8
Other Loan Program Accounts	8
Program Loan Audit	9
THE AUTHORITY	9
General	9
Membership of the Authority	10
Other Indebtedness	10
DESCRIPTION OF THE BONDS	10
General Description	10
Redemption	11
Book-Entry Only System	11
APPLICATION OF BOND PROCEEDS AND OTHER AVAILABLE FUNDS	11
The Projects	11
Debt Service Reserve Account	11
Sources and Uses of Funds	12
SECURITY AND SOURCES OF PAYMENT OF THE BONDS	12
General	12
Secured Loan Agreement	13
Debt Service Reserve Account	13
Surplus Repayments Account and Cash Flow Monitoring	14
Master Trust Agreement	15
Bonds Limited Obligations	16
RISK FACTORS	16
Lack of Energy Savings	16

	<u>Page</u>
Lack of Financial Covenants and Legal Opinions for 2003A Program Loans	17
Legal Challenges to Validity of the 2003A Program Loans	17
Prepayment of 2003A Program Loans; No Right to Redeem Bonds.....	18
Termination of Authority Existence	18
LITIGATION.....	18
The Authority.....	18
The Energy Commission.....	18
TAX MATTERS.....	19
General.....	19
Original Issue Discount.....	20
Premium Bonds.....	21
LEGAL MATTERS.....	21
RATING	22
CONTINUING DISCLOSURE.....	22
UNDERWRITING	23
FINANCIAL ADVISORS	23
MISCELLANEOUS	23
APPENDIX A - Information on Initial 2003A Program Loans	A-1
APPENDIX B - Summary of Legal Documents	B-1
Defined Terms	
Summary of Certain Provisions of the Secured Loan Agreement	
Summary of Certain Provisions of the Bond Indenture	
Summary of Certain Provisions of the Master Trust Agreement	
APPENDIX C - Form of Opinion of Bond Counsel.....	C-1
APPENDIX D - Form of Continuing Disclosure Agreement	D-1
APPENDIX E - Book-Entry Only System.....	E-1

Copies of this Official Statement may be obtained from:

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OFFICIAL STATEMENT

\$28,005,000

**California Consumer Power and Conservation Financing Authority
Energy Efficiency Master Trust Revenue Bonds
Series 2003A**

INTRODUCTION

The following introductory information is subject in all respects to more complete information contained elsewhere in this Official Statement. The order and placement of materials in this Official Statement, including the Appendices hereto, are not to be deemed to be a determination of relevance, materiality or relative importance, and this Official Statement, including the cover page and Appendices, should be considered in its entirety. The offering of the Bonds to potential investors is made only by means of the entire Official Statement.

The purpose of this Official Statement is to set forth certain information concerning the California Energy Resources Conservation and Development Commission (the "Energy Commission"), a commission of the State of California, and the California Consumer Power and Conservation Financing Authority, a public authority of the State of California (the "Authority"), and the \$28,005,000 principal amount of Energy Efficiency Master Trust Revenue Bonds, Series 2003A (the "Bonds"), to be issued by the Authority. The Authority is authorized pursuant to California Public Utilities Code Sections 3300 et seq. (the "Authority Act"), California Public Resources Code Sections 25410 et seq., as amended (the "Energy Conservation Assistance Act"), and the resolution adopted by the Authority on February 14, 2003, to issue the Bonds under a Bond Indenture dated as of April 1, 2003 (the "Bond Indenture"), between the Authority and the Treasurer of the State of California, as trustee (the "Bond Trustee").

Purpose of the Bonds

The Authority will issue the Bonds pursuant to the Bond Indenture to provide funds to (i) finance the costs of the design, acquisition, installation and implementation of energy conservation projects authorized under the Energy Conservation Assistance Act for eligible public entities consisting of public or non-profit schools and hospitals, public care institutions and units of local government, and (ii) pay costs associated with the issuance of the Bonds. See "APPLICATION OF BOND PROCEEDS AND OTHER AVAILABLE FUNDS."

The Program

Pursuant to the Energy Conservation Assistance Act, the Energy Commission established a lending program in 1979 for California public or non-profit schools and hospitals, public care institutions and units of local government (the "Program") to provide low-interest financing to such entities for energy conservation projects (the "Projects"). The Energy Conservation Assistance Act authorizes the Energy Commission to borrow money from the Authority, secured by loans made under this Program, and to use the proceeds of such borrowing to make additional loans under this Program. The Energy Commission and the Authority have entered into a memorandum of understanding to implement this leveraged loan Program.

The Authority's Master Trust Bond Program

The Bonds are the first series of bonds issued by the Authority to finance loans under this leveraged loan Program. Each series of the Authority's bonds will be repaid from payments made on Program Loans pledged to the payment of such series of bonds, and from reserves specified in the indenture under which the series of Authority bonds is issued. In addition, all series of bonds issued under this leveraged loan Program, including the Bonds, will be secured by a Master Trust Agreement dated as of April 1, 2003 (the "Master Trust Agreement"), between the Authority, the Treasurer of the State of California, as Master Trustee (the "Master Trustee") and the Energy Commission and are referred to herein as "Master Trust Bonds." See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS."

Security and Sources of Payment of the Bonds

The Bonds are special limited obligations of the Authority payable solely from revenues and receipts derived by the Authority from (i) payments by the Energy Commission under a Secured Loan Agreement, dated as of April 1, 2003, to be executed by the Authority and the Energy Commission (the "Secured Loan Agreement"), (ii) amounts in a reserve account (the "Debt Service Reserve Account") held in the custody of the Bond Trustee that will be funded by the Energy Commission on the date of issuance of the Bonds in the amount of \$6,000,000, which is equal to the initial 2003A Debt Service Reserve Requirement, from amounts currently on deposit in the Energy Conservation Assistance Account created pursuant to the Energy Conservation Assistance Act, including interest earnings thereon, and (iii) any amounts available pursuant to the Master Trust Agreement. See "2003A Collateral" in the Defined Terms and the Summary of Certain Provisions of the Secured Loan Agreement in APPENDIX B hereto.

Under the Secured Loan Agreement, the Energy Commission has pledged to the Authority, as security thereunder, payments on previously funded loans (collectively the "2003A Program Loans"), made to certain local government and other entities (collectively, the "2003A Borrowers") under the Energy Commission's Program, as described herein in an amount calculated to be sufficient to pay debt service on the Bonds as it becomes due. The obligation of the Energy Commission to make payments under the Secured Loan Agreement is a limited obligation of the Energy Commission, payable solely from loan repayments on the 2003A Program Loans and the funds and accounts created under the Bond Indenture and Master Trust Agreement (sometimes referred herein as the "2003A Collateral," as defined in APPENDIX B hereto). The 2003A Program Loans will be the only loans of the Energy Commission pledged to the payment of the Bonds, although the 2003A Program Loans may be released, substituted or modified in the manner permitted in the Secured Loan Agreement. See "APPENDIX B—Summary of Legal Documents—Summary of Certain Provisions of the Secured Loan Agreement—Release, Substitution and Modification of 2003A Program Loans." No other assets of the Energy Commission or the 2003A Borrowers will be pledged to or available for the repayment of the Bonds. Additional loans of the Energy Commission (including loans to be funded with proceeds of the Bonds) may be pledged to the payment of future series of Master Trust Bonds. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS."

Each 2003A Program Loan is payable solely from energy cost savings resulting from operation of the 2003A Borrower's Project or other legally available sources. The 2003A Program Loans are not secured by any interest in the 2003A Borrowers' Projects or any other real or personal property of the 2003A Borrower. The Energy Conservation Assistance Act expressly provides that a 2003A Borrower cannot repay a Program Loan by the levy of additional taxes. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS" AND "RISK FACTORS."

The Bonds do not constitute an indebtedness or liability of the State of California (the “State”) or of any political subdivision thereof, other than the Authority, or a pledge of the faith and credit of the State or of any political subdivision, but shall be payable solely from the funds and accounts described herein. The Authority has no taxing power. The Bonds do not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation therefor, or to make any appropriation for their payment.

Other Information

There follows in this Official Statement brief descriptions of the Bonds, certain of the Bond documents, the Authority, the Energy Commission, and the Program. APPENDIX A to this Official Statement provides a listing of the outstanding principal amount of each 2003A Program Loan. For those 2003A Program Loans which are not yet in repayment, the outstanding principal amounts shown represent amounts disbursed to date. APPENDIX B provides definitions of certain of the words and terms used in the Secured Loan Agreement (as defined herein), the Bond Indenture and the Master Trust Agreement and includes summaries of certain provisions of the Secured Loan Agreement, the Bond Indenture and the Master Trust Agreement. Set forth in APPENDIX C is the proposed form of the opinion anticipated to be rendered by Bond Counsel at the time of delivery of the Bonds. APPENDIX D contains the form of continuing disclosure agreement anticipated to be executed by the Energy Commission.

Such descriptions, information and summaries provided herein do not purport to be comprehensive or definitive. All references herein to any documents are qualified by the terms of such documents in their entirety. Until the issuance and delivery of the Bonds, copies of the documents described herein may be obtained from Goldman, Sachs & Co., as the underwriter of the Bonds. After delivery of the Bonds, copies of such documents will be available for inspection at the office of the Bond Trustee.

THE ENERGY COMMISSION

The Energy Commission was created by the State Legislature in 1974 and is the State’s primary energy policy planning entity. The Energy Commission is responsible for forecasting future energy needs, licensing thermal power plants, promoting energy efficiency, developing energy technologies and supporting renewable energy, and planning for and directing the State’s response to energy emergencies.

The Energy Commission has administered programs to provide low-interest loans for energy efficiency improvements to public agencies and nonprofit entities since 1979. The Energy Commission has not previously issued debt or participated in debt financing to fund its loan programs. See “THE PROGRAM.”

The commissioners of the Energy Commission are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
William J. Keese	Chair	January 2006
Robert Pernell	Commissioner	January 2004
Arthur H. Rosenfeld, Ph.D.	Commissioner	January 2005
James D. Boyd	Commissioner	January 2007
John L. Geesman	Commissioner	January 2008*

* Subject to confirmation by the State Senate in June 2003.

The principal office of the Energy Commission is located at 1516 Ninth Street, MS 39, Sacramento, California 95814. The Energy Commission's telephone number is (916) 654-5070.

THE PROGRAM

General

The Energy Conservation Assistance Act authorizes the Energy Commission to establish loan programs to finance the cost of energy conservation projects for various eligible participants such as public or non-profit schools and hospitals, public care institutions and units of local government (the "Program Participants"). The Energy Conservation Assistance Account (the "ECA Account") is used to support the Program.

Because the 2003A Program Loans are all funded through the ECA Account, this description of the Program emphasizes the ECA Account. A brief description of the Local Jurisdiction Energy Assistance Account appears in this section under the caption "Other Loan Program Accounts."

Authorizing Legislation

The Energy Conservation Assistance Act authorizes the Energy Commission to provide low-interest energy efficiency loans to Program Participants. It also grants authority to the Energy Commission to pledge loans to the Authority as security for revenue bonds issued by the Authority in order to raise funds to enable the Energy Commission to make additional loans to eligible institutions. The Energy Conservation Assistance Act also provides authority for the Energy Commission and the Authority to determine the form and details of the loans securing such revenue bonds. Pursuant to this statutory authorization, the Authority and the Energy Commission have entered into a Memorandum of Understanding ("Memorandum of Understanding") dated as of November 20, 2002. The purpose of the Memorandum of Understanding is to state the intention of both entities to cooperate in the issuance of the Bonds in an amount up to \$30 million, secured by payments to be made by the Energy Commission under a Secured Loan Agreement with the Authority, secured by pledged 2003A Program Loan Repayments. See "SECURITY AND SOURCES OF PAYMENT OF THE BONDS." Proceeds from the sale of the Bonds will be used to augment the Program and are anticipated to be disbursed to public entity Program Participants under new loans to be originated during the next eighteen months.

ECA Account Program History

Pursuant to the Energy Conservation Assistance Act, the ECA was established in 1979 in the State General Fund. Initially, the Legislature provided \$10 million to the ECA Account for each of fiscal years 1979-80 and 1980-81. The Legislature provided \$8 million more for streetlight loans in 1980. In the 2000-01 fiscal year, in response to California's energy shortage, the Legislature augmented the ECA Account with an additional \$50 million.

Since 1979, the Energy Commission has funded approximately 507 loans from the ECA Account to Program Participants and has disbursed approximately \$90.3 million. As of March 6, 2003, there were 121 active loans, comprised of approximately \$43.4 million in funds disbursed and \$17.5 million in amounts awarded but not yet drawn down. Historically, approximately 56% of the loans have been made to grade K-12 public schools and colleges; approximately 33% of the loans have been made to city and county governments, and approximately 12% have been made to special districts, public non-profit hospitals and public care facilities. By dollar volume, approximately 45% of the funds have gone to K-12

schools, 45% to city and county governments and about 9% to special districts, public non-profit hospitals and public care facilities.

APPENDIX A lists 93 2003A Program Loans that are pledged to repayment of the Bonds. Eighty-one loans are currently in repayment, and 12 loans have not yet been fully disbursed and so are not yet in repayment. All the 2003A Program Loans shown in APPENDIX A are with local public entities, with approximately 44.1 percent of the outstanding balance of the loans made to schools, approximately 50.3 percent to city and county governments, and approximately 5.6 percent to special districts. The largest Program Participant in the 2003A Program Loan portfolio represents approximately 6.9% of the total outstanding principal amount of 2003A Program Loans and approximately 7.6% of aggregate debt service on the Bonds. The Energy Commission has designated \$6,000,000 cash currently in the ECA Account to fund the Debt Service Reserve Account upon issuance of the Bonds.

Eligible Projects and Participants

For ECA Account loans, eligible Program Participants include public or non-profit schools and hospitals, public care institutions and units of local government. A wide variety of energy efficient equipment and power generation projects can be funded. In the past, such projects have included lighting, HVAC, thermal energy storage, and photovoltaic panels. The Program provides funds to finance the complete project, including feasibility study, engineering, design and equipment costs as long as the energy savings for the project are sufficient to repay the loan, including principal and interest, within 11 years. For loans entered into after January 1, 2003, the maximum repayment period is 15 years. Eligible applicants must provide detailed technical analysis showing that the cost of the Project, plus interest on amounts loaned, calculated in a manner prescribed by the Energy Commission, will be recovered through savings in the cost of energy through the repayment period of the loan. Although all 2003A Program Loans are with public entities, and proceeds of the Bonds will be used to make Program Loans solely to public entities, Program Loans securing future series of Master Trust Revenue Bonds may be made to eligible private Borrowers.

Application Process

Periodically, and at least annually, the Energy Commission advertises the availability of loans through mass mail to potential Program Participants. The Energy Commission also advertises the Program through professional associations such as the California League of Cities, the County Supervisors Association of California, the California Association of School Business Officials, the School Board Association, a variety of professional organizations, including engineers, construction managers and architects, and many others. The Energy Commission also works closely with energy services companies, State utilities and other State agencies to ensure that information is widely distributed on the availability of Energy Commission loans and how the loans can work in conjunction with utility rebates and other programs. Energy Commission staff regularly participate in many statewide association trade shows and are frequently asked to speak on panels and participate in regional forums to advertise the availability of loans and other Energy Commission programs.

In order to receive a loan under the Program, eligible Program Participants must submit an application to the Energy Commission. The application must be accompanied by a technical report demonstrating that the energy efficiency project is technically and economically feasible. Guidelines for the technical reports are available from the Energy Commission and contained in "Guide to Preparing Feasibility Studies for Energy Efficient Projects," Publication No. P400-00-002. The Program Participant must also submit a resolution of the governing board or authorized representative of the applicant

authorizing the loan. Upon receipt of the application, the Energy Commission staff reviews the application for completeness.

The Energy Commission's engineering staff then analyzes each potential Project for which loan funds are requested. The analysis includes determining whether the applicant's projected energy savings, Project assumptions and costs submitted in the applicant's technical report are reasonable and will be sufficient to repay the loan. If necessary, the Energy Commission's engineering staff will visit the site to personally verify the conditions represented in the applicant's technical report. Site inspections include verification, through spot check, of the name plate rating, type and condition of the equipment being replaced, lighting wattages, floor areas and other critical factors that effect project feasibility and energy savings. If the Energy Commission's engineering review of the Program Participant's documentation indicates that the projected energy savings are less than the applicant projected, the Energy Commission will use the reduced energy savings as the basis for determining the maximum amount that can be loaned. In these cases, Program Participants willing to accept partial funding have the option of finding the additional needed funds from other legally available sources such as internal re-directed funds or utility rebates. In all cases, the projected savings for all approved loans must be sufficient to meet the Program's payback requirements before the loan can be authorized. Program Loans are approved only when information is submitted and reviewed, evidencing that the Project costs are reasonably expected to be recovered through energy cost savings during the repayment period of the loan.

Prior to January 1, 2003, principal and interest on the loans were required to be repaid from savings within 11 years. Senate Bill 1790 (Chapter 601, Statutes of 2002) which became effective January 1, 2003, extended this maximum loan term to 15 years. Although loans entered into after January 1, 2003 may have terms up to 15 years, no 2003A Program Loan has a term exceeding 11 years. No loan is approved for a term which is longer than the expected life of the Project being funded. Each loan application passing technical review by the staff is then considered for approval by the Energy Commission. Loans are formally approved by the Energy Commission at a regularly scheduled business meeting.

Loan Repayments

After loan approval, the Energy Commission sends each applicant a loan agreement and promissory note for signature. The loan agreement and promissory note are effective when signed by the authorized agents of the Program Participant and the Energy Commission. All disbursements of loan funds to the Program Participant are made only after invoices documenting expenditures are received, reviewed and approved by the Energy Commission's project manager, with the exception that, for loans approved prior to March 2003, up to ten percent of the funds authorized by the loan agreement could be disbursed by the Energy Commission at the request of the Program Participant prior to the time the Program Participant incurs actual expenditures, which amount is deducted from the Program Participant's subsequent invoices to the Energy Commission for payment. After the Program Participant's Project is complete, a final report and invoice are submitted to the Energy Commission. A final amortization schedule is then developed by the Energy Commission's Grants and Loans office, based on the actual schedule and amount of loan funds drawn by the Program Participant. Interest accrues during construction only on those funds drawn and from the date of the actual draw. The first loan repayment is due between 6 and 18 months after the Program Participant's Project is complete, in order to allow energy savings from the Project to occur.

At the time the final amortization schedule is generated, the Energy Commission Grants and Loans Office also sends out requirements and related information regarding the Annual Energy Use Reports of the Program Participant that are due for the next three years under the existing loan agreement.

The Accounting Office sends out invoices to loan recipients about six weeks before each loan repayment is due, indicating the payment amount and the due date. All loan repayment invoices are due each year on June 22 and December 22 until the loan is repaid. There is a 30-day grace period after the repayment due date before penalties for late payment may be assessed.

The Energy Conservation Assistance Act expressly provides that a Program Participant cannot repay a Program Loan by the levy of additional taxes. A Program Participant must repay its loan from energy cost savings resulting from the implementation of the applicable Project, calculated in a manner prescribed by the Energy Commission, or from other legally available sources.

The Energy Conservation Assistance Act requires loan recipients to annually compute the cost of energy saved and to annually budget an amount at least sufficient to make the semi-annual loan payments. Over the history of the Program, some Program Participants have reported that savings were not realized and inquired whether the loan needed to be repaid. In all cases, after the equipment operations were corrected and/or calculations adjusted, energy savings were verified. If necessary, the Energy Commission could renegotiate loan terms (such as extending the term of the loan, up to the legally authorized maximum term) if needed to realize full loan repayment due to lower projected annual energy savings. See “RISK FACTORS—Lack of Energy Savings.”

Set forth below is delinquency information for the Program Loans as of the end of the four most recent loan payment periods, consisting of the six-month periods ended June 22, 2001, December 22, 2001, June 22, 2002 and December 22, 2002. As stated above, the Program Loans provide for a 30-day grace period prior to being deemed delinquent.

Loan Payment Period Ended	Percentage of Amounts Due		
	Delinquent at end of 30-day grace period	Delinquent after 60 days	Delinquent after 90 days
6/22/01	3.83%	3.83%	3.83%
12/22/01	4.71%	0%	0%
6/22/02	4.65%	1.97%	1.97%
12/22/02	1.32%	0.16%	0%

In the 23-year history of the Program, only two Program Participants have failed to fully repay a Program Loan. Both incidents were a result of the respective Program Participant’s filing for bankruptcy. One of the nonpayments involved a loan in the principal amount of \$25,000 made to Timpany Center, a public care non-profit facility; the other, in the amount of \$66,063, was made to the Oakdale Joint Union High School District for an energy project at Riverbank High School. The incidents of nonpayment were resolved with a \$3,801 write-off to the original loan payment scheduled for the public care facility and a \$5,903 write-off to the Oakdale Union High School (Riverbank High School). The outstanding balance of the loan to Oakdale Union High School, minus \$5,903 in interest and late charges, was paid by Riverbank Unified School District after it absorbed the troubled Oakdale Union High School District. Neither of these loans are pledged to repayment of the Bonds. Although the Program has historically experienced a low rate of loan nonpayment, there can be no assurance that the 2003A Program Loans, which are pledged to repayment of the Bonds, will exhibit a similarly low rate of nonpayment in the future.

The Energy Commission will continue to administer the Program and collect loan repayments as described above. As of March 6, 2003, there were 92 loans in the repayment mode, totaling \$33.9 million in funds disbursed, and there were 29 loans in the draw-down mode, totaling \$28.0 million in funds

authorized. The Energy Commission will deposit all 2003A Program Loan Repayments, without any deduction or offset, into the Loan Repayment Account promptly after they are received, which amounts will be applied in accordance with the terms of the Secured Loan Agreement and the Bond Indenture. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS” and “APPENDIX B—Summary of Legal Documents—Summary of Certain Provisions of the Secured Loan Agreement.”

2003A Program Loans

A selected group of loans to public entities that have begun repayment, as well as some loans which are expected to begin repayment in the near future (collectively, the “2003A Program Loans”), will be pledged under the Secured Loan Agreement, and 2003A Program Loan Repayments thereunder will secure the payment of debt service on the Bonds. In addition, a portion of the Program cash currently available for loans will be deposited in the Debt Service Reserve Account on the date of issuance of the Bonds. Other than as described in this Official Statement, the Secured Loan Agreement and the Bond Indenture, all other Program account balances are not dedicated to repayment of the Bonds and may be used for any purpose authorized by the Energy Conservation Assistance Act. The 2003A Program Loans may be released, substituted or modified in accordance with the Secured Loan Agreement. See “APPENDIX B—Summary of Legal Documents—Summary of Certain Provisions of the Secured Loan Agreement—Release, Substitution and Modification of 2003A Program Loans.” No loans to be made with the proceeds of this series of Bonds will be included among the 2003A Program Loans.

Transfers from the Energy Conservation Assistance Account

Under the Energy Conservation Assistance Act, the ECA Account is continuously appropriated, without regard to fiscal year, and is available to be used for Program expenditures without the need for additional annual appropriations. Amounts in the ECA Account are to be disbursed by the State Controller for the purposes of the Program as authorized by the Energy Commission. The Energy Commission may expend from the ECA Account an amount to pay for the actual administrative costs incurred in connection with the Program, which amount may not exceed 5 percent of the annual loan repayments, although no amounts for such administrative costs will be deducted from the 2003A Program Loan Repayments. In addition, an amount not to exceed 10 percent of the balance in the ECA Account on July 1 of each year may be used by the Energy Commission to contract and provide grants for technical services in support of the Program.

Other Loan Program Accounts

In 1986, the Legislature added Chapter 5.4 to Public Resources Code and created the Local Jurisdiction Energy Assistance Account (the “LJEA Account”). Pursuant to California Public Resources Code Sections 25440 *et seq.*, as amended (the “Local Jurisdiction Energy Assistance Act”), the LJEA Account was established in 1986 with funding originating from a Petroleum Violation Escrow fund that was established pursuant to a federal court decision due to oil overcharges in the 1970’s. The Legislature provided a total of \$7 million in Petroleum Violation Escrow funds for loans, consisting of \$3 million for public schools and \$4 million for local governments. For local government loans funded from the LJEA Account, eligible borrowers include any city, county or regional planning agency or any combination thereof formed for the joint exercise of any power. For public school loans funded from the LJEA Account, eligible borrowers include school districts. As of March 6, 2003, the Energy Commission had funded 127 loans from the LJEA Account, totaling approximately \$12.3 million in funds disbursed and \$5 million in amounts awarded but not yet drawn down.

The LJEAL loan program is similar to the ECA Program described above, but LJEAL loans will not be included in the loan portfolio securing payment of the Bonds, and Bond proceeds will not be used to fund LJEAL loans. However, LJEAL loans may be used to secure future series of Master Trust Revenue Bonds.

Program Loan Audit

For the fiscal year ended June 30, 2002, and prior fiscal years, the Energy Commission did not arrange for an independent audit of the Program Loans by a private accounting firm. In addition, the annual audit report prepared by the State Controller regarding the Energy Commission does not audit individual Program Loans.

The information concerning the Program and the 2003A Program Loans presented in this Official Statement has been provided by the Energy Commission but has not been reviewed by an independent auditor. Any material inaccuracies in the information presented in this Official Statement could have a material adverse effect on the sources of security and payment for the Bonds and the market price for the Bonds.

Pursuant to the Secured Loan Agreement, the Energy Commission has covenanted to retain an independent private accounting firm to audit the performance of the 2003A Program Loans during each fiscal year, beginning with the fiscal year ending June 30, 2003, and continuing each subsequent fiscal year until the Bonds are paid in full. The result of the audit will be filed with the Bond Trustee and other public information repositories in accordance with the Secured Loan Agreement and the Continuing Disclosure Agreement. See "APPENDIX B—Summary of Legal Documents—Summary of Certain Provisions of the Secured Loan Agreement—Release, Substitution and Modification of 2003A Program Loans" and "—Books and Records; Audits;" and "CONTINUING DISCLOSURE."

THE AUTHORITY

General

The Authority is a public authority of the State organized and existing under the laws of the State. Pursuant to the Authority Act and the Energy Conservation Assistance Act, the Authority is authorized to issue the Bonds and to provide for the security of the Bonds as herein described. To accomplish such actions, the Authority is authorized to enter into the Memorandum of Understanding, the Bond Indenture, the Secured Loan Agreement (as defined herein) and the Master Trust Agreement.

The purpose of the Authority is to provide for the development and conservation of the energy resources of the State. The Authority Act confers upon the Authority the power to operate, acquire, construct, and finance such energy efficiency projects and to issue bonds and make loans to pay the costs of such energy efficiency projects. The Authority Act further authorizes the Authority to issue and sell revenue bonds to provide funds for energy conservation projects authorized under the Energy Conservation Assistance Act. The Authority also has general powers, which include the power to sue and be sued in its own name, and to make and execute contracts and other instruments necessary or convenient to carry out its purposes. The Authority has no taxing power.

Pursuant to Public Utilities Code Section 3347, the Bureau of State Audits will, prior to January 1, 2005, perform an evaluation of the effectiveness of the Authority's activities, including a recommendation as to the continued need for the Authority to exist beyond January 1, 2007. Public

Utilities Code Section 3384 provides that the Authority may not finance or approve any new program, enterprise or project on or after January 1, 2007, unless authority to approve such an activity is granted by statute prior to January 1, 2007. However, this limitation will not affect the rights of owners of Bonds issued prior to that time.

Membership of the Authority

The current members of the Authority, their titles and expiration dates of their terms of office are as follows:

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
S. David Freeman	Chair	August 2004
Sunne Wright McPeak	Vice Chair	August 2003
John Robert Stevens	Board Member	August 2005
Donald Vial	Board Member	August 2006
Philip Angelides	Board Member and California State Treasurer	No Expiration Date

The principal office of the Authority is located at 901 P Street, Suite 142A, Sacramento, California 95814. The Authority’s telephone number is (916) 651-9750.

Other Indebtedness

The Authority has not heretofore sold or delivered any other bonds or indebtedness.

The Bonds and additional bonds that may be issued under the Program and designated as Master Trust Bonds are secured by the Master Trust Agreement. It is expected that future bonds issued for the benefit of the Program will also be secured by the Master Trust Agreement, as determined by the Authority and the Energy Commission at the time such bonds are issued. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS—Master Trust Agreement.”

The Authority may enter into separate agreements in the future with other entities for the purpose of providing financing for other eligible projects and programs. Any bonds or other obligations which may be issued by the Authority for such other entities in the future will be created under separate and distinct bond indentures or resolutions and secured by loan agreements, instruments, properties and revenues separate from those securing the Bonds.

DESCRIPTION OF THE BONDS

General Description

The Bonds will be issued as fully registered bonds in the denominations of \$5,000 or any integral multiple thereof and will be dated April 1, 2003. The Bonds will mature on the dates and will bear interest at the interest rates per annum set forth on the cover hereof. Each Bond shall bear interest from the date of delivery or from the most recent date to which interest has been paid or duly provided for, payable semiannually on March 1 and on September 1 of each year commencing September 1, 2003 (hereinafter a “Bond Payment Date”). Interest shall be computed on the basis of a 360-day year of twelve 30-day months.

The principal of all Bonds shall be payable by check or other acceptable method at maturity to the persons in whose names such Bonds are registered on the bond register maintained by the Bond Trustee at the maturity date thereof, upon the presentation and surrender of such Bonds at the principal trust office or at such other office designated by the Bond Trustee for such purpose.

The interest payable on each Bond on any Bond Payment Date shall be paid by the Bond Trustee to the registered owner of such Bond as shown on the bond register at the close of business on the Record Date, (1) by check or other acceptable method sent to such registered owner at the address as it appears on the bond register or at such other address as is furnished to the Bond Trustee in writing by such owner, or (2) at the written request addressed to the Bond Trustee by any owner of Bonds in the aggregate principal amount of at least \$1,000,000, by electronic transfer to such owner upon written notice to the Bond Trustee from such owner containing the electronic transfer instructions (which shall be located in the continental United States) to which such owner wishes to have such transfer directed, provided such written notice is given by such owner to the Bond Trustee not less than five Business Days before the applicable Record Date. Any such written notice for electronic transfer shall be signed by such owner and shall include the name of the bank, its address, its ABA routing number and the name, number and contact name related to such owner's account at such bank to which the payment is to be credited.

Redemption

The Bonds are not subject to optional redemption prior to maturity.

Book-Entry Only System

The Bonds are available in book-entry only form and beneficial ownership interests therein may be purchased in the principal amount of \$5,000 or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interests in the Bonds. See "APPENDIX E—Book-Entry Only System."

APPLICATION OF BOND PROCEEDS AND OTHER AVAILABLE FUNDS

The Projects

The proceeds of the Bonds (after payment of costs of issuance and deposit of accrued interest on the Bonds in the Debt Service Account to pay interest on the Bonds on the first Bond Payment Date) will be deposited in the Program Loan Account established by the Bond Indenture and expended by the Energy Commission solely as authorized by the Energy Conservation Assistance Act and the Secured Loan Agreement: to fund Program Loans to pay costs directly related to the design, acquisition, installation and implementation of Bond-financed Projects for public entities. Prior to disbursement of funds from the Program Loan Account, each Program Participant must request payment from the Energy Commission in accordance with Program criteria. See "THE PROGRAM—Loan Repayments."

Debt Service Reserve Account

Pursuant to the Secured Loan Agreement a portion of the moneys currently on deposit in the ECA Account will be applied by the Energy Commission to fund the Debt Service Reserve Account on the date of issuance of the Bonds in an amount equal to \$6,000,000, representing the initial 2003A Debt Service Reserve Requirement. Amounts in the Debt Service Reserve Account are available as security for the Bonds, and interest earnings on amounts in the Debt Service Reserve Account will be applied to the payment of debt service on the Bonds. In addition, as principal is repaid on the Bonds, amounts in the

Debt Service Reserve Account will be released and will be available pursuant to the Master Trust Agreement for payment of debt service on any Master Trust Bonds. See the section herein captioned “SECURITY AND SOURCES OF PAYMENT OF THE BONDS.”

Sources and Uses of Funds

The following sets forth the estimated sources and uses of funds relating to the issuance of the Bonds:

<u>Sources of Funds</u>	
Par amount of Bonds	\$28,005,000.00
Equity Contribution by Energy Commission ⁽¹⁾	6,000,000.00
Plus Net Original Issue Premium	1,310,685.10
<u>Accrued Interest⁽²⁾</u>	<u>27,126.90</u>
Total	<u>\$35,342,812.00</u>
<u>Uses of Funds</u>	
Deposit to Program Loan Account	\$28,540,200.10
Costs of Issuance (including Underwriter’s discount and Authority fee)	775,485.00
Debt Service Account	27,126.90
<u>Debt Service Reserve Account</u>	<u>6,000,000.00</u>
Total	<u>\$35,342,812.00</u>

⁽¹⁾ Previously committed but undisbursed Program cash.

⁽²⁾ Representing interest from April 1, 2003, to the date of delivery.

SECURITY AND SOURCES OF PAYMENT OF THE BONDS

General

The Bonds are special limited obligations of the Authority, payable solely from revenues and receipts derived by the Authority from (i) payments by the Energy Commission under the Secured Loan Agreement (as defined below), (ii) amounts in the Debt Service Reserve Account, including interest earnings thereon, and (iii) any amounts available pursuant to the Secured Loan Agreement, the Bond Indenture and the Master Trust Agreement. See “2003A Collateral” in APPENDIX B, and see “Secured Loan Agreement” and “Master Trust Agreement” below.

Under the Bond Indenture, the Authority has pledged its rights and interest (other than Authority Retained Rights) under the Secured Loan Agreement to the Bond Trustee to secure payment of the Bonds.

The obligation of the Energy Commission to make payments under the Secured Loan Agreement is a limited obligation of the Energy Commission, payable solely from 2003A Program Loan Repayments made by the 2003A Borrowers under the 2003A Program Loans pledged under the Secured Loan Agreement. Pursuant to the Secured Loan Agreement, the Energy Commission has pledged, and granted a security interest in and to, such 2003A Program Loans and the 2003A Program Loan Repayments thereunder (subject to Energy Commission Retained Rights) to the Authority to secure repayment of amounts under the Secured Loan Agreement.

Each 2003A Program Loan is payable solely from energy cost savings resulting from operation of the 2003A Borrower's Project or other legally available sources. The 2003A Program Loans are not secured by any interest in the 2003A Borrower's Project or any other real or personal property of the 2003A Borrower. The Energy Conservation Assistance Act expressly provides that a 2003A Borrower cannot repay a loan by the levy of additional taxes. See "THE PROGRAM—Loan Repayments."

Secured Loan Agreement

In connection with the issuance of the Bonds, the Authority and the Energy Commission will enter into the Secured Loan Agreement pursuant to which the Energy Commission has agreed to make payments to the Authority in amounts and at the times sufficient to repay the Bonds as the same become due and payable under their terms. The obligation of the Energy Commission to make such payments will be a limited obligation, payable solely from the 2003A Collateral pledged by the Energy Commission under the Secured Loan Agreement as security therefor. See "THE PROGRAM" and APPENDIX A for a description of the outstanding 2003A Program Loans initially pledged under the Secured Loan Agreement as security for the Bonds.

As of the date of issuance of the Bonds, the scheduled debt service payments on the 2003A Program Loans is expected to be at least sufficient to pay scheduled debt service on the Bonds. The 2003A Program Loans will be the only loans of the Energy Commission pledged to the payment of the Bonds. Additional loans of the Energy Commission may be pledged to the payment of future series of Master Trust Bonds.

The 2003A Borrowers will continue to make 2003A Program Loan Repayments to the Energy Commission, and such repayments will be deposited into the Loan Repayment Account pursuant to the Secured Loan Agreement. 2003A Program Loan Repayments are due June 22 and December 22 of each year and are delinquent 30 days after those dates. The Secured Loan Agreement provides that not later than 15 days prior to a Bond Payment Date, the Authority will transfer to the Bond Trustee, for deposit in the Debt Service Account held under the Bond Indenture, 2003A Program Loan Repayments in an amount sufficient to pay debt service on the Bonds on such date and for deposit in the Debt Service Reserve Account the amount necessary to cause the amount in the Debt Service Reserve Account to equal the 2003A Debt Service Reserve Requirement.

Debt Service Reserve Account

The Bond Indenture creates the Debt Service Reserve Account, which will be held in the custody of the Bond Trustee and maintained in a subaccount of the Special Deposit Fund in the California State Treasury. The Debt Service Reserve Account will be funded from available cash in the Program on the date of issuance of the Bonds in the amount of \$6,000,000, which represents the initial 2003A Debt Service Reserve Requirement. Following the first principal payment date of the Bonds on March 1, 2004, and on each principal payment date thereafter, the amount of the 2003A Debt Service Reserve Requirement will be reduced to an amount which is the greater of (i) the maximum debt service on the Bonds payable in any fiscal year and (ii) 20% of the principal amount of Bonds (the "2003A Debt Service Reserve Requirement"). Amounts on deposit in the Debt Service Reserve Account will be invested in Permitted Investments according to procedures authorized for such investments by the State Treasurer. See "APPENDIX B—Summary of Legal Documents—Summary of Certain Provisions of the Bond Indenture—Investment of Moneys." One business day prior to any Bond Payment Transfer Date (which is 15 days prior to a Bond Payment Date), the interest earnings on the amounts in the Debt Service Reserve Account will be transferred to the Debt Service Account to be applied for the payment of debt service on the Bonds, if needed.

If there is not sufficient money in the Debt Service Account to pay debt service on the Bonds (after application of the interest earnings on the Debt Service Reserve Account), as the same shall become due, moneys on deposit in the Debt Service Reserve Account will be used to pay debt service on the Bonds. If amounts in the Debt Service Reserve Account are insufficient to fund the deficit, the Bond Trustee will notify the Master Trustee and request that an amount equal to the deficiency be held in the Master Reserve Account. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS—Master Trust Agreement.” On each principal payment date, any amount in excess of the 2003A Debt Service Reserve Requirement will be released from the Debt Service Reserve Account for deposit into the Master Reserve Account held by the Master Trustee and will be available to pay debt service on all Master Trust Bonds.

As long as the amount on deposit in the Debt Service Reserve Account equals the 2003A Debt Service Reserve Requirement, no further deposits will be made to the Debt Service Reserve Account. If the Authority is ever required to withdraw funds from the Debt Service Reserve Account to prevent a default in the payment of debt service on the Bonds and such withdrawal reduces the amount on deposit in the Debt Service Reserve Account to less than the 2003A Debt Service Reserve Requirement, (a “Reserve Deficiency”), the Bond Trustee must notify the Master Trustee of such Reserve Deficiency and the Master Trustee, pursuant to the Master Trust Agreement, will, to the extent of available funds, held in the Master Trust Agreement an amount equal to the Reserve Deficiency in accordance with the provisions of the Master Trust Agreement. See “SECURITY AND SOURCES OF PAYMENT OF THE BONDS—Master Trust Agreement.” In the event that 2003A Program Loan Repayments are sufficient to replenish any Reserve Deficiency, amounts held in the Master Reserve Account equal to such replenishment will, at the written direction of the Authority, be released to the Energy Commission. Any amounts so transferred to the Energy Commission will not serve as security for the Bonds or any other Master Trust Bonds.

Surplus Repayments Account and Cash Flow Monitoring

The Bond Indenture creates the Surplus Repayments Account, which will be held in the custody of the Bond Trustee and maintained in the Special Deposit Fund in the California State Treasury. The Surplus Repayments Account will be funded from amounts remaining in the Loan Repayment Account on each Bond Payment Transfer Date after paying Administrative Expenses (as defined in the Bond Indenture) and after making required transfers to the Debt Service Account and Debt Service Reserve Account. See “APPENDIX B—Summary of Legal Documents—Defined Terms.”

Amounts on deposit in the Surplus Repayments Account will be transferred to the Debt Service Account on any Bond Payment Transfer Date to the extent such amounts are required to pay principal and interest on the 2003A Bonds coming due on such Bond Payment Date. Subject to the foregoing sentence, the Authority will transfer (or will cause the Bond Trustee to transfer) from the Surplus Repayments Account to the Master Trustee, for deposit into the Master Reserve Account, (i) the amount, in such account in excess of the amount necessary to deliver a Cash Flow Certificate, which certificate the Energy Commission covenants to deliver to the Bond Trustee and the Authority on or before each Bond Payment Date, less (ii) any amounts required by the Energy Commission, as stated in a certificate of an Energy Commission Representative, to pay administrative and legal costs related to the Bonds and compliance with the terms of the Secured Loan Agreement, the Master Trust Agreement and the Bond Indenture including, without limitation, implementation of the Program and making of new loans with Bond proceeds.

The Cash Flow Certificate is an Officer’s Certificate of the Energy Commission (a) demonstrating that, for each six-month period ending March 1 and September 1, commencing with the six-month period in which such certificate is delivered, (i) the scheduled payments on the Program Loans

securing a Series of Bonds which will be available to pay debt service due on such Series of Bonds during such six-month period plus (ii) any amounts to remain on deposit in the Surplus Repayments Account (and be applied as specified in the Cash Flow Certificate), together with estimated interest earnings thereon, after any release contemplated by the Cash Flow Certificate, will at least be equal to 110% of the debt service payable on such Series of Bonds in each such six-month period, and (b) if applicable, directing the release of amounts in the Surplus Repayments Account to the Master Trustee for deposit into the Master Reserve Account. In delivering the Cash Flow Certificate, amounts in the Debt Service Reserve Account, together with any releases therefrom or any interest earnings thereon, are disregarded.

As of the date of issuance of the Bonds, the Energy Commission will execute a Cash Flow Certificate demonstrating its ability to satisfy these requirements.

Master Trust Agreement

The Bonds are Master Trust Bonds, and all future bonds issued under the Program are expected to be Master Trust Bonds, secured by the Master Trust Agreement. Because the Bonds constitute the initial series of Master Trust Bonds, as of the date of issuance of the Bonds there will not be any funds on deposit under the Master Trust Agreement.

The Master Reserve Account established under the Master Trust Agreement will be funded from two sources: 1) transfers from the Surplus Repayments Account held by the Bond Trustee, together with interest earnings therein, resulting from loan repayments in excess of scheduled debt service on the related series of Master Trust Bonds; and 2) moneys released from a debt service reserve account for a series of Master Trust Bonds on any Bond Payment Date which are in excess of the Debt Service Reserve Requirements on such date. Transfers to the Master Trustee will be made prior to each applicable Bond Payment Date for each series of Master Trust Bonds. The amounts transferred into the Master Reserve Account will vary with each series of Master Trust Bonds, depending upon the amount of excess loan repayments, scheduled investment earnings, and the applicable Debt Service Reserve Requirement under the related bond indenture.

Moneys transferred to the Master Trustee will be available to provide an additional reserve to make up for any deficiency in any debt service reserve account established for any series of Master Trust Bonds, and to pay debt service on any Master Trust Bonds in the event amounts available under the related bond indenture are insufficient for such purpose, as more fully described below.

If, prior to any Bond Payment Date on Master Trust Bonds, a bond trustee determines that there will be an insufficient amount in the debt service account for such series of Master Trust Bonds to pay the principal and interest on such bonds coming due on the next Bond Payment Date (after first taking into account the interest earnings to be transferred from the debt service reserve account and amounts in the debt service reserve account), the bond trustee will notify the Master Trustee of the amount of any shortfall. No later than the Business Day prior to a Bond Payment Date, the Master Trustee is required to transfer to the bond trustee the amount of any shortfall from available moneys held under the Master Trust Agreement.

If, on any Bond Payment Date, a bond trustee determines that the amount on deposit in the debt service reserve account established for such series of Master Trust Bonds is below the level required by the applicable bond indenture, the bond trustee will notify the Master Trustee of the amount of the Reserve Deficiency. The Master Trustee will, to the extent of available funds in the Master Reserve Account, set aside in trust an amount equal to such Reserve Deficiency.

Within two Business Days following any Bond Payment Date, the Master Trustee will transfer, at the direction of the Authority, the net balance of amounts held in the Master Reserve Account, in excess of any cumulative reserve deficiencies for all series of Master Trust Bonds (“Cumulative Deficiencies”), to the Energy Commission. If and to the extent the bond trustee for any series of Master Trust Bonds certifies to the Master Trustee that any reserve deficiency has been replenished, moneys on deposit in the Master Reserve Account will be released to the Energy Commission to the extent not needed to cure any other reserve deficiency or to such other fund or account held by the Master Trustee under the Master Trust Agreement as may be directed in writing by the Authority.

All amounts held under the Master Trust Agreement will be invested in Permitted Investments, as directed by the Authority in consultation with the Energy Commission.

As of the date of issuance of the Bonds, no money will be on deposit with the Master Trustee.

Bonds Limited Obligations

The Bonds do not constitute an indebtedness or liability of the State or of any political subdivision thereof, other than the Authority, or a pledge of the faith and credit of the State or of any political subdivision, but shall be payable solely from the funds described herein. The Authority has no taxing power. The Bonds do not directly or indirectly or contingently obligate the State or any political subdivision thereof to levy or to pledge any form of taxation therefor, or to make any appropriation for their payment.

RISK FACTORS

This section of the Official Statement describes certain risk factors that may affect the payment of and security for the Bonds. Potential investors should consider, among other matters, these risk factors in connection with any purchase of the Bonds. The following discussion is not meant to present an exhaustive list of the risks associated with the purchase of any Bonds (and other considerations that may be relevant to particular investors) and does not necessarily reflect the relative importance of the various risks. Potential investors are advised to consider the following factors, along with all other information contained or incorporated by reference in this Official Statement, in evaluating whether to purchase the Bonds.

Lack of Energy Savings

Since the 2003A Program Loans securing the Bonds are repayable only from energy savings or other legally available sources, if any 2003A Borrower is unable to achieve energy savings calculated for the applicable repayment period, the loan payment schedule can be renegotiated. There can be no assurance that performance of the 2003A Borrower’s Project will not deteriorate, that energy rates will not decline to a point at which savings are not realized, or that other factors may not result in a loss of savings. Although the 2003A Program Loan Agreements require each 2003A Borrower to report energy savings for each of the three years immediately following completion of the 2003A Borrower’s Project, the Energy Commission reports that only a small percentage of current 2003A Borrowers have complied with this requirement. Such noncompliance, although technically a default under the Loan Agreement, does not carry any other penalty for the 2003A Borrower. The Energy Conservation Assistance Act requires each Program Participant to annually compute the cost of energy saved as a result of the implementation of any Project financed by a Program Loan, in a manner prescribed by the Energy Commission. The Energy Commission does not currently monitor energy savings on an ongoing basis. However at the time of the delivery of the Bonds, the Energy Commission will certify that, based upon its

review of the energy savings computations made by each 2003A Borrower and the Energy Commission at the inception of the 2003A Program Loan, the Energy Commission believes that each 2003A Borrower's Project continues to produce "energy savings" in excess of the annual 2003A Program Loan Repayments.

In addition, the Energy Commission reports that no Program Loan has ever failed to be repaid due to the absence of energy savings. In fact, the Energy Commission reports that since the inception of its Program in 1979, out of approximately 507 loans funded, only \$9,704 has been written off due to two Program Participants' financial difficulties. In addition, the Energy Commission has indicated that it could renegotiate loan terms, to the extent permitted by law, if needed to realize full loan repayment due to reduced energy savings. See "THE PROGRAM—2003A Program Loans."

Lack of Financial Covenants and Legal Opinions for 2003A Program Loans

The Energy Commission has not previously used revenue bonds as a source of funding for Program Loans. Also, the 2003A Program Loans are unsecured obligations of the Borrowers. The standard loan agreements used in connection with the 2003A Program Loan do not include provisions that are frequently part of revenue bond financings in the public finance sector, including a stated priority of an identified source of revenues to be used to repay a 2003A Program Loan (as compared to any other obligations of a 2003A Borrower), or any limitation on additional borrowings by a 2003A Borrower, or any provisions comparable to a "rate covenant." In addition, no legal opinions that the 2003A Program Loans were valid and binding obligations of the 2003A Borrowers were delivered by 2003A Borrowers' counsel (or any other counsel) at the time of the closings of the loans, nor at any time thereafter, nor is Bond Counsel or the Energy Commission Chief Counsel delivering any such opinion in connection with the delivery of the Bonds. However, as described below, the Attorney General has issued an opinion with respect to the validity of the Program Loans under the California Constitution. See "Legal Challenges to Validity of the 2003A Program Loans" immediately below.

Legal Challenges to Validity of the 2003A Program Loans

It is possible that the validity or enforceability of any or all of the 2003A Program Loans could be challenged on the basis that they represent a debt of the borrowing public entity which was entered into without a vote of the electorate. This issue was addressed, at the request of the Energy Commission, by the California Attorney General Opinion No. 84-306 (67 Op. Atty. Gen. 349), dated August 1, 1984. That opinion, based on the Energy Commission's interpretation and application of the statutes governing the Program Loans, concluded that the borrowing of funds by a city, county or school district to implement an energy conservation project pursuant to the Energy Commission's Energy Conservation Assistance Program (Public Resources Code sections 25410-25421) did not require electorate consent under Article XVI, Section 18 of the California Constitution because the energy loans constituted a contingent liability payable solely from savings in energy costs and because the governing body was not empowered to levy taxes for the purpose of making loan payments.

The Attorney General opinion did note that, since the applicable statute required that each borrowing entity "shall repay" the loan, although not through the levying of additional taxes, there remained the question of whether there is an obligation to repay a loan in excess of energy savings with other available funds where the raising of such funds for repayment is not precluded by the California Constitution. The Energy Conservation Assistance Act has since been amended to expressly permit loans to be repaid from other legally available sources as well as from savings in energy costs, while still prohibiting loans from being paid by the levy of additional taxes.

The Energy Commission is not aware of any legal challenge to the validity of the loans financed under its Program.

Prepayment of 2003A Program Loans; No Right to Redeem Bonds

The 2003A Program Loans are prepayable without penalty at any time. If a very substantial portion of the 2003A Program Loans were prepaid, it is possible that, in light of the inability of the Authority to redeem the Bonds, the cash flow from such prepayments, together with investment earnings thereon and other amounts available under the Bond Indenture to pay the Bonds, might be insufficient to pay debt service on the Bonds as it becomes due. In light of the specialized nature of the 2003A Program Loans and the size of the Debt Service Reserve Account, the Authority and the Energy Commission consider this possibility to be remote.

Termination of Authority Existence

As described in “THE AUTHORITY,” the Authority Act contains provisions which may result in termination of the Authority on January 1, 2007. Although any such termination would prevent the Authority from issuing additional series of Master Trust Revenue Bonds, which could affect the amounts held in the Master Reserve Account, any such termination would not directly adversely affect the obligation to pay the principal and interest on the Bonds

LITIGATION

The Authority

To the knowledge of the Authority, there are no actions, suits or proceedings, inquiry or investigation before or by any court or public body pending or threatened against or affecting the Authority (a) challenging or questioning the transactions contemplated by the Purchase Contract among the underwriter of the Bonds, the State Treasurer and the Authority providing for the sale of the Bonds (the “Purchase Contract”), the Bond Indenture, the Master Trust Agreement and the Secured Loan Agreement (the “Authority Financing Documents”), the Bonds, or any other agreement, document or certificate related to such transactions; (b) challenging or questioning the creation, organization, existence or powers of the Authority with respect to the issuance of the Bonds; (c) seeking to enjoin or restrain the issuance, sale and delivery of the Bonds or the collection of any of the 2003A Program Loan Repayments or the pledge thereof or of the 2003A Program Loan Agreements; (d) in any way questioning or affecting any of the rights, powers, duties or obligations of the Authority with respect to the 2003A Program Loan Repayments or the 2003A Program Loan Agreements; (e) in any way questioning or affecting any authority for the issuance of the Bonds or validity or enforceability of the Bonds or the Authority Financing Documents; or (f) in any way questioning or affecting any other agreement or instrument to which the Authority is a party.

The Energy Commission

The Energy Commission will provide a certificate at the time of issuance of the Bonds stating that, to the best of its knowledge and based upon a reasonable investigation, (i) there are no actions, suits or proceedings, which have been served on the Energy Commission or are otherwise pending or threatened against the Energy Commission (a) to restrain or enjoin the issuance or delivery of any of the Bonds or the collection of 2003A Program Loan Repayments pledged under Secured Loan Agreement or any payments to be made or assets to be pledged by the Energy Commission pursuant the Secured Loan Agreement or the Master Trust Agreement; (b) in any way contesting or affecting the issuance or delivery

of the Bonds or the validity, when executed and delivered, of the Bonds, the Bond Indenture, the Purchase Contract or the Letter of Representations executed by the Energy Commission and attached to the Purchase Contract, the Master Trust Agreement, the Secured Loan Agreement, the Continuing Disclosure Agreement (described below in “CONTINUING DISCLOSURE”) and the Tax Certificate and Agreement between the Authority and the Energy Commission executed in connection with issuance of the Bonds (collectively, the “Energy Commission Financing Documents”) or the collection of 2003A Program Loan Repayments pledged under the Secured Loan Agreement or the 2003A Collateral pledged under the Bond Indenture; or (c) in any way contesting the existence or powers of the Energy Commission to operate the Program, and (ii) except as described in this Official Statement, there are no actions, suits or proceedings of any nature which have been served on the Energy Commission or are otherwise pending or threatened against the Energy Commission which, if determined adversely to it, might materially adversely affect the financial condition, assets or properties of the Energy Commission.

The Energy Commission has been informed by an individual that as a result of a dispute between that individual and the staff of the Energy Commission regarding the Energy Commission’s duties under the California Public Records Act, he intends to file a lawsuit seeking approximately \$31.7 million in damages. In addition, a case was recently filed against the Energy Commission alleging libel and slander seeking approximately \$20 million in damages, and the case was dismissed with leave to refile. Although the complaint alleged no clear facts, it appeared that the complaint involved a pollution control invention. The Energy Commission’s assessment of the possible lawsuit and the dismissed lawsuit is that they are frivolous and have no merit, and that the Energy Commission has no liability for damages. The factual bases of both matters are unrelated to the Bonds, the Program and the 2003A Program Loan Agreements.

TAX MATTERS

General

In the opinion of Sidley Austin Brown & Wood LLP, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the Bond Indenture, the Secured Loan Agreement, the Master Trust Agreement and other documents pertaining to the Bonds and requirements of the Internal Revenue Code of 1986, as amended (the “Code”), regarding the use, expenditure and investment of proceeds of the Bonds and the timely payment of certain investment earnings to the United States, interest on the Bonds is not includable in the gross income of the owners of the Bonds for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is not treated as an item of tax preference in calculating federal alternative minimum taxable income of individuals and corporations. Interest on the Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liability.

Ownership of, or the receipt of interest on, tax-exempt obligations may result in collateral tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, certain foreign corporations doing business in the United States, certain S corporations with excess passive income, individual recipients of Social Security or Railroad Retirement benefits, taxpayers that may be deemed to have incurred or continued indebtedness to purchase or carry tax-exempt obligations and taxpayers who may be eligible for the earned income tax credit. Bond Counsel expresses no opinion with respect to any collateral tax consequences and, accordingly,

prospective purchasers of Bonds should consult their tax advisors as to the applicability of any collateral tax consequences.

Certain requirements and procedures contained or referred to in the Bond Indenture, the Secured Loan Agreement, the Master Trust Agreement or other documents pertaining to the Bonds may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the exclusion of interest on the Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than Sidley Austin Brown & Wood LLP.

Legislation affecting municipal obligations is continually being considered by the United States Congress. There can be no assurance that legislation enacted after the date of issuance of the Bonds will not have an adverse effect on the tax-exempt status of the Bonds. Legislation or regulatory actions and proposals may also affect the economic value of the tax exemption or the market price of the Bonds.

In the further opinion of Bond Counsel, interest on the Bonds is exempt from personal income taxes imposed by the State of California.

A copy of the proposed form of opinion of Bond Counsel is attached hereto as APPENDIX C.

Original Issue Discount

The initial public offering price of certain of the Bonds (collectively, the “Discount Bonds”) is less than the principal amount of the Discount Bonds. The difference between the principal amount of a Discount Bond and its initial public offering price is original issue discount. Original issue discount on a Discount Bond accrues over the term of such Discount Bond at a constant interest rate. To the extent it has accrued, original issue discount on a Discount Bond is treated as interest excludable from gross income for federal income tax purposes under the conditions and limitations described above. The amount of original issue discount that accrues on a Discount Bond in each year is not an item of tax preference for purposes of calculating federal alternative minimum taxable income, but is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation’s alternative minimum tax liability. Additionally, such accrued original issue discount is taken into account in determining the distribution requirements of certain regulated investment companies. Consequently, owners of Discount Bonds should be aware that the accrual of original issue discount in each year may result in an alternative minimum tax liability, additional distribution requirements or other collateral federal income tax consequences although the owner may not have received cash in such year.

The accrual of original issue discount on a Discount Bond will increase the owner’s adjusted basis in such Discount Bond. This will affect the amount of taxable gain or loss realized by the owner of the Discount Bond upon the redemption, sale or other disposition of such Discount Bond. The effect of the accrual of original issue discount on the federal income tax consequences of a redemption, sale or other disposition of a Discount Bond that is not purchased at the initial public offering price may be determined according to rules that differ from those described above. Owners of Discount Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of original issue discount that properly accrues with respect to the Discount Bonds, other federal income tax consequences of owning and disposing of the Discount Bonds and any state and local tax consequences of owning and disposing of the Discount Bonds.

Premium Bonds

Certain of the Bonds may be purchased in the initial offering for an amount in excess of their principal amount (hereinafter, the “Premium Bonds”). The excess of the tax basis of a purchaser of a Premium Bond (other than a purchaser who holds a Premium Bond as inventory, stock in trade or for sale to customers in the ordinary course of business) over the principal amount of such Premium Bond is “bond premium.” Bond premium is amortized for federal income tax purposes over the term of a Premium Bond based on the purchaser’s yield to maturity in the Premium Bond. A purchaser of a Premium Bond is required to decrease his or her adjusted basis in such Premium Bond by the amount of bond premium attributable to each taxable year in which such purchaser holds such Premium Bond. The amount of bond premium attributable to a taxable year is not deductible for federal income tax purposes. Purchasers of Premium Bonds should consult their tax advisors with respect to the precise determination for federal income tax purposes of the amount of bond premium attributable to each taxable year and the effect of bond premium on the sale or other disposition of a Premium Bond, and with respect to the state and local tax consequences of owning and disposing of a Premium Bond.

LEGAL MATTERS

Certain legal matters incident to the authorization, issuance, sale and delivery of the Bonds are subject to the approval of Sidley Austin Brown & Wood LLP, San Francisco, California, Bond Counsel, whose approving legal opinion will be delivered with the Bonds in substantially the form of APPENDIX C hereto. Certain legal matters will be passed upon for the Energy Commission by its Chief Counsel, William M. Chamberlain, Esq. Certain other legal matters will be passed for the Underwriter by Orrick, Herrington & Sutcliffe LLP, San Francisco, California, Counsel to the Underwriter.

No legal opinions that the 2003A Program Loans were valid and binding obligations of the Borrowers were delivered by 2003A Borrowers’ counsel (or any other counsel) at the time of the closings of the loans, nor at any time thereafter, nor is Bond Counsel or the Energy Commission Chief Counsel delivering any such opinion in connection with the delivery of the Bonds.

The remedies available to the Bond Trustee, to the Authority or to the owners of the Bonds upon an Event of Default under the Bond Indenture or under the terms of the 2003A Program Loan Agreements or the Secured Loan Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay. Under existing constitutional and statutory law and judicial decisions, including specifically Title 11 of the United States Code (the United States Bankruptcy Code), the remedies provided in the Bond Indenture, the 2003A Program Loan Agreements or the Secured Loan Agreement may not be readily available or may be limited. The various legal opinions to be delivered concurrently with the delivery of the Bonds will be qualified as to the enforceability of the various legal instruments by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally.

The various legal opinions to be delivered concurrently with the delivery of the Bonds express the professional judgment of the attorneys rendering the opinions as to the legal issues explicitly addressed therein. By rendering a legal opinion, the opinion giver does not become an insurer or guarantor of that expression of professional judgment, of the transaction opined upon, or of the future performance of parties to such transaction, nor does the rendering of an opinion guarantee the outcome of any legal dispute that may arise out of the transaction.

RATING

Moody's Investors Service is expected to assign the Bonds a rating of "Aa3." Any desired explanation of the significance of such rating should be obtained from such rating agency. There is no assurance that such "Aa3" rating will be maintained for any given period of time or that it will not be lowered or withdrawn entirely if, in the judgment of the rating agency, circumstances so warrant. The Underwriter has undertaken no responsibility either to bring to the attention of the Owners of the Bonds any proposed revision or withdrawal of the rating on the Bonds or to oppose any such proposed revision or withdrawal. Any downward revision or withdrawal of such rating could have an adverse effect on the market price of the Bonds.

CONTINUING DISCLOSURE

Because the Bonds are limited obligations of the Authority, payable solely from amounts received from the Energy Commission, financial or operating data concerning the Authority is not material to an evaluation of the offering of the Bonds or to any decision to purchase, hold or sell the Bonds. Accordingly, the Authority will not provide any such information. The Energy Commission has undertaken all responsibilities for any continuing disclosure to owners of the Bonds, as described below, and the Authority shall have no liability to the Owners of the Bonds or any other person with respect to Rule 15c2-12 promulgated under the Securities Exchange Act of 1934 by the Securities and Exchange Commission (the "Rule").

The Energy Commission has covenanted for the benefit of the holders and beneficial owners of the Bonds to provide certain financial information and operating data (the "Energy Commission Report") by not later than April 1 of each year, commencing with the report for fiscal year 2002-03, to be filed on or before April 1, 2004, and ending on the final maturity date of the Bonds. The Energy Commission Report will be filed by the Energy Commission with each Nationally Recognized Municipal Securities Information Repository and the Authority. A form of Continuing Disclosure Agreement specifying the nature of the information to be contained in the Energy Commission Report or the notices of material events is set forth in APPENDIX D hereto. These covenants have been made in order to assist the Underwriter in complying with S.E.C. Rule 15c2-12(b)(5). The Energy Commission has not previously made any undertakings with regard to such Rule to provide annual reports or notices of material events.

In addition, if at the time of any release, substitution or replacement of a 2003A Program Loan pursuant to the Secured Loan Agreement, (i) any 2003A Borrower shall be obligated to make aggregate debt service payments on its 2003A Program Loans in an amount equal to 10% or more of the aggregate annual debt service on the Bonds, or (ii) if any the 2003A Borrower's aggregate 2003A Program Loans represent more than 10% of the aggregate principal amount of all 2003A Program Loans, then such a 2003A Borrower will be a "Material Participant" as defined in the Secured Loan Agreement. The Commission has covenanted in the Secured Loan Agreement to require any Material Participant to enter into a continuing disclosure agreement with respect to the Bonds in accordance with the Rule and to file annual reports and notices of certain events with information repositories in accordance with the Rule. See "APPENDIX B—Summary of Legal Documents—Summary of Certain Provisions of the Secured Loan Agreement—Continuing Disclosure." There are currently no 2003A Borrowers who are Material Participants.

UNDERWRITING

The Underwriter has agreed, subject to certain customary conditions precedent to closing, to purchase the Bonds from the Authority at a purchase price of \$29,022,225.10 (which is equal to the aggregate par amount of the Bonds, plus a net original issue premium of \$1,310,685.10, less an underwriter's discount of \$293,460.00), plus accrued interest. The Bonds may be offered and sold to certain dealers at prices lower than such public offering price, and such public offering price may be changed, from time to time, by the Underwriter.

FINANCIAL ADVISORS

Public Financial Management, San Francisco, California, serves as Financial Advisor to the Authority. Lamont Financial Services Corporation, Los Angeles, California serves as Financial Advisor to the Energy Commission. The Financial Advisors have assisted in various matters relating to the planning, structure and issuance of the Bonds.

MISCELLANEOUS

The references, excerpts and summaries of all documents referred to herein do not purport to be complete statements of the provisions of such documents, and reference is made to all such documents for full and complete statements of all matters of fact relating to the Bonds, the security for the payment of the Bonds and the rights of the owners thereof. During the period of the offering, copies of drafts of such documents may be examined at the office of the Underwriter. Following delivery of the Bonds, copies of such documents may be examined at the principal corporate trust office of the Bond Trustee. The information contained in this Official Statement has been compiled from official and other sources deemed to be reliable, and while not guaranteed as to completeness or accuracy, is believed to be correct as of this date.

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not expressly so stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the information presented herein since the date hereof. This Official Statement is not to be construed as a contract or agreement between the Authority, the Energy Commission, the 2003A Borrowers, the Bond Trustee, the Master Trustee or the Underwriter and the purchasers or Owners of any Bonds.

The delivery of this Official Statement has been duly authorized by the Authority.

CALIFORNIA CONSUMER POWER AND
CONSERVATION FINANCING AUTHORITY

By: /s/ S. David Freeman
Chair

This Official Statement has been reviewed and approved by the Energy Commission. Concurrent with the delivery of the Bonds, the Energy Commission will furnish a certificate executed on its behalf by its Executive Director to the effect that this Official Statement (excluding any information regarding the Authority or DTC) does not contain any untrue statement of a material fact or omit to state a material fact necessary to make statements herein, in the light of the circumstances under which they were made, not misleading.

CALIFORNIA ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT
COMMISSION

By: /s/ Robert L. Therkelsen
Executive Director

APPENDIX A

INFORMATION ON INITIAL 2003A PROGRAM LOANS

The following table shows the outstanding principal amount of existing 2003A Program Loans as of January 28, 2003.* For those 2003A Program Loans which are not yet in repayment, the outstanding principal amounts shown represent amounts disbursed to date.

The Energy Commission may release, substitute or modify any of the 2003A Program Loans in accordance with the Secured Loan Agreement. See “APPENDIX B—Summary of Legal Documents—Summary of Certain Provisions of the Secured Loan Agreement—Release, Substitution and Modification of 2003A Program Loans.”

Listing of Initial 2003A Program Loans

Initial 2003A Borrower	Loan Number	Outstanding Principal Amount	Interest Rate	Final Maturity Date ⁽¹⁾
West Hills Community College District	555-000 . . .	\$ 46,660	8.32%	06/22/08
Carmel Unified School District	140-002-ECA	261,427	6.60	12/22/07
Fall River Joint Unified School District	746-000-ECA	139,535	6.60	06/22/08
Siskiyou Joint Community College District	742-000-ECA	44,313	6.60	12/22/07
Woodlake Union High School	747-000-ECA	41,308	6.60	12/22/05
Gridley Union High School District	274-001-ECA	39,019	6.60	12/22/05
Conejo Valley Unified School District	336-004-ECA	35,752	6.60	12/22/03
Gridley Union School District	261-001-ECA	21,623	6.60	06/22/04
Lowell Joint School District	576-003-ECA	20,894	6.60	06/22/07
Conejo Valley Unified School District	336-005-ECA	8,021	6.60	12/22/04
Conejo Valley Unified School District	336-007-ECA	5,000	6.60	12/22/03
Conejo Valley Unified School District	336-006-ECA	4,809	6.60	12/22/03
Clear Creek Elementary School District	745-000-ECA	4,448	6.60	06/22/05
Penryn Elementary School District	749-000-ECA	4,356	6.60	12/22/04
Happy Valley Elementary School District	733-000-ECA	1,719	6.60	12/22/03
County of Alameda	810-000-ECA	745,277	6.00	12/22/10
City of Palm Springs	808-000-ECA	183,658	6.00	06/22/13
City of Pasadena	058-003-ECA	61,305	6.00	12/22/04
City of Sebastopol	811-000-ECA	8,750	6.00	06/22/05
University of California, Santa Barbara	777-000-ECA	391,122	5.90	06/22/11
County of El Dorado	753-000-ECA	224,032	5.90	06/22/09
City of South Gate	379-002-ECA	172,358	5.90	12/22/08
San Juan Water District	780-000-ECA	44,505	5.90	06/22/12
City of Rio Vista	754-000-ECA	34,167	5.90	06/22/09
City of Woodland	661-001-ECA	31,588	5.90	12/22/03
City of Redding	809-000-ECA	334,525	5.40	06/22/12
City of Berkeley	037-004-ECA	178,160	5.40	06/22/08

⁽¹⁾ Semiannual loan repayment dates are June 22 and December 22 of each year.

* The 2003A Program Loan information in this Appendix is based on various files maintained by the Energy Commission which are updated periodically. Therefore, additional draws, prepayments or delinquencies may have occurred which are not reflected in this Appendix.

Initial 2003A Borrower	Loan Number	Outstanding Principal Amount	Interest Rate	Final Maturity Date⁽¹⁾
City of Redding	809-001-ECA	\$ 141,424	5.40%	6/22/13
City of South Gate	379-003-ECA	96,969	5.40	12/22/10
Exeter Public Schools	282-002-ECA	72,939	4.72	06/22/07
Lake Elementary School District	707-000-ECA	7,913	4.72	12/22/04
Plaza Elementary School District	708-000-ECA	4,319	4.72	12/22/04
City of Corona	224-002-ECA	44,594	4.68	12/22/03
City of Monterey	678-000-ECA	13,477	4.68	06/22/03
College of the Canyons ⁽²⁾	021-001-ECA	631,783	4.00	06/22/14
Chabot-Las Positas Community College District ⁽²⁾	650-002-ECA	104,544	4.00	12/22/08
County of Merced	833-000-ECX	1,749,196	3.00	06/22/13
Los Angeles Community College District	839-000-ECX	1,504,834	3.00	06/22/11
City of Redlands	099-001-ECX	1,500,000	3.00	06/22/09
State Center Community College District	856-000-ECX	1,183,864	3.00	06/22/10
Southwestern Community College District	840-000-ECX	1,136,037	3.00	06/22/13
County of Alameda	810-001-ECX	1,031,169	3.00	06/22/13
Antelope Valley Community College District	836-000-ECX	998,321	3.00	06/22/11
City and County of SF-Hetch Hetchy W&P	821-000-ECX	970,626	3.00	12/22/10
County of Solano	824-000-ECX	882,597	3.00	06/22/09
Capistrano Unified School District	820-001-ECX	823,780	3.00	06/22/11
County of Orange	842-000-ECX	805,117	3.00	12/22/09
Mt. San Antonio College	829-000-ECX	773,557	3.00	06/22/08
Del Mar Union School District	818-000-ECX	657,189	3.00	06/22/11
City of Manteca	828-001-ECX	598,611	3.00	06/22/10
County of Orange	842-001-ECX	598,042	3.00	12/22/08
Mt. San Antonio College	829-001-ECX	593,641	3.00	06/22/12
City of San Carlos	815-000-ECX	577,972	3.00	06/22/12
Torrance Unified School District	844-000-ECX	433,730	3.00	06/22/13
County of Riverside	852-000-ECX	411,719	3.00	12/22/04
Contra Costa County	477-001-ECX	354,990	3.00	06/22/10
Clovis Unified School District	097-012-ECX	340,523	3.00	12/22/07
Contra Costa County	477-002-ECX	287,095	3.00	06/22/09
Piner-Olivet Union School District	865-000-ECX	261,930	3.00	06/22/14
City of Culver City	853-000-ECX	252,269	3.00	12/22/06
City of Fresno Water Division	843-000-ECX	237,405	3.00	12/22/05
Kerman Unified School District	262-001-ECX	235,021	3.00	12/22/10
City of Redlands	099-002-ECX	221,572	3.00	12/22/06
City of San Buenaventura	823-000-ECX	216,817	3.00	06/22/06
Apple Valley Unified School District	831-000-ECX	180,522	3.00	12/22/09
City of Modesto	173-003-ECX	173,692	3.00	06/22/07
City of Westlake Village	822-000-ECX	163,551	3.00	12/22/09
Capistrano Unified School District	820-000-ECX	150,418	3.00	12/22/08
City of Bellflower	841-000-ECX	128,502	3.00	12/22/06
Middletown Unified School District	837-000-ECX	116,230	3.00	06/22/13
City of Auburn	826-000-ECX	106,723	3.00	12/22/11
Sierra Joint Community College District	835-001-ECX	104,838	3.00	06/22/09
Barstow Unified School District	859-000-ECX	99,499	3.00	12/22/05

⁽¹⁾ Semiannual loan repayment dates are June 22 and December 22 of each year.

⁽²⁾ Not yet in repayment because loan amounts are still being disbursed. Final maturity date is estimated, and principal may increase as funds are disbursed.

Initial 2003A Borrower	Loan Number	Outstanding Principal Amount	Interest Rate	Final Maturity Date⁽¹⁾
Sutter Extension Water District	861-000-ECX	\$ 90,354	3.00%	06/22/13
County of Mendocino	816-000-ECX	81,536	3.00	12/22/07
Town of San Anselmo	546-001-ECX	78,690	3.00	12/22/10
County of Humboldt	862-000-ECA	66,990	3.00	12/22/11
City of El Centro	814-000-ECX	62,370	3.00	06/22/07
Antelope Valley Community College District	836-001-ECX	54,882	3.00	12/22/08
Cutten Elementary School District	866-000-ECA	45,962	3.00	06/22/10
City of Napa	854-000-ECX	34,449	3.00	12/22/04
City of Sausalito	838-000-ECX	28,394	3.00	06/22/13
City of San Juan Capistrano	813-000-ECX	6,148	3.00	06/22/03
City of Manteca ⁽²⁾	828-000-ECX	1,639,153	3.00	06/22/11
City and County of San Francisco ⁽²⁾	817-000-ECX	1,063,202	3.00	06/22/10
Sierra Joint Community College District ⁽²⁾	835-000-ECX	1,052,048	3.00	06/22/11
Antelope Community College District ⁽²⁾	836-002-ECX	372,900	3.00	06/22/13
City of Oakland ⁽²⁾	610-002-ECX	237,617	3.00	06/22/11
City of Santa Rosa ⁽²⁾	101-001-ECX	887,640	3.00	06/22/09
City and County of San Francisco ⁽²⁾	817-001-ECX	729,018	3.00	06/22/08
City of Indio ⁽²⁾	855-000-ECX	144,309	3.00	06/22/09
Rio Linda Union School District ⁽²⁾	857-000-ECX	519,688	3.00	06/22/11
County of Humboldt ⁽²⁾	862-001-ECA	40,063	3.00	06/22/08

⁽¹⁾ Semiannual loan repayment dates are June 22 and December 22 of each year.

⁽²⁾ Not yet in repayment because loan amounts are still being disbursed. Final maturity date is estimated, and principal may increase as funds are disbursed.

APPENDIX B

SUMMARY OF LEGAL DOCUMENTS

The following is a summary of defined terms and certain provisions of the Secured Loan Agreement, dated as of April 1, 2003, between the Energy Commission and the Authority; the Bond Indenture, dated as of April 1, 2003, between the Authority and the Treasurer of the State of California, as Bond Trustee; and the Master Trust Agreement, dated as of April 1, 2003, among the Authority, the Treasurer of the State of California, as Master Trustee; and the Energy Commission. This summary does not purport to be complete or comprehensive, and this summary is qualified in its entirety by reference to these documents, copies of which are available from the Bond Trustee.

SUMMARY OF LEGAL DOCUMENTS

TABLE OF CONTENTS

	<u>Page</u>
DEFINED TERMS	B-4
2003A SECURED LOAN AGREEMENT	B-13
Issuance of 2003A Bonds; Repayments	B-13
Making of the Secured Loan; Issuance of the 2003A Bonds; Deposit into Debt Service Reserve Account	B-13
Limited Liability of Energy Commission.	B-13
Obligation to Make Secured Loan Repayments and Additional Payments.....	B-13
Secured Loan Repayments	B-14
Additional Payments under the 2003A Secured Loan Agreement.....	B-14
Energy Commission’s Payments as Trust Funds.	B-14
Pledge of 2003A Program Loans; Transfer of 2003A Program Loan Repayments	B-15
Release, Substitution and Modification of 2003A Program Loans	B-15
Pledge and Assignment to Bond Trustee.	B-16
Funds and Accounts	B-16
Creation of Funds and Accounts	B-16
Further Agreements	B-16
Covenant to Maintain Tax Status.....	B-16
Authority’s Performance of the Energy Commission’s Obligations.....	B-17
Further Assurances and Instruments.	B-17
Enforcement of 2003A Program Loan Agreements; Further Acts.....	B-17
Books and Records; Audits.....	B-17
Continuing Disclosure.....	B-18
Events of Default and Remedies	B-18
Events of Default.....	B-18
Notice to and by the Energy Commission.....	B-19
Remedies	B-19
Remedies Not Exclusive.	B-20
Attorneys’ Fees and Expenses.....	B-20
Waivers..	B-20
Miscellaneous.....	B-20
Termination.....	B-20
Amendment of Agreement.....	B-20
Officers of Authority and Energy Commission Not Liable.....	B-21
Authority Not Liable for Certain Actions or Inactions.....	B-21
2003A BOND INDENTURE	B-22
The 2003A Bonds.....	B-22
Execution and Delivery of 2003A Bonds.....	B-22

Funds and Accounts; Application of Bond Proceeds	B-22
Creation of Funds and Accounts	B-22
Loan Repayment Account	B-22
Debt Service Account	B-23
Debt Service Reserve Account	B-23
Surplus Repayments Account	B-24
Program Loan Account	B-24
Moneys to be Held in Trust	B-24
Investment of Moneys	B-25
Rights and Obligations with Respect to the 2003A Secured Loan Agreement	B-25
Default and Remedies	B-26
Events of Default	B-26
Exercise of Remedies by the Bond Trustee	B-26
Limitation on Suits by Bondowners	B-28
Control of Proceedings by Bondowners	B-28
Application of Moneys Collected	B-29
Rights and Remedies Cumulative	B-29
Waiver of Past Defaults	B-30
Supplemental Bond Indentures	B-30
Supplemental Bond Indentures without Consent of Bondowners	B-30
Supplemental Bond Indentures with Consent of Bondowners	B-30
Execution of Supplemental Bond Indentures	B-31
Effect of Supplemental Bond Indentures	B-31
Consent of Energy Commission to Supplemental Bond Indentures	B-31
Satisfaction and Discharge	B-32
Payment, Discharge and Defeasance of 2003A Bonds	B-32
Satisfaction and Discharge of Bond Indenture	B-32
Rights Retained After Discharge	B-33
MASTER TRUST AGREEMENT	B-33
Issuance of Bonds; Security for Bonds	B-33
Issuance of Bonds	B-33
Conditions to Securing Bonds under the Master Trust Agreement	B-33
Liability under Bonds	B-34
Establishment and Application of Funds and Accounts	B-34
Creation and Custody of Funds and Accounts	B-34
Deposits to Master Reserve Account	B-35
Withdrawals from Master Reserve Account	B-35
Deposits to and Withdrawals from the Master Rebate Account	B-35
Investments	B-35
Miscellaneous	B-36
Amendments	B-36

DEFINED TERMS

The following defined terms are used in one or more of the Secured Loan Agreement, the Bond Indenture and the Master Trust Agreement.

“2003A Bonds” means the California Consumer Power and Conservation Financing Authority Energy Efficiency Master Trust Revenue Bonds, Series 2003A, in the aggregate principal amount of \$28,005,000, issued, authenticated and delivered under and pursuant to the 2003A Bond Indenture.

“2003A Bond Indenture” means the Bond Indenture, dated as of April 1, 2003, by and between the Authority and the State Treasurer, as Bond Trustee, as amended or supplemented from time to time.

“2003A Borrower” means a Borrower under a 2003A Program Loan Agreement.

“2003A Collateral” means (i) all right, title and interest in and to the 2003A Program Loans, including all 2003A Program Loan Repayments and all other proceeds arising from the 2003A Program Loans, (ii) all amounts held from time to time in the Loan Repayment Account, the Debt Service Account, the Debt Service Reserve Account and the Surplus Repayments Account established under the 2003A Bond Indenture, and (iii) all amounts held under the Master Trust Agreement which are available for payment of the 2003A Bonds.

“2003A Debt Service Reserve Requirement” means, initially, the amount of \$6,000,000 and thereafter, as of the date of calculation, an amount equal to the greater of (i) the maximum debt service on the 2003A Bonds payable in any fiscal year and (ii) 20% of the principal amount of the 2003A Bonds Outstanding.

“2003A Program Loan Agreements” means all existing and future Program Loan Agreements evidencing the 2003A Program Loans, together with all extensions, renewals, modifications or replacements thereof, as permitted in the 2003 Secured Loan Agreement.

“2003A Program Loan Repayment” means a loan repayment under a 2003A Program Loan.

“2003A Program Loans” means the Program Loans made under the Program and described in Exhibit A to the 2003A Secured Loan Agreement, as such Exhibit A may be revised pursuant to the 2003A Secured Loan Agreement.

“2003A Promissory Notes” means any note which has been signed or will be signed by a Borrower which evidences a 2003A Program Loan from the Energy Commission pursuant to a 2003A Program Loan Agreement.

“2003A Secured Loan Agreement” means the 2003A Secured Loan Agreement, dated as of April 1, 2003, by and between the Authority and the Energy Commission, as amended or supplemented from time to time.

“Additional Payments” means any additional payments designated as such in a Secured Loan Agreement.

“Administrative Expenses” means, with respect to any Series of Bonds,

(a) *Bond Trustee Fees and Professional Fees.* All reasonable fees, charges and expenses of the Bond Trustee and any authenticating agents, paying agents, registrars, dissemination

agents, counsel, accountants, rebate analysts or other Persons employed by the Bond Trustee under the related Bond Indenture;

(b) *Advances By Bond Trustee.* The amount of all advances of funds made by the Bond Trustee under the provisions of the related Bond Indenture, with interest thereon at the prime rate announced from time to time by the Bond Trustee;

(c) *Arbitrage Rebate Payments.* All rebate payments required under Section 148(f) of the Internal Revenue Code with respect to a Series of Bonds pursuant to the related Tax Agreement; and

(d) *Costs of Enforcement.* In the event the Bond Trustee employs attorneys or incurs other fees, charges or expenses for the collection of required payments or the enforcement of performance or observance of any obligation or agreement on the part of the Authority contained in the related Bond Indenture, the reasonable fees, charges and expenses of such attorneys and such other fees, charges and expenses so incurred by the Bond Trustee, as well as the costs to indemnify the Bond Trustee and its respective members, directors, officers, employees and agents from and against, all costs, expenses and charges, including reasonable counsel fees, incurred for the collection of payments due or for the enforcement or performance or observance of any covenant or agreement of the Authority under the related Bond Indenture; provided that such costs of enforcement shall be payable solely from the 2003A Collateral.

“Authority” means the California Consumer Power and Conservation Financing Authority, an authority and public instrumentality of the State of California, or any board, agency, authority, political subdivision, governmental unit, department or officer succeeding to the principal functions thereof, as such functions pertain to this Bond financing, or to whom the powers conferred upon the Authority by the Authority Act shall be given by law.

“Authority Act” means California Public Utilities Code Division 1.5 (Sections 3300-3384), as amended from time to time.

“Authority Documents” means, with respect to any Series of Bonds, the Secured Loan Agreement and the Bond Indenture, together with the Master Trust Agreement.

“Authority Representative” means (a) the Chair of the Authority or its Chief Executive Officer, (b) such other person or persons at the time designated to act on behalf of the Authority in matters relating to the Master Trust Agreement and/or any Bond Indenture as evidenced by a written certificate furnished by the Authority to the Master Trustee or Bond Trustee, as applicable, containing the specimen signature of such person or persons and signed on behalf of the Authority by its Chair or its Chief Executive Officer, or (c) any other duly authorized officer of the Authority whose authority to execute any particular instrument or take a particular action under the Master Trust Agreement and/or any Bond Indenture shall be evidenced to the satisfaction of the Master Trustee or the Bond Trustee, as applicable.

“Authority Retained Rights” means the rights of the Authority to receive its fees and costs under the related Secured Loan Agreement.

“Bond” or “Bonds” means any bond or bonds or all the bonds, as the case may be, of the Authority, in one or more series, relating to the Program, issued and secured pursuant to one or more Bond Indentures and further secured under the Master Trust Agreement.

“Bond Counsel” means Sidley Austin Brown & Wood LLP, San Francisco, California, or other counsel selected by the Authority and satisfactory to the Master Trustee and nationally recognized as experienced in matters relating to bonds issued by states and their political subdivisions.

“Bond Indenture,” with respect to each Series of Bonds, means the Bond Indenture or other similar document between the Authority and a Bond Trustee, pursuant to which a Series of Bonds is issued and delivered.

“Bond Payment Date” means each March 1st and September 1st of each year, commencing on the date specified in the related Bond Indenture.

“Bond Payment Transfer Date” means the day that is fifteen (15) days prior to a Bond Payment Date.

“Bond Trustee,” with respect to each Series of Bonds, means the trustee named under the related Bond Indenture in its capacity as such trustee.

“Borrower” means any eligible school, hospital, public care institution, unit of local government or other eligible entity which has signed a Program Loan Agreement with the Energy Commission to finance a Project under the Program and whose participation in the Program does not adversely affect the exclusion from federal income tax of interest on the Bonds.

“Business Day” means a day other than (a) a Saturday, Sunday, State holiday or legal holiday, or (b) a day on which banks located in any city in which the principal corporate trust office or designated payment office of the Master Trustee or the Bond Trustee is located are required or authorized by law to remain closed.

“Cash Flow Certificate” means an Officer’s Certificate of the Energy Commission (a) demonstrating that for each six-month period ending March 1 and September 1, commencing with the six-month period in which such certificate is delivered, (i) the scheduled payments on the Program Loans securing a Series of Bonds which will be available to pay debt service due on such Series of Bonds during such six-month period plus (ii) any amounts to remain on deposit in the Surplus Repayments Account (and be applied as specified in the Cash Flow Certificate), together with estimated interest earnings thereon, after any release contemplated by the Cash Flow Certificate, will at least be equal to 110% of the debt service payable on such Series of Bonds in each such six-month period, and (b) if applicable, directing the release of amounts in the Surplus Repayments Account to the Master Trustee for deposit into the Master Reserve Account. In delivering the Cash Flow Certificate, amounts in the Debt Service Reserve Account, together with any releases therefrom or any interest earnings thereon, are disregarded.

“Collateral” means the Program Loans and funds and accounts pledged to the payment of a Secured Loan.

“Continuing Disclosure Agreement” means a Continuing Disclosure Agreement relating to a Series of Bonds, among the Energy Commission, the Bond Trustee and, if applicable, each Material Participant, as defined therein, as from time to time amended in accordance with the provisions thereof.

“Cost of Issuance Account” means the Cost of Issuance Account created under a Bond Indenture.

“Costs of Issuance” means issuance costs, including but not limited to the following:

- (a) Underwriter’s spread (whether realized directly or derived through purchase of the Bonds at a discount below the price at which they are expected to be sold to the public);
- (b) Counsel fees (including bond counsel, underwriter’s counsel, Authority’s counsel, Energy Commission’s Counsel and any other specialized counsel fees incurred in connection with the borrowing);
- (c) Financial advisor fees of any financial advisor to the Authority and financial advisor to the Energy Commission incurred in connection with the issuance of the Bonds;
- (d) Rating agency fees;
- (e) Trustee and paying agent fees;
- (f) Accountant fees and other expenses related to issuance of the Bonds;
- (g) Printing costs (for the Bonds and of the preliminary and final Official Statement relating to the Bonds); and
- (h) Fees and expenses of the Authority and the Energy Commission incurred in connection with the issuance of the Bonds.

“Cumulative Deficiency” means, as the date of determination, the cumulative amount of all Deficiencies in all Debt Service Reserve Accounts for all Series of Bonds, as such amounts are certified by each Bond Trustee to the Master Trustee.

“Date of Delivery” means the date any Series of Bonds are purchased and delivered to the Original Purchaser.

“Debt Service Account” means the account by that name established in the custody of the Bond Trustee by a Bond Indenture.

“Debt Service Reserve Account” means the account by that name established in the custody of the Bond Trustee by a Bond Indenture.

“Debt Service Reserve Requirement” means the requirement so established under any Bond Indenture with respect to any Debt Service Reserve Account for any Series of Bonds.

“Deficiency” means, as of the date of determination, and with respect to any Series of Bonds, the amount, if any, by which the Debt Service Reserve Requirement for such Bonds exceeds the amount on deposit in the Debt Service Reserve Account for such Bonds.

“Energy Commission” means the California Energy Resources Conservation and Development Commission, a commission of the State of California, or any board, agency, authority, political subdivision, governmental unit, department or officer succeeding to the principal functions thereof, as such functions pertain to this Bond financing, or to whom the powers conferred upon the Energy Commission by the Energy Conservation Assistance Act shall be given by law.

“Energy Commission Documents” means, with respect to any Series of Bonds, the Secured Loan Agreement, the Master Trust Agreement, the Continuing Disclosure Agreement, and the Program Loan Agreements.

“Energy Commission Representative” means (a) the Chair or Vice Chair of the Energy Commission, or its Executive Director, (b) such other person or persons at the time designated to act on behalf of the Energy Commission in matters relating to the Master Trust Agreement and/or any Secured Loan Agreement as evidenced by a written certificate furnished by the Energy Commission to the Master Trustee or Bond Trustee, as applicable, containing the specimen signature of such person or persons and signed on behalf of the Energy Commission by its Chair or Vice Chair, or its Executive Director, or (c) any other duly authorized officer of the Energy Commission whose authority to execute any particular instrument or take a particular action under the Master Trust Agreement and/or any Secured Loan Agreement shall be evidenced to the satisfaction of the Master Trustee or the Authority, as applicable.

“Energy Commission Retained Rights” means the right to obtain the release or modification of any Program Loan but only to the extent permitted by a Secured Loan Agreement.

“Energy Conservation Assistance Account” means the account created pursuant to the Energy Conservation Assistance Act for the purpose of providing grants and loans for energy efficiency projects in accordance with the Energy Conservation Assistance Act.

“Energy Conservation Assistance Act” means the Energy Conservation Assistance Act of 1979, California Public Resource Code Division 15, Chapter 5.2 (Sections 25410-25421), as amended from time to time.

“Government Obligations” means the following:

(a) bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed by, the United States of America; and

(b) evidences of direct ownership of a proportionate or individual interest in future interest or principal payments on specified direct obligations of, or obligations on which the full and timely payment of the principal and interest is unconditionally guaranteed by, the United States of America, which obligations are held by a bank or trust company organized and existing under the laws of the United States of America or any state thereof in the capacity of custodian in form and substance satisfactory to the Bond Trustee and/or the Master Trustee.

“Internal Revenue Code” means the Internal Revenue Code of 1986, as amended, and, when appropriate, any statutory predecessor or successor thereto, and all applicable regulations (whether proposed, temporary or final) thereunder and any applicable official rulings, announcements, notices, procedures and judicial determinations relating to the foregoing.

“Loan Repayment Account” means the Loan Repayment Account by that name established in the custody of the Bond Trustee by a Bond Indenture.

“Local Jurisdiction Energy Assistance Act” means the energy assistance provisions in California Public Resources Code Division 15, Chapter 5.4 (Sections 25440-25449.4), as amended from time to time.

“Local Jurisdiction Energy Assistance Account” means the account created pursuant to the Local Jurisdiction Energy Assistance Act for the purpose of providing loans to local jurisdictions for energy efficiency projects in accordance with the Local Jurisdiction Energy Assistance Act.

“Master Rebate Account” means the Master Rebate Account established pursuant to the Master Trust Agreement.

“Master Trust Agreement” means the Master Trust Agreement, dated as of April 1, 2003 by and between the Authority, the Treasurer of the State of California, as Master Trustee, and the Energy Commission and which provides additional security for any issue or series of Bonds pursuant to a Series Certificate executed by an Authority Representative.

“Master Trustee” means the Treasurer of the State of California, and any successor master trustee at the time serving as Master Trustee under the Master Trust Agreement.

“Officer’s Certificate” means a written certificate of the Authority signed by an Authority Representative, or of the Energy Commission, signed by an Energy Commission Representative, or of any Borrower signed by an authorized Borrower representative, which certificate shall be deemed to constitute a representation of, and shall be binding upon, the Authority, the Energy Commission or any Borrower respectively, with respect to matters set forth therein, and which certificate in each instance, including the scope, form, substance and other aspects thereof, is acceptable to the Master Trustee and/or the Bond Trustee.

“Opinion of Bond Counsel” means a written opinion of Bond Counsel.

“Opinion of Counsel” means a written opinion of any legal counsel having expertise in the matters covered in such opinion and acceptable to the Authority and the Bond Trustee, and who may be an employee of or counsel to the Authority or the Bond Trustee.

“Original Purchaser” means, with respect to any Series of Bonds, the original purchaser or representative of the original purchasers of the Bonds under the related Bond Purchase Agreement.

“Outstanding” means when used with respect to Bonds, as of the date of determination, all Bonds theretofore authenticated and delivered under the Bond Indenture, except:

(a) Bonds theretofore cancelled by the Bond Trustee or delivered to the Bond Trustee for cancellation as provided in the Bond Indenture;

(b) Bonds for whose payment or redemption money or Government Obligations in the necessary amount has been deposited with the Bond Trustee in trust for the Owners of such Bonds as provided in the Bond Indenture, provided that, if such Bonds are to be redeemed, notice of such redemption has been duly given pursuant to the Bond Indenture or provision therefor satisfactory to the Bond Trustee has been made;

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered under the Bond Indenture; and

(d) Bonds alleged to have been destroyed, lost or stolen which have been paid as provided in the Bond Indenture.

“Owner” means any bondholder, holder or beneficial owner of any Bond as provided in the related Bond Indenture.

“Permitted Investments” means any of the following, if and to the extent the same are at the time legal for investment of funds held under the Master Trust Agreement and any Bond Indenture, or any other investments permitted by law:

(a) Bonds or interest-bearing notes or obligations of the United States, or those for which the faith and credit of the United States are pledged for the payment of principal and interest.

(b) Bonds or interest-bearing notes on obligations that are guaranteed as to principal and interest by a federal agency of the United States.

(c) Bonds and notes of the State, or those for which the faith and credit of the State are pledged for the payment of principal and interest.

(d) Bonds or warrants, including, but not limited to, revenue warrants, of any county, city, metropolitan water district, State water district, State water storage district, irrigation district in the state, municipal utility district, or school district of the State.

(e) Bonds, consolidated bonds, collateral trust debentures, consolidated debentures, or other obligations issued by federal land banks or federal intermediate credit banks established under the Federal Farm Loan Act, as amended, in debentures and consolidated debentures issued by the Central Bank for Cooperatives and banks for cooperatives established under the Farm Credit Act of 1933, as amended, in bonds or debentures of the Federal Home Loan Bank Board established under the Federal Home Loan Bank Act, in stock, bonds, debentures and other obligations of the Federal National Mortgage Association established under the National Housing Act as amended, and in the bonds of any federal home loan bank established under that act, obligations of the Federal Home Loan Mortgage Corporation, in bonds, notes, and other obligations issued by the Tennessee Valley Authority under the Tennessee Valley Authority Act as amended, and bonds, notes, and other obligations guaranteed by the Commodity Credit Corporation for the export of California agricultural products under the Commodity Credit Corporation Charter Act as amended.

(f) (1) Commercial paper of “prime” quality as defined by a nationally recognized organization that rates these securities. Eligible paper is further limited to issuing corporations or trusts approved by the State of California Pooled Money Investment Board that meet the conditions in either subparagraph (A) or subparagraph (B):

(A) Both of the following:

(i) Organized and operating within the United States.

(ii) Having total assets in excess of five hundred million dollars (\$500,000,000).

(B) Both of the following:

(i) Organized within the United States as a special purpose corporation or trust.

(ii) Having program wide credit enhancements including, but not limited to, overcollateralization, letters of credit, or surety bond.

(2) Purchases of eligible commercial paper may not exceed 180 days' maturity, represent more than 10 percent of the outstanding paper of an issuing corporation or trust, nor exceed 30 percent of the resources of an investment program. At the request of the State of California Pooled Money Investment Board, the investment shall be secured by the Authority by depositing with the State Treasurer securities authorized by California Government Code Section 53651 having a market value at least 10 percent in excess of the amount of the state's investment.

(g) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers acceptances, which are eligible for purchase by the Federal Reserve System.

(h) Negotiable certificates of deposits issued by a federally or state-chartered bank or savings and loan association, a state-licensed branch of a foreign bank, or a federally or state-chartered credit union. For the purposes of this definition, negotiable certificates of deposits do not come within the provisions of Chapter 4 (commencing with Section 16500) and Chapter 4.5 (commencing with Section 16600) of the California Government Code.

(i) The portion of bank loans and obligations guaranteed by the United States Small Business Administration or the United States Farmers Home Administration.

(j) Bank loans and obligations guaranteed by the Export-Import Bank of the United States.

(k) Student loan notes insured under the Guaranteed Student Loan Program established pursuant to the Higher Education Act of 1965, as amended (20 U.S.C. Sec. 1001 and following) and eligible for resale to the Student Loan Marketing Association established pursuant to Section 133 of the Education Amendments of 1972, as amended (20 U.S.C. Sec. 1087-2).

(l) Obligations issued, assumed, or guaranteed by the International Bank for Reconstruction and Development, the Inter-American Development Bank, the Asian Development Bank, the African Development Bank, the International Finance Corporation, or the Government Development Bank of Puerto Rico.

(m) Bonds, debentures, and notes issued by corporations organized and operating within the United States. Securities eligible for investment under subdivision (m) shall be within the top three ratings of a nationally recognized rating service.

(n) The California State Surplus Money Investment Fund established pursuant to California Government Code Section 16470, as amended from time to time.

"Person" means any natural person, firm, association, corporation, partnership, joint stock company, a joint venture, trust, unincorporated organization or firm, or a government or any agency or political subdivision thereof or other public body.

"Program" means the energy efficiency loan program established and administered by the Energy Commission to make funds available to eligible Borrowers for energy conservation projects pursuant to the Energy Conservation Assistance Act.

“Program Loan or Program Loans” means any loan or loans made by the Energy Commission to Borrowers under the Program in accordance with individual Program Loan Agreements with each Borrower, including both existing loans and future loans.

“Program Loan Agreement” means any agreement evidencing a Program Loan or Program Loans, or providing security therefor, made by the Energy Commission to any Borrower under the Program, including without limitation, the 2003A Program Loan Agreements described in the 2003A Secured Loan Agreement, together with all extensions, renewals, modifications or replacements thereof.

“Program Loan Repayment” means each semi-annual amount to be paid by a Borrower in repayment of a Program Loan pursuant to its respective Program Loan Agreement.

“Rating Agency” means any nationally recognized rating agency providing a rating on any Series of Bonds.

“Rebate Account” means any account established pursuant to a Bond Indenture or a Secured Loan Agreement with respect to payments required to be rebated to the U. S. Government.

“Secured Loan” means a loan made by the Authority to the Energy Commission under a Secured Loan Agreement.

“Secured Loan Agreement” means a Secured Loan Agreement between the Authority and the Energy Commission relating to repayment of a Series of Bonds, as amended and supplemented from time to time.

“Secured Loan Repayment” means any payment of a Secured Loan required to be made pursuant to the terms of a Secured Loan Agreement.

“Series Certificate” means with respect to any Series of Bonds, a certificate, in substantially the form attached as Exhibit A to the Master Trust Agreement, delivered by an Authority Representative and an Energy Commission Representative stating that such Series of Bonds are entitled to the benefits of the Master Trust Agreement.

“Series of Bonds” or “Bonds of a series” or words of similar meaning means the Series of Bonds authorized by a Bond Indenture and secured under the Master Trust Agreement.

“State” means the State of California.

“Supplemental Bond Indenture” means any indenture supplemental or amendatory to a Bond Indenture entered into by the Authority and the Bond Trustee delivered in accordance with the provisions of a Bond Indenture.

“Supplemental Master Trust Agreement” means any trust agreement supplementary to or amendatory of the Master Trust Agreement duly executed and delivered in accordance with the provisions of the Master Trust Agreement.

“Surplus Repayments Account” means the account by that name established in the custody of the Bond Trustee by a Bond Indenture.

“Tax Agreement” means the Tax Certificate and Agreement relating to the any Series of Bonds, between the Authority and the Energy Commission.

“Trust Estate” means the Trust Estate described in the granting clauses of a Bond Indenture.

2003A SECURED LOAN AGREEMENT

Issuance of 2003A Bonds; Repayments

Making of the Secured Loan; Issuance of the 2003A Bonds; Deposit into Debt Service Reserve Account

(a) Simultaneously with the delivery of the 2003A Secured Loan Agreement, the Authority will issue and deliver the 2003A Bonds to provide it with funds to be loaned to the Energy Commission pursuant to the 2003A Secured Loan Agreement. The 2003A Bonds will be issued in accordance with the 2003A Bond Indenture, and the proceeds thereof will be applied as provided in the 2003A Bond Indenture. Also, simultaneously with the delivery of the 2003A Secured Loan Agreement, the Energy Commission will deposit into the Debt Service Reserve Account an amount equal to the initial 2003A Debt Service Reserve Requirement in immediately available funds.

(b) Upon the terms and conditions of the 2003A Secured Loan Agreement, the Authority hereby makes a loan to the Energy Commission in the principal amount of \$28,005,000.00 (the “Secured Loan”), the same being the initial principal amount of the 2003A Bonds. The Secured Loan will be deemed to have been made when the proceeds of the sale of the 2003A Bonds are delivered to the Bond Trustee. The proceeds of the Secured Loan, together with other available funds, will be used to (i) fund Program Loans of the Energy Commission to public entity Borrowers, and (ii) pay the Costs of Issuance in connection with the issuance of the 2003A Bonds. For the purposes of the Secured Loan Agreement, the amount of any underwriters’ discount on the 2003A Bonds will be deemed to have been loaned to the Energy Commission under the 2003A Secured Loan Agreement.

(c) The Energy Commission accepts the Secured Loan and agrees to repay the Secured Loan in accordance with the provisions of the 2003A Secured Loan Agreement.

Limited Liability of Energy Commission. Notwithstanding any other provision or obligation to the contrary contained in the 2003A Secured Loan Agreement or any other related document, the liability of the Energy Commission under the 2003A Secured Loan Agreement to make Secured Loan Repayments and Additional Payments to any person, including, but not limited to, the Bond Trustee, the Authority or the Master Trustee, and their successors and assigns, is limited to the 2003A Collateral. The Energy Commission will not be liable to make payments under the 2003A Secured Loan Agreement from any other account or fund not comprising the 2003A Collateral. The obligations arising under the 2003A Secured Loan Agreement will not be deemed to constitute a debt or liability of the State or of any political subdivision thereof, other than the Energy Commission to the extent provided under the 2003A Secured Loan Agreement, or a pledge of the faith and credit of the State or of any political subdivision thereof.

Obligation to Make Secured Loan Repayments and Additional Payments. The Energy Commission will make all Secured Loan Repayments and Additional Payments, but only from the 2003A Collateral, when due. In the event of any delay in the timely and full payment of any Secured Loan Repayment or in any Additional Payment, due to the insufficiency of 2003A Program Loan Repayments, the remaining 2003A Collateral will be applied pursuant to the Bond Indenture to make up for such deficiency. The Energy Commission will pay without abatement, diminution or deduction (whether for

taxes or otherwise) all such amounts regardless of any cause or circumstance whatsoever including, without limitation, any defense, set-off, recoupment or counterclaim that the Energy Commission may have or assert against the Authority, the Bond Trustee, the Master Trustee or any other person.

Secured Loan Repayments

(a) The Energy Commission agrees to make Secured Loan Repayments at the times and in the amounts sufficient in the aggregate to pay in full all 2003A Bonds issued under the 2003A Bond Indenture, together with all interest thereon. Exhibit B, which is attached to the 2003A Secured Loan Agreement, represents the Cash Flow Certificate to be delivered by the Energy Commission on the Date of Delivery of the 2003A Bonds. The schedule(s) attached to such Cash Flow Certificate will in no way diminish the obligations of the Energy Commission under the 2003A Secured Loan Agreement.

(b) The Secured Loan Repayments will be due and payable, but only from the 2003A Collateral, in accordance with the provisions of the 2003A Secured Loan Agreement. With respect to each date on which the principal of and the interest on the 2003A Bonds is payable, the Energy Commission agrees to pay:

(i) all interest which will become due and payable on the 2003A Bonds on such date; and

(ii) the principal amount of the 2003A Bonds, if any, which will become due and payable on such date.

(c) Pursuant to the provisions of the 2003A Bond Indenture, the Bond Trustee is required to give the Energy Commission notice of each Bond Payment Date on the 2003A Bonds, and the amount due and payable on such date; provided that failure of the Bond Trustee to give such notice will in no way diminish the Energy Commission's obligations under the 2003A Secured Loan Agreement.

(d) The Energy Commission will not have any right to prepay the Secured Loan.

Additional Payments under the 2003A Secured Loan Agreement. In addition to Secured Loan Repayments, the Energy Commission agrees to pay or provide, as Additional Payments under 2003A Secured Loan Agreement, but solely from the 2003A Collateral, all amounts necessary (i) to the extent not paid from Bond proceeds, to pay all Costs of Issuance of the 2003A Bonds, (ii) to replenish the Debt Service Reserve Account until the amount on deposit therein equals the 2003A Debt Service Reserve Requirement, (iii) to pay all Administrative Expenses, (iv) to pay all fees, costs and expenses of the Master Trustee under the Master Trust Agreement, and (v) to pay the reasonable fees and costs in connection with the Energy Commission's compliance with the 2003A Secured Loan Agreement (including but not limited to the fees and costs related to books, records and audits as required by the 2003A Secured Loan Agreement and administrative and legal fees and costs described in the 2003A Secured Loan Agreement), and the Master Trust Agreement. The amounts payable pursuant to clauses (i), (ii), (iii) and (v) will be payable upon the written demand of the Bond Trustee. The amounts payable pursuant to clause (iv) will be payable upon the written demand of the Master Trustee.

Energy Commission's Payments as Trust Funds. All deposits or payments under the 2003A Secured Loan Agreement made by or on behalf of the Energy Commission to the Bond Trustee or the Master Trustee will be and constitute trust funds, whether held by the Energy Commission, the Bond Trustee, the Master Trustee, the bond registrar or any bank or trust company designated for such purpose, and will continue to be impressed with a trust until such money is applied in the manner provided in the 2003A Secured Loan Agreement, the 2003A Bond Indenture or the Master Trust Agreement.

Pledge of 2003A Program Loans; Transfer of 2003A Program Loan Repayments

(a) As security for the repayment of the Secured Loan and the performance by the Energy Commission of its obligations under the 2003A Secured Loan Agreement, the Energy Commission, for security purposes and not as an absolute transfer, pledges and assigns to, and grants a security interest in, for the benefit of the Authority and its assigns, subject to Energy Commission Retained Rights (i) all right, title and interest in and to the 2003A Program Loans, including all 2003A Program Loan Repayments and all other proceeds arising from the 2003A Program Loans, (ii) all amounts held from time to time in the Loan Repayment Account, the Debt Service Account, the Debt Service Reserve Account and the Surplus Repayments Account established under the 2003A Secured Loan Agreement, and (iii) all amounts held under the Master Trust Agreement which are available for payment of the 2003A Bonds (collectively the “2003A Collateral”).

(b) The pledge effected by the 2003A Secured Loan Agreement will be valid and binding from the date of execution and delivery of the 2003A Secured Loan Agreement; the moneys so pledged and received after that date by the Energy Commission, the Authority, the Master Trustee or by the Bond Trustee will be subject to the lien of such pledge and assignment; and such lien will be a continuing, irrevocable and exclusive first lien and will be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Energy Commission, the Bond Trustee, the Master Trustee or the Authority irrespective of whether such parties have notice thereof.

(c) The Energy Commission covenants and agrees that it will not take any action that will adversely affect the Authority’s or the Bond Trustee’s right or ability to receive 2003A Program Loan Repayments nor create any other pledge, assignment or lien upon the 2003A Collateral, nor will it amend any 2003A Program Loan Agreement in any way that diminishes any right or privilege granted to the Energy Commission, except as expressly permitted under the 2003A Secured Loan Agreement.

(d) In order to assure the prompt and timely payment of all amounts due under the 2003A Secured Loan Agreement, the Energy Commission agrees that, on and after the Date of Delivery, it will deposit into the Loan Repayment Account established pursuant to the 2003A Secured Loan Agreement, promptly after receipt thereof, all 2003A Program Loan Repayments and any other amounts received with respect to the 2003A Program Loans.

(e) On each Bond Payment Transfer Date, the Energy Commission will deliver to the Bond Trustee and the Authority a statement showing, for each 2003A Program Loan, all payments received since the last such statement, or since the Date of Delivery (in the case of the first such statement), specifically itemizing (i) the amount of any regularly scheduled principal and interest paid with respect to such loan, (ii) the amount of any prepayment of such loan, (iii) the outstanding principal balance of such loan as of the date of such statement, and (iv) if applicable, whether such loan is delinquent and in what amount.

Release, Substitution and Modification of 2003A Program Loans

(a) The Energy Commission may, upon the consent of the Bond Trustee, obtain a release of any 2003A Program Loan from the lien of the 2003A Secured Loan Agreement or may in place of any 2003A Program Loan substitute another Program Loan meeting the requirements of the 2003A Secured Loan Agreement by delivering to the Bond Trustee, the Authority and any Rating Authority then rating the 2003A Bonds the following: (i) a revised Exhibit A to the 2003A Secured Loan Agreement, (ii) a certificate stating that such Program Loan satisfies the requirements of the 2003A Secured Loan Agreement, and (iii) a Cash Flow Certificate.

(b) The Energy Commission may, upon the consent of the Bond Trustee, modify the terms of any 2003A Program Loan if the Energy Commission provides to the Authority, the Bond Trustee and any Rating Agency then rating the 2003A Bonds a certification to the effect that (i) the Borrower under the 2003A Program Loan is not experiencing “energy savings” as required under the Energy Conservation Assistance Act in amounts sufficient to support the repayment of the 2003A Program Loan as scheduled, and (ii) the modifications to the 2003A Program Loan are necessary to assure continued payments under and the continued enforceability of the 2003A Program Loan.

(c) The Authority and the Bond Trustee will execute such consents to releases, substitutions or modifications and such other instruments as the Energy Commission may reasonably request in order to evidence the release of any 2003A Program Loan from the pledge and lien of the 2003A Secured Loan Agreement but only upon satisfaction of the requirements of the 2003A Secured Loan.

(d) Any Program Loan substituted for any other Program Loan pursuant to the provisions of the 2003A Secured Loan Agreement will be a Program Loan which is fully disbursed by the Energy Commission under the Program or, if partially disbursed, the Energy Commission will have set aside in escrow an amount sufficient to complete the funding of the Program Loan, and the pledge thereof will not cause any of the representations of the Energy Commission made under the 2003A Secured Loan Agreement to be incorrect or cause the Energy Commission to be in breach of any other agreement under the 2003A Secured Loan Agreement.

(e) No release, substitution or modification of any 2003A Program Loan will occur except as expressly provided under the 2003A Secured Loan Agreement.

Pledge and Assignment to Bond Trustee. Simultaneously with the delivery of the 2003A Secured Loan Agreement, the Authority will pledge and assign to the Bond Trustee, as security for the 2003A Bonds, all of the Authority’s right, title and interest in and to, among other things, the 2003A Secured Loan Agreement (except for the Authority Retained Rights), including all of its right, title and interest in and to Secured Loan Repayments and the 2003A Program Loan Repayments. The Energy Commission consents to such pledge and assignment and agrees that the Bond Trustee may enforce any and all rights, privileges and remedies of the Authority under or with respect to the 2003A Secured Loan Agreement and the 2003A Program Loans, including those rights reserved by the Authority.

Funds and Accounts

Creation of Funds and Accounts. Under the 2003A Bond Indenture, there have been created and ordered to be established, in the custody of the Bond Trustee and in the name of the Authority and held in subaccounts of the Special Deposit Fund in the State Treasury (except for the Program Loan Account, which has been established in the name of the Energy Commission and held within a subaccount of the Energy Conservation Assistance Account), certain special trust accounts which shall be administered by the Bond Trustee pursuant to the terms of the 2003A Secured Loan Agreement and the 2003A Bond Indenture. Moneys in such accounts, except the Rebate Account and the Program Loan Account, will be held in trust for the benefit of the 2003A Bondholders.

Further Agreements

Covenant to Maintain Tax Status. The Energy Commission covenants and agrees that it will not take any action or permit any action to be taken that would adversely affect the exclusion from gross income for federal income tax purposes of the interest on the 2003A Bonds and will take whatever action

(including, but not limited to the enforcement of any applicable provisions in any loan agreement funded with 2003A Bond proceeds), or refrain from whatever action, necessary to comply with the requirements of the Internal Revenue Code to maintain the exclusion from gross income, for federal income tax purposes, of the interest on the 2003A Bonds, including all tax covenants contained in the 2003A Bond Indenture. The Energy Commission will not permit the use of any portion of the proceeds of the 2003A Bonds to be used in a manner that would cause any 2003A Bond to become a “private activity bond” as defined in the Internal Revenue Code.

Authority’s Performance of the Energy Commission’s Obligations. In the event the Energy Commission at any time neglects, refuses, is unable to, or fails to perform any of its obligations under the 2003A Secured Loan Agreement, the Authority or the Bond Trustee, at their respective options and following at least thirty (30) days’ written notice to the Energy Commission (except where a shorter period of notice is necessary to avoid a default on the 2003A Bonds), may perform or cause to be performed such obligations, and all expenditures incurred by the Authority or the Bond Trustee thereby will be promptly paid or reimbursed by the Energy Commission to the Authority or the Bond Trustee, as the case may be, but such amounts will be limited to the 2003A Collateral.

Further Assurances and Instruments. The Energy Commission and the Authority agree that they will, from time to time, execute, acknowledge and deliver, or cause to be executed, acknowledged and delivered, such supplements and amendments to the 2003A Secured Loan Agreement and such further instruments as may reasonably be required for carrying out the intention or facilitating the performance of the 2003A Secured Loan Agreement. Pursuant to the provisions of the 2003A Bond Indenture, the Authority has agreed to execute, acknowledge and deliver such documents as may be necessary to protect the interests of Owners of the 2003A Bonds.

Without limiting the generality of the foregoing paragraph, the Energy Commission, at the Energy Commission’s expense, will promptly procure, execute and deliver to the Authority all documents, instruments and agreements and perform all acts which are necessary, in the judgment of the Authority or the Bond Trustee, to establish, maintain, continue, preserve, protect and perfect the grant of security interest in, and pledge of, the 2003A Program Loans and other 2003A Collateral, or for the Bond Trustee to exercise and enforce its rights and remedies under the 2003A Secured Loan Agreement. Without limiting the generality of the preceding sentence, the Energy Commission will (i) procure, execute and deliver to the Authority or the Bond Trustee all endorsements, assignments, financing statements and other instruments of transfer requested by the Authority or the Bond Trustee, and (ii) take or cause to be taken such actions as may be necessary to perfect the lien of Authority in the 2003A Program Loans.

Enforcement of 2003A Program Loan Agreements; Further Acts. The Energy Commission will enforce the provisions of the 2003A Program Loans against the Borrowers. The Energy Commission will not take any action that will adversely affect the Authority’s or the Bond Trustee’s ability to receive payments made under, or other proceeds of, the 2003A Program Loans. The Energy Commission hereby represents in the 2003A Secured Loan Agreement, and will so certify as of the Date of Delivery of the 2003A Bonds, that 2003A Program Loan Repayments have in the past been paid, and are projected in the future, to be paid solely from energy savings as determined by the Energy Commission in accordance with the Energy Conservation Assistance Act or from other legally available sources.

Books and Records; Audits. The Energy Commission will maintain, separate and apart from all other records and accounts, proper books, records and accounts in which complete and correct entries will be made of all dealings and transactions in relation to 2003A Program Loans and all funds and accounts established under the 2003A Secured Loan Agreement. To the extent such records and accounts relate to funds or accounts held by the Authority under the 2003A Secured Loan Agreement and under the 2003A

Bond Indenture, the Energy Commission will maintain such records and accounts as agent for the Authority. Such accounts will show the amount of 2003A Program Loan Repayments or other amounts received with respect to each 2003A Program Loan and the date of each remittance of such amounts to the Bond Trustee. These books will be kept by the Energy Commission according to generally accepted accounting principles and standard accounting practices as applicable, and will be audited at least annually by independent certified public accountants selected by the Energy Commission and the Authority. A copy of each audit report, including statements of net assets, activities and cash flow, and notes to financial statements, will be filed with the Authority and the Bond Trustee within six months after the close of each fiscal year and sent to any Owner filing with the Energy Commission a written request therefor.

The Energy Commission will at any and all reasonable times, upon the written request of the Authority, the Bond Trustee or the Original Purchaser, permit the Bond Trustee or the Original Purchaser by their representatives to inspect the books of account, records, reports and other papers of the Energy Commission relating to the 2003A Bonds and the 2003A Secured Loan Agreement, except personnel records and any other confidential records, and to take copies and extracts therefrom, and will afford and procure a reasonable opportunity to make any such inspection. The Energy Commission will furnish to the Authority, the Bond Trustee and the Original Purchaser (in the case of the Original Purchaser, at the Original Purchaser's expense) any and all information as the Authority, the Bond Trustee or the Original Purchaser may reasonably request, in order to enable the requesting party to make any reports required by law, governmental regulations or the 2003A Secured Loan Agreement in connection with any series of Bonds and to determine whether the covenants, terms and provisions of the 2003A Secured Loan Agreement have been complied with by the Energy Commission.

Continuing Disclosure. Under the Continuing Disclosure Agreement, the Energy Commission and the State Treasurer, as Dissemination Agent, have undertaken responsibility for compliance with continuing disclosure requirements with respect to Securities and Exchange Commission Rule 15c2-12. The Energy Commission hereby covenants and agrees that it will comply with and carry out all of the provisions of the Continuing Disclosure Agreement.

Furthermore, the Energy Commission covenants and agrees that, if at the time of any release, substitution or replacement of a 2003A Program Loan pursuant to the Secured Loan Agreement, (1) any 2003A Borrower shall be obligated to make aggregate debt service payments on its 2003A Program Loans in an amount equal to 10% or more of the aggregate annual debt service on the Bonds, or (2) if any 2003A Borrower's aggregate 2003A Program Loans represent more than 10% of the aggregate principal amount of all 2003A Program Loans, then such a 2003A Borrower will be a "Material Participant" for purposes of the 2003A Secured Loan Agreement and an "Obligated Person" within the meaning of Securities and Exchange Commission Rule 15c2-12, and as such will be required to execute and file with the Authority, the Energy Commission and the Bond Trustee a continuing disclosure agreement, with a dissemination agent acceptable to the Authority, the Energy Commission and the Bond Trustee, under which such Material Participant will be required to file annual reports containing required financial and operating information and notices of certain events on an ongoing basis in accordance with Securities and Exchange Commission Rule 15c2-12 so long as such 2003A Borrower remains a Material Participant.

Events of Default and Remedies

Events of Default. The following will be "Events of Default" under the 2003A Secured Loan Agreement, and the term "Events of Default" will mean, whenever used with reference to the 2003A Secured Loan Agreement, any one or more of the following occurrences:

(a) Default in the full and timely payment of any Secured Loan Repayment as set forth in the 2003A Secured Loan Agreement or any Additional Payment as set forth in the 2003A Secured Loan Agreement; provided, however, that if the 2003A Collateral is insufficient to make any such payment, then failure by the Energy Commission to make such Secured Loan Repayment or Additional Payment will not constitute an “Event of Default” under the 2003A Secured Loan Agreement unless caused by another Event of Default under the 2003A Secured Loan Agreement;

(b) Default in the performance, observation or compliance with any of the other covenants, agreements, conditions or provisions in the 2003A Secured Loan Agreement, all of which are payable solely from the 2003A Collateral, and the continuance thereof for a period of 30 days after receipt by the Energy Commission of a written notice from the Authority or the Bond Trustee specifying such default and requesting that it be corrected; provided, however, if prior to the expiration of such 30-day period the Energy Commission institutes action reasonably designed to cure such default, no Event of Default shall be deemed to have occurred upon the expiration of such 30-day period for so long as the Energy Commission pursues such curative action with reasonable diligence and provided that such curative action can be completed within a reasonable time; and

(c) Bankruptcy, arrangement or insolvency proceedings, or other proceedings for relief under any bankruptcy or similar law or laws for the relief of debtors, are instituted voluntarily by the Energy Commission or involuntarily against the Energy Commission and, if instituted against the Energy Commission, are not dismissed within 60 days after such institution.

Notice to and by the Energy Commission. Upon the occurrence of an Event of Default, the Authority or the Bond Trustee will give prompt written notice to the Energy Commission specifying the nature of the Event of Default. The Energy Commission will give the Authority and the Bond Trustee notice of all events of which it is aware that either constitute Events of Default under the 2003A Secured Loan Agreement or, upon notice by the Authority or the Bond Trustee or the passage of time or both, would constitute Events of Default under the 2003A Secured Loan Agreement.

Remedies

(a) Whenever any Event of Default under the 2003A Secured Loan Agreement shall have happened and be continuing, the Authority may, and upon the written request of the Bond Trustee will, take either or both of the following steps against or with respect to the 2003A Collateral:

(i) Exercise all those rights and remedies available to it as a secured party under and in accordance with Article 9 of the Uniform Commercial Code or other applicable law in effect in the State as of the date of the 2003A Secured Loan Agreement, including the right to repossess, sell, or otherwise dispose of the 2003A Program Loans by public or private proceedings; and

(ii) Take whatever action at law or in equity may appear necessary or desirable to collect the amounts then due and thereafter to become due or to enforce observance or performance of any covenant, condition or agreement of the Energy Commission under the 2003A Secured Loan Agreement.

(b) Any amounts collected pursuant to action taken under the 2003A Secured Loan Agreement, exclusive of amounts that the Energy Commission determines, subject to the approval of the

Bond Trustee, are required to pay Administrative Expenses, will be deposited into the Debt Service Account.

Remedies Not Exclusive. No remedy conferred upon or reserved to the Authority in connection with the Secured Loan to the Energy Commission pursuant to the 2003A Secured Loan Agreement is intended to be exclusive of any other available remedy or remedies, but each and every remedy will be cumulative and will be in addition to every other remedy either given under the 2003A Secured Loan Agreement or now or hereafter existing at law or in equity or by statute. No delay or omission to exercise any right or power accruing upon any default shall impair any such right or power or will be construed to be a waiver thereof, but any such right and power may be exercised from time to time and as often as it may be deemed expedient. In order to entitle the Authority to exercise any remedy reserved to it in the 2003A Secured Loan Agreement, it will not be necessary to give any notice, other than such notice as may be in the 2003A Secured Loan Agreement expressly required.

Attorneys' Fees and Expenses. If an Event of Default shall occur and the Authority or the Bond Trustee shall employ attorneys or incur other necessary expenses for the collection of payments due under the 2003A Secured Loan Agreement or for the enforcement of performance or observance of any obligation or agreement on the part of the Energy Commission contained in the 2003A Secured Loan Agreement, the Energy Commission will on demand therefor reimburse the reasonable fees of such attorneys and such other expenses so incurred. All such amounts reimbursed or paid by the Energy Commission will be payable solely from the 2003A Collateral.

Waivers. In the event that any agreement contained in the 2003A Secured Loan Agreement shall be breached by either party and such breach shall thereafter be waived by the other party, such waiver will be limited to the particular breach so waived and will not be deemed to waive any other breach under the 2003A Secured Loan Agreement. In view of the assignment of the Authority's rights under and interest in the 2003A Secured Loan Agreement to the Bond Trustee by the provisions of the 2003A Bond Indenture, the Authority will have no power to waive any default under the 2003A Secured Loan Agreement by the Energy Commission without the consent of the Bond Trustee to such waiver.

Miscellaneous

Termination. The 2003A Secured Loan Agreement will terminate upon (i) full payment of the 2003A Bonds and (ii) payment or satisfaction of all other obligations incurred by the Authority or the Energy Commission under the 2003A Secured Loan Agreement with respect to the 2003A Bonds, including (without limitation) interest and other charges, if any, thereon. Upon such termination, any amounts remaining in the funds and accounts held by the Bond Trustee not needed for payment of the aforesaid items will belong to and be paid to the Energy Commission by the Bond Trustee in accordance with the provisions of the 2003A Bond Indenture.

Amendment of Agreement. The 2003A Secured Loan Agreement may, without the consent of or notice to any of the Owners, be amended in writing by both parties, the Authority and the Energy Commission, including all of the necessary approvals and signatures, from time to time, so long as any such amendment will not materially adversely affect the interests of the Owners of the Bonds, to:

(a) cure any ambiguity or formal defect or omission in the 2003A Secured Loan Agreement or in any supplement thereto;

(b) grant to or confer upon the Bond Trustee for the benefit of the Owners any additional rights, remedies, powers, authority or security that may lawfully be granted to or conferred upon the Owners or the Bond Trustee;

(c) add conditions, limitations and restrictions on the Energy Commission to be observed thereafter.

Other than amendments referred to in the preceding paragraph above and subject to the terms and provisions and limitations contained in the 2003A Bond Indenture and not otherwise, the Owners of not less than 51% in aggregate principal amount of the 2003A Bonds then Outstanding will have the right, from time to time, anything contained in the 2003A Secured Loan Agreement to the contrary notwithstanding, to consent to and approve the execution by the Energy Commission and the Authority of such supplements and amendments to the 2003A Secured Loan Agreement as will be deemed necessary and desirable by the Bond Trustee and the Authority for the purpose of modifying, altering, amending, adding to or rescinding, in any particular, any of the terms or provisions contained in the 2003A Secured Loan Agreement; provided, however, nothing in the 2003A Secured Loan Agreement will permit or be construed as permitting a supplement or amendment which would:

(i) extend the stated maturity of or time for paying principal of or interest on the Secured Loan or reduce the principal amount of or rate of interest payable on the Secured Loan without the consent of the Owners of all 2003A Bonds then Outstanding or remove the security interest in the 2003A Collateral granted pursuant to the 2003A Secured Loan Agreement; or

(ii) reduce the aggregate principal amount of 2003A Bonds then Outstanding without the consent of the Owners of which is required to authorize such supplement or amendment without the consent of the Owners of all 2003A Bonds then Outstanding.

Officers of Authority and Energy Commission Not Liable. All covenants, stipulations, promises, agreements and obligations of the Authority contained in the 2003A Secured Loan will be deemed to be covenants, stipulations, promises, agreements and obligations of the Authority and not of any member of its governing board or any officer, agent, servant or employee of the Authority in his individual capacity, and no recourse will be had for the payment of the principal or interest on the 2003A Bonds or for any claim based thereon or under the 2003A Secured Loan Agreement against any member of the Board or any officer, agent, servant or employee of the Authority or any natural person executing the 2003A Bonds. No member of the Authority's board of directors or any person executing the 2003A Bonds will be liable personally on the 2003A Bonds or be subject to any personal liability or accountability by reason of the 2003A Bonds.

All covenants, stipulations, promises, agreements and obligations of the Energy Commission contained in the 2003A Secured Loan Agreement will be deemed to be covenants, stipulations, promises, agreements and obligations of the Energy Commission and not of any commissioner, director, officer, agent, servant or employee of the Energy Commission in his individual capacity, and no recourse will be had for the payment of the Secured Loan or the principal of or interest on the 2003A Bonds or for any claim based thereon or under the 2003A Secured Loan Agreement against any commissioner, director, officer, agent, servant or employee of the Energy Commission. No commissioner, director, officer, agent, servant or employee of the Energy Commission will be subject to any personal liability or accountability by reason of the execution of the 2003A Secured Loan Agreement or the issuance of the 2003A Bonds.

Authority Not Liable for Certain Actions or Inactions. Notwithstanding any other provision of the 2003A Secured Loan Agreement (a) the Authority will not be liable to the Energy Commission, the Bond Trustee, the Owners or any other person for any failure of the Authority to take action under the 2003A Secured Loan Agreement unless the Authority (i) is requested in writing by an appropriate person to take such action and (ii) is assured of payment of or reimbursement for any expenses in such action, and (b) except with respect to any action for specific performance or any action in the nature of a

prohibitory or mandatory injunction, neither the Authority nor any director of the Authority or any other official or employee of the Authority will be liable to the Energy Commission, the Bond Trustee, the Owners or any other person for any action taken by it or by its officers, servants, agents or employees, or for any failure to take action under the 2003A Secured Loan Agreement or the 2003A Bond Indenture. In acting under the 2003A Secured Loan Agreement, or in refraining from acting under the 2003A Secured Loan Agreement, the Authority may conclusively rely on the advice of its legal counsel.

2003A BOND INDENTURE

The 2003A Bonds

Execution and Delivery of 2003A Bonds. The 2003A Bonds will be executed in the manner set forth in the 2003 Bond Indenture and delivered to the Bond Trustee for authentication.

Funds and Accounts; Application of Bond Proceeds

Creation of Funds and Accounts. Certain accounts are created and ordered to be established, in the custody of the Bond Trustee and in the name of the Authority and held in subaccounts of the Special Deposit Fund in the State Treasury (except for the Program Loan Account, which is established in the name of the Energy Commission and held in a subaccount of the Energy Conservation Assistance Account). Moneys in such accounts, except the Rebate Account and the Program Loan Account, will be held in trust for the benefit of the 2003A Bondholders.

Loan Repayment Account

(a) Pursuant to the 2003A Secured Loan Agreement, the Energy Commission is required to transfer to the Bond Trustee for deposit into the Loan Repayment Account all 2003A Program Loan Repayments and any other amounts received with respect to the 2003A Program Loans. The Authority is required to transfer to the Bond Trustee, for deposit into the Loan Repayment Account, the amounts required by the 2003A Bond Indenture. All interest earnings on investment held for the credit of the Loan Repayment Account will remain in the account.

(b) Amounts in the Loan Repayment Account will be applied by the Authority to pay Administrative Expenses as they become due and payable. If at any time the amount on deposit in the Loan Repayment Account is insufficient to pay any Administrative Expenses as they become due and payable, the Authority, pursuant to the 2003A Secured Loan Agreement, is required to notify the Bond Trustee, the Master Trustee and the Energy Commission of the amount of any deficiency, and the Bond Trustee will request the Master Trustee to deposit into the Loan Repayment Account any amounts required to pay such Administrative Expenses from any moneys available under the Master Trust Agreement.

(c) Pursuant to the 2003A Secured Loan Agreement, not later than the Bond Payment Transfer Date, the Authority is required to transfer (or to cause the Bond Trustee to transfer) (i) to the Debt Service Account the amount required, after taking into account any interest earnings on the Debt Service Account and the Debt Service Reserve Account which will be on deposit in the Debt Service Account as of such Bond Payment Date, to pay principal and interest on the 2003A Bonds due on such Bond Payment Date, and (ii) to cause the amount in the Debt Service Reserve Account to equal the 2003A Debt Service Reserve Requirement.

(d) If on any Bond Payment Transfer Date there are insufficient moneys in the Loan Repayment Account to make the transfer required under the 2003A Secured Loan Agreement, the Authority is required to transfer (or cause the Bond Trustee to transfer), first, from the Surplus Repayments Account, and then from the Debt Service Reserve Account, the amount of such deficiency. The Authority is required to immediately notify (or cause the Bond Trustee to immediately notify) the Master Trustee of the amounts so transferred from the Debt Service Reserve Account and the cumulative amount of the deficiency in the Debt Service Reserve Account as of such date. In addition, if on any Bond Payment Transfer Date, there are insufficient amounts to make the transfer required under the 2003A Secured Loan Agreement, after making the transfer from the Surplus Repayments Account and the Debt Service Reserve Account, the Authority is required to immediately notify (or cause the Bond Trustee to immediately notify) the Master Trustee and the Energy Commission of the amount of any shortfall and the Bond Trustee will direct the Master Trustee to deposit into the Debt Service Account any amounts required to pay any principal or interest on the 2003A Bonds on the Bond Payment Date.

(e) All amounts on deposit in the Loan Repayment Account after making the transfers required by clauses (b) and (c) above will be transferred, on the Bond Payment Transfer Date, into the Surplus Repayments Account.

(f) In determining the amounts to be transferred to or from any fund or account pursuant to the 2003A Bond Indenture, the Authority shall rely upon a certificate of an Energy Commission Representative, and the Energy Commission covenants to provide such certificates on a timely basis so as to permit the Authority to comply with the 2003A Bond Indenture.

Debt Service Account

(a) Moneys deposited in the Debt Service Account by the Authority, the Bond Trustee or the Master Trustee will be applied by the Bond Trustee solely to pay interest on and principal of the 2003A Bonds as the same becomes due. Any excess amounts remaining after such payment on any Bond Payment Date will be transferred to the Surplus Repayments Account.

(b) The Bond Trustee will send to the Authority and the Energy Commission, approximately 15 Business Days prior to a Bond Payment Date, a statement of the amounts which the Authority will need to transfer for deposit into the Debt Service Account prior to the next Bond Payment Date. However, failure of the Bond Trustee to provide such statement will not relieve the Authority of any obligation to transfer funds in the amounts and at the times required by the 2003A Bond Indenture.

Debt Service Reserve Account

(a) Pursuant to the 2003A Secured Loan Agreement, the Authority will deposit into the Debt Service Reserve Account, on each Bond Payment Transfer Date, the amounts required therein. All interest earnings on investments held for the credit of the Debt Service Reserve Account will be transferred to the Debt Service Account on the Business Day preceding each Bond Payment Transfer Date.

(b) Funds on deposit in the Debt Service Reserve Account will be used to pay debt service on the 2003A Bonds in the event moneys on deposit in the Debt Service Account will be insufficient to pay the principal and interest on the 2003A Bonds as the same become due.

(c) On each principal payment date, and after making or providing for any transfers described in clause (b) above, the Authority is required under the 2003A Secured Loan Agreement to

direct the Bond Trustee to transfer from the Debt Service Reserve Account to the Master Trustee any amount in excess of the 2003A Debt Service Reserve Requirement.

(d) So long as the amount on deposit in the Debt Service Reserve Account will equal the 2003A Debt Service Reserve Requirement, no further deposits to the Debt Service Reserve Account will be required. If the Authority ever requests the Bond Trustee to withdraw funds from the Debt Service Reserve Account to prevent a default as provided in the 2003 Bond Indenture, and if the Bond Trustee consents thereto and the withdrawal of such funds reduces the amount on deposit in the Debt Service Reserve Account to less than the 2003A Debt Service Reserve Requirement, the Bond Trustee will notify the Master Trustee and request that the deficiency be held in the Master Reserve Account. If the Debt Service Reserve Account is subsequently replenished from 2003A Loan Repayments, the Bond Trustee will notify the Master Trustee of such replenishment.

(e) In determining the amounts to be transferred to or from the Debt Service Reserve Account pursuant to the 2003A Bond Indenture, the Authority shall rely upon a certificate of an Energy Commission Representative, and the Energy Commission covenants to provide such certificates on a timely basis to permit the Authority to comply with the 2003A Bond Indenture.

Surplus Repayments Account. Amounts on deposit in the Surplus Repayments Account will be transferred to the Debt Service Account on any Bond Payment Transfer Date to the extent such amounts are required to pay principal and interest on the 2003A Bonds coming due on such Bond Payment Date as provided in the 2003A Bond Indenture. Subject to the foregoing sentence, the Authority is required to transfer (or cause the Bond Trustee to transfer) from the Surplus Repayments Account to the Master Trustee for deposit into the Master Reserve Account (i) the amount in such account in excess of the amount necessary to deliver a Cash Flow Certificate, which certificate the Energy Commission has covenanted in the 2003A Secured Loan Agreement to deliver to the Bond Trustee and the Authority on or before each Bond Payment Date, less (ii) any amounts required by the Energy Commission, as stated in a certificate of an Energy Commission Representative, to pay administrative costs and legal costs related to the Bonds and compliance with the terms of the 2003A Secured Loan Agreement, the Master Trust Agreement and the 2003A Bond Indenture including, without limitation, implementation of the Program and making of new loans with Bond proceeds. The amounts described in clause (ii) above will be disbursed by the Authority from the Surplus Repayments Account, from time to time, by the Bond Trustee upon receipt of a requisition therefor executed by an Energy Commission Representative. Finally, any amounts remaining in the Surplus Repayments Account on the final Bond Payment Date will be transferred to the Master Trustee and applied according to the Master Trust Agreement.

Program Loan Account. The Authority is required to deposit into the Program Loan Account the net proceeds of the 2003A Bonds, after deposit of the amounts, if any, required under the 2003A Bond Indenture into the Debt Service Account and the Cost of Issuance Account. Moneys on deposit in the Program Loan Account will be disbursed by the Bond Trustee to the Energy Commission to fund Program Loans to public entities and for other purposes authorized by the Energy Conservation Assistance Act, so long as any such disbursement does not cause interest on the 2003A Bonds to be included in gross income for federal income tax purposes. The Program Loan Account is a trust fund dedicated to making additional Program Loans and other purposes authorized by the Energy Conservation Assistance Act, but amounts therein are not pledged to the payment of the 2003A Bonds.

Moneys to be Held in Trust. All moneys deposited with or paid to the Bond Trustee for the funds and accounts held by the Bond Trustee under the 2003A Bond Indenture or under the 2003A Secured Loan Agreement will be held by the Bond Trustee in trust and will be invested and applied only in accordance with the provisions of the 2003A Bond Indenture, and, until used or applied as provided in the 2003A Bond Indenture or the 2003A Secured Loan Agreement, and except as provided in the 2003A

Bond Indenture, will constitute part of the Trust Estate and be subject to the lien, terms and provisions of the 2003A Bond Indenture and will not be commingled with any other funds of the Authority. The Bond Trustee will not be under any liability for interest on any moneys held uninvested under the 2003A Bond Indenture except to the extent such moneys are invested in Permitted Investments.

Investment of Moneys. Moneys held by the Bond Trustee in each of the funds and accounts under the 2003A Bond Indenture will be invested and reinvested by the Bond Trustee, pursuant to written directions of the Authority in consultation with an Energy Commission Representative, in Permitted Investments which mature or are subject to redemption by the owner thereof prior to the date such funds are expected to be needed. If at any time the Authority, in consultation with the Energy Commission, has not directed the Bond Trustee, such moneys will be invested in the Permitted Investments described in clause (ii) of the definition thereof, namely, the California State Surplus Money Investment Fund. The Bond Trustee may conclusively rely upon such instructions as to both the suitability and legality of the directed investments. In the event no such instructions are received by the Bond Trustee, such funds will be held in the State Surplus Money Investment Fund, pending receipt of such investment instructions. The Bond Trustee is authorized, in making or disposing of any investment permitted by the 2003A Bond Indenture, to deal with itself (in its individual capacity) or with any one or more of its affiliates, whether it or such affiliate is acting as an agent of the Bond Trustee or for any third person or dealing as principal for its own account. Any such Permitted Investments will be held by or under the control of the Bond Trustee and will be deemed at all times a part of the fund or account in which such moneys are originally held.

The interest accruing on each fund or account and any profit realized from such Permitted Investments will be credited to the Debt Service Account or such other account as stipulated in the 2003A Bond Indenture or under the 2003A Secured Loan Agreement, and any loss resulting from such Permitted Investments will be charged to the fund or account from which such moneys originally came. Investments held under the 2003A Bond Indenture will be valued at cost. The Bond Trustee will sell or present for redemption and reduce to cash a sufficient amount of such Permitted Investments whenever it will be necessary to provide moneys in any fund or account for the purposes of such fund or account and the Bond Trustee will not be liable for any loss resulting from such investments. The Bond Trustee will have no responsibility with respect to the compliance by the Energy Commission with respect to any covenant in the 2003A Bond Indenture or in the Master Trust Agreement regarding investments made in accordance with the 2003A Bond Indenture, other than to use its best reasonable efforts to comply with instructions from the Energy Commission regarding such investments. Since the investments permitted by the 2003A Bond Indenture and the 2003A Secured Loan Agreement have been made at the request of the Authority, in consultation with the Energy Commission, and the making of such investments will be subject to the Energy Commission's direction, the Bond Trustee specifically disclaims any obligation to the Energy Commission for any loss arising from or tax consequences of, investments pursuant to the provisions of the 2003A Bond Indenture.

Rights and Obligations with Respect to the 2003A Secured Loan Agreement

(a) The 2003A Secured Loan Agreement sets forth certain covenants and obligations of the Energy Commission and the Authority, and reference is hereby made to such Agreement for a detailed statement of such covenants and obligations. So long as any of the 2003A Bonds remain outstanding, the Authority and the Bond Trustee will faithfully and punctually perform and observe all obligations and undertakings on their part to be performed and observed under the 2003A Secured Loan Agreement, including the Bond Trustee's undertakings in Articles III and IV therein.

(b) The Authority and the Bond Trustee covenant to maintain, at all times, the validity and effectiveness of the 2003A Secured Loan Agreement and (except as expressly permitted by

the 2003A Bond Indenture and by the 2003A Secured Loan Agreement) will take no action, will permit no action to be taken by others within their control and will not omit to take any action, which action or omission might release the Energy Commission from its liabilities or obligations under the 2003A Secured Loan Agreement or result in the surrender, termination, amendment or modification of, or impair the validity of, such Agreement.

(c) The Authority covenants to enforce diligently all covenants, undertakings and obligations of the Energy Commission under the 2003A Secured Loan Agreement and hereby authorizes and directs the Bond Trustee to enforce any and all of its rights under the 2003A Secured Loan Agreement on behalf of the Authority and the Holders of the 2003A Bonds.

(d) The Authority and the Bond Trustee are authorized, without the consent of or notice to any of the Bond Holders, but with the written consent and approval of the Energy Commission, enter into any amendment, change or modification of the 2003A Secured Loan Agreement as may be necessary, in the opinion of Bond Counsel to comply fully with all applicable rules, rulings, policies, procedures, and regulations promulgated or proposed by the Department of the Treasury or the Internal Revenue Service pertaining to obligations issued under Section 103(b)(4)(A) of the Internal Revenue Code.

(e) Neither the Authority nor the Bond Trustee is authorized without the consent to any amendment or modification of the 2003A Secured Loan Agreement unless the Authority has received an opinion of Bond Counsel to the effect that such amendment will not adversely affect the rights of Bond Holders under the 2003A Bond Indenture and will not impair the exclusion from gross income, for federal income tax purposes, of the interest on the 2003A Bonds and exemption from State of California personal income taxation.

Default and Remedies

Events of Default. The term “event of default,” wherever used in the 2003A Bond Indenture, means any one of the following events (whatever the reason for such event and whether it shall be voluntary or involuntary or be effected by operation of law or pursuant to any judgment, decree or order of any court or any order, rule or regulation of any administrative or governmental body):

(a) default in the payment of any interest on any Bond when such interest becomes due and payable; (b) default in the payment of the principal of any Bond when the same becomes due and payable; or (c) default in the performance, or breach, of any covenant or agreement of the Authority in the 2003A Bond Indenture (other than a covenant or agreement a default in the performance or breach of which is specifically dealt with elsewhere in the 2003A Bond Indenture), and continuance of such default or breach for a period of 60 days after there has been given to the Authority by the Bond Trustee or to the Authority and the Bond Trustee by the owners of at least 10% in principal amount of the 2003A Bonds Outstanding, a written notice specifying such default or breach and requiring it to be remedied; provided, that if such default cannot be fully remedied within such 60-day period, but can reasonably be expected to be fully remedied, such default shall not constitute an event of default if the Authority shall immediately upon receipt of such notice commence the curing of such default and shall thereafter prosecute and complete the same with due diligence and dispatch.

Exercise of Remedies by the Bond Trustee. Upon the occurrence and continuance of any event of default under the 2003A Bond Indenture, unless the same is waived as provided in the 2003A Bond Indenture, the Bond Trustee will have the following rights and remedies, in addition to any other rights and remedies provided under the 2003A Bond Indenture or by law:

(a) *Right to Bring Suit, Etc.* The Bond Trustee may pursue any available remedy at law or in equity by suit, action, mandamus or other proceeding to enforce the payment of the principal of, premium and interest on the 2003A Bonds Outstanding, including interest on overdue principal and on overdue installments of interest, and any other sums due under the 2003A Bond Indenture, to realize on or to foreclose any of its interests or liens under the 2003A Bond Indenture, to enforce and compel the performance of the duties and obligations of the Authority as set forth in the 2003A Bond Indenture and to enforce or preserve any other rights or interests of the Bond Trustee under the 2003A Bond Indenture with respect to any of the Trust Estate or otherwise existing at law or in equity.

(b) *Exercise of Remedies at Direction of Bondowners.* If requested in writing to do so by the owners of not less than 25% in principal amount of 2003A Bonds Outstanding and if indemnified as provided in the 2003A Bond Indenture, the Bond Trustee will be obligated to exercise such one or more of the rights and remedies conferred by the 2003A Bond Indenture as the Bond Trustee will deem most expedient in the interests of the bondowners.

(c) *Appointment of Receiver.* Upon the filing of a suit or other commencement of judicial proceedings to enforce the rights of the Bond Trustee and of the bondowners under the 2003A Bond Indenture, the Bond Trustee will be entitled, as a matter of right, to the appointment of a receiver or receivers of the Trust Estate, pending such proceedings, with such powers as the court making such appointment will confer.

(d) *Suits to Protect the Trust Estate.* The Bond Trustee will have power to institute and to maintain such proceedings as it may deem expedient to prevent any impairment of the Trust Estate by any acts which may be unlawful or in violation of the 2003A Bond Indenture and to protect its interests and the interests of the bondowners in the Trust Estate, including power to institute and maintain proceedings to restrain the enforcement of or compliance with any governmental enactment, rule or order that may be unconstitutional or otherwise invalid, if the enforcement of or compliance with such enactment, rule or order would impair the security under the 2003A Bond Indenture or be prejudicial to the interests of the bondowners or the Bond Trustee, or to intervene (subject to the approval of a court of competent jurisdiction) on behalf of the bondowners in any judicial proceeding to which the Authority is a party and which in the judgment of the Bond Trustee has a substantial bearing on the interests of the bondowners.

(e) *Enforcement Without Possession of 2003A Bonds.* All rights of action under the 2003A Bond Indenture or any of the 2003A Bonds may be enforced and prosecuted by the Bond Trustee without the possession of any of the 2003A Bonds or the production thereof in any suit or other proceeding relating thereto, and any such suit or proceeding instituted by the Bond Trustee will be brought in its own name as trustee of an express trust. Any recovery of judgment will, after provision for the payment of the reasonable compensation, expenses, disbursements and advances of the Bond Trustee, its agents and counsel, and subject to the provisions of the 2003A Bond Indenture, be for the equal and ratable benefit of the owners of the 2003A Bonds in respect of which such judgment has been recovered.

(f) *Restoration of Positions.* If the Bond Trustee or any bondowner has instituted any proceeding to enforce any right or remedy under the 2003A Bond Indenture by suit, foreclosure, the appointment of a receiver, or otherwise, and such proceeding has been discontinued or abandoned for any reason, or has been determined adversely to the Bond Trustee or to such bondowner, then and in every case the Authority, the Bond Trustee and the bondowners will, subject to any determination in such proceeding, be restored to their former positions and rights

under the 2003A Bond Indenture, and thereafter all rights and remedies of the Bond Trustee and the bondowners will continue as though no such proceeding had been instituted.

Limitation on Suits by Bondowners. No owner of any Bond will have any right to institute any proceeding, judicial or otherwise, under or with respect to the 2003A Bond Indenture, or for the appointment of a receiver or trustee or for any other remedy under the 2003A Bond Indenture, unless: (a) such owner has previously given written notice to the Bond Trustee of a continuing event of default; (b) the owners of not less than 25% in principal amount of the 2003A Bonds Outstanding will have made written request to the Bond Trustee to institute proceedings in respect of such event of default in its own name as Bond Trustee under the 2003A Bond Indenture; (c) such owner or owners have offered to the Bond Trustee indemnity as provided in the 2003A Bond Indenture against the costs, expenses and liabilities to be incurred in compliance with such request; (d) the Bond Trustee for 60 days after its receipt of such notice, request and offer of indemnity has failed to institute any such proceeding; and (e) no direction inconsistent with such written request has been given to the Bond Trustee during such 60-day period by the owners of a majority in principal amount of the Outstanding 2003A Bonds; it being understood and intended that no one or more owners of 2003A Bonds will have any right in any manner whatever by virtue of, or by availing of, any provision of the 2003A Bond Indenture to affect, disturb or prejudice the lien of the 2003A Bond Indenture or the rights of any other owners of 2003A Bonds, or to obtain or to seek to obtain priority or preference over any other owners (except as provided in the 2003A Bond Indenture) or to enforce any right under the 2003A Bond Indenture, except in the manner in the 2003A Bond Indenture provided for the equal and ratable benefit of all Outstanding 2003A Bonds.

Notwithstanding the foregoing or any other provision in the 2003A Bond Indenture, however, the owner of any Bond will have the right which is absolute and unconditional to receive payment of the principal of and interest on such Bond on the respective stated maturity expressed in such Bond, and nothing contained in the 2003A Bond Indenture affect or impair the right of any owner to institute suit for the enforcement of any such payment.

Control of Proceedings by Bondowners. The owners of a majority in principal amount of the 2003A Bonds Outstanding will have the right, during the continuance of an event of default,

(a) to require the Bond Trustee to proceed to enforce the 2003A Bond Indenture, either by judicial proceedings for the enforcement of the payment of the 2003A Bonds and the foreclosure of the 2003A Bond Indenture, or otherwise; and

(b) to direct the time, method and place of conducting any proceeding for any remedy available to the Bond Trustee, or exercising any trust or power conferred upon the Bond Trustee under the 2003A Bond Indenture, provided that:

(i) such direction will not be in conflict with any rule of law or the 2003A Bond Indenture,

(ii) the Bond Trustee may take any other action deemed proper by the Bond Trustee which is not inconsistent with such direction, and

(iii) the Bond Trustee will not determine that the action so directed would be unjustly prejudicial to the owners not taking part in such direction.

Notwithstanding any provision of the 2003A Bond Indenture, if the Authority provides to the Bond Trustee and the Authority an Opinion of Bond Counsel to the effect that any action required under the 2003A Bond Indenture is no longer required, or to the effect that some further action is required, to

maintain the exclusion of interest on the 2003A Bonds from federal gross income, the Bond Trustee and the Authority may conclusively rely on such opinion in complying with the provisions of the 2003A Bond Indenture, and the covenants under the 2003A Bond Indenture will be deemed to be modified to that extent.

Application of Moneys Collected. Any moneys collected by the Bond Trustee pursuant to the 2003A Bond Indenture (after the deductions for payment of costs and expenses of proceedings resulting in the collection of such moneys) together with any other sums then held by the Bond Trustee as part of the Trust Estate, will be applied in the following order, at the date or dates fixed by the Bond Trustee and, in case of the distribution of such money on account of principal or interest, upon presentation of the 2003A Bonds and the notation thereon of the payment if only partially paid and upon surrender thereof if fully paid:

(a) First: To the payment of all amounts due the Bond Trustee under the 2003A Bond Indenture;

(b) Second: To the payment of the whole amount then due and unpaid upon the Outstanding 2003A Bonds for principal and interest, in respect of which or for the benefit of which such money has been collected, with interest (to the extent that such interest has been collected by the Bond Trustee or a sum sufficient therefor has been so collected and payment thereof is legally enforceable at the respective rate or rates prescribed therefor in the 2003A Bonds) on overdue principal and on overdue installments of interest; and in case such proceeds will be insufficient to pay in full the whole amount so due and unpaid upon such 2003A Bonds, then to the payment of such principal and interest, without any preference or priority, ratably according to the aggregate amount so due; and

(c) Third: To the payment of the remainder, if any, to the Authority or to whosoever may be lawfully entitled to receive the same or as a court of competent jurisdiction may direct.

Whenever moneys are to be applied by the Bond Trustee pursuant to the provisions of the 2003A Bond Indenture, such moneys will be applied by it at such times, and from time to time, as the Bond Trustee will determine, having due regard for the amount of such moneys available for application and the likelihood of additional moneys becoming available for such application in the future. Whenever the Bond Trustee will apply such moneys, it will fix the date (which will be a Bond Payment Date unless it will deem another date more suitable) upon which such application is to be made and upon such date interest on the amounts of principal to be paid on such date will cease to accrue. The Bond Trustee will give such notice as it may deem appropriate of the deposit with it of any such moneys and of the fixing of any such date, and will not be required to make payment to the owner of any unpaid Bond until such Bond will be presented to the Bond Trustee for appropriate endorsement or for cancellation if fully paid.

Rights and Remedies Cumulative. No right or remedy in the 2003A Bond Indenture conferred upon or reserved to the Bond Trustee or to the bondowners is intended to be exclusive of any other right or remedy, and every right and remedy will, to the extent permitted by law, be cumulative and in addition to every other right and remedy given under the 2003A Bond Indenture or now or hereafter existing at law or in equity or otherwise. The assertion or employment of any right or remedy under the 2003A Bond Indenture, or otherwise, will not prevent the concurrent assertion or employment of any other appropriate right or remedy. No delay or omission of the Bond Trustee or of any owner of any Bond to exercise any right or remedy accruing upon an event of default will impair any such right or remedy or constitute a waiver of any such event of default or an acquiescence therein. Every right and remedy given under the 2003A Bond Indenture or by law to the Bond Trustee or to the bondowners may be exercised

from time to time, and as often as may be deemed expedient, by the Bond Trustee or by the bondowners, as the case may be.

Waiver of Past Defaults. Before any judgment or decree for payment of money due has been obtained by the Bond Trustee as provided in the 2003A Bond Indenture, the owners of a majority in principal amount of the 2003A Bonds Outstanding may, by written notice delivered to the Bond Trustee and the Authority, on behalf of the owners of all the 2003A Bonds waive any past default under the 2003A Bond Indenture and its consequences, except a default (a) in the payment of the principal of or interest on any Bond, or (b) in respect of a covenant or provision of the 2003A Bond Indenture which under the 2003A Bond Indenture cannot be modified or amended without the consent of the owner of each Outstanding Bond affected.

Upon any such waiver, such default shall cease to exist, and any event of default arising therefrom shall be deemed to have been cured, for every purpose of the Bond Indenture; but no such waiver will extend to or affect any subsequent or other default or impair any right or remedy consequent thereon.

Supplemental Bond Indentures

Supplemental Bond Indentures without Consent of Bondowners. Without the consent of the owners of any 2003A Bonds, the Authority and the Bond Trustee may from time to time enter into one or more Supplemental Bond Indentures for any of the following purposes so long as such Supplemental Bond Indenture does not materially adversely affect the Owners of the Bonds:

(a) to correct or amplify the description of any property at any time subject to the lien of the 2003A Bond Indenture, or better to assure, convey and confirm unto the Bond Trustee any property subject or required to be subjected to the lien of the 2003A Bond Indenture, or to subject to the lien of the 2003A Bond Indenture additional property; (b) to add to the conditions, limitations and restrictions on the authorized amount, terms or purposes of issue, authentication and delivery of 2003A Bonds or of any series of 2003A Bonds, as set forth in the 2003A Bond Indenture, additional conditions, limitations and restrictions thereafter to be observed; (c) to evidence the appointment or succession of a new trustee under the 2003A Bond Indenture; (d) to add to the covenants of the Authority or to the rights, powers and remedies of the Bond Trustee for the benefit of the owners of all of the 2003A Bonds or to surrender any right or power in the 2003A Bond Indenture conferred upon the Authority; (e) to cure any ambiguity, to correct or supplement any provision in the 2003A Bond Indenture which may be inconsistent with any other provision in the 2003A Bond Indenture or to make any other change, with respect to matters or questions arising under the 2003A Bond Indenture, which will not be inconsistent with the provisions of the 2003A Bond Indenture; (f) to modify, eliminate or add to the provisions of the 2003A Bond Indenture to such extent as will be necessary to effect the qualification of the 2003A Bond Indenture under the Trust Indenture Act of 1939, as amended, or under any similar federal statute hereafter enacted, or to permit the qualification of the 2003A Bonds for sale under the securities laws of the United States or any state of the United States.

Supplemental Bond Indentures with Consent of Bondowners. With the consent of the owners of not less than a majority in principal amount of the 2003A Bonds then Outstanding affected by such Supplemental Bond Indenture, the Authority and the Bond Trustee may enter into one or more Supplemental Bond Indentures for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the 2003A Bond Indenture or of modifying in any manner the rights of the owners of the 2003A Bonds under the 2003A Bond Indenture; provided, however, that no such

Supplemental Bond Indenture will, without the consent of the owner of each Outstanding Bond affected thereby:

(a) change the stated maturity of the principal of, or any installment of interest on, any Bond, or reduce the principal amount thereof or the interest thereon, or change any place of payment where, or the currency in which, any Bond, or the interest thereon is payable, or impair the right to institute suit for the enforcement of any such payment on or after the stated maturity thereof; (b) reduce the percentage in principal amount of the Outstanding 2003A Bonds, the consent of whose owners is required for any such Supplemental Bond Indenture, or the consent of whose owners is required for any waiver provided for in the 2003A Bond Indenture of compliance with certain provisions of the 2003A Bond Indenture or certain defaults under the 2003A Bond Indenture and their consequences; (c) modify the obligation of the Authority to make payment on or provide funds for the payment of any Bond; (d) modify or alter the provisions of the exceptions to the definition of the term “Outstanding”; (e) modify any of the provisions of the Section here summarized, except to increase any percentage provided thereby or to provide that certain other provisions of the 2003A Bond Indenture cannot be modified or waived without the consent of the owner of each Bond affected thereby; or (f) permit the creation of any lien ranking prior to the lien of the 2003A Bond Indenture with respect to any of the Trust Estate or terminate the lien of the 2003A Bond Indenture on any property at any time subject to the 2003A Bond Indenture or deprive the owner of any Bond of the security afforded by the lien of the 2003A Bond Indenture.

Execution of Supplemental Bond Indentures. In executing, or accepting the additional trusts created by, any Supplemental Bond Indenture permitted by the 2003A Bond Indenture or the modification thereby of the trusts created by the 2003A Bond Indenture, the Bond Trustee and the Authority will receive and, subject to the provisions of the 2003A Bond Indenture, will be fully protected in relying upon, an Opinion of Bond Counsel addressed and delivered to the Bond Trustee and the Authority stating that the execution of such Supplemental Bond Indenture is permitted by and in compliance with the 2003A Bond Indenture, and that the execution and delivery thereof will not adversely affect the exclusion from federal gross income of interest on any tax-exempt 2003A Bonds. The Bond Trustee may, but will not, except to the extent required in the case of any Supplemental Bond Indenture entered into under the 2003A Bond Indenture, be obligated to, enter into any Supplemental Bond Indenture which affects the Bond Trustee’s own rights, duties or immunities under the 2003A Bond Indenture or otherwise.

Effect of Supplemental Bond Indentures. Upon the execution of any Supplemental Bond Indenture under the 2003A Bond Indenture will be modified in accordance therewith and such Supplemental Bond Indenture will form a part of the 2003A Bond Indenture for all purposes; and every owner of 2003A Bonds theretofore or thereafter authenticated and delivered under the 2003A Bond Indenture will be bound thereby.

Consent of Energy Commission to Supplemental Bond Indentures. Anything in the 2003A Bond Indenture to the contrary notwithstanding, a Supplemental Bond Indenture under the 2003A Bond Indenture which affects any rights of the Energy Commission in any manner not contemplated by the 2003A Secured Loan Agreement will not become effective unless and until the Energy Commission will have consented in writing to the execution and delivery of such Supplemental Bond Indenture, which consent will not be unreasonably withheld. The Bond Trustee will cause notice of the proposed execution and delivery of any such Supplemental Bond Indenture to be mailed by certified or registered mail to the Energy Commission at least 15 days prior to the effective date of such Supplemental Bond Indenture.

Satisfaction and Discharge

Payment, Discharge and Defeasance of 2003A Bonds. All or any of the 2003A Bonds will be deemed to be paid and discharged and no longer Outstanding under the 2003A Bond Indenture and will cease to be entitled to any lien, benefit or security of the 2003A Bond Indenture if the Authority will pay or provide for the payment of such 2003A Bonds in any one or more of the following ways:

(a) by paying or causing to be paid the principal of and interest on such 2003A Bonds, as and when the same become due and payable; (b) by delivering such 2003A Bonds to the Bond Trustee for cancellation; or (c) by depositing in trust with the Bond Trustee moneys and Government Obligations in an amount, together with the income or increment to accrue thereon, without consideration of any reinvestment thereof, sufficient to pay and discharge the indebtedness on such 2003A Bonds at or before their respective maturity dates (including the payment of the principal of and interest payable on such 2003A Bonds to the maturity date thereof).

The 2003A Bonds may be defeased in advance of their maturity dates only with cash or Government Obligations pursuant to subsection (c) above, subject to receipt by the Bond Trustee of (1) a verification report prepared by independent certified public accountants, or other verification agent, satisfactory to the Bond Trustee and the Authority, and (2) an Opinion of Bond Counsel addressed and delivered to the Bond Trustee and the Authority to the effect that the payment of the principal of and interest on all of the 2003A Bonds then Outstanding and any and all other amounts required to be paid under the provisions of the 2003A Bond Indenture has been provided for in the manner set forth in the 2003A Bond Indenture and to the effect that so providing for the payment of any 2003A Bonds will not cause the interest on any tax-exempt 2003A Bonds to be included in gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the 2003A Bond Indenture.

The foregoing notwithstanding, the liability of the Authority in respect of such 2003A Bonds will continue, but the owners thereof will thereafter be entitled to payment only out of the moneys and Government Obligations deposited with the Bond Trustee as aforesaid.

Moneys and Government Obligations so deposited with the Bond Trustee pursuant to the 2003A Bond Indenture will not be a part of the Trust Estate but will constitute a separate trust fund for the benefit of the Persons entitled thereto. Such moneys and Government Obligations will be applied by the Bond Trustee to the payment to the Persons entitled thereto, of the principal and interest for whose payment such moneys and Government Obligations have been deposited with the Bond Trustee.

Satisfaction and Discharge of Bond Indenture. The 2003A Bond Indenture and the lien, rights and interests created by the 2003A Bond Indenture will cease, determine and become null and void (except as to any surviving rights under the 2003A Bond Indenture) if the following conditions are met:

(a) the principal of and interest on all 2003A Bonds has been paid or is deemed to be paid and discharged by meeting the conditions of the 2003A Bond Indenture; (b) all other sums payable under the 2003A Bond Indenture with respect to the 2003A Bonds are paid or provision satisfactory to the Bond Trustee is made for such payment; (c) the Bond Trustee receives an Opinion of Bond Counsel (which may be based upon a ruling or rulings of the Internal Revenue Service) addressed to the Bond Trustee and the Authority to the effect that so providing for the payment of any 2003A Bonds will not adversely affect the exclusion of the interest on the 2003A Bonds from gross income for federal income tax purposes, notwithstanding the satisfaction and discharge of the 2003A Bond Indenture; and (d) the Bond Trustee receives an Opinion of Counsel addressed and delivered to the Bond Trustee and the Authority to the effect that all conditions

precedent in this Section to the satisfaction and discharge of the 2003A Bond Indenture have been accomplished.

Thereupon, the Bond Trustee will execute and deliver to the Authority a termination statement and such instruments of satisfaction and discharge of the Bond Indenture as may be necessary and will pay, assign, transfer and deliver to the Authority, or other Persons entitled thereto, all moneys, securities and other property then held by it under the 2003A Bond Indenture as a part of the Trust Estate, other than moneys or Government Obligations held in trust by the Bond Trustee as provided in the 2003A Bond Indenture for the payment of the principal of and interest on the 2003A Bonds.

Rights Retained After Discharge. Notwithstanding the satisfaction and discharge of the 2003A Bond Indenture, the rights of the Bond Trustee under the 2003A Bond Indenture will survive, and the Bond Trustee will retain such rights, powers and duties under the 2003A Bond Indenture as may be necessary and convenient for the payment of amounts due or to become due on the 2003A Bonds and the registration, transfer and exchange of 2003A Bonds as provided in the 2003A Bond Indenture. Nevertheless, any moneys held by the Bond Trustee for the payment of the principal of or interest on any Bond remaining unclaimed for two years after the principal of all 2003A Bonds has become due and payable, whether at maturity or otherwise, will then be paid to the Energy Commission, and the owners of any 2003A Bonds not theretofore presented for payment will thereafter be entitled to look only to the Energy Commission for payment thereof and all liability of the Bond Trustee or the Authority with respect to such moneys will thereupon cease. However, all such amounts payable by the Energy Commission under the 2003A Bond Indenture will be payable only from amounts derived from the 2003A Collateral.

MASTER TRUST AGREEMENT

Issuance of Bonds; Security for Bonds

Issuance of Bonds. Subject to determination from time to time by the Authority by resolutions of the Authority and in Bond Indentures of the Authority, and the issuance by the Energy Commission of a Series Certificate relating to such Series of Bonds (as set forth in the Master Trust Agreement), the Authority may issue Series of Bonds which, except to any extent otherwise provided in the related Bond Indenture, will be secured under the Master Trust Agreement. Each Series of Bonds will bear the designations, be in the form, have the terms and provisions, be issued upon the conditions, be secured and in all other respects be as set forth in the related Bond Indenture.

Conditions to Securing Bonds under the Master Trust Agreement

(a) In order for any Series of Bonds issued after the date of the Master Trust Agreement to be secured by the Master Trust Agreement, prior to or simultaneously with the authentication and delivery of the Series of Bonds, the Master Trustee will receive the following:

(a) an original executed counterpart of the Series Certificate, in substantially the form attached to the Master Trust Agreement as Exhibit A

(i) stating that the Series of Bonds is entitled to the benefits of the Master Trust Agreement; and

(ii) directing the Master Trustee as to the creation of any funds and accounts to be established for the Series of Bonds which are in addition to those required under the Master Trust Agreement.

(b) an original executed counterpart or a copy, certified by an Authority Representative and an Energy Commission Representative, of the Master Trust Agreement and the related Secured Loan Agreement, and an original executed counterpart or a copy, certified by an Authority Representative, of the related Bond Indenture.

(b) The Master Trustee is not required to receive duplicate counterparts or copies pursuant to paragraph (a) if any of the items required by paragraph (a) have been received by the Master Trustee, whether as Master Trustee or in its capacity as a Bond Trustee.

Liability under Bonds. Each Series of Bonds, and interest thereon, will be limited obligations of the Authority secured solely by the Collateral pledged under the related Bond Indenture. The Bonds do not constitute or create an indebtedness or liability of any Borrower, the State or any political subdivision thereof, other than the Authority, and will not constitute a pledge of the faith and credit of the State of California or any political subdivision, other than the Authority, but will be payable solely from the funds provided for in the Bond Indenture. Neither the faith and credit nor the taxing power of the State or any political subdivision thereof is pledged to the payment of the principal of or interest on the Bonds. No covenant, stipulation, obligation or agreement contained in the Master Trust Agreement or in the Bonds will be deemed to be a covenant, stipulation obligation or agreement of any present or future trustee, officer, member, director, employee or agent of the Authority or the Energy Commission in his or her individual capacity.

Establishment and Application of Funds and Accounts

Creation and Custody of Funds and Accounts

(a) There is pursuant to the Master Trust Agreement created and ordered to be established and held by the Master Trustee the following accounts:

- (i) a Master Reserve Account, and
- (ii) a Master Rebate Account.

(b) The Energy Commission may, by a Supplemental Master Trust Agreement, Series Certificate or other Officer's Certificate, subject to the approval of the Authority, establish one or more subaccounts under the Master Reserve Account and the Master Rebate Account under the Master Trust Agreement for the purpose of complying with federal tax requirements. Each such subaccount created from time to time under the Master Trust Agreement will have such further designations as the Master Trustee deems appropriate in order to properly account for all moneys subject to the Master Trust Agreement or as provided in an Officer's Certificate.

(c) As security for the payment of each Series of Bonds, the Energy Commission and the Authority pledge and assign the Master Reserve Account and all amounts from time to time on deposit therein, for the equal and pro rata benefit of all Series of Bonds, in the manner and to the extent provided in the Master Trust Agreement to the Master Trustee.

(d) The pledge and assignment effected by the Master Trust Agreement will be valid and binding from the date of execution and delivery of the Master Trust Agreement, the moneys so pledged and assigned and hereafter received by the Master Trustee will be subject to the lien of such pledge and assignment and such lien will be a continuing, irrevocable and exclusive first lien and will be valid and binding as against all parties having claims of any kind in tort, contract or otherwise against the Master Trustee irrespective of whether a such parties have notice thereof.

Deposits to Master Reserve Account. There will be deposited into the Master Reserve Account transfers from the Surplus Repayments Accounts held by the Bond Trustees and transfers from the Debt Service Reserve Accounts held by the Bond Trustees. All amounts deposited to such Master Account, together with earnings thereon, will be applied as provided in the Master Trust Agreement.

Withdrawals from Master Reserve Account. Upon receipt of notice of a shortfall in one or more Debt Service Accounts, the Master Trustee shall ascertain if the amounts in the Master Reserve Account are sufficient to pay all amounts requested by Bond Trustees. If amounts on deposit in the Master Reserve Account are not sufficient to pay all amounts requested by all Bond Trustees, the Master Trustee shall (i) notify each Bond Trustee on or before the Business Day before any Bond Payment Date that amounts in the Master Reserve Account are not sufficient to pay the entire amount requested, and (ii) notify each such Bond Trustee of the proportionate amount which will be available for transfer on the next Business Day. On the Business Day prior to any Bond Payment Date, the Master Trustee will transfer to a Bond Trustee, for deposit in the Debt Service Account for the related Series of Bonds, the amount certified by the Bond Trustee to be necessary, or available, to timely make the payment of principal and interest on that Series of Bonds on the next Bond Payment Date. Within two Business Days following any Bond Payment Date, the Master Trustee will transfer, at the written direction of the Authority, the balance of amounts held in the Master Reserve Account, in excess of the Cumulative Deficiency, to or upon the order of the Energy Commission, unless a Bond Trustee has requested any amounts to pay Administrative Expenses, in which case such amounts will be paid first (and pro rata if more than one Bond Trustee has made the request and there are no sufficient amounts to make full payment of all such requests). If and to the extent the Bond Trustee for any Series of Bonds certifies to the Master Trustee that any Deficiency has been replenished, moneys on deposit in the Master Reserve Account will be released, at the written direction of the Authority, to the extent not needed to cure any other Deficiency or to pay Administrative Expenses as aforesaid, to the Energy Commission, free and clear of the lien created by the Master Trust Agreement or to such other fund or account held by the Master Trustee under the Master Trust Agreement as may be directed in writing by an Authority Representative.

So long as the balance in the Master Reserve Account is less than the Cumulative Deficiency, investment earnings on funds on deposit in the Master Reserve Account will be deposited into the Master Reserve Account or, to the extent directed in writing by an Authority Representative, into the related Rebate Fund.

Deposits to and Withdrawals from the Master Rebate Account. Pursuant to the Tax Agreement for any Series of Bonds, the Energy Commission has covenanted to calculate and pay directly to the government of the United States of America all amounts due for payment of “arbitrage rebate” under Section 148(f) of the Internal Revenue Code with respect to such Series of Bonds. Accordingly, the Authority hereby directs the Master Trustee to deposit in the Rebate Account for each respective Series of Bonds, or in the Master Rebate Account established under the Master Trust Agreement, amounts of excess earnings on such funds as more particularly described in the respective Tax Agreement. The Master Rebate Account is a trust fund, but amounts therein do not constitute part of the Trust Estate. Amounts on deposit in the Master Rebate Account may be used solely to make payments to the United States of America under Section 148 of the Internal Revenue Code and to pay costs related to the calculation of the amounts due. Any amounts remaining in the Master Rebate Account upon satisfaction of all rebate obligations payable to the United States will be transferred to the Master Reserve Account.

Investments. Moneys held in accounts created under the Master Trust Agreement will be invested, pursuant to written directions of the Authority, in consultation with an Energy Commission Representative, in Permitted Investments maturing at such times and in such amounts as will make cash available for the purposes of such accounts as needed, subject to the restrictions, if any, set forth in the

applicable Tax Agreement. If at any time the Authority has not directed the Master Trustee to make any such investment, such money will be invested in the Permitted Investments described in the Master Trust Agreement, namely the California State Surplus Money Investment Fund.

Miscellaneous

Amendments. The Master Trust Agreement may be amended by a written instrument executed by the Authority, the Energy Commission and the Master Trustee, if: (i) in the sole judgment of the Master Trustee, the amendment does not materially adversely affect the interests of the Bondholders of any Series of Bonds, and (ii) the Authority, the Energy Commission and the Master Trustee receive written confirmation from the Rating Agency that the amendment will not result in the downgrade, qualification or withdrawal of its credit rating on any Series of Bonds. In exercising its judgment the Master Trustee may rely on the opinion of such counsel as it may select.

APPENDIX C

FORM OF OPINION OF BOND COUNSEL

[Closing Date]

California Consumer Power and Conservation
Financing Authority
Sacramento, California

Re: \$28,005,000
California Consumer Power and Conservation
Financing Authority
Energy Efficiency Master Trust Revenue Bonds
Series 2003A

Ladies and Gentlemen:

We have acted as bond counsel to the California Consumer Power and Conservation Financing Authority (the "Authority") in connection with the issuance of the Authority's \$28,005,000 Energy Efficiency Master Trust Revenue Bonds, Series 2003A, dated April 1, 2003 (the "2003A Bonds"). In such capacity, we have examined a record of proceedings relating to the issuance of the 2003A Bonds. The 2003A Bonds are issued under and pursuant to California Public Utilities Code Division 1.5 (Sections 3300-3384) (the "Authority Act") a resolution adopted by the Authority on February 14, 2003 (the "Authority Resolution"), a resolution adopted by the California Energy Resources Conservation and Development Commission (the "Energy Commission") on March 19, 2003 (the "Energy Commission Resolution" and, together with the Authority Resolution, the "Resolutions"), and a 2003A Bond Indenture, dated as of April 1, 2003 (the "2003A Bond Indenture"), by and between the Authority and the Treasurer of the State of California, as bond trustee (the "Bond Trustee"), for the purpose of providing funds to the Energy Commission to (i) finance the costs of the design, acquisition, installation and implementation of energy conservation projects authorized under California Public Resources Code Division 15, Chapter 5.2 (Sections 25410-25421) (the "Energy Conservation Assistance Act"), and (ii) pay certain costs of issuance of the 2003A Bonds.

The 2003A Bonds are secured by, among other things, payments to be made by the Energy Commission under a 2003A Secured Loan Agreement, dated as of April 1, 2003 (the "2003A Secured Loan Agreement"), by and between the Authority and the Energy Commission. The Authority has assigned to the Bond Trustee for the benefit of bondholders its right, title and interest in the 2003A Secured Loan Agreement (to the extent and as more particularly described in the 2003A Bond Indenture), including the collateral pledged by the Energy Commission to secure repayment of the secured loan made under the Secured Loan Agreement (collectively, the "2003A Collateral" more fully described in the 2003A Bond Indenture).

The Authority has further assigned to the Treasurer of the State of California, as master trustee (the "Master Trustee") under a Master Trust Agreement, dated as of April 1, 2003 (the "Master Trust Agreement") by and among the Authority, the Energy Commission and the Master Trustee, for the benefit

of bondholders, its right, title and interest in moneys pledged as security to the bond trustee for each series of Master Trust Revenue Bonds that may be issued by the Authority from time to time, as well as all amounts which may from time to time be paid to or held by the Master Trustee in the master reserve account held under the Master Trust Agreement.

The 2003A Secured Loan Agreement, the 2003A Bond Indenture and the Master Trust Agreement and the rights and obligations of the Authority, the Energy Commission, the Bond Trustee, the Master Trustee, and the registered owners of the 2003A Bonds may be amended or modified in the manner and subject to the conditions and terms set forth in each of those documents.

The Authority and the Energy Commission have also entered into a Tax Certificate and Agreement, dated as of the date hereof (the "Tax Agreement"), in which the Energy Commission has made certain representations concerning its current and future compliance with provisions of the Internal Revenue Code of 1986, as amended (the "Code").

We have examined the Authority Act, the Energy Conservation Assistance Act and such other laws of the State of California and of the United States of America as we have deemed necessary, the Resolutions, executed counterparts of the 2003A Secured Loan Agreement, the 2003A Bond Indenture, the Master Trust Agreement, the Tax Agreement, the form of the 2003A Bonds, the transcript of proceedings relating to the sale and issuance of the 2003A Bonds, and opinions, certifications and statements of facts and expectations contained in such transcript, and such other documents and materials as we deem relevant to the opinions expressed herein.

Based upon such examinations, we are of the opinion that:

1. The Authority is an authority and public instrumentality of the State of California, duly organized and existing under the laws of the State of California.
2. The 2003A Bonds have been duly authorized, executed and issued.
3. The 2003A Bond Indenture has been duly authorized and executed by the Authority and is valid and binding in accordance with its terms. The 2003A Bond Indenture creates a valid pledge, to secure the payment of the principal of and interest on all 2003A Bonds, of the 2003A Collateral.
4. The Master Trust Agreement has been duly authorized and executed by the Authority and the Energy Commission and is valid and binding in accordance with its terms. The Master Trust Agreement creates a valid pledge of any and all amounts held under the Master Trust Agreement (except the rebate account), for the benefit of the holders of the 2003A Bonds and of any additional series of Master Trust Revenue Bonds that may be issued by the Authority from time to time.
5. The 2003A Bonds are valid and binding limited obligations of the Authority and are not a lien or charge upon the funds or property of the Authority or the Energy Commission, except for the 2003A Collateral. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the 2003A Bonds. The 2003A Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

6. The 2003A Secured Loan Agreement has been duly authorized and executed by the Authority and the Energy Commission and is valid and binding in accordance with its terms.

7. Assuming compliance by the Authority and the Energy Commission with certain covenants in the 2003A Bond Indenture, the Master Trust Agreement, the 2003A Secured Loan Agreement and the Tax Agreement and certain requirements of the Code regarding the use, expenditure and investment of proceeds of the 2003A Bonds and the timely payment of certain investment earnings to the United States, interest on the 2003A Bonds is not includable in the gross income of the owners of the 2003A Bonds for purposes of federal income taxation.

8. Interest on the 2003A Bonds is not treated as an item of tax preference in calculating federal alternative minimum taxable income of individuals and corporations; interest on the 2003A Bonds, however, is included as an adjustment in the calculation of federal corporate alternative minimum taxable income and may therefore affect a corporation's alternative minimum tax liability. We express no opinion regarding other federal income tax consequences caused by the ownership of, or the receipt of interest on, the 2003A Bonds.

9. Interest on the 2003A Bonds is exempt from present State of California personal income taxes.

Certain requirements and procedures contained or referred to in the 2003A Bond Indenture, the Master Trust Agreement, the 2003A Secured Loan Agreement, the Tax Agreement or other relevant documents relating to the Bonds may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. We express no opinion as to the exclusion of interest on the 2003A Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than this firm.

With respect to the opinions expressed herein, the enforceability of the rights and obligations under the 2003A Bonds, the 2003A Bond Indenture, the Master Trust Agreement, the 2003A Secured Loan Agreement, and the Tax Agreement are subject to bankruptcy, insolvency, moratorium and other laws affecting the enforcement of creditors' rights generally, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations contained in State law regarding legal remedies against State agencies. We express no opinion with respect to any indemnification, contribution, choice of law, choice of forum or waiver provisions contained in the foregoing documents.

In rendering this opinion we have relied upon the opinion of William M. Chamberlain, Esq., Chief Counsel to the Energy Commission, with respect to the authorization, execution and delivery by the Energy Commission of the Master Trust Agreement and the 2003A Secured Loan Agreement. We have also relied upon covenants, representations and certifications of facts, estimates and expectations made by the Authority and the Energy Commission which we have not independently verified.

Respectfully submitted,

APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (this “Disclosure Agreement”) is executed by and between the California Energy Resources Conservation and Development Commission (the “Energy Commission”) and the Treasurer of the State of California (the “Treasurer”), as Dissemination Agent (the “Dissemination Agent”) in connection with the issuance of \$28,005,000 principal amount of California Consumer Power and Conservation Financing Authority Energy Efficiency Master Trust Revenue Bonds, Series 2003A (the “Bonds”). The Bonds are being issued pursuant to a Bond Indenture, dated as of April 1, 2003 (the “2003A Bond Indenture”), between the California Consumer Power and Conservation Financing Authority (the “Authority”) and the Treasurer, as Bond Trustee (the “Bond Trustee”). The net proceeds of the Bonds are being loaned by the Authority to the Energy Commission pursuant to a 2003A Secured Loan Agreement dated as of April 1, 2003 (the “2003A Secured Loan Agreement”) between the Authority and the Energy Commission. Pursuant to Section 5.6 of the Secured Loan Agreement, the Energy Commission and the Dissemination Agent covenant and agree as follows:

SECTION 1. Purpose of the Disclosure Agreement. This Disclosure Agreement is being executed and delivered by the Energy Commission and the Dissemination Agent for the benefit of the holders and Beneficial Owners of the Bonds and in order to assist the Participating Underwriter in complying with S.E.C. Rule 15c2-12(b)(5).

The Energy Commission and the Dissemination Agent acknowledge that the Authority has undertaken no responsibility with respect to any reports, notices or disclosures provided or required under this Disclosure Agreement and has no liability to any Person, including any holder or Beneficial Owner of the Bonds, with respect to the Rule.

SECTION 2. Definitions. In addition to the definitions set forth in APPENDIX A to the 2003A Bond Indenture, which apply to any capitalized term used in this Disclosure Agreement unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

“Affiliate” shall mean, with respect to any first person or entity, any second person or entity which controls, is controlled by, or is under common control with such first person or entity.

“Annual Report” shall mean any Annual Report provided by the Energy Commission pursuant to, and as described in, Sections 3 and 4 of this Disclosure Agreement.

“Beneficial Owner” shall mean any person that (a) has the power, directly or indirectly, to vote or consent with respect to, or to dispose of ownership of, any Bonds (including persons holding Bonds through nominees, depositories or other intermediaries), or (b) is treated as the owner of any Bonds for federal income tax purposes.

“Disclosure Representative” shall mean the Executive Director of the Energy Commission, or his or her designee, or such other Person as the Energy Commission shall designate in writing to the Dissemination Agent and the Bond Trustee from time to time.

“Dissemination Agent” shall mean the Treasurer of the State of California, or any successor Dissemination Agent designated in writing by the Energy Commission to the Bond Trustee which has filed with the Energy Commission and the Bond Trustee a written acceptance of such designation.

“Listed Events” shall mean any of the events listed in Section 5(a) of this Disclosure Agreement.

“National Repository” shall mean any Nationally Recognized Municipal Securities Information Repository for purposes of the Rule. The National Repositories currently approved by the Securities and Exchange Commission are set forth in Exhibit C hereto or as otherwise shown at “<http://www.sec.gov/info/municipal/nrmsir.htm>.”

“Participating Underwriter” shall mean the original underwriter of the Bonds required to comply with the Rule in connection with offering of the Bonds.

“Repository” shall mean each National Repository and each State Repository.

“Rule” shall mean Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as the same may be amended from time to time.

“State” shall mean the State of California.

“State Repository” shall mean any public or private repository or entity designated by the State as a state repository for the purpose of the Rule and recognized as such by the Securities and Exchange Commission.

SECTION 3. Provision of Annual Reports.

(a) Not later than March 15 of each year, which is fifteen (15) Business Days prior to the Report Date described in Section 3(b) below, the Energy Commission shall provide the Annual Report to the Dissemination Agent and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent). The Energy Commission shall provide a written certification with the Annual Report furnished to the Dissemination Agent and the Bond Trustee to the effect that such Annual Report constitutes the Annual Report required to be furnished by the Energy Commission hereunder. The Dissemination Agent and Bond Trustee may conclusively rely upon such certification of the Energy Commission. If by fifteen (15) Business Days prior to such date, the Dissemination Agent has not received a copy of the Annual Report, the Dissemination Agent shall contact the Energy Commission and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) to notify the Energy Commission and the Bond Trustee (if the Bond Trustee is not the Dissemination Agent) of the requirements of this subsection (a) and subsection (b) below.

(b) The Dissemination Agent shall provide, not later than April 1 of each year (the “Report Date”), commencing with the report due on or before April 1, 2004 for the 2002-03 fiscal year, to each Repository an Annual Report which is consistent with the requirements of Section 4 of this Disclosure Agreement, with a copy to the Bond Trustee. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Agreement. If either the Energy Commission’s fiscal year or the Report Date changes, the Energy Commission shall give notice of such change in the same manner as for a Listed Event under Section 5(d).

(c) If the Dissemination Agent is unable to verify that an Annual Report has been provided to the Repositories by the date required in subsection (a), the Dissemination Agent shall send a notice to each Repository in substantially the form attached as Exhibit A.

(d) The Dissemination Agent shall:

(i) determine each year prior to the date for providing the Annual Report the name and address of each National Repository and the State Repository, if any; and

(ii) file a report with the Energy Commission, the Authority and (if the Dissemination Agent is not the Bond Trustee) the Bond Trustee which shall, to the extent the Energy Commission has provided the Dissemination Agent with the Annual Report, certify to the Energy Commission that the Annual Report has been provided to the Repositories pursuant to this Disclosure Agreement, state the date it was provided, and list all the Repositories to which it was provided.

SECTION 4. Content of Annual Reports.

(a) The Annual Report shall contain or include by reference the following:

(i) The audit report of the Energy Commission for the 2003A Program Loans as they then exist as of the end of the fiscal year most recently ended, prepared in accordance with Section 5.5 of the 2003A Secured Loan Agreement and with generally accepted accounting principles as promulgated to apply to governmental entities from time to time by the Governmental Accounting Standards Board. If the Energy Commission's audit report is not available by the Report Date, the Annual Report shall contain an unaudited report in a format similar to the audit report of the Energy Commission for the preceding fiscal year, and the audit report shall be filed in the same manner as the Annual Report when it becomes available.

(ii) The statistical information contained in the section of the Official Statement dated March 27, 2003, pertaining to the Bonds (the "Official Statement") entitled "THE PROGRAM—ECA Account Program History" for the most recent fiscal year;

(iii) The statistical information contained in the section of the Official Statement entitled "THE PROGRAM—Loan Repayments" for the most recent fiscal year;

(iv) The information contained in the section of the Official Statement entitled "LITIGATION—The Energy Commission" for the most recent fiscal year.

(v) The information contained in APPENDIX A to the Official Statement, in the table entitled "Listing of Initial 2003A Program Loans" as of the end of the most recent fiscal year; and

(vi) Any additional information required to be provided by the Energy Commission if and to the extent the Energy Commission is provided by the Participating Underwriter or the Bond Trustee with an opinion of nationally recognized bond counsel to the effect that pursuant to subsequent interpretative releases or regulations of the United States Securities and Exchange Commission, applicable case law, or similar authority, such additional information is required to be provided under the Rule.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of any debt issues of the Energy Commission, or related public entities, that have been submitted to each of the Repositories or the Securities and Exchange Commission. If the document included by reference is a final official statement, it must be available from the Municipal Securities Rulemaking Board. The Energy Commission shall clearly identify each such other document so included by reference.

SECTION 5. Reporting of Significant Events.

(a) Pursuant to the provisions of this Section 5, the upon delivery of the information to the Dissemination Agent by the Energy Commission, the Dissemination Agent shall give, notice of the occurrence of any of the following events with respect to the Bonds, if material:

1. Principal and interest payment delinquencies.
2. Non-payment related defaults.
3. Modifications to rights of holders of the Bonds.
4. Optional, contingent or unscheduled bond calls.
5. Defeasances.
6. Rating changes.
7. Adverse tax opinions or events affecting the tax-exempt status of the Bonds.
8. Unscheduled draws on the debt service reserves reflecting financial difficulties.
9. Unscheduled draws on any credit enhancements reflecting financial difficulties.
10. Substitution of any credit or liquidity providers or their failure to perform.
11. Release, substitution or sale of any property or assets securing repayment of the Bonds.

(b) The Bond Trustee shall promptly, after obtaining actual knowledge of the occurrence of any of the Listed Events, without any responsibility for any determination of materiality, contact the Disclosure Representative, inform such person of the event, and request that the Energy Commission promptly notify the Dissemination Agent in writing whether or not to report the event pursuant to subsection (f). For purposes of this Disclosure Agreement, “actual knowledge” of such Listed Events shall mean knowledge by an officer of the Bond Trustee at its corporate trust office with regular responsibility for matters related to the 2003A Bond Indenture and Bonds.

(c) Whenever the Energy Commission obtains knowledge of the occurrence of a Listed Event, whether because of a notice from the Bond Trustee pursuant to subsection (b) above or otherwise, the Energy Commission shall as soon as possible determine if such event would be material under applicable federal securities laws.

(d) If the Energy Commission determines that knowledge of the occurrence of a Listed Event would be material under applicable federal securities laws, the Energy Commission shall promptly notify

the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence pursuant to subsection (f).

(e) If in response to a request under subsection (b), the Energy Commission determines that the Listed Event would not be material under applicable federal securities laws, the Energy Commission shall so notify the Dissemination Agent in writing and instruct the Dissemination Agent not to report the occurrence pursuant to subsection (f).

(f) If the Dissemination Agent has been instructed by the Energy Commission to report the occurrence of a Listed Event, the Dissemination Agent shall file a notice of such occurrence with the Municipal Securities Rulemaking Board and the State Repository, with a copy to the Energy Commission and the Bond Trustee. Notwithstanding the foregoing, notice of Listed Events described in subsections (a)(4) and (5) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to Owners of affected Bonds pursuant to the 2003A Bond Indenture.

SECTION 6. Termination of Reporting Obligation. The Energy Commission's, the Bond Trustee's and the Dissemination Agent's obligations under this Disclosure Agreement shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If such termination occurs prior to the final maturity of the Bonds, the Energy Commission shall give notice of such termination in the same manner as for a Listed Event under Section 5(f). If the Energy Commission's obligations under the 2003A Secured Loan Agreement are assumed in full by some other entity, such entity shall be responsible for compliance with this Disclosure Agreement in the same manner as if it were the Energy Commission's, and the Energy Commission shall have no further responsibility hereunder.

SECTION 7. Dissemination Agent. The Energy Commission may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent. The Dissemination Agent may resign at any time by providing at least thirty (30) days written notice to the Energy Commission and the Bond Trustee. If a successor Dissemination Agent is appointed to assist the Energy Commission in carrying out its obligations, under this Disclosure Agreement, such successor Dissemination Agent shall execute an acceptance of duties as Dissemination Agent in the form attached as Exhibit B. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Energy Commission pursuant to this Disclosure Agreement. The initial Dissemination Agent shall be the Treasurer of the State of California, Sacramento, California.

SECTION 8. Amendment; Waiver. Notwithstanding any other provision of this Disclosure Agreement, the Energy Commission and the Dissemination Agent, with the consent of the Bond Trustee, may amend this Disclosure Agreement, and any provision of this Disclosure Agreement may be waived, provided that the following conditions are satisfied:

(a) If the amendment or waiver relates to the provisions of Sections 3(a), 4, or 5(a), it may only be made in connection with a change in circumstances that arises from a change in legal requirements, change in law, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted;

(b) The undertaking, as amended or taking into account such waiver, would, in the opinion of nationally recognized bond counsel, have complied with the requirements of the Rule at the time of the original issuance of the Bonds, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances; and

(c) The amendment or waiver either (i) is approved by the Owners of the Bonds in the same manner as provided in the 2003A Bond Indenture for amendments to the 2003A Bond Indenture with the consent of Owners, or (ii) does not, in the opinion of nationally recognized bond counsel, materially impair the interests of the holders or Beneficial Owners of the Bonds.

In the event of any amendment or waiver of a provision of this Disclosure Agreement, the Energy Commission shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or in the case of a change of accounting principles, on the presentation) of financial information and/or operating data being presented by the Energy Commission. In addition, if the amendment relates to the accounting principles to be followed in preparing audit report, (i) notice of such change shall be given in the same manner as for a Listed Event under Section 5(f); (ii) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the audit report as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles; and (iii) the conditions described in paragraphs (a), (b) and (c) above shall not be required to be satisfied.

SECTION 9. Additional Information. Nothing in this Disclosure Agreement shall be deemed to prevent the Energy Commission from disseminating any other information, using the means of dissemination set forth in this Disclosure Agreement or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Listed Event, in addition to that which is required by this Disclosure Agreement. If the Energy Commission chooses to include any information in any Annual Report or notice of occurrence of a Listed Event in addition to that which is specifically required by this Disclosure Agreement, the Energy Commission shall have no obligation under this Agreement to update such information or include it in any future Annual Report or notice of occurrence of a Listed Event.

SECTION 10. Default. In the event of a failure of the Energy Commission, the Dissemination Agent or the Bond Trustee to comply with any provision of this Disclosure Agreement the Bond Trustee may (and, at the request of any Participating Underwriter or the Owners of at least 25% aggregate principal amount of Outstanding Bonds, the Bond Trustee shall, but only to the extent indemnified by the Energy Commission and only to the extent that such indemnification is permitted by law, hereunder or pursuant to the 2003A Secured Loan Agreement or 2003A Bond Indenture to its satisfaction from any liability or expense, including reasonable attorney's fees and expenses and any additional fees and charges of the Bond Trustee), or any holder or Beneficial Owner of the Bonds may, take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Energy Commission to comply with its obligations under this Disclosure Agreement. Upon any such default, the Bond Trustee shall promptly notify (and confirm in writing) the Authority of such event, but the Authority shall have no duties pursuant to this Disclosure Agreement as a result of being so notified. A default under this Disclosure Agreement shall not be deemed a default under the 2003A Bond Indenture or the 2003A Secured Loan Agreement, and the sole remedy under this Disclosure Agreement in the event of any failure of the Energy Commission, the Dissemination Agent or the Bond Trustee to comply with this Disclosure Agreement shall be an action to compel performance. No holder or Beneficial Owner of the Bonds may institute such action, suit or proceeding to compel performance unless they shall have first delivered to the Energy Commission satisfactory written evidence of their status as such, and a written notice of and request to cure such failure, and the Energy Commission shall have refused to comply therewith within a reasonable time. Any indemnification or expenses provided by the Energy Commission pursuant to this Section 10 is strictly limited to the Energy Commission's right in the 2003A Collateral, as defined in the 2003A Secured Loan Agreement.

SECTION 11. Duties, Immunities and Liabilities of Dissemination Agent and Bond Trustee. The Dissemination Agent and the Bond Trustee shall have only such duties as are specifically set forth in this Disclosure Agreement. To the extent permitted by law, the Energy Commission agrees to indemnify and save the Dissemination Agent and the Bond Trustee, their officers, directors, employees and agents harmless against any loss, expense and liabilities which they may incur arising out of or in the exercise or performance of their powers and duties hereunder, including the costs and expenses (including reasonable attorney's fees) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent's or Bond Trustee's negligence or willful misconduct. Any indemnification or expenses provided by the Energy Commission pursuant to this Section 11 is strictly limited to the Energy Commission's right in the 2003A Collateral, as defined in the 2003A Secured Loan Agreement. The obligations of the Energy Commission under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. Once the duties assigned to it are performed, the Bond Trustee shall not be responsible to any person for any failure of the Energy Commission or the Dissemination Agent, if other than the Bond Trustee, to perform duties or obligations imposed hereby. Article VII of the 2003A Bond Indenture is hereby made applicable to this Disclosure Agreement, and the Bond Trustee shall be entitled to the compensation, protections, limitations from liability and indemnities afforded the Bond Trustee thereunder.

The Dissemination Agent and the Bond Trustee shall have no duty or obligation to review any information provided to them by the Energy Commission hereunder and shall not be deemed to be acting in any fiduciary capacity for the Energy Commission, the holders or Beneficial Owners or any other person or entity.

SECTION 12. Notices. Any notices or communications to or among any of the parties to this Disclosure Agreement may be given via first class mail, return receipt requested, overnight courier or confirmed facsimile to the addresses shown on Exhibit C hereto.

SECTION 13. Beneficiaries. This Disclosure Agreement shall inure solely to the benefit of the Authority, the Energy Commission, the Bond Trustee, the Dissemination Agent, the Participating Underwriter, and holders and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

SECTION 14. Counterparts. This Disclosure Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute one and the same instrument.

Date: [Closing Date]

IN WITNESS WHEREOF, the Energy Commission and the Treasurer have caused this Continuing Disclosure Agreement to be executed in their respective names and capacities all as of the date shown above.

CALIFORNIA ENERGY RESOURCES
CONSERVATION AND DEVELOPMENT
COMMISSION

By: _____
Executive Director

TREASURER OF THE STATE OF CALIFORNIA,
as Dissemination Agent

By: _____
Deputy Treasurer
For State Treasurer, Philip Angelides

Approved:

TREASURER OF THE STATE OF CALIFORNIA,
as Bond Trustee

By: _____
Deputy Treasurer
For State Treasurer, Philip Angelides

EXHIBIT A

NOTICE TO REPOSITORIES OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: California Consumer Power and Conservation Financing Authority (“Authority”).

Name of Bond Issue: \$28,005,000 California Consumer Power and Conservation Financing Authority Energy Efficiency Master Trust Revenue Bonds, Series 2003A.

Date of Issuance: [Closing Date].

NOTICE IS HEREBY GIVEN that the California Energy Resources Conservation and Development Commission (the “Energy Commission”) has not provided an Annual Report with respect to the above-named Bonds as required by Section 5.6 of the 2003A Secured Loan Agreement relating to the Bonds, dated as of April 1, 2003, between the Authority and the Energy Commission. The Energy Commission anticipates that the Annual Report will be filed by _____.

Dated: _____

as Dissemination Agent on behalf of the
Commission

By: _____
Authorized Signatory

cc: California Energy Resources Conservation and Development Commission
California Consumer Power and Conservation Financing Authority
Bond Trustee

EXHIBIT B

ACCEPTANCE OF DUTIES AS DISSEMINATION AGENT

The undersigned, duly authorized officer of [Name of Successor Dissemination Agent] (the "Dissemination Agent") hereby accepts the duties and obligations imposed upon the undersigned as Dissemination Agent under the Continuing Disclosure Agreement, dated as of _____, 2003, between the California Energy Resources Conservation and Development Commission and the Treasurer of the State of California, as initial Dissemination Agent.

The principal office of the Dissemination Agent is _____.

Dated: _____

[NAME OF SUCCESSOR DISSEMINATION
AGENT], as successor Dissemination Agent

By: _____
Authorized Officer

cc: California Energy Resource Conservation and Development Commission
California State Treasurer, as Bond Trustee or any successor Bond Trustee

EXHIBIT C

Addresses as of [Closing Date]

NRMSIRs:

For purposes of the Securities and Exchange Commission Rule 15c2-12(b)(5), under the Securities Exchange Act of 1934, the Securities and Exchange Commission website (www.sec.gov) sets forth a current list of Nationally Recognized Municipal Securities Information Repositories. The following is a list of Nationally Recognized Municipal Securities Information Repositories as of the date of this Agreement:

Bloomberg Municipal Repositories
100 Business Park Drive
Skillman, NJ 08558
Telephone: (609) 279-3225
Facsimile: (609) 279-5962
E-Mail: Munis@Bloomberg.com
http://www.bloomberg.com/markets/muni_contactinfo.html

FT Interactive Data
Attn: NRMSIR
100 William Street
New York, NY 10038
Telephone: (212) 771-6999
Facsimile: (212) 771-7390
(Secondary Market Information)
(212) 771-7391
(Primary Market Information)
E-Mail: NRMSIR@FTID.com
<http://www.interactivedata.com>

DISSEMINATION AGENT:

Treasurer of the State of California
California State Treasurer's Office
915 Capitol Mall, Room 261
Sacramento, CA 95814

BOND TRUSTEE:

California State Treasurer's Office
Public Finance Division
915 Capitol Mall, Room 261
Sacramento, California 95814
Telephone: (916) 653-2903
Facsimile: (916) 657-4827

Standard & Poor's J.J. Kenny Repository
55 Water Street
45th Floor
New York, NY 10041
Telephone: (212) 438-4595
Facsimile: (212) 438-3975
E-Mail: nrmsir_repository@sandp.com
http://www.jjkenny.com/jjkenny/pser_descrip_data_rep.html

DPC Data Inc.
One Executive Drive
Fort Lee, NJ 07024
Telephone: (201) 346-0701
Facsimile: (201) 947-0107
E-Mail: nrmsir@dpcdata.com
<http://www.dpcdata.com>

MSRB:

Municipal Securities Rulemaking Board
1640 King Street, Suite 300
Alexandria, VA 22314-2719
Telephone: (202) 223-9503
Facsimile: (703) 683-3634

ENERGY COMMISSION:

California Energy Commission
1516 Ninth Street, MS 39
Sacramento, California 95814
Telephone: (916) 654-5070
Facsimile: (916) 654-4304

AUTHORITY

California Consumer Power and Conservation

Financing Authority

901 P Street, Suite 142A

Sacramento, California 95814

Telephone: (916) 651-9750

Facsimile: (916) 651-9595

APPENDIX E

BOOK-ENTRY ONLY SYSTEM

The following information concerning The Depository Trust Company (“DTC”), New York, New York and DTC’s book-entry system has been obtained from sources the Authority and the Energy Commission believe to be reliable. However, neither the Authority nor the Energy Commission take any responsibility as to the accuracy or completeness thereof and neither the DTC Indirect Participants nor the Beneficial Owners should rely on the following information with respect to such matters but should instead confirm the same with DTC or the DTC Direct Participants, as the case may be. There can be no assurance that DTC will abide by its procedures or that such procedures will not be changed from time to time.

The Depository Trust Company (“DTC”), New York, New York, will act as securities depository for the Bonds. The Bonds will be 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 certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity of the Bonds, and will be deposited with DTC or deposited and held by the Bond Trustee pursuant to DTC procedures.

DTC, the world’s largest depository, 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 over 2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 85 countries 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, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Government Securities Clearing Corporation, MBS Clearing Corporation, and Emerging Markets Clearing Corporation, (NSCC, GSCC, MBSCC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. 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 (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. 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.

Purchases of 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 Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

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 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 registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's 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 right to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

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 Bond 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, nor of its nominee, the Bond Trustee, or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment 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 Bond 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.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the Authority or the Bond Trustee. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The Authority and the Energy Commission may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority and the Energy Commission believe to be reliable, but neither the Authority nor the Energy Commission take any responsibility for the accuracy thereof.

The Authority and the Energy Commission cannot and do not give any assurances that DTC will distribute to Participants or that Participants or others will distribute to the Beneficial Owners payments of principal of and interest on the Bonds paid or any notices or that they will do so on a timely basis or will serve and act in the manner described in this Official Statement. Neither the Authority nor the Energy Commission is responsible or liable for the failure of DTC or any Participant or Indirect Participant to make any payments or give any notice to a Beneficial Owner with respect to the Bonds or any error or delay relating thereto.

Neither the Authority, the Energy Commission, the Bond Trustee nor the Master Trustee will have any responsibility or obligation to Participants, to Indirect Participants or to any Beneficial Owner with respect to (i) the accuracy of any records maintained by DTC, any Participant, or any Indirect Participant; (ii) the payment by DTC or any Participant or Indirect Participant of any amount with respect to the principal of or interest on the Bonds; (iii) any notice which is permitted or required to be given to holders under the Bond Indenture; (iv) any consent given or other action taken by DTC as Bondholder; or (v) any other procedures or obligations of DTC, Participants or Indirect Participants under the book-entry system.