
CONTINUING COVENANT AGREEMENT

dated as of December 1, 2015,

between

CITY OF LOS ANGELES

and

BANC OF AMERICA PREFERRED FUNDING CORPORATION

Relating to

\$280,860,000
City of Los Angeles
Wastewater System Subordinate Revenue Bonds
Variable Rate Refunding, Series 2012-D

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CONTINUING COVENANT AGREEMENT

THIS CONTINUING COVENANT AGREEMENT, dated as of December 1, 2015 (as amended, modified or restated from time to time, this "*Agreement*"), between the CITY OF LOS ANGELES, a municipal corporation and chartered city of the State of California (the "*City*"), and BANC OF AMERICA PREFERRED FUNDING CORPORATION, a Delaware corporation and its successors and assigns (the "*Purchaser*").

RECITALS

WHEREAS, the City has issued its City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2012-D (the "*Bonds*") pursuant to (i) that certain Wastewater System Subordinate Revenue Bonds General Resolution, adopted March 26, 1991 (the "*Subordinate General Resolution*"), as amended from time to time including by that certain Fourteenth Supplemental Resolution adopted December 11, 2012 (the "*14th Supplemental Resolution*") and that certain Nineteenth Supplemental Resolution adopted November 25, 2015 (the "*19th Supplemental Resolution*", and together the "*Supplemental Resolutions*", and collectively with the Subordinate General Resolution as heretofore amended and as the same may be amended, modified or restated in accordance with the terms thereof and hereof, the "*Resolution*") and (ii) that certain Amended and Restated Paying Agent Agreement, dated as of December 1, 2015 (as the same may be amended, modified or restated in accordance with the terms thereof and hereof, the "*Paying Agent Agreement*"), by and between the City and U.S. Bank National Association, as Paying Agent;

WHEREAS, the City and Bank of America, N.A. (the "*Original Purchaser*") entered into a Continuing Covenant Agreement dated as of December 1, 2012 (the "*Original CCA*") pursuant to which the Original Purchaser purchased the Bonds on December 18, 2012;

WHEREAS, in accordance with Section 10.13(b) of the Original CCA, the Original Purchaser assigned, sold, transferred and conveyed the Bonds to its Affiliate, the Purchaser, pursuant to an Absolute Assignment Agreement dated December 18, 2012 between the Original Purchaser and the Purchaser; and

WHEREAS, the City has provided written notice to the Purchaser of its desire to change the interest rate mode of the Bonds to a new Index Interest Rate Period and has requested that the Purchaser to purchase the Bonds upon the effectiveness of such new Index Interest Rate Period, and, in connection therewith the Purchaser has agreed to make a loan to the City by purchasing the Bonds in connection with the conversion of the Bonds to a new Index Interest Rate Period, and as a condition to such purchase, the Purchaser has required the City to enter into this Agreement.

NOW, THEREFORE, to induce the Purchaser to make a loan to the City by purchasing the Bonds, and for other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the City and the Purchaser hereby agree as follows:

ARTICLE I

DEFINITIONS

Section 1.01. Certain Defined Terms. In addition to the terms defined in the recitals and elsewhere in this Agreement, the Paying Agent Agreement and the Resolution, the following terms shall have the following meanings:

“Affiliate” means, with respect to any Person, any Person that directly or indirectly through one or more intermediaries, controls, or is controlled by, or is under common control with, such first Person. A Person shall be deemed to control another Person for the purposes of this definition if such first Person possesses, directly or indirectly, the power to direct, or cause the direction of, the management and policies of the second Person, whether through the ownership of voting securities, common directors, trustees or officers, by contract or otherwise.

“Agreement” has the meaning set forth in the introductory paragraph hereof.

“Amortization End Date” means the earliest to occur of (a) the third (3rd) anniversary of the Mandatory Tender Date, (b) the date on which the interest rate on all of the Bonds have been converted to an interest rate other than the Index Interest Rate and (c) the date on which all Bonds are redeemed, repaid, prepaid or cancelled in accordance with the terms of the Paying Agent Agreement and the Resolution.

“Amortization Payment” has the meaning set forth in Section 4.01(b) hereof.

“Amortization Payment Date” means (a) the Initial Amortization Payment Date and each six month anniversary of the Initial Amortization Payment Date occurring thereafter which occurs prior to the Amortization End Date and (b) the Amortization End Date.

“Amortization Period” has the meaning set forth in Section 4.01(b) hereof.

“Amortization Requirements” has the meaning set forth in Section 4.01(b) hereof.

“Anti-Terrorism Laws” has the meaning set forth in Section 5.24 hereof.

“Applicable Spread” has the meaning set forth in the Paying Agent Agreement.

“Authorized City Representative” means the City Administrative Officer of the City, or any Assistant City Administrative Officer of the City or a duly authorized designee of the City Administrative Officer of the City, or any Assistant City Administrative Officer of the City; provided, that a copy of such designation shall have been provided to the Purchaser.

“Bank Agreement” means any credit agreement, liquidity agreement, standby bond purchase agreement, reimbursement agreement, direct purchase agreement, bond purchase agreement, or other agreement or instrument (or any amendment, supplement or other modification thereof) under which, directly or indirectly, any Person or Persons (each a

undertake(s) to make or provide funds to make payment of, or to purchase or provide credit enhancement for bonds or notes of the City that are secured on a parity with the Lien on Revenues securing the payment of the principal and purchase price of and interest on the Bonds.

“*Base Rate*” means, for any day, a fluctuating rate of interest per annum equal to the greatest of (i) the Prime Rate in effect at such time *plus* one percent (1.00%), (ii) the Federal Funds Rate in effect at such time *plus* two percent (2.00%), (iii) One-Month LIBOR Rate in effect at such time *plus* two percent (2.00%), and (iv) seven percent (7.00%).

“*Bond Counsel*” means Norton Rose Fulbright US LLP, or any other firm of attorneys nationally recognized on the subject of tax-exempt municipal finance selected by the City.

“*Bondholder*” means the Purchaser and each Purchaser Transferee or Non-Purchaser Transferee pursuant to Section 10.13 hereof so long as such Purchaser Transferee or Non-Purchaser Transferee is an owner of Bonds.

“*Bonds*” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2012-D.

“*Business Day*” means a day which is not (a) a Saturday, Sunday or legal holiday on which banking institutions in New York, New York or the states where the principal corporate office of the City or the principal corporate trust office of the Paying Agent is located are authorized by law to close, (b) a day on which the New York Stock Exchange or the Federal Reserve Bank is closed or (c) a day on which the principal offices of the Calculation Agent or the principal office of the Purchaser is closed.

“*Calculation Agent*” has the meaning assigned to such term in the Paying Agent Agreement.

“*Charter*” means the charter of the City as in effect on the Effective Date.

“*City*” has the meaning set forth in the recitals hereto.

“*City Administrative Code*” means the Los Angeles Municipal Code as in effect on the date hereof.

“*City Council*” means the legislative governing body of the City.

“*City Related Documents*” means the Related Documents to which the City is a party.

“*Code*” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder, and, where appropriate any statutory predecessor or any successor thereto.

“*Controlled Group*” means all members of a controlled group of corporations and all trades or businesses (whether or not incorporated) under common control which, together with the City, are treated as a single employer under Section 414 of the Code.

“*Credit Protection Provider*” means, collectively, (i) any party, including a Bondholder, who issues a letter of credit or provides other credit protection with respect to the Bonds and (ii) any party that participates in any such credit protection.

“*Debt*” means at any date, without duplication, (a) all obligations of the City for borrowed money, (b) all obligations of the City evidenced by bonds, debentures, notes or other similar instruments, (c) all obligations of the City to pay the deferred purchase price of property or services, except trade accounts payable arising in the ordinary course of business, (d) all obligations of the City on or with respect to letters of credit, banker’s acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money, (e) all obligations of the City as lessee under capital leases, (f) all Debt of others secured by a lien on any asset of the System, whether or not such Debt is assumed by the City, (g) all Guarantees by the City of Debt of other Persons and (h) all obligations of the City under any Swap Agreement; *provided that*, Debt shall not include (x) conduit debt where the City is only obligated to pay debt service from amounts received from a private conduit obligor or (y) any Debt of the City’s Water and Power, Airports or Harbor Departments.

“*Default*” means any event or condition which, with notice, the passage of time or any combination of the foregoing, would constitute an Event of Default.

“*Default Rate*” means, for any day, a rate of interest per annum equal to the sum of the Base Rate in effect on such day plus three percent (3.00%).

“*Determination of Taxability*” means and shall be deemed to have occurred on the first to occur of the following:

(i) on the date when the City files any statement, supplemental statement or other tax schedule, return or document which discloses that an Event of Taxability shall have in fact occurred;

(ii) on the date when any Bondholder or any former Bondholder notifies the City that it has received a written opinion by a nationally recognized firm of attorneys of substantial expertise on the subject of tax-exempt municipal finance to the effect that an Event of Taxability shall have occurred unless, within one hundred eighty (180) calendar days after receipt by the City of such notification from any Bondholder or any former Bondholder, the City shall deliver to such Bondholder and such former Bondholder a ruling or determination letter issued to or on behalf of the City by the Commissioner or any District Director of the Internal Revenue Service (or any other governmental official exercising the same or a substantially similar function from time to time) to the effect that, after taking into consideration such facts as form the basis for the opinion that an Event of Taxability has occurred, an Event of Taxability shall not have occurred;

(iii) on the date when the City shall be advised in writing by the Commissioner or any District Director of the Internal Revenue Service (or any other government official or agent exercising the same or a substantially similar function from time to time) that, based upon filings of the City, or upon any review or audit of the City or upon any other ground whatsoever, an Event of Taxability shall have occurred; or

(iv) on the date when the City shall receive notice from any Bondholder or any former Bondholder that the Internal Revenue Service (or any other government official or agency exercising the same or a substantially similar function from time to time) has assessed as includable in the gross income of such Bondholder or such former Bondholder the interest on the Bonds due to the occurrence of an Event of Taxability;

provided, however, no Determination of Taxability shall occur under subparagraph (iii) or (iv) hereunder unless the City has been afforded the opportunity, at its expense, to contest any such assessment, and, further, no Determination of Taxability shall occur until such contest, if made, has been finally determined; *provided further, however*, that upon demand from any Bondholder or former Bondholder, the City shall promptly reimburse such Bondholder or former Bondholder for any payments, including any taxes, interest, penalties or other charges, such Bondholder (or former Bondholder) shall be obligated to make as a result of the Determination of Taxability.

“*DTC*” means The Depository Trust Company and any successor thereto.

“*Effective Date*” means December 10, 2015, subject to the satisfaction or waiver by the Purchaser of the conditions precedent set forth in Article IV hereof.

“*EMMA*” means Electronic Municipal Market Access as provided by the Municipal Securities Rulemaking Board.

“*Environmental Laws*” means any and all federal, state, local, and foreign statutes, laws, regulations, ordinances, rules, judgments, orders, decrees, permits, concessions, grants, franchises, licenses, agreements or governmental restrictions relating to pollution and the protection of the environment or the release of any materials into the environment, including those related to hazardous substances or wastes, air emissions and discharges to waste or public systems.

“*ERISA*” means the Employee Retirement Income Security Act of 1974, as amended, and any successor statute of similar import, and regulations thereunder, in each case as in effect from time to time. References to Sections of ERISA shall be construed also to refer to any successor Sections.

“*Event of Default*” with respect to this Agreement has the meaning set forth in Section 7.01 of this Agreement and, with respect to any Related Document, has the meaning assigned therein and, if not so assigned, any event of default or similar event or condition, the effect of which is to cause, or to permit any obligee thereunder to declare, the obligations of the City thereunder to become immediately due and payable.

“*Event of Taxability*” means a (i) change in Law or fact or the interpretation thereof, or the occurrence or existence of any fact, event or circumstance (including, without limitation, the taking of any action by the City, or the failure to take any action by the City, or the making by the City of any misrepresentation herein or in any certificate required to be given in connection with the issuance, sale or delivery of the Bonds) which has the effect of causing interest paid or payable on the Bonds to become includable, in whole or in part, in the gross income of any Bondholder or any former Bondholder for federal income tax purposes or (ii) the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service or the Department of the Treasury, which decree, judgment or action shall be final under applicable procedural law, in either case, which has the effect of causing interest paid or payable on the Bonds to become includable, in whole or in part, in the gross income of any Bondholder or any former Bondholder for federal income tax purposes with respect to the Bonds.

“*Excess Interest Amount*” has the meaning set forth in Section 4.02(g) hereof.

“*Excluded Taxes*” means, with respect to a Bondholder, taxes imposed on or measured by its overall net income (however denominated), and franchise taxes imposed on it (in lieu of net income taxes), by the jurisdiction (or any political subdivision thereof) under the Laws of which such recipient is organized or in which its principal office is located.

“*Executive Order*” has the meaning set forth in Section 5.24 hereof.

“*Federal Funds Rate*” means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank of New York on the Business Day next succeeding such day; *provided that*: (a) if such day is not a Business Day, then the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day; and (b) if no such rate is so published on such next succeeding Business Day, then the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of one-hundredth of one percent) charged to the Purchaser on such day on such transactions as determined by the Purchaser.

“*Fiscal Year*” means the twelve month period from July 1 through the following June 30.

“*Fitch*” means Fitch, Inc., and any successor rating agency.

“*FRB*” means the Board of Governors of the Federal Reserve System of the United States, together with any successors thereof.

“*Generally Accepted Accounting Principles*” or “*GAAP*” means generally accepted accounting principles in effect from time to time in the United States and applicable to entities such as the City.

“*Government Acts*” means any act or omission to act, whether rightful or wrongful, of any present or future de jure or de facto government or Governmental Authority.

“*Governmental Approval*” means an authorization, consent, approval, license, or exemption of, registration or filing with, or report to any Governmental Authority.

“*Governmental Authority*” means any federal, state or local government (whether domestic or foreign), any political subdivision thereof or any other governmental, quasi-governmental, judicial, administrative, public or statutory instrumentality, authority, body, agency, commission, bureau or other entity exercising executive, legislative, judicial, taxing, regulatory, fiscal, monetary or administrative powers or functions of or pertaining to government (including any zoning authority, the Federal Deposit Insurance Corporation or the Federal Reserve Board, any central bank or any comparable authority), or any arbitrator with authority to bind a party at law.

“*Guarantee*” means, as to any Person, any (a) any obligation, contingent or otherwise, of such Person guaranteeing or having the economic effect of guaranteeing any Debt or other obligation payable or performable by another Person (the “*primary obligor*”) in any manner, whether directly or indirectly, and including any obligation of such Person, direct or indirect, (i) to purchase or pay (or advance or supply funds for the purchase or payment of) such Debt or other obligation, (ii) to purchase or lease property, securities or services for the purpose of assuring the obligee in respect of such Debt or other obligation of the payment or performance of such Debt or other obligation, (iii) to maintain working capital, equity capital or any other financial statement condition or liquidity or level of income or cash flow of the primary obligor so as to enable the primary obligor to pay such Debt or other obligation, or (iv) entered into for the purpose of assuring in any other manner the obligee in respect of such Debt or other obligation of the payment or performance thereof or to protect such obligee against loss in respect thereof (in whole or in part), or (b) any Lien on any assets of such Person securing any Debt or other obligation of any other Person, whether or not such Debt or other obligation is assumed by such Person (or any right, contingent or otherwise, of any holder of such Debt to obtain any such Lien). The amount of any Guarantee shall be deemed to be an amount equal to the stated or determinable amount of the related primary obligation, or portion thereof, in respect of which such Guarantee is made or, if not stated or determinable, the maximum reasonably anticipated liability in respect thereof as determined by the guaranteeing Person in good faith. The term “*Guarantee*” as a verb has a corresponding meaning.

“*Incorporated Provisions*” has the meaning set forth in Section 6.08 hereof.

“*Indemnitee*” has the meaning set forth in Section 8.01 hereof.

“*Index Interest Rate*” has the meaning set forth in the Paying Agent Agreement.

“*Index Interest Rate Period*” has the meaning set forth in the Paying Agent Agreement.

“*Initial Amortization Payment Date*” means the first Business Day of the sixth (6th) full calendar month following the Mandatory Tender Date.

“Initial Period” has the meaning set forth in the Paying Agent Agreement.

“Interest Mode” has the meaning set forth in the Paying Agent Agreement.

“Interest Payment Date” has the meaning set forth in the Paying Agent Agreement.

“Investment Policy” means the investment policy of the City applicable to the System delivered to the Purchaser, pursuant to Section 3.01(a)(iv) hereof.

“Laws” means, collectively, all international, foreign, federal, state and local statutes, treaties, rules, guidelines, regulations, ordinances, codes and administrative or judicial precedents or authorities, including the interpretation or administration thereof by any Governmental Authority charged with the enforcement, interpretation or administration thereof, and all applicable administrative orders, directed duties, requests, licenses, authorizations and permits of, and agreements with, any Governmental Authority, in each case whether or not having the force of law.

“Liabilities” has the meaning set forth in Section 8.01 hereof.

“Lien” means any mortgage, pledge, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), charge, or preference, priority or other security interest or preferential arrangement in the nature of a security interest of any kind or nature whatsoever (including any conditional sale or other title retention agreement, any easement, right of way or other encumbrance on title to real property, and any financing lease having substantially the same economic effect as any of the foregoing).

“Mandatory Tender Date” means (i) the date on which the Bonds are subject to mandatory tender for purchase on the last day of the Initial Period pursuant to Section 5.01(h) of the Paying Agent Agreement, (ii) the date on which the interest rate on all of the Bonds have been converted to an interest rate other than the Index Interest Rate and (iii) the fifth (5th) Business Day after receipt by the City and the Paying Agent of notice from the Purchaser that an Event of Default has occurred and directing the Paying Agent to cause a mandatory tender of the Bonds as provided in Section 5.01(h) of the Paying Agent Agreement.

“Mandatory Tender Purchase Price” means an amount equal to 100% of the principal amount of the Bonds subject to mandatory tender for purchase on the Mandatory Tender Date and accrued interest thereon, if applicable.

“Margin Stock” has the meaning ascribed to such term in Regulation U promulgated by the FRB, as now and hereafter from time to time in effect.

“Material Adverse Effect” means: (a) a material adverse change in, or a material adverse effect upon, the operations, business, properties, liabilities (actual or contingent), condition (financial or otherwise) or prospects of the System; (b) a material impairment of the ability of the City to perform its obligations under any Related Document to which it is a party; (c) a material adverse effect upon the legality, validity, binding effect or enforceability against the City of any

Related Document to which it is a party; or (d) a material adverse change in, or a material adverse effect upon, in the rights, security, interest or remedies available to the Purchaser or any Bondholder under this Agreement or any other Related Document.

“Maximum Interest Rate” means the maximum non-usurious lawful rate of interest permitted by applicable law.

“Measure H Ordinance” has the meaning set forth in Section 9.03 hereof.

“Measure H Subcontract” has the meaning set forth in Section 9.03 hereof.

“Moody’s” means Moody’s Investors Service, Inc. and any successor rating agency

“1933 Act” has the meaning set forth in Section 10.13(b) hereof.

“No Default Certificate” means a certificate substantially in form of Exhibit A hereto.

“Non-Purchaser Transferee” has the meaning set forth in Section 10.13(c) hereof.

“Obligations” means all amounts payable by the City, and all other obligations to be performed by the City, pursuant to this Agreement and the other Related Documents (including any amounts to reimburse the Purchaser for any advances or expenditures by it under any of such documents).

“OFAC” has the meaning set forth in Section 5.24 hereof.

“One-Month LIBOR Rate” means, the fluctuating rate of interest per annum equal to the London Interbank Offered Rate, as published by Bloomberg (or other commercially available source providing quotations of such rate as selected by Bank of America, N.A. from time to time) at approximately 11:00 a.m. London time two London Banking Days before the commencement of the interest period, for U.S. Dollar deposits (for delivery on the first day of such interest period) with a term of one month, as adjusted from time to time by Bank of America, N.A. for reserve requirements, deposit insurance assessment rates and other regulatory costs. If such rate is not available at such time for any reason, then the rate for that interest period will be determined by such alternate method as reasonably selected by Bank of America, N.A. and then currently being used by the industry as a substitute for the London Interbank Offered Rate.

“Parity Debt” means any Debt issued or incurred by or on behalf of the City and secured on a parity with the Lien on Revenues securing the payment of the principal and purchase price of and interest on the Bonds (including Unremarketed Bonds).

“Patriot Act” means the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001, Title III of Pub. L. 107-56 (signed into law October 26, 2001).

“*Paying Agent*” means U.S. Bank National Association, its successors and assigns, as Paying Agent under the Paying Agent Agreement.

“*Paying Agent Agreement*” means the Amended and Restated Paying Agent Agreement, dated as of December 1, 2015, by and between the City and the Paying Agent, pertaining to the Bonds, as amended and supplemented from time to time in accordance with the terms thereof and the terms hereof.

“*Person*” means any individual, corporation, not for profit corporation, partnership, limited liability company, joint venture, association, professional association, joint stock company, trust, unincorporated organization, government or any agency or political subdivision thereof or any other form of entity.

“*Plan*” means a pension plan providing benefits for employees of any Person.

“*Prime Rate*” means, for any day, the rate per annum established by the Purchaser from time to time as its “*prime rate*” for U.S. dollar loans, or its equivalent, as is in effect on such day, any change in such rate to be effective on the date such change is effective for the Purchaser’s purposes, it being understood that such rate shall not necessarily be the best or lowest rate of interest available to the Purchaser’s best or most preferred prime, large commercial customers. Each determination of the Prime Rate by the Purchaser shall be conclusive and binding on the City absent manifest error. The Prime Rate is a reference rate only, and the Purchaser may make loans from time to time at interest rates above, equal to or below the Prime Rate.

“*Principal*” means, with respect to the Purchaser or a Participant or a Subcontractor, each of the following: (i) the chairman/chairwoman of the Purchaser’s or Participant’s or Subcontractor’s (as applicable) Board of Directors; (ii) each of the Purchaser’s or the Participant’s or Subcontractor’s (as applicable) president, chief executive officer, and chief operating officer (and the functional equivalent of each such position); (iii) any individual who holds an ownership interest in the Purchaser or the Participant or the Subcontractor (as applicable) of twenty percent or more; (iv) any individual employee of the Purchaser described in Section 49.7.30.A.8.(c) of the Los Angeles Municipal Code and identified on a disclosure form submitted on the Effective Date pursuant to the Measure H Ordinance, which as of the Effective Date is titled “Bidder Contributions CEC Form 55”; and (v) any individual employee of the Participant or Subcontractor (as applicable) described in Section 49.7.30.A.8.(c) of the Los Angeles Municipal Code and identified on a disclosure form submitted by such Participant or Subcontractor (as applicable) pursuant to the Measure H Ordinance.

“*Property*” means any interest in any kind of property or asset, whether real, personal or mixed, or tangible or intangible, whether now owned or hereafter acquired.

“*Purchase Price*” has the meaning set forth in Section 2.01(a) hereof.

“*Purchaser*” means, initially, Banc of America Preferred Funding Corporation, a Delaware corporation, and its successors and assigns.

“Purchaser Affiliate” means the Purchaser and any Affiliate of the Purchaser.

“Purchaser Letter” has the meaning set forth in Section 10.13(c) hereof.

“Purchaser Rate” means a fluctuating interest rate per annum which, for each day, shall equal (i) for the period from and including the Mandatory Tender Date to and including the ninetieth (90th) calendar day immediately succeeding the Mandatory Tender Date, the Base Rate from time to time in effect and (ii) from the period from and after the ninety-first (91st) calendar day immediately succeeding the Mandatory Tender Date, the Base Rate from time to time in effect *plus* one percent (1.00)%; *provided that* if an Event of Default has occurred and is continuing, the Purchaser Rate shall equal the Default Rate.

“Purchaser Transferee” has the meaning set forth in Section 10.13(b) hereof.

“Rating Agency” means any of S&P, Moody’s and Fitch, as applicable.

“Rating Documentation” has the meaning set forth in Section 3.01(d)(iv) hereof.

“Related Documents” means this Agreement, Subordinate General Resolution, the Senior Lien Resolution, the Supplemental Resolutions, the Bonds and the Paying Agent Agreement, and any other documents related to any of the foregoing or executed in connection therewith, and any and all future renewals and extensions or restatements of, or amendments or supplements to, any of the foregoing.

“Resolution” has the meaning set forth in the recitals.

“Revenues” has the meaning set forth in the Senior Lien Resolution and the Subordinate General Resolution.

“S&P” means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business, and any successor rating agency.

“SCM Fund” has the meaning set forth in the Subordinate General Resolution.

“Senior Debt” means any Debt issued or incurred by or on behalf of the City and secured on a basis senior to the Lien on Revenues securing the payment of the principal and purchase price of and interest on the Bonds and the obligations under this Agreement.

“Senior Lien Bonds” has the meaning set forth in the Subordinate General Resolution.

“Senior Lien Resolution” means that certain Wastewater System Revenue Bonds General Resolution adopted by the Council of the City on November 10, 1987, as heretofore amended and as the same may be amended, modified or restated in accordance with the terms thereof and hereof.

“State” means the State of California.

“*Subcontractor*” means a Person, other than the Purchaser or an employee of the Purchaser, who is expected to receive at least \$100,000 as a result of performing some or all of the Purchaser’s obligations hereunder.

“*Subordinate Bonds*” has the meaning set forth in the Subordinate General Resolution.

“*Subordinate General Resolution*” means the Wastewater System Subordinate Revenue Bonds General Resolution, adopted March 26, 1991, as heretofore amended and supplemented and as amended and supplemented from time to time in accordance with the terms thereof and the terms hereof.

“*Supplemental Resolutions*” means that certain Fourteenth Supplemental Resolution Supplementing the Subordinate General Resolution adopted by the City Council on December 11, 2012 and that certain Nineteenth Supplemental Resolution supplementing the Subordinate General Resolution adopted by the City Council on November 25, 2015, as amended and supplemented from time to time in accordance with the terms thereof and the terms hereof.

“*Swap Agreement*” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and (b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a “*Master Agreement*”), including any such obligations or liabilities under any Master Agreement.

“*System*” has the meaning set forth in the Subordinate General Resolution.

“*Taxable Date*” means the date on which interest on the Bonds is first includable in gross income of the Bondholder (including, without limitation, any previous Bondholder) thereof as a result of an Event of Taxability as such date is established pursuant to a Determination of Taxability.

“*Taxable Period*” has the meaning set forth in Section 4.02(e) hereof.

“*Taxable Rate*” means, with respect to a Taxable Period, the product of (i) the interest rate on the Bonds during such period and (ii) 1.54.

“*Taxes*” means all present or future taxes, levies, imposts, duties, deductions, withholdings (including backup withholding), assessments, fees or other charges imposed by any Governmental Authority, including any interest, additions to tax or penalties applicable thereto.

“*Trust Assets*” has the meaning set forth in Section 4.07.

“*Underlying Provisions*” has the meaning set forth in Section 6.08.

“*Unremarketed Bonds*” means Bonds with respect to which the Purchaser has not received payment of the Mandatory Tender Purchase Price, if any, on the Mandatory Tender Date.

“*Weekly Rate*” has the meaning set forth in the Paying Agent Agreement.

Section 1.02. Computation of Time Periods. In this Agreement, in the computation of a period of time from a specified date to a later specified date, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding.”

Section 1.03. Construction. Unless the context of this Agreement otherwise clearly requires, references to the plural include the singular, to the singular include the plural and to the part include the whole. The word “including” shall be deemed to mean “including but not limited to,” and “or” has the inclusive meaning represented by the phrase “and/or.” The words “hereof,” “herein,” “hereunder” and similar terms in this Agreement refer to this Agreement as a whole and not to any particular provision of this Agreement. The Section headings contained in this Agreement and the table of contents preceding this Agreement are for reference purposes only and shall not control or affect the construction of this Agreement or the interpretation thereof in any respect. Section, subsection and exhibit references are to this Agreement unless otherwise specified.

Section 1.04. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made, and all financial statements required to be delivered hereunder shall be prepared, in accordance with GAAP. If, after the Effective Date, there shall occur any change in GAAP from those used in the preparation of the financial statements referred to in Sections 6.05 hereof and such change shall result in a change in the method of calculation of any financial covenant, standard or term found in this Agreement including, without limitation, a recharacterization of operating leases to the effect that certain operating leases are to be treated as capital leases, either the City or the Purchaser may by notice to the other party hereto, require that the Purchaser and the City negotiate in good faith to amend such covenants, standards, and terms so as equitably to reflect such change in accounting principles, with the desired result being that the criteria for evaluating the financial condition of the Obligated Group shall be the same as if such change had not been made. No delay by the City or the Purchaser in requiring such negotiation shall limit their right to so require such a negotiation at any time after such a change in accounting principles. Until any such covenant, standard, or term is amended in accordance with this Section 1.05, financial covenants shall be computed and determined in accordance with GAAP in effect prior to such change in accounting principles.

Section 1.05. Relation to Other Documents; Acknowledgment of Different Provisions of Related Documents; Incorporation by Reference. (a) Nothing in this Agreement shall be deemed to amend, or relieve the City of its obligations under, any Related Document to which it is a party. Conversely, to the extent that the provisions of any Related Document allow the City to take certain actions, or not to take certain actions, with regard for example to permitted liens, transfers of assets, maintenance of financial ratios and similar matters, the City nevertheless shall be fully bound by the provisions of this Agreement.

(b) Except as provided in subsection (c) of this Section 1.05, all references to other documents shall be deemed to include all amendments, modifications and supplements thereto to the extent such amendment, modification or supplement is made in accordance with the provisions of such document and this Agreement.

(c) All provisions of this Agreement making reference to specific Sections of any Related Document shall be deemed to incorporate such Sections into this Agreement by reference as though specifically set forth herein (with such changes and modifications as may be herein provided) and shall continue in full force and effect with respect to this Agreement notwithstanding payment of all amounts due under or secured by the Related Documents, the termination or defeasance thereof or any amendment thereto or any waiver given in connection therewith, so long as this Agreement is in effect and until all Obligations are paid in full. No amendment, modification, consent, waiver or termination with respect to any of such Sections shall be effective as to this Agreement until specifically agreed to in writing by the parties hereto with specific reference to this Agreement.

ARTICLE II

PURCHASE OF BONDS

Section 2.01. Purchase of Bonds. (a) *Purchase Price.* Upon the conditions set forth in Article III hereof and based on the representations, warranties and covenants of the City set forth herein, the Purchaser hereby agrees to make a loan to the City by purchasing from City, and the City hereby agrees to sell to the Purchaser, all, but not less than all, of the Bonds at the purchase price of \$280,860,000 representing the aggregate principal amount of the Bonds (the “*Purchase Price*”).

(b) *Closing.* On the Effective Date, the City shall deliver to the Purchaser the documents described in Article III hereof. Upon delivery of such documents, the Purchaser will pay the full Purchase Price for the Bonds in immediately available federal funds payable to the Paying Agent on behalf of the City. One fully registered Bond, in the aggregate principal amount equal to the Purchase Price, shall be registered in the name of Cede & Co., nominee for DTC, as securities depository, and the beneficial interests in the Bond so registered will be credited to such accounts with DTC as the Purchaser shall designate, or as otherwise directed by the Purchaser.

ARTICLE III

CONDITIONS PRECEDENT TO PURCHASE OF BONDS

Section 3.01. Documentary Requirements. The obligation of the Purchaser to make a loan to the City by purchasing the Bonds is subject to the conditions precedent that the Purchaser shall have received, on or before the Effective Date, the items listed below in this Section, each dated and in form and substance as is satisfactory to the Purchaser.

(a) The following City documents:

(i) copies of the resolutions of the governing body of the City approving the execution and delivery of the Related Documents to which the City is a party, and the other matters contemplated hereby, certified by an Authorized City Representative as being true and complete and in full force and effect on the Effective Date;

(ii) the enabling legislation of the City, including portions of the Charter, together with all amendments thereto, that relate to the System, certified by an Authorized City Representative to be in full force and effect as of the Effective Date;

(iii) the audited annual financial statements of the System for the Fiscal Year ended June 30, 2014, together with internally prepared financial statements of the System for each fiscal quarter(s) ended since the end of such Fiscal Year;

(iv) a copy of the most recent annual budget adopted by the City relating to the System and the audited financial report for the System for the Fiscal Year ended June 30, 2014;

(v) a copy of the Investment Policy applicable to the System in effect as of the Effective Date; and

(vi) a certificate dated the Effective Date and executed by an Authorized City Representative certifying the names and signatures of the persons authorized to sign, on behalf of the City, the Related Documents to which it is a party and the other documents to be delivered by it hereunder or thereunder.

(b) The following financing documents:

(i) an executed original or certified copy, as applicable, of each of the Related Documents;

(ii) a copy of the executed and authenticated Bond registered in the name of Cede & Co., as the nominee of DTC, and delivered to the Paying Agent as agent of DTC under the FAST Automated Securities Transfer System; and

(iii) evidence that a CUSIP number has been obtained and reserved from S&P CUSIP Services for the Bonds (CUSIP number 544653 BT4);

(iv) copies of all documentation relating to any Swap Agreement of the City relating to the System.

(c) The following opinions, dated the Effective Date and addressed to the Purchaser or on which the Purchaser is otherwise expressly authorized to rely:

(i) from counsel to the City, opinions to the effect that: (a) this Agreement, the 19th Supplemental Resolution and the Paying Agent Agreement have been duly authorized, executed and delivered by the City and are the valid and binding obligations of the City enforceable in accordance with their respective terms, except as may be limited by the valid exercise of judicial discretion and the constitutional powers of the United States of America and to valid bankruptcy, insolvency, reorganization or moratorium, fraudulent conveyance or other similar laws applicable to the City and equitable principles relating to or affecting creditors' rights generally from time to time; (b) the execution and delivery by the City of this Agreement, the 19th Supplemental Resolution and the Paying Agent Agreement does not violate the constitution or laws of the State; and (c) the City Council on behalf of the City has taken all actions, and has obtained any approvals, necessary to the authorization, execution, delivery and performance by the City of this Agreement, the 19th Supplemental Resolution and the Paying Agent Agreement, and such other customary matters as the Purchaser may reasonably request; and

(ii) from Bond Counsel, opinions with respect to due authorization and enforceability of the Resolution and the Paying Agent Agreement, in the form and substance acceptable to the Bank and to the effect that the interest on the Bonds is excludable from gross income for federal income tax purposes and such other customary matters as the Purchaser may reasonable request.

(d) The following documents and other information:

(i) a certificate dated the Effective Date and executed by an Authorized City Representative certifying (A) that there has been no event or circumstance since June 30, 2014, that has had or could be reasonably expected to have, either individually or in the aggregate, a Material Adverse Effect, (B) that the representations and warranties contained in Article V hereof and the other Related Documents are true and correct in all material respects on the Effective Date, (C) no event has occurred and is continuing, or would result from entry into this Agreement, which would constitute a Default or Event of Default and (D) since the dated date of the Rating Documentation, the unenhanced long-term debt ratings assigned to any Debt has not been withdrawn, suspended or reduced;

(ii) true and correct copies of all Governmental Approvals, if any, necessary for the City to execute, deliver and perform the Related Documents to which it is a party;

(iii) evidence of insurance meeting or exceeding the requirements set forth herein and in the Resolution; and

(iv) recent evidence that the unenhanced long-term debt rating assigned by Moody's, S&P and Fitch to any Parity Debt is at least "Aa3," "AA" and "AA" respectively (the "*Rating Documentation*").

Section 3.02. Litigation. The Purchaser shall have received a written description of all actions, suits or proceedings pending or threatened against the City or any of its Affiliates in any court or before any arbitrator of any kind or before or by any governmental or non-governmental body which could reasonably be expected to result in a Material Adverse Effect, if any, and such other statements, certificates, agreements, documents and information with respect thereto as the Purchaser may reasonably request.

Section 3.03. Other Matters. All other legal matters pertaining to the execution and delivery of this Agreement and the Related Documents shall be satisfactory to the Purchaser and its counsel, and the Purchaser shall have received such other statements, certificates, agreements, documents and information with respect to the City and the other parties to the Related Documents and matters contemplated by this Agreement as the Purchaser may reasonably request.

Section 3.04. Payment of Fees and Expenses. On or prior to the Effective Date, the Purchaser shall have received reimbursement of the Purchaser's fees and expenses (including the legal fees and expenses of Chapman and Cutler LLP) and any other fees incurred in connection with the transaction contemplated by the Related Documents.

Section 3.05. Change in Law. Prior to the Effective Date, the Purchaser shall have determined, in its sole discretion, that there has been no change in any law, rule or regulation (or in the Purchaser's interpretation or administration of any law, rule or regulation) that, in each case, may adversely affect the consummation of the transaction.

ARTICLE IV

THE CITY'S OBLIGATIONS

Section 4.01. Payment Obligations. (a) The City hereby unconditionally, irrevocably and absolutely agrees to make prompt and full payment of all payment obligations owed to the Purchaser under the Related Documents and to pay any other Obligations owing to the Purchaser whether now existing or hereafter arising, irrespective of their nature, whether direct or indirect, absolute or contingent, with interest thereon at the rate or rates provided in such Related Documents and under such Obligations.

(b) In the event the Purchaser has not received the Mandatory Tender Purchase Price on the Mandatory Tender Date, the City shall cause the Unremarketed Bonds to be redeemed on the Mandatory Tender Date; *provided* that, if the City is required to redeem Unremarketed Bonds as set forth above and (i) no Default or Event of Default shall have occurred and be continuing,

(ii) the representations and warranties set forth in Article V shall be true and correct on the Mandatory Tender Date, and (iii) the Purchaser receives from Bond Counsel an opinion in form and substance satisfactory to the Purchaser dated the Mandatory Tender Date, to the effect that, assuming compliance by the City with certain covenants in the Subordinate General Resolution and other documents pertaining to the Bonds in effect as of the Effective Date, the interest on the Bonds is excludable from gross income for federal income tax purposes during the Amortization Period (collectively, the “*Amortization Requirements*”), then the City shall cause the principal amount of such Bonds to be redeemed in installments payable on each Amortization Payment Date (each such payment, an “*Amortization Payment*”), with the final installment in an amount equal to the entire then-outstanding principal amount of such Bonds to be redeemed on the Amortization End Date (the period commencing on the Mandatory Tender Date and ending on the Amortization End Date is herein referred to as the “*Amortization Period*”). Each Amortization Payment shall be that amount of principal which will result in equal (as nearly as possible) aggregate Amortization Payments over the Amortization Period. During the Amortization Period, interest on Unremarketed Bonds shall accrue at the Purchaser Rate and be payable monthly in arrears on the first Business Day of each calendar month.

(c) The City shall pay within thirty (30) calendar days after demand:

(i) if an Event of Default shall have occurred, all costs and expenses of the Purchaser in connection with the enforcement (whether by means of legal proceedings or otherwise) of any of its rights under this Agreement, the other Related Documents and such other documents which may be delivered in connection therewith;

(ii) (A) a fee for each standard amendment to this Agreement or any other Related Document or any standard consent or waiver by the Purchaser with respect to any Related Document, in each case, in a minimum amount of \$2,500 plus the reasonable fees and expenses of counsel to the Purchaser; and (B) a fee for each non-standard amendment to this Agreement or any other Related Document or any non-standard consent or waiver by the Purchaser with respect to any Related Document, in each case, in an amount determined on a case by case basis by the Purchaser and the City, plus the reasonable fees and expenses of counsel to the Purchaser;

(iii) the reasonable fees and out-of-pocket expenses for counsel or other reasonably required consultants to the Purchaser in connection with advising the Purchaser as to its rights and responsibilities under this Agreement and the other Related Documents or in connection with responding to requests from the City for approvals, consents and waivers; and

(iv) any amounts advanced by or on behalf of the Purchaser to the extent required to cure any Default, Event of Default or event of nonperformance hereunder or any Related Document, together with interest at the Default Rate.

In addition, if at any time any Governmental Authority shall require revenue or other documentary stamps or any other tax in connection with the execution or delivery of this Agreement or other Related Documents, then, if the City lawfully may pay for such stamps,

taxes or fees, the City shall pay, when due and payable, for all such stamps, taxes and fees, including interest and penalties thereon, and the City agrees to save the Purchaser harmless from and against any and all liabilities with respect to or resulting from any delay of the City in paying, or omission of the City to pay, such stamps, taxes and fees hereunder.

(d) If any sum becomes payable pursuant to this Agreement on a day which is not a Business Day, the date for payment thereof shall be extended, without penalty, to the next succeeding Business Day, and such extended time shall be included in the computation of interest and fees.

Section 4.02. Increased Costs; Capital Adequacy. (a) If the Purchaser, any Bondholder or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, regulation, policy, guideline, supervisory standard or directive of, or any change in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case, whether or not having the force of law), or compliance by the Purchaser, any Bondholder or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby), regardless of the date enacted, adopted or issued, or any rules, guidelines, standards, policies, regulations, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any successor or similar organizations), regardless of the date enacted, adopted or issued, shall:

(i) change the basis of taxation of payments to the Purchaser, such Bondholder or such Participant of any amounts payable hereunder or with respect to the Bonds (except for taxes on the overall net income of the Purchaser, such Bondholder or such Participant); or

(ii) impose, modify or deem applicable any reserve, liquidity, capital or liquidity ratio, special deposit, insurance premium, fee, financial charge, monetary burden or similar requirement against the making, maintenance or funding of any loan of any loan or the purchase and holding of the Bonds, or complying with any term of, this Agreement, or against assets held by, or deposits with or for the account of, the Purchaser, such Bondholder or such Participant; or

(iii) impose on the Purchaser, such Bondholder or such Participant any other condition, expense or cost regarding this Agreement;

and the result of any event referred to in clause (i), (ii) or (iii) above shall be to increase the cost to the Purchaser, such Bondholder or such Participant of making, maintenance or funding any loan or the purchase and holding of the Bonds, or complying with any term of, this Agreement or to reduce the amount of any sum received or receivable by the Purchaser, such Bondholder or such Participant hereunder or with respect to the Bonds (each such instance, referred to individually herein as a "*Reduction in Amount*" and, collectively as "*Reductions in Amount*"),

then the City shall pay or cause to be paid to the Purchaser, at such time and in such amount as is set forth in paragraph (c) of this Section 4.02, such additional amount or amounts as will compensate the Purchaser, such Bondholder or such Participant for such increased costs or Reductions in Amount.

The Purchaser, Bondholder or Participant (as the case may be) shall use commercially reasonable efforts to provide to the City, as soon as reasonably practicable after a Responsible Officer (as hereinafter defined) has actual knowledge that the Purchaser, Bondholder or Participant (as the case may be) has determined to demand additional compensation under this Section 4.02(a) and the amount thereof, written notice of the occurrence or expected occurrence of any event referred to in clause (i), (ii) or (iii) above, setting forth in reasonable detail the amount or amounts of such additional compensation (such notice, a "*Yield Protection Demand Notice*") and the date or anticipated date upon which the Purchaser, such Bondholder or such Participant is demanding or expects to make such demand upon the City. Subject to the third full paragraph of Section 4.02(c) hereof, in the event that the City pays in full the Bonds and all obligations due and owing hereunder to the Purchaser, such Bondholder and any Participant and effects the termination of this Agreement (the date of such payment and termination, the "*Termination Date*"), then the City shall not be obligated to pay any compensation set forth in such Yield Protection Demand Notice for any increased costs or Reductions in Amount incurred or suffered during, or relating to, any period after the Termination Date. The City and the Purchaser agree that the intent of this provision is solely to assist the City in managing its financing costs and that the Purchaser shall have no liability of any kind for failure to timely provide a Yield Protection Demand Notice. All such amounts will be payable as set forth in Section 4.02(c) hereof. As used in this provision, "Responsible Officer" means the officer of the Purchaser to whom notices to the Purchaser are required to be addressed under Section 10.05 hereof.

Notwithstanding the foregoing, a failure or delay by the Purchaser, any Bondholder or any Participant to deliver to the City a Yield Protection Demand Notice shall in no event relieve the obligation of the City of any obligation under this Section 4.02(a). Additionally, nothing set forth in this Section 4.02(a) shall limit the obligation of the City to pay to the Purchaser, any Bondholder or Participant any increased cost imposed upon the Purchaser, any Bondholder or Participant related to any event referred to in clause (i), (ii) or (iii) of this Section 4.02(a).

(b) If the Purchaser, any Bondholder or any Participant shall have determined that the adoption or implementation of, or any change in, any law, rule, treaty, regulation, policy, guideline, supervisory standard or directive of, or any change in the interpretation, implementation, or administration thereof by, any Governmental Authority (in each case whether or not having the force of law), or compliance by the Purchaser, any Bondholder or any Participant with any request by or directive of any Governmental Authority (in each case, whether or not having the force of law), including but not limited to any such law, rule, regulation, policy, guideline, standard, directive, interpretation, application or promulgation implementing, invoking or in any way related to any provision (as now or hereafter amended) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (or any other statute referred to therein or amended thereby) or any rules, guidelines, standards, or directives promulgated by the Basel Committee on Banking Supervision or the Bank for International Settlements (or any

successor or similar organizations), shall impose, modify or deem applicable any capital or liquidity (including but not limited to contingent capital or liquidity) adequacy, reserve, insurance, liquidity or similar requirement (including, without limitation, a request or requirement that affects the manner in which the Purchaser, any Bondholder or any Participant allocates capital or liquidity resources or reserves to its commitments) that either:

(i) affects or would affect the amount of capital or liquidity or reserves to be maintained by the Purchaser, such Bondholder or such Participant, or

(ii) reduces or would reduce the rate of return on the Purchaser's, such Bondholder's or such Participant's capital or liquidity or reserves to a level below that which the Purchaser, such Bondholder or such Participant could have achieved but for such circumstances (taking into consideration the policies of the Purchaser, such Bondholder or such Participant with respect to capital or liquidity adequacy or the maintenance of reserves) then,

then the Purchaser, such Bondholder or such Participant (as the case may be) shall use commercially reasonable efforts to provide to the City, as soon as reasonably practicable after its Responsible Officer (as hereinafter defined) has actual knowledge that the Purchaser, Bondholder or Participant has determined to demand additional compensation for such reduction under this Section 4.02(b) and the amount thereof, written notice of the occurrence or expected occurrence of any event referred to in clause (i) or (ii), setting forth in reasonable detail the amount or amounts of such additional compensation (such notice, a "*Capital or Liquidity Adequacy Demand Notice*") and the date or anticipated date upon which the Purchaser, such Bondholder or such Participant is demanding or expects to make such demand upon the City. Subject to the third full paragraph of Section 4.02(c) hereof, in the event that the City pays in full the Bonds and all obligations due and owing hereunder to the Purchaser, such Bondholder and any Participant and effects the termination of this Agreement, then the City shall not be obligated to pay any compensation set forth in such Capital or Liquidity Adequacy Demand Notice for any such reduction incurred or suffered during, or relating to, any period after the Termination Date. The City and the Purchaser agree that the intent of this provision is solely to assist the City in managing its financing costs and that the Purchaser shall have no liability of any kind for failure to timely provide a Capital or Liquidity Adequacy Demand Notice. All such amounts will be payable, as set forth in Section 4.02(c) hereof.

Notwithstanding the foregoing, (i) a failure or delay by the Purchaser, any Bondholder or any Participant to deliver to the City a Capital or Liquidity Adequacy Demand Notice shall in no event relieve the obligation of the City of any obligation under this Section 4.02(b). Additionally, nothing set forth in this Section 4.02(b) shall limit the obligation of the City to pay to the Purchaser, Bondholder or Participant any increased cost imposed upon the Purchaser, any Bondholder or any Participant related to any event referred to in clause (i) or (ii) of this Section 4.02(b).

(c) All payments of amounts referred to in this Section 4.02 shall be paid by the City, subject to Section 4.02(f) hereof, to the Purchaser, for its own account, or to the Bondholder or to the Participant for the account of such Bondholder or such Participant, as applicable, within sixty

(60) days of the date the Purchaser, such Bondholder or such Participant makes demand therefor on the City; *provided* that, subject to the following proviso, any increased costs in excess of the product of twenty basis points (0.20%) times the outstanding principal amount of the Bonds shall be paid by the City, subject to Section 4.02(f) hereof, to the Purchaser, for its own account, or to the Bondholder or Participant for the account of such Bondholder or Participant, as applicable, within one hundred twenty (120) calendar days of the date the Purchaser, the Bondholder or the Participant, as applicable, makes demand therefor on the City; *provided* further that to the extent a particular amount of increased costs in excess of the product of twenty basis points (0.20%) times the outstanding principal amount of the Bonds is expected to be an ongoing obligation of the City (referred to herein as “*Recurring Increased Costs*”) as determined by the Purchaser, Bondholder or Participant, as applicable, in a written notice from the Purchaser, Bondholder or Participant, as applicable, to the City, then after the first payment of such Recurring Increased Costs pursuant to the immediately preceding proviso, subsequent payments of such Recurring Increased Costs shall be due and payable within sixty (60) days of the date the Purchaser, Bondholder or Participant as applicable makes demand therefor on the City or on such recurring payment date as otherwise agreed to in writing by the Purchaser, such Bondholder or such Participant and the City.

The amounts demanded in the respective Yield Protection Demand Notice or Capital or Liquidity Adequacy Demand Notice or any other written notice from the Purchaser, a Bondholder or a Participant to the City making a demand on the City for the payment of increased costs or Reductions in Amount pursuant to this Section 4.02, as applicable, are intended to compensate the Purchaser, such Bondholder or such Participant, as applicable, for such increased costs or Reductions in Amount incurred by the Purchaser, such Bondholder or such Participant as a result of any event referred to in subsections (a) or (b) above. Any Yield Protection Demand Notice or Capital or Liquidity Adequacy Demand Notice or any other written notice from the Purchaser, a Bondholder or a Participant to the City making a demand on the City for the payment of increased costs or Reductions in Amount pursuant to this Section 4.02 submitted by the Purchaser, any Bondholder or any Participant to the City shall be conclusive as to the amount thereof absent manifest error.

The City shall not be required to compensate the Purchaser, any Bondholder or any Participant pursuant to this Section 4.02 in respect of a period occurring more than six (6) months prior to the date the above-described written demand is given to the City with respect thereto (the “*Cut-Off Date*”), except where (i) the Purchaser, Bondholder or Participant, as applicable, had no actual knowledge of the action resulting in such increased costs, increased capital or liquidity or Reduction in Amount, as applicable, as of the Cut-Off Date or (ii) such increased costs, increased capital or liquidity or Reduction in Amount apply to the Purchaser, Bondholder or Participant retroactively to a date prior to the Cut-Off Date.

In making the determinations contemplated by any Yield Protection Demand Notice or Capital or Liquidity Adequacy Demand Notice or any other written notice from the Purchaser, Bondholder or Participant to the City making a demand on the City for the payment of increased costs or Reductions in Amount pursuant to this Section 4.02, the Purchaser, Bondholder or Participant may make and shall include in such notice such reasonable estimates, assumptions, allocations and the like that the Purchaser, Bondholder or Participant in good faith determines to

be appropriate. For purposes of this Section 4.02, the term “Purchaser” or “Bondholder” or “Participant” as applicable, shall also include any entity controlling the Purchaser or Bondholder or Participant or the holding company thereof. For purposes of the immediately preceding sentence, “controlling” means the power to direct the management and policies of the Purchaser, Bondholder, or Participant, directly or indirectly, whether through the ownership of voting rights, membership, the power to appoint members, trustees or directors, by contract or otherwise. The obligations of the City under this Section 4.02 shall survive the termination of this Agreement and repayment of all Obligations hereunder.

(d) Notwithstanding anything to the contrary in this Section 4.02, in the event the Purchaser grants any participation to any Participant, no such Participant shall be entitled to receive payment pursuant to this Section 4.02 in an amount greater than the amount which would have been payable had the Bank not granted a Participation to such Participant and the City’s liability to any Participant shall not in any event exceed that liability which the City would owe to the Purchaser but for such participation.

(e) *Determination of Taxability.* (i) In the event a Determination of Taxability occurs, to the extent not payable to each Bondholder (or to the Purchaser for the period that it was the Bondholder of any of the Bonds) under the terms of the Paying Agent Agreement or the Resolution and the Bonds, the City hereby agrees to pay to each Bondholder (or, if applicable, the Purchaser) on demand therefor (1) an amount equal to the difference between (A) the amount of interest that would have been paid to such Bondholder (or, if applicable, the Purchaser) on the Bonds during the period for which interest on the Bonds is included in the gross income of such Bondholder (or, if applicable, the Purchaser) if the Bonds had borne interest at the Taxable Rate, beginning on the Taxable Date (the “*Taxable Period*”), and (B) the amount of interest actually paid to the Bondholder (or, if applicable, the Purchaser) during the Taxable Period, and (2) an amount equal to any interest, penalties or charges owed by such Bondholder (or, if applicable, the Purchaser) as a result of interest on the Bonds becoming included in the gross income of such Bondholder (or, if applicable, the Purchaser), together with any and all attorneys’ fees, court costs, or other out-of-pocket costs incurred by such Bondholder (or, if applicable, the Purchaser) in connection therewith;

(ii) Subject to the provisions of clause (iii) below, such Bondholder (or, if applicable, the Purchaser) shall afford the City the opportunity, at the City’s sole cost and expense, to contest (1) the validity of any amendment to the Code which causes the interest on the Bonds to be included in the gross income of such Bondholder (or, if applicable, the Purchaser) or (2) any challenge to the validity of the tax exemption with respect to the interest on the Bonds, including the right to direct the necessary litigation contesting such challenge (including administrative audit appeals); and

(iii) As a condition precedent to the exercise by the City of its right to contest set forth in clause (ii) above, the City shall, on demand, immediately reimburse such Bondholder (or, if applicable, the Purchaser) for any and all expenses (including attorneys’ fees for services that may be required or desirable, as determined by such Bondholder (or, if applicable, the Purchaser) in its sole discretion) that may be incurred by the Bondholder (or, if applicable, the Purchaser) in connection with any such contest,

and shall, on demand, immediately reimburse the Bondholder (or, if applicable, the Purchaser) for any payments, including any taxes, interest, penalties or other charges payable by such Bondholder (or, if applicable, the Purchaser) for failure to include such interest in its gross income.

(f) *Default Rate.* Upon the occurrence and during the continuation of an Event of Default, the Obligations shall bear interest at the Default Rate, which shall be payable by the City to each Bondholder (or, if applicable, the Purchaser) upon demand therefor. If at any time any Obligations are not paid when due, such Obligations shall bear interest at the Default Rate and be calculated on the basis of a 360-day year and actual days elapsed, which shall be payable by the City to each Bondholder (or, if applicable, the Purchaser) upon demand therefor.

(g) *Maximum Interest Rate.* (i) If the amount of interest payable for any period in accordance with the terms hereof or the Bonds exceeds the amount of interest that would be payable for such period had interest for such period been calculated at the Maximum Interest Rate, then interest for such period shall be payable in an amount calculated at the Maximum Interest Rate.

(ii) Any interest that would have been due and payable for any period but for the operation of the immediately preceding subclause (i) shall accrue and be payable as provided in this subclause (ii) and shall, less interest actually paid to each Bondholder for such period, constitute the “*Excess Interest Amount.*” If there is any accrued and unpaid Excess Interest Amount as of any date, then the principal amount with respect to which interest is payable shall bear interest at the Maximum Interest Rate until payment to each Bondholder of the entire Excess Interest Amount.

(iii) Notwithstanding the foregoing, on the date on which no principal amount with respect to the Bonds remains unpaid, the City shall pay to each Bondholder a fee equal to any accrued and unpaid Excess Interest Amount.

Section 4.03. Obligations Absolute. The payment obligations of the City under this Agreement shall be unconditional and irrevocable and shall be paid strictly in accordance with the terms of this Agreement under all circumstances, including without limitation the following:

(a) any lack of validity or enforceability of this Agreement, the Bonds or any of the other Related Documents;

(b) any amendment or waiver of or any consent to departure from all or any of the Related Documents;

(c) the existence of any claim, set-off, defense or other right which the City may have at any time against the Purchaser, any other Bondholder or any other person or entity, whether in connection with this Agreement, the other Related Documents, the transactions contemplated herein or therein or any unrelated transaction; or

(d) any other circumstance or happening whatsoever, whether or not similar to any of the foregoing.

Notwithstanding this Section, the Purchaser acknowledges the City may have the right to bring a collateral action with respect to one or more of the foregoing circumstances. The City's payment obligations shall remain in full force and effect pending the final disposition of any such action. All fees payable pursuant to this Agreement shall be deemed to be fully earned when due and non-refundable when paid.

Section 4.04. Funding Indemnity. In the event the Purchaser shall incur any loss, cost, or expense (including, without limitation, any loss, cost, or expense incurred by reason of the liquidation or reemployment of deposits or other funds acquired or contracted to be acquired by the Purchaser to purchase or hold the Bonds or the relending or reinvesting of such deposits or other funds or amounts paid or prepaid to the Purchaser) as a result of any redemption of or conversion of the interest rate on the Bonds on a date other than an Interest Payment Date for any reason, whether before or after default, and whether or not such payment is required by any provision of this Agreement or the Paying Agent Agreement or the Resolution, then upon the demand of the Purchaser, the City shall pay to the Purchaser a redemption or conversion premium, as applicable, in such amount as will reimburse the Purchaser for such loss, cost, or expense. If the Purchaser requests such redemption or conversion premium, as applicable, it shall provide to the City a certificate setting forth the computation of the loss, cost, or expense giving rise to the request for such redemption or conversion premium, as applicable in reasonable detail and such certificate shall be conclusive if reasonably determined.

Section 4.05. Optional Redemption or Conversion Fee. The City shall pay to the Purchaser an optional redemption or conversion fee in connection with each optional redemption of all or any portion of the Bonds or conversion of the interest rate on the Bonds from the LIBOR Index Rate (as defined in the Paying Agent Agreement) in effect during the Initial Period to another Interest Mode or LIBOR Index Rate prior to first anniversary of the Effective Date, in an amount equal to the product of (A) the Applicable Spread in effect on the date of such optional redemption or conversion, as applicable, (B) the principal amount of the Bonds to be optionally redeemed or converted, as applicable, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such optional redemption or conversion, as applicable, to and including the first anniversary of the Effective Date, and the denominator of which is 360, payable on the date that all or any portion of the Bonds are optionally redeemed or the date on which the interest rate on the Bonds is converted to bear interest at a rate other than the LIBOR Index Rate in effect during the Initial Period; *provided that*, no such optional redemption or conversion fee shall be payable by the City as provided herein if the Purchaser definitively imposes increased costs upon the City pursuant to Section 4.02(a), (b) or (c) of this Agreement.

Section 4.06. Purchaser Consent to Subsequent Index Interest Rate Period. (a) So long as the Purchaser is the Bondholder, on or before the date that is one hundred twenty (120) calendar days prior to the end of the Initial Period, the City may provide written notice to the Purchaser of its desire to change the interest rate mode of the Bonds (including conversion to a new Index Interest Rate Period) and requesting the Purchaser to purchase such Bonds in such

new Index Interest Rate Period or provide the liquidity or credit enhancement necessary to facilitate the conversion of the Bonds to such new interest rate mode. The Purchaser will make reasonable efforts to respond to such request within sixty (60) calendar days after receipt of all information necessary, in the Purchaser's reasonable judgment, to permit the Purchaser to make an informed credit decision. The Purchaser may, in its sole and absolute discretion, decide to accept or reject any such request and no consent shall become effective unless the Purchaser shall have consented thereto in writing. In the event the Purchaser fails to definitively respond to such request within such sixty (60) calendar day period, the Purchaser shall be deemed to have refused to grant such request. The consent of the Purchaser, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Purchaser (which may include, but not be limited to the delivery of a "no adverse effect opinion" of Bond Counsel to the Purchaser with respect to the tax-exempt status of the Bonds as a result of such conversion and interest rate setting). In the event the City and the Purchaser fail to document in writing their agreement of the proposed rate(s) and terms of the succeeding period(s), the City shall continue to be required to repurchase the Bonds on the Mandatory Tender Date for a purchase price of 100% of the par amount plus accrued interest to the Mandatory Tender Date.

Section 4.07. Security. The City's obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds, as and when due are payable from and secured by a pledge of and lien on Revenues and the other funds, assets and security described in the Subordinate General Resolution ("*Trust Assets*") on a parity with all other Subordinate Bonds under the Subordinate General Resolution, without the need for any physical delivery, recordation, filing or further act. In order to secure the timely payment of all Obligations (other than the obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds) and to secure the performance and observance of all of the covenants, agreements and conditions contained in this Agreement and the Related Documents to which the Purchaser or any Affiliate thereof is a party, the City hereby irrevocably pledges the Revenues and Trust Assets to the Purchaser (for the benefit of the Purchaser, Bondholders, Participants and any Affiliate of the Purchaser to whom any such Obligation is at any time owed), which Obligations (other than the obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds) are payable from and secured by a pledge of and lien on Revenues and Trust Assets on a basis subordinate only to the payment of the principal of and interest on the Bonds, including Unremarketed Bonds, Subordinate Bonds and Senior Lien Bonds as set forth in the Subordinate General Resolution and the Supplemental Resolutions. The pledge of and lien on the Revenues and Trust Assets provided for herein shall constitute a valid pledge of and charge and lien upon the Revenues, shall immediately attach and be effective, binding, and enforceable against the City, its successors, purchasers of any of the Revenues and Trust Assets, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Subordinate General Resolution and the Supplemental Resolutions, irrespective of whether those parties have notice of the pledge of and lien on the Revenues and Trust Assets and without the need for any physical delivery, recordation, filing or further act.

ARTICLE V

REPRESENTATIONS AND WARRANTIES

The City makes the following representations and warranties to each Bondholder:

Section 5.01. Existence and Power. The City is a municipal corporation and chartered city duly organized and existing under and by virtue of the laws of the State of California and the Charter, and is possessed of full powers to own and lease (as lessor and lessee) real and personal property, to own and operate the System, and to enter into contracts such as this Agreement and the City Related Documents, which powers have been validly exercised in connection with the transactions effected by this Agreement and the City Related Documents.

Section 5.02. Due Authorization. (a) The City has the corporate power, and has taken all necessary corporate action to authorize the Related Documents to which it is a party, and to execute, deliver and perform its obligations under this Agreement and each of the other Related Documents to which it is a party in accordance with their respective terms. The City has approved the form of the Related Documents to which it is not a party.

(b) The City is duly authorized to own its Property and the System and to operate its business under the laws, rulings, regulations and ordinances of all Governmental Authorities having the jurisdiction to license or regulate the System and the City has obtained all requisite approvals of all such governing bodies required to be obtained for such purposes. All Governmental Approvals necessary for the City to enter into this Agreement and the other Related Documents and to perform the transactions contemplated hereby and thereby and to conduct its business activities and own its property have been obtained and remain in full force and effect and are subject to no further administrative or judicial review. No other Governmental Approval or other action by, and no notice to or filing with, any Governmental Authority is required for the due execution, delivery and performance by the City of this Agreement or the due execution, delivery or performance by the City of the Related Documents.

(c) The current collection of Revenues and the management of the System and the accounting and recordkeeping therefor are in material compliance with all applicable state and federal laws and all applicable resolutions, ordinances and rules of the City.

Section 5.03. Valid and Binding Obligations. This Agreement has been duly executed and delivered by one or more duly authorized officers of the City, and each of the Related Documents to which the City is a party, when executed and delivered by the City will be, a legal, valid and binding obligation of the City enforceable in accordance with its terms, except as such enforceability may be limited by (a) the effect of any applicable bankruptcy, insolvency, reorganization, moratorium or similar law affecting creditors' rights generally, and (b) general principles of equity (regardless of whether such enforceability is considered in a proceeding in equity or at law).

Section 5.04. Noncontravention; Compliance with Law. The execution, delivery and performance by the City of this Agreement and the other City Related Documents and the other

documents contemplated hereby and thereby are within the powers of City, have been duly authorized by all necessary actions and (i) do not contravene the Charter or the City Administrative Code or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease, instrument or other contractual restriction binding on or affecting the City, (ii) except as provided in or contemplated by this Agreement and the Related Documents, do not result in or require the creation of any Lien, security interest or other charge or encumbrance upon or with respect to any asset of the City, (iii) do not and will not violate any Laws (including, without limitation, Regulations T, U or X of the FRB, or any successor regulations) and (iv) do not and will not conflict with, result in a breach of or constitute a default under any contract to which the City is a party or by which it or any of its Property (including, without limitation, the System) may be bound. The City is not in violation of or in default in any respect under any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease, instrument or other contractual restriction or the City Related Documents. No Default or Event of Default has occurred and is continuing. The City and the System are in compliance with all Laws, except for such noncompliance that, singly or in the aggregate, has not caused or is not reasonably expected to cause a Material Adverse Effect.

Section 5.05. Pending Litigation and Other Proceedings. There is no action, suit or proceeding pending in any court, any other governmental authority with jurisdiction over the City or any arbitration in which service of process has been completed against the City or, to the knowledge of the City, any other action, suit or proceeding pending or threatened in any court, any other governmental authority with jurisdiction over the City or any arbitrator, in either case against the City (including, without limitation, the ability of the City to establish and collect rates for use of the System), affecting the existence of the City, the title of any officials to their respective offices, the System or affecting or seeking to prohibit, restrain or enjoin the execution or delivery of this Agreement or any Related Document, or in any way contesting or affecting the validity or enforceability of the Bonds, this Agreement, any Related Document or contesting the tax-exempt status of the Bonds, or contesting the powers of the City or any authority for the issuance of the Bonds, the execution and delivery of this Agreement or the City Related Documents, nor, to the best, knowledge of the City, is there any basis therefor, which, if determined adversely to the City (i) would adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, this Agreement or any City Related Documents, (ii) would, in the reasonable opinion of the City, have a material adverse effect on the business, financial position or results of operations of the System or Revenues, (iii) would adversely affect the exclusion of interest on the Bonds from gross income for Federal income tax purposes or the exemption of such interest from State of California personal income taxes or (iv) which could reasonably be expected to result in a Material Adverse Effect, except any action, suit or proceeding which has been brought prior to the Effective Date as to which the Purchaser has received an opinion of counsel satisfactory to the Purchaser, in form and substance satisfactory to the Purchaser and the Purchaser's legal counsel, to the effect that such action, suit or proceeding is without substantial merit.

Section 5.06. Financial Statements. (a) The audited financial statements of the System as at June 30, 2014, and the related consolidated statement of activities and changes in net assets and the consolidated statement of cash flows for the Fiscal Year then ended, and accompanying

notes thereto, which financial statements, accompanied by the audit report of Simpson & Simpson, independent public accountants, heretofore furnished to the Purchaser, which are consistent in all material respects with the audited financial statements of the System for the Fiscal Year ended June 30, 2013, fairly present the financial condition of the System in all material respects as of such dates and the results of its operations for the periods then ended in conformity with GAAP. Since June 30, 2014, there has been no material adverse change in the business, financial position or results of operations of the System.

(b) Except as fully reflected in the financial statements of the System and except for the City's obligations set forth in this Agreement and the City Related Documents, there are as of the date hereof no liabilities or obligations with respect to the City of any nature whatsoever (whether absolute, accrued, contingent or otherwise and whether or not due) which, in the aggregate, would be material to the System. The City does not know of any basis for the assertion against the City of any liability or obligation of any nature whatsoever that is not fully reflected in the financial statements included provided to the Purchaser which, in the aggregate, could be material to the System.

Section 5.07. Employee Benefit Plan Compliance. The City has no funding liability or obligation currently due and payable with respect to any employee benefit plan which could reasonably be expected to result in a Material Adverse Effect. The City is otherwise in compliance with the terms of any such plan in which the City participates to the extent any such failure to comply could reasonably be expected to result in a Material Adverse Effect. The City currently has a Plan which is in compliance in all material respects with the requirements of the applicable laws of the State of California, including without limitation the obligation to pay contributions on behalf of its employees in accordance therewith, and the City has no Plan which is subject to the requirements of ERISA. No condition exists or event or transaction has occurred with respect to any Plan which could reasonably be expected to result in the incurrence by the City of any material liability, fine or penalty.

Section 5.08. No Defaults. No default by the City has occurred and is continuing in the payment of the principal of or premium, if any, or interest on any Parity Debt or Senior Debt including, without limitation, regularly scheduled payments on Swap Agreement which constitute Parity Debt. No bankruptcy, insolvency or other similar proceedings pertaining to the City or any agency or instrumentality of the City are pending or presently contemplated. No Default or Event of Default has occurred and is continuing hereunder. No "default" or "event of default" under, and as defined in, any of the other Related Documents has occurred and is continuing. The City is not presently in default under any material agreement to which it is a party which could reasonably be expected to have a Material Adverse Effect. The City is not in violation of any material term of the organizational documents or authorizing legislation applicable to the City or any material term of any bond indenture or agreement to which it is a party or by which any of its Property (including, without limitation, the System) is bound which could reasonably be expected to result in a Material Adverse Effect.

Section 5.09. Insurance. The City currently maintains a system of self-insurance or insurance coverage with insurance companies believed by the City to be capable of performing their obligations under the respective insurance policies issued by such insurance companies to

the City (as determined in its reasonable discretion) and in full compliance with Section 6.11 of the Resolution and Section 6.04 hereof.

Section 5.10. Title to Assets. The City has good and marketable title to its assets except where the failure to have good and marketable title to any of its assets would not have a Material Adverse Effect.

Section 5.11. Incorporation by Reference. The representations and warranties of the City contained in the other Related Documents to which the City is a party, together with the related definitions of terms contained therein, are hereby incorporated by reference in this Agreement as if each and every such representation and warranty and definition were set forth herein in its entirety, and the representations and warranties made by the City in such Sections are hereby made for the benefit of the Purchaser. No amendment to or waiver of such representations and warranties or definitions made pursuant to the relevant Related Document or incorporated by reference shall be effective to amend such representations and warranties and definitions as incorporated by reference herein without the prior written consent of the Purchaser.

Section 5.12. Correct Information. All information, reports and other papers and data with respect to the City furnished by the City to the Purchaser were, at the time the same were so furnished, correct in all material respects. Any financial, budget and other projections furnished by the City to the Purchaser were prepared in good faith on the basis of the assumptions stated therein, which assumptions were fair and reasonable in light of conditions existing at the time of delivery of such financial, budget or other projections, and represented, and as of the date of this representation, represent (subject to the updating or supplementation of any such financial, budget or other projections by any additional information provided to the Purchaser in writing, the representations contained in this Agreement being limited to financial, budget or other projections as so updated or supplemented), in the judgment of the City, a reasonable, good faith estimate of the information purported to be set forth, it being understood that uncertainty is inherent in any projections and that no assurance can be given that the results set forth in the projections will actually be obtained. No fact is known to the City that materially and adversely affects or in the future may (as far as it can reasonably foresee) materially and adversely affect the security for any of the Bonds, or the ability of the City to repay when due the Obligations, that has not been set forth in the financial statements and other documents referred to in this Section 5.12 or in such information, reports, papers and data or otherwise disclosed in writing to the Purchaser. The documents furnished and statements made by the City in connection with the negotiation, preparation or execution of this Agreement and the Related Documents do not contain untrue statements of material facts or omit to state material facts necessary to make the statements contained therein, in light of the circumstances under which they were made, not misleading.

Section 5.13. Investment Company. The City is not an “investment company” or a company “controlled” by an “investment company,” as such terms are defined in the Investment Company Act of 1940, as amended.

Section 5.14. Margin Stock. The City is not engaged in the business of extending credit for the purpose of purchasing or carrying Margin Stock, and no part of the proceeds from the

issuance of the Bonds will be used to purchase or carry any such Margin Stock or extend credit to others for the purpose of “purchasing” or “carrying” any margin stock or used in any manner which might cause the borrowing or the application of such proceeds to violate Regulation G, U or X of the Board of Governors of the Federal Reserve System or any other regulation of the City or to violate the Securities Exchange Act of 1934, as amended.

Section 5.15. Tax-Exempt Status. The City has not taken any action or omitted to take any action, and has no actual knowledge of any action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the Bonds from gross income for federal income tax purposes or the exemption of interest on the Bonds from State personal income taxes.

Section 5.16. Usury. None of the Related Documents or the Bonds (including Unremarketed Bonds) provide for any payments that would violate any applicable law regarding permissible maximum rates of interest.

Section 5.17. Security. The Subordinate General Resolution creates a valid pledge of and lien on the Revenues and the funds and accounts created under the Subordinate General Resolution and the moneys (including, without limitation, the Revenues) on deposit therein, as security for the punctual payment of the interest and principal due with respect to the Bonds (including Unremarketed Bonds) and all Subordinate Bonds. All action necessary to create the pledge of and lien on the Revenues and such funds and accounts and on moneys on deposit therein (including the Revenues), in the priority set forth in the Subordinate General Resolution have been duly and validly taken. The City’s obligation to pay the principal of and interest on the Bonds (including Unremarketed Bonds) is *pari passu* with its obligation to pay the principal of and interest on all other Subordinate Bonds. The Subordinate General Resolution, the Supplemental Resolutions and Section 4.07 of this Agreement creates a valid pledge of and lien on Revenues and the funds and accounts created under the Subordinate General Resolution and the moneys (including, without limitation, the Revenues) on deposit therein, as security for the punctual payment when due of the Obligations (other than the obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds), subject only to the payment of the principal of and interest on the Bonds (including Unremarketed Bonds), Subordinate Bonds and Senior Lien Bonds. All action necessary to create the foregoing pledge of and lien on Revenues and such funds and accounts and on moneys on deposit therein (including the Revenues), have been duly and validly taken. The City’s obligation to pay Obligations (other than the obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds) is subordinate only to its obligation to pay the Bonds (including Unremarketed Bonds), Subordinate Bonds and Senior Lien Bonds (and related obligations).

Section 5.18. Pending Legislation and Decisions. There is no amendment, or to the knowledge of the City, proposed amendment to the Constitution of the State or any State law or any administrative interpretation of the Constitution of the State or any State law, or any legislation that has passed either house of the legislature of the State or is under consideration by any conference or similar committee, or any judicial decision interpreting any of the foregoing, the effect of which will materially adversely affect the security for any of the Bonds (including Unremarketed Bonds), the City’s ability to pay in full in a timely fashion the Revenues, or any

Obligations, the creation, organization, or existence of the City or the titles to office of any officers executing this Agreement or any Related Documents to which the City is a party or the City's ability to repay when due its obligations under this Agreement, any of the Bonds (including Unremarketed Bonds) or any other Obligation.

Section 5.19. Paying Agent. U.S. Bank National Association is the duly appointed and acting Paying Agent for the Bonds.

Section 5.20. Environmental Matters. The operations of the System are in material compliance with all of the requirements of applicable federal, state and local environmental, health and safety statutes and regulations and are not the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, where a failure to comply with any such requirement or the need for any such remedial action could reasonably be expected to result in a Material Adverse Effect. The City has not received notice to the effect that the operations of the System are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, in each case which non-compliance or remedial action could reasonably be expected to result in a Material Adverse Effect.

Section 5.21. No Immunity. The City is not entitled to claim the defense of sovereign immunity in any action, suit or proceeding arising under or relating to this Agreement or any other City Related Document (a) for monetary damages or (b) for the execution or enforcement of any judgment (subject to applicable bankruptcy or insolvency laws or limitations on legal remedies against public agencies in the State of California), nor may there be attributed to the City any such immunity (whether or not claimed).

Section 5.22. No Public Vote or Referendum. There is no public vote or referendum pending, proposed or concluded, the results of which could reasonably be expected to result in a Material Adverse Effect.

Section 5.23. Swap Agreements. The City has not entered into any Swap Agreement relating to Debt (i) wherein any termination payment thereunder is senior to or on a parity with the payment of the Bonds (including Unremarketed Bonds) or the other Obligations or (ii) which requires the City to post cash collateral to secure its obligations thereunder.

Section 5.24. Anti-Terrorism Laws. The City is not in violation of any Laws relating to terrorism or money laundering ("*Anti-Terrorism Laws*"), including Executive Order No. 13224 on Terrorist Financing, effective September 24, 2001 (the "*Executive Order*"), and the Patriot Act;

- (a) The City is not any of the following:

(i) a Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(ii) a Person owned or controlled by, or acting for or on behalf of, any Person that is listed in the annex to, or is otherwise subject to the provisions of, the Executive Order;

(iii) a Person with which the Purchaser is prohibited from dealing or otherwise engaging in any transaction by any Anti-Terrorism Law;

(iv) a Person that commits, threatens or conspires to commit or supports “terrorism” as defined in the Executive Order; or

(v) a Person that is named as a “specially designated national and blocked person” on the most current list published by the Office of Foreign Asset Control (“OFAC”) or any list of Persons issued by OFAC pursuant to the Executive Order at its official website or any replacement website or other replacement official publication of such list;

(b) The City does not (i) conduct any business or engage in making or receiving any contribution of funds, goods or services to or for the benefit of any Person described in subsection (a)(ii) above, (ii) deal in, or otherwise engage in any transaction relating to, any property or interests in property blocked pursuant to the Executive Order or (iii) engage in or conspires to engage in any transaction that evades or avoids, or has the purpose of evading or avoiding, or attempts to violate, any of the prohibitions set forth in any Anti-Terrorism Law.

Section 5.25. Use of Bonds Proceeds. The proceeds of the Bonds will be expended in the manner set forth in the Paying Agent Agreement and the Resolution.

ARTICLE VI

COVENANTS OF THE CITY

The City covenants and agrees, until the full and final payment and satisfaction of all of the Obligations, except in any instance in which the Purchaser specially agrees in writing to any performance or noncompliance, that:

Section 6.01. Existence, Etc. The City (a) shall preserve and maintain its existence, rights and franchises as a municipal corporation duly organized and existing under the Constitution and laws of the State of California and (b) shall not liquidate or dissolve, or sell or lease or otherwise transfer or dispose of all or any substantial part of the property, assets or business related to the System, or combine, merge or consolidate with or into any other entity or Person or change the use of facilities or assets that generate Revenues.

Section 6.02. Maintenance of Properties. The City shall, in all material respects, maintain, preserve and keep the Property of the System in good repair, working order and condition (ordinary wear and tear excepted), so as not to result in a Material Adverse Effect.

Section 6.03. Compliance with Laws; Taxes and Assessments. The City shall comply with all Laws applicable to it and the Property of the System so as not to result in a Material Adverse Effect, such compliance to include, without limitation, paying all taxes, assessments and governmental charges imposed upon the Property of the System before the same become delinquent, unless and to the extent that the same are being contested in good faith and by appropriate proceedings and reserves are provided therefor that in the opinion of the City are adequate.

Section 6.04. Insurance. The City shall maintain commercial liability insurance (with financially sound carriers) or provide self-insurance in lieu of liability insurance against loss or damage to the System in such amounts (with reasonable deductibles for commercial insurance) and covering such risks to the same extent as is customary for comparable sewer systems in large metropolitan areas. The City is not required to maintain liability insurance or self-insurance in lieu of liability insurance in any period for which the City agrees to hold the SCM Fund harmless from all general, automobile, and public liability claims filed during such period so long as there is a reasonable basis for determining that the City is financially able to so hold the SCM Fund harmless. The City shall upon request of the Purchaser furnish a certificate setting forth in summary form the nature and extent of the insurance and self-insurance maintained pursuant to this Section 6.04.

Section 6.05. Reports. The City shall furnish to the Purchaser in form and detail satisfactory to the Purchaser:

(a) *Annual Report.* As soon as available and in any event within 270 calendar days after the end of each Fiscal Year of the City, a copy of the annual audited financial statements of the System for such year, including a balance sheet of the System as of the end of such Fiscal Year and the related statements of revenues, expenses and changes in fund balances and statement of cash flows, all in reasonable detail and reported on by a firm of nationally recognized independent certified public accountants, and the report of such firm of independent certified public accountants shall state, without qualification, that such financial statements present fairly the financial position of the System as of the end of such Fiscal Year, the results of operations, the changes in fund balances and cash flows of the System for such Fiscal Year then ended in conformity with GAAP together with (1) the opinion of the City's independent accountants and (2) a No Default Certificate signed by an Authorized City Representative stating that no Event of Default or Default has occurred, or if such Event of Default or Default has occurred, specifying the nature of such Event of Default or Default, the period of its existence, the nature and status thereof and any remedial steps taken or proposed to correct such Event of Default or Default.

(b) *Unaudited Quarterly Financials.* If at any time any Rating falls below "Aa3" (or its equivalent) by Moody's or "AA-" (or its equivalent) by S&P or Fitch, then

as soon as available, and in any event within 45 calendar days after the close of each fiscal quarter of each fiscal year, the unaudited financial statements of the System certified by the chief financial officer of the System or an Authorized City Representative covering the operations of the System for such fiscal quarter and containing:

(i) Unrestricted cash and investments that are liquid with 30 calendar days notice;

(ii) Sewer and Construction Maintenance Fund - Summary of Operations and Debt Service Coverage;

(iii) Debt Statement designating:

(A) Short term debt, including current portion of long term debt, accrued interest & variable rate debt (i.e. subject to put);

(B) Long term debt (net of current portion & VRDBs);

(C) Current swap mark (if applicable); and

(D) Lines of credit and commercial paper programs (if applicable, drawn & undrawn amounts).

(c) *Budget.* If at any time any Rating falls below “Aa3” (or its equivalent) by Moody’s or “AA-” (or its equivalent) by S&P or Fitch, then as soon as available, and in any event within one hundred twenty (120) calendar days following the approval thereof, a copy of each annual budget of the System.

(d) *Paying Agent, Notices.* As soon as available all notices, certificates, instruments, letters and written commitments in connection with the Bonds or any of the Related Documents provided to the Paying Agent other than those notices, certificates, instruments, letters and written commitments that relate solely to the routine issuance and payment of the Bonds.

(e) *Notices of Resignation of the Paying Agent.* As promptly as practicable, written notice to the Purchaser of any resignation of the Paying Agent immediately upon receiving notice of the same.

(f) *Offering Memorandum and Material Event Notices.* (A) Within ten (10) calendar days after the issuance of any issue of Subordinate Bonds or any other securities by the City with respect to which a final official statement or other offering or disclosure document has been prepared by the City, (1) a copy of such official statement or offering circular or (2) notice that such information has been filed with EMMA and is publicly available; and (B) during any period of time the City is subject to continuing disclosure requirements under Rule 15c2-12 promulgated pursuant to the Securities Exchange Act of 1934, as amended (17 C.F.R. Sec. 240-15c2-12), or any successor or similar legal

requirement, immediately following any dissemination, distribution or provision thereof to any Person, (1) a copy of any reportable event notice (as described in b(5)(i)(C) of Rule 15c2-12) disseminated, distributed or provided in satisfaction of or as may be required pursuant to such requirements or (2) notice that such event notice has been filed with EMMA and is publicly available.

(g) *Notice of Default or Event of Default.* (i) Promptly upon obtaining knowledge of any Default or Event of Default, or notice thereof, and in any event within five (5) Business Days thereafter, a certificate signed by an Authorized City Representative specifying in reasonable detail the nature and period of existence thereof and what action the City has taken or proposes to take with respect thereto; (ii) promptly following a written request of the Purchaser, a certificate of an Authorized City Representative as to the existence or absence, as the case may be, of a Default or an Event of Default under this Agreement; and (iii) promptly upon obtaining knowledge of any “default” or “event of default” as defined under any Bank Agreement, notice specifying in reasonable detail the nature and period of existence thereof and what action the City has taken or proposes to take with respect thereto.

(h) *Litigation.* As soon as practicable and in any event within ten (10) Business Days after the City obtains actual knowledge of: (i) any litigation, arbitration or governmental proceeding pending against the City in respect of the System which if determined adversely to the City could reasonably be expected to result in uninsured damages chargeable to the System in excess of \$25,000,000; (ii) any litigation, arbitration or governmental proceeding pending against the City or the System that challenges the City’s ability to perform its obligations under this Agreement and/or the City Related Documents; (iii) a change or amendment to the Charter or the City Administrative Code, which change or amendment is materially adverse to the City’s ability to perform its obligations under this Agreement and/or the City Related Documents; (iv) any other event or condition that could reasonably be expected to result in a Material Adverse Effect; and/or (v) the destruction of or any material damage to the System that is not fully covered by casualty insurance, in each case a statement of the Authorized City Representative of the City setting forth details describing the same and the steps being taken with thereto;

(i) *Ratings Change.* As soon as practicable, notice of any change in, or the suspension, withdrawal or unavailability of, any rating on Debt; and

(j) *Other Information.* Such other information (including, without limitation, management letters) regarding the business affairs, financial condition and/or operations of the City and the System as the Purchaser may from time to time reasonably request.

Section 6.06. Maintenance of Books and Records. The City will keep proper books of record and account, including, but not limited to with respect to the System and Revenues, in which full, true and correct entries in accordance with GAAP. All financial data (including financial ratios and other financial calculations) required to be submitted pursuant to this Agreement shall be prepared in conformity with GAAP applied on a consistent basis, as in effect

from time to time, applied in a manner consistent with that used in preparing the financial statements, except as otherwise specifically prescribed herein. Except as provided in the immediately preceding sentence, in preparing any financial data or statements contemplated or referred to in this Agreement, the System shall not vary or modify the accounting methods or principles from the accounting standards employed in the preparation of its audited financial statements described in Section 5.06 hereof.

Section 6.07. Access to Books and Records. To the extent permitted by law, the City will permit any Person designated by the Purchaser (at the expense of the Purchaser, unless and until a Default or Event of Default has occurred, at which time such expenses shall be borne by the City) to visit any of the offices of the City to examine the books and financial records (except books and financial records the examination of which by the Purchaser is prohibited by law or by attorney or client privilege), including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the City with their principal officers, employees and independent public accountants, all at such reasonable times and as often as the Purchaser may reasonably request. The City will upon reasonable notice permit any Person designated by the Purchaser in writing to visit any of the properties of the City, including the properties comprising the System, and to examine the books and financial records of the City relating to the System and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the City relating to the System with the principal officers of the City, all at such reasonable times and as often as the Purchaser may reasonably request.

Section 6.08. Compliance With Documents. The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in the Resolution and each of the other Related Documents to which it is a party, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Purchaser and shall be enforceable against the City (such enumerated covenants, agreements and defined and interpretative terms, the “Underlying Provisions”; the Underlying Provisions as so incorporated, the “*Incorporated Provisions*”). To the extent that any such Underlying Provision permits the City or any other party to waive compliance with such Underlying Provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the City or any other party, for purposes of this Agreement, the corresponding Incorporated Provision shall be complied with unless it is specifically waived by the Purchaser in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Purchaser which shall only be evidenced by the written approval by the Purchaser of the same. Except as permitted by Section 6.14 hereof, no termination or amendment to any Underlying Provision, shall be effective to terminate or amend any Incorporated Provision or release the City with respect thereto in each case without the prior written consent of the Purchaser. Notwithstanding any termination or expiration of any Underlying Provision, the City shall continue to observe the covenants therein contained for the benefit of the Purchaser until the termination of this Agreement and the payment in full of the Bonds (including Unremarketed Bonds) and all other Obligations. All such Incorporated Provisions shall be in addition to the express covenants contained herein and

shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

Section 6.09. Rate Covenant. (a) The City covenants and agrees that it shall take any and all action necessary such that Revenues in each Fiscal Year shall equal an amount at least sufficient to satisfy the respective provisions of Section 6.03 of the Resolution.

(b) So long as (i) this Agreement has not been terminated and/or (ii) any Obligations remain outstanding, the City shall continue to comply with the covenants and undertakings set forth in the Resolution, including, without limitation, Section 6.03 thereof, notwithstanding anything in the Resolution limiting such compliance to when a “Subordinate Bond” (as defined in the Resolution) remains outstanding thereunder.

Section 6.10. No Impairment. The City will neither take any action, nor cause the Paying Agent to take any action, under the Resolution or any other Related Document which would materially adversely affect the rights, interests, remedies or security of the Purchaser under this Agreement or any other Related Document or which could reasonably be expected to result in a Material Adverse Effect.

Section 6.11. Application of Bond Proceeds. The City will not take or omit to take any action, which action or omission will in any way result in the proceeds from the issuance of the Bonds being applied in a manner other than to pay the Purchase Price of the Bonds in connection therewith. The City will use the proceeds of the Bonds solely as provided for in the Paying Agent Agreement and the Resolution.

Section 6.12. Paying Agent. Without cause, the City will not, without the prior written consent of the Purchaser (which consent shall not be unreasonably withheld) remove, or seek to remove, the Paying Agent. The City shall at all times maintain a Paying Agent pursuant to the terms of the Resolution that is acceptable to the Purchaser.

Section 6.13. Reserved.

Section 6.14. Related Documents. The City will not amend or modify, or permit to be amended or modified in any manner whatsoever any Related Document in a manner which would materially adversely affect the City’s ability to repay Debt that is secured by Revenues or which adversely affects the security for the Bonds (including Unremarketed Bonds) or the other Obligations or the City’s ability to repay when due the Bonds (including Unremarketed Bonds) or the other Obligations or the interests, security, rights or remedies of the Purchaser without the prior written consent of the Purchaser or could reasonably be expected to result in a Material Adverse Effect.

Section 6.15. Liens. (a) The City shall not, directly or indirectly, incur, create or permit to exist any Lien on all or any part of the security provided by the Resolution that is senior to or on a parity with the Lien securing the Bonds (including Unremarketed Bonds), other than (i) Liens created under and in accordance with the terms of the Resolution; (ii) the Liens created for the benefit of the Bonds (including Unremarketed Bonds), Subordinate Bonds and Senior

Lien Bonds that has heretofore or may hereafter be issued; and (iii) Liens which could not reasonably be expected to materially adversely affect the interests, rights, remedies or security of the Purchaser under this Agreement and the other Related Documents.

(b) The City shall not, directly or indirectly, incur, create or permit to exist any Lien on all or any part of the security provided by the Resolution that is senior to or on a parity with the Lien securing the Obligations (other than the obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds), other than (i) Liens created under and in accordance with the terms of the Resolution; (ii) the Liens created for the benefit of the Bonds (including Unremarketed Bonds), other Subordinate Bonds and Senior Lien Bonds (and obligations relating thereto) that has heretofore or may hereafter be issued; and (iii) Liens which could not reasonably be expected to materially adversely affect the interests, rights, remedies or security of the Purchaser under this Agreement and the other Related Documents.

Section 6.16. Conversions and Redemptions. (a) The City shall provide sixty (60) calendar days written notice to the Purchaser prior to the date of any proposed conversion of the interest rate on the Bonds to a rate of interest other than the Index Interest Rate.

(b) The City shall provide sixty (60) calendar days written notice to the Purchaser prior to the date of any proposed optional redemption or purchase in lieu of redemption of Bonds pursuant to Article IV of the Paying Agent Agreement.

(c) In the event that the Purchaser on or prior to the forty-fifth (45th) calendar day preceding the Mandatory Tender Date has not agreed to repurchase the Bonds for a subsequent Index Interest Rate Period and, as a result, the Bonds shall be subject to tender on the Mandatory Tender Date, the City shall cause a remarketing agent to remarket the Bonds to another Bondholder in connection with the conversion of the interest rate on all of the Bonds to another interest rate mode or redeem (or purchase in lieu of redemption) the Bonds (including any Unremarketed Bonds), in either case, on or prior to such Mandatory Tender Date.

Section 6.17. Disclosure to Participants, Purchaser Transferees and Non-Purchaser Transferees. The City shall permit the Purchaser to disclose the financial information received by it pursuant to this Agreement to each Participant of the Purchaser, Purchaser Transferee and Non-Purchaser Transferee pursuant to Section 10.13 of this Agreement, subject to confidentiality restrictions and use restrictions customary for financial institutions.

Section 6.18. Other Agreements. In the event that the City shall, directly or indirectly, enter into or otherwise consent to any Bank Agreement which provides such Person with more restrictive covenants, additional or different events of default, greater rights and remedies and/or acceleration rights than are provided to the Purchaser in this Agreement (collectively, the “*Additional Rights*”), then, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (each such event referred to herein as a “*potential default*”) (without regard to a waiver of such potential default or event of default) under such Bank Agreement caused by such Additional Rights, such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Purchaser shall have the benefits of such Additional Rights; *provided,*

however, that such Additional Rights shall automatically be deemed to be incorporated into this Agreement and the Purchaser shall have the benefits of such Additional Rights only from and after the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event of default) under the related Bank Agreement caused by the Additional Rights or a failure by the City to comply with such Additional Rights. The City shall promptly, upon the occurrence of an event of default or an event or condition which with the giving of notice or lapse of time or both would become an event of default (without regard to a waiver of such potential default or event of default) under the related Bank Agreement caused by such Additional Rights or a failure by the City to comply with such Additional Rights, enter into an amendment to this Agreement to include such Additional Rights, *provided* that the Purchaser shall maintain the benefit of such Additional Rights even if the City fails to provide such amendment.

Section 6.19. Immunity from Jurisdiction. The City agrees to be sued on its contractual obligations, including this Agreement and the Obligations, and all contractual claims with respect hereto, and to the fullest extent permitted by applicable law hereby covenants that should such right arise in the future, it will not assert or exercise any right of immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) the jurisdiction of any state or federal court located in the State of California, (iii) relief by way of injunction, order for specific performance or for recovery of property consisting of monetary assets, cash or cash equivalent-type assets (whether before or after judgment, in aid of execution, or otherwise), and (iv) execution or enforcement of any judgment to which it or its revenues or monetary assets, cash or cash equivalent-type assets might otherwise be entitled in any suit, action or proceedings relating to this Agreement or any other Related Document in any state or federal court located in the State of California and no such immunity (whether or not claimed) may be attributed to the City or the Revenues (nor shall such attribution be claimed by the City). The foregoing covenant shall not apply to any claim being made on or relief or execution being granted against any revenues or assets of the City (other than the Revenues and amounts owed to the Purchaser or the Bondholder hereunder or under the other Related Documents) or to any tort claims.

Section 6.20. Swap Agreements. Without the prior written consent of the Purchaser, the City will not enter into any Swap Agreement relating to Debt (i) wherein any termination payments thereunder are senior to or on parity with the payment of the Bonds (including Unremarketed Bonds) or the other Obligations or (ii) which requires the City to post cash collateral to secure its obligations thereunder.

Section 6.21. Budget and Appropriation. To the fullest extent permitted and/or required by State law, the City shall cause the appropriate City official(s) to take any and all ministerial actions that may be necessary to facilitate the payment of the principal of and interest on the Bonds (including Unremarketed Bonds) and the payment of all other Obligations and to include the principal and interest on the Bonds (including Unremarketed Bonds) and the payment of all other Obligations in the annual budget of the City (including any necessary appropriations related thereto).

Section 6.22. Use of Purchaser's Name. Except as may be required by law (including federal and state securities laws), the City shall not include any information concerning the Purchaser (other than identifying the Purchaser as a party to its contracts with the City) that is not supplied in writing, or otherwise consented to, by the Purchaser expressly for inclusion therein, in any published materials (other than the City's staff reports, annual statements, audited financial statements, rating agency presentations) without the prior written consent of the Purchaser.

Section 6.23. Maintenance of Tax-Exempt Status of Bonds. The City shall not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the Bonds from gross income for purposes of federal income taxation or the exemption of such interest from State of California personal income taxes.

Section 6.24. Investment Policy. All investments of the City and the System have been and will be made in accordance with the terms of the Investment Policy.

Section 6.25. Environmental Laws. The City shall comply with all applicable Environmental Laws and cure any defect (or cause other Persons to cure any such defect) to the extent necessary to bring such real property owned, leased, occupied or operated by the City and affecting the System back into compliance with Environmental Laws and to comply with any cleanup orders issued by a Governmental Authority having jurisdiction thereover so as not to cause a Material Adverse Effect. The City shall at all times use and maintain the System safe and fit for its intended uses. The City shall also immediately notify the Purchaser of any actual or alleged material failure to so comply with or perform, or any material breach, violation or default under any Environmental Law.

Section 6.26. Federal Reserve Board Regulations. The City shall not use any portion of the proceeds of the Purchase Price of the Bonds for the purpose of carrying or purchasing any Margin Stock and shall not incur any Debt which is to be reduced, retired or purchased by the City out of such proceeds.

Section 6.27. Underlying Rating. The City shall at all times maintain a rating on its long-term unenhanced Parity Debt from at least two Rating Agencies. The City covenants and agrees that it shall not at any time withdraw any long-term unenhanced rating on its Parity Debt from any of Fitch, Moody's or S&P if the effect of such withdrawal would be to cure a Default or an Event of Default under this Agreement or reduce the Applicable Spread.

Section 6.28. Further Assurances. The City agrees to do such further acts and things and to execute and deliver to the Purchaser such additional assignments, agreements, powers and instruments as the Purchaser may reasonably require or reasonably deem advisable to carry into effect the purposes of this Agreement or to better assure and confirm to the Purchaser its rights, powers and remedies hereunder and under the City Related Documents.

Section 6.29. Plans. The City will (i) remain at all times in compliance with any applicable law (including any legally available grace periods) with respect to any Plan, and (ii) maintain each Plan as to which it may have any liability in compliance in all material respects

with the provisions of applicable law, the failure to comply with which could subject the City to any tax or penalty which tax or penalty, taken together, with all other taxes and penalties which could be assessed against the City by reason of all other non-compliances, would have a Material Adverse Effect.

Section 6.30. Ranking of Obligations. The City shall not take (or fail to take) any action that would result in the Bonds (including Unremarketed Bonds) not ranking at least *pari passu* in right of payment and security from Revenues and Trust Assets with other Subordinate Bonds and ranking subordinate to more than Senior Lien Bonds. The City shall not take (or fail to take) any action that would result in the Obligations (other than the obligation to pay the principal of and interest on the Bonds, including Unremarketed Bonds) ranking subordinate in right of payment and security from Revenues and Trust Assets to more than the Bonds (including Unremarketed Bonds), Subordinate Bonds and Senior Lien Bonds.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01. Events of Default. The occurrence of any of the following events (whatever the reason for such event and whether voluntary, involuntary, or effected by operation of Law) shall be an “Event of Default” hereunder, unless waived in writing by Purchaser:

(a) the City shall fail to pay the principal of or interest on any Bond (including any Unremarketed Bond) when due (whether by scheduled maturity, required prepayment, redemption or otherwise);

(b) the City shall fail to pay any Obligation (other than the obligation to pay the principal of or interest on the Bonds or Unremarketed Bonds) when due and such failure shall continue for five (5) calendar days;

(c) any representation or warranty made by or on behalf of the City in this Agreement or in any other Related Document or in any certificate or statement delivered hereunder or thereunder shall be incorrect or untrue in any material respect when made or deemed to have been made or delivered;

(d) the City shall default in the due performance or observance by it of any Incorporated Provision and/or default in the due performance or observance of any of the covenants set forth in Section 6.01, 6.09, 6.10, 6.11, 6.12, 6.13, 6.14, 6.15, 6.19, 6.20, 6.22, 6.23, 6.26, 6.27 and/or 6.30 hereof;

(e) the City shall (i) default in the due performance or observance of any other term, covenant or agreement contained in Section 6.05 hereof and such default shall remain unremedied for a period of five (5) Business Days after the occurrence thereof and/or (ii) default in the due performance or observance of any other term, covenant or agreement contained in this Agreement or any other Related Document and such default

shall remain unremedied for a period of thirty (30) calendar days after the occurrence thereof;

(f) the City shall (i) have entered involuntarily against it an order for relief under the United States Bankruptcy Code, as amended, (ii) become insolvent or shall not pay, or be unable to pay, or admit in writing its inability to pay, its debts generally as they become due, (iii) make an assignment for the benefit of creditors, (iv) apply for, seek, consent to, or acquiesce in, the appointment of a receiver, custodian, trustee, examiner, liquidator or similar official for it or any substantial part of its Property (including, without limitation, the System), (v) institute any proceeding seeking to have entered against it an order for relief under the United States Bankruptcy Code, as amended, to adjudicate it insolvent, or seeking dissolution, winding up, liquidation, reorganization, arrangement, marshalling of assets, adjustment or composition of it or its debts under any law relating to bankruptcy, insolvency or reorganization or relief of debtors or fail to file an answer or other pleading denying the material allegations of any such proceeding filed against it, (vi) take any corporate action in furtherance of any matter described in parts (i) through (v) above, or (vii) fail to contest in good faith any appointment or proceeding described in Section 7.01(g) of this Agreement;

(g) a custodian, receiver, trustee, examiner, liquidator or similar official shall be appointed for the City or any substantial part of its Property (including, without limitation, the System), or a proceeding described in Section 7.01(g)(v) shall be instituted against the City and such proceeding continues undischarged or any such proceeding continues undismissed or unstayed for a period of thirty (30) or more calendar days;

(h) a debt moratorium, debt restructuring (other than a refinancing or refunding in the ordinary course of the City's business), debt adjustment or comparable restriction is imposed on the repayment when due and payable of the principal of or interest on any Debt of the City by the City or any Governmental Authority with appropriate jurisdiction;

(i) (i) any provision of this Agreement or any Related Document related to (A) payment of principal of or interest on the Bonds (including Unremarketed Bonds) or any Parity Debt or Senior Debt or (B) the validity or enforceability of the pledge of the Revenues, Trust Assets or any other pledge or lien created by the Resolution shall at any time for any reason cease to be valid and binding on the City as a result of a finding or ruling by a court or Governmental Authority with competent jurisdiction, or shall be declared, in a final nonappealable judgment by any court of competent jurisdiction, to be null and void, invalid or unenforceable;

(ii) the validity or enforceability of any material provision of this Agreement or any Related Document related to (A) payment of principal of or interest on the Bonds (including Unremarketed Bonds) or any Parity Debt or Senior Debt, or (B) the validity or enforceability of the pledge of the Revenues, Trust Assets or any other pledge or lien created by the Resolution shall be publicly contested by the City; or

(iii) any other material provision of this Agreement or any other Related Document, other than a provision described in clause (i) above, shall at any time for any reason cease to be valid and binding on the City as a result of a ruling or finding by a court or a Governmental Authority with competent jurisdiction or shall be declared in a final non-appealable judgment by any court with competent jurisdiction to be null and void, invalid, or unenforceable, or the validity or enforceability thereof shall be publicly contested by the City;

(j) dissolution or termination of the existence of the City or the System;

(k) the City shall (i) default on the payment of the principal of or interest on any Parity Debt or Senior Debt including, without limitation, any regularly scheduled payments on Swap Agreements which constitute Parity Debt or Senior Debt, beyond the period of grace, if any, provided in the instrument or agreement under which such Parity Debt or Senior Debt was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Parity Debt or Senior Debt or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to cause (determined without regard to whether any notice is required) any such Parity Debt or Senior Debt to become immediately due and payable in full or enables the holder thereof to accelerate such Parity Debt or Senior Debt (in each such case whether by acceleration, mandatory redemption or mandatory tender of such Parity Debt or Senior Debt);

(l) the City shall (i) default on the payment of the principal of or interest on any Debt secured by or payable from Revenues (other than Parity Debt or Senior Debt) including, without limitation, any regularly scheduled payments on Swap Agreements, aggregating in excess of \$10,000,000, beyond the period of grace, if any, provided in the instrument or agreement under which such Debt was created or incurred; or (ii) default in the observance or performance of any agreement or condition relating to any Debt secured by or payable from Revenues (other than Parity Debt or Senior Debt) aggregating in excess of \$10,000,000, or contained in any instrument or agreement evidencing, securing or relating thereto, or any other default, event of default or similar event shall occur or condition exist, the effect of which default, event of default or similar event or condition is to cause (determined without regard to whether any notice is required) any such Debt to become immediately due and payable in full or enables the holder thereof to accelerate such Debt (in each such case whether by acceleration, mandatory redemption or mandatory tender of such Debt);

(m) any final non-appealable judgment or judgments, writ or writs or warrant or warrants of attachment, or any similar process or processes, which are not covered in full by insurance, with written acknowledgement of such coverage having been provided by the provider of such insurance coverage to the Purchaser, in an aggregate amount not less than \$25,000,000 payable from Revenues shall be entered or filed against the City or against any of its Property (including, without limitation, the System) and remain unvacated, unbonded or unstayed for a period of ninety (90) calendar days;

(n) any Event of Default under any Related Document (other than this Agreement) shall have occurred;

(o) any of Fitch, Moody's or S&P shall have downgraded its rating of any long-term unenhanced Parity Debt or Senior Debt of the City to below "BBB-" (or its equivalent), "Baa3" (or its equivalent), or "BBB-" (or its equivalent) respectively, or suspended or withdrawn or made unavailable its rating of the same for credit-related reasons;

(p) any of the funds or accounts established pursuant to the Subordinate General Resolution or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within thirty (30) calendar days after its issue or levy; or

(q) any event which materially and adversely affects the financial condition of the System or the ability of the City to observe and perform its obligations under this Agreement and the City Related Documents shall have occurred and be continuing.

Section 7.02. Consequences of an Event of Default. If an Event of Default specified in Section 7.01 hereof shall occur and be continuing, the Purchaser may take one or more of the following actions at any time and from time to time (regardless of whether the actions are taken at the same or different times):

(a) (i) by written notice to the Paying Agent and the City, declare the outstanding amount of the Obligations under this Agreement to be immediately due and payable without presentment, demand, protest or further notice of any kind, all of which are hereby expressly waived, and an action therefor shall immediately accrue;

(ii) deliver a written notice to the Paying Agent and the City that an Event of Default has occurred and is continuing and direct the Paying Agent and the City, as applicable, to cause a mandatory tender for purchase of the Bonds or take such other remedial action as is provided for in the Resolution or the Paying Agent Agreement;

(iii) either personally or by attorney or agent without bringing any action or proceeding, or by a receiver to be appointed by a court in any appropriate action or proceeding, take whatever action at law or in equity may appear necessary or desirable to collect the amounts due and payable under the Related Documents or to enforce performance or observance of any obligation, agreement or covenant of the City under the Related Documents, whether for specific performance of any agreement or covenant of the City or in aid of the execution of any power granted to the Purchaser in the Related Documents;

(iv) cure any Default, Event of Default or event of nonperformance hereunder or under any Related Document; *provided, however*, that the Purchaser shall have no obligation to effect such a cure; and

(v) exercise, or cause to be exercised, any and all remedies as it may have under the Related Documents (other than as provided for in clause (ii) of this Section 7.02(a)) and as otherwise available at law and at equity.

(b) Notwithstanding the provisions of Section 7.02(a)(i) or 7.02(a)(ii), (x) the Purchaser shall not cause a mandatory tender for purchase of the Bonds as described in Section 7.02(a)(i) or 7.02(a)(ii) until seven (7) calendar days after the occurrence of an Event of Default specified in Section 7.01(a), 7.01(f), 7.01(g), 7.01(h), 7.01(i)(i), 7.01(i)(ii), 7.01(j) and/or 7.01(k) and (y) the Purchaser shall notify the City of a mandatory tender for purchase at least one hundred eighty (180) calendar days prior thereto in the case of any Event of Default not specified in the immediately preceding clause (x). Notwithstanding the foregoing sentence of this Section 7.02(b), if any other holder or credit enhancer of Debt or any counterparty under any Swap Agreement related thereto causes any such Debt or other obligations of the City to become immediately due and payable, the Purchaser may immediately, without notice, avail itself of the remedies set forth in Section 7.02(a)(i) or 7.02(a)(ii) hereof and/or declare or cause to be declared the unpaid principal amount of all outstanding Bonds, all interest accrued and unpaid thereon, and all other amounts owing or payable hereunder to be immediately due and payable.

Section 7.03. Remedies Cumulative; Solely for the Benefit of Purchaser. To the extent permitted by, and subject to the mandatory requirements of, applicable Law, each and every right, power and remedy herein specifically given to the Purchaser in the Related Documents shall be cumulative, concurrent and nonexclusive and shall be in addition to every other right, power and remedy herein specifically given or now or hereafter existing at law, in equity or by statute, and each and every right, power and remedy (whether specifically herein given or otherwise existing) may be exercised from time to time and as often and in such order as may be deemed expedient by the Purchaser, and the exercise or the beginning of the exercise of any power or remedy shall not be construed to be a waiver of the right to exercise at the same time or thereafter any other right, power or remedy.

The rights and remedies of the Purchaser specified herein are for the sole and exclusive benefit, use and protection of the Purchaser, and the Purchaser is entitled, but shall have no duty or obligation to the City, the Paying Agent or any other Person or otherwise, to exercise or to refrain from exercising any right or remedy reserved to the Purchaser hereunder or under any of the other Related Documents.

Section 7.04. Waivers or Omissions. No delay or omission by the Purchaser in the exercise of any right, remedy or power or in the pursuit of any remedy shall impair any such right remedy or power or be construed to be a waiver of any default on the part of the Purchaser or to be acquiescence therein. No express or implied waiver by the Purchaser of any Event of Default shall in any way be a waiver of any future or subsequent Event of Default.

Section 7.05. Discontinuance of Proceedings. In case the Purchaser shall proceed to invoke any right, remedy or recourse permitted hereunder or under the Related Documents and shall thereafter elect to discontinue or abandon the same for any reason, the Purchaser shall have the unqualified right so to do and, in such event, the City and the Purchaser shall be restored to their former positions with respect to the Obligations, the Related Documents and otherwise, and the rights, remedies, recourse and powers of the Purchaser hereunder shall continue as if the same had never been invoked.

ARTICLE VIII

INDEMNIFICATION

Section 8.01. Indemnification. In addition to any and all rights of reimbursement, indemnification, subrogation or any other rights pursuant hereto or under law or equity, the City hereby agrees (to the extent permitted by law) to indemnify and hold harmless each Bondholder or Credit Protection Provider and its officers, directors and agents (each, an “*Indemnatee*”) from and against any and all claims, damages, losses, liabilities, reasonable costs or expenses whatsoever (including reasonable attorneys’ fees) which may incur or which may be claimed against an Indemnatee by any Person or entity whatsoever (collectively, the “*Liabilities*”) by reason of or in connection with: (a) the execution and delivery or transfer of, or payment or failure to pay under, any Related Document; (b) the issuance and sale of the Bonds; (c) the use of the proceeds of the Bonds; and (d) any Government Acts; *provided* that the City shall not be required to indemnify an Indemnatee for any claims, damages, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by the willful misconduct or gross negligence of such Indemnatee. If any proceeding shall be brought or threatened against an Indemnatee by reason of or in connection with the events described in clause (a), (b) or (c) as a condition of indemnity hereunder each Indemnatee shall promptly notify the City in writing and the City shall assume the defense thereof, including the employment of counsel satisfactory to such Indemnatee and the payment of all reasonable costs of litigation. Notwithstanding the preceding sentence, each Indemnatee shall have the right to employ its own counsel and to determine its own defense of such action in any such case, but the fees and expenses of such counsel shall be at the expense of such Indemnatee unless (i) the employment of such counsel shall have been authorized in writing by the City, or (ii) the City, after due notice of the action, shall not have employed counsel satisfactory to such Indemnatee to have charge of such defense, in either of which events the reasonable fees and expenses of counsel for such Indemnatee shall be borne by the City. The City shall not be liable for any settlement of any such action effected without its consent. Nothing under this Section 8.01 is intended to limit the City’s payment of the Obligations.

Section 8.02. Survival. The obligations of the City under this Article VIII shall survive the payment of the Bonds and the termination of this Agreement.

ARTICLE IX

CITY PROVISIONS

Section 9.01. Nondiscrimination and Affirmative Action Program.

(a) *Non-Discrimination In Employment.* To the extent the Purchaser is subject to and required by the hereinafter defined LA Admin Code, during the term of this Agreement, the Purchaser agrees and obligates itself in the performance of this Agreement not to discriminate against any employee or applicant for employment because of the employee's or applicant's race, religion, national origin, ancestry, sex, sexual orientation, age, physical handicap, marital status, domestic partner status, or medical condition. To the extent the Purchaser is subject to and required by the LA Admin Code, the Purchaser shall take affirmative action to ensure that applicants for employment are treated, during the term of this Agreement, without regard to the aforementioned factors and shall comply with the affirmative action requirements of the Los Angeles Administrative Code as in effect on the Effective Date (the "*LA Admin Code*"), Sections 10.8, et seq.

(b) *Equal Employment Practices.* To the extent required by the hereinafter defined Equal Employment Practices, if the total payments made under this Agreement are One Thousand Dollars (\$1,000) or more, this provision shall apply. To the extent the Purchaser is subject to and required by the Equal Employment Practices, during the performance of this Agreement, the Purchaser agrees to comply with Section 10.8.3 of the LA Admin Code as in effect on the Effective Date ("*Equal Employment Practices*"), which is incorporated herein by this reference to the extent required by the Equal Employment Practices. A copy of Section 10.8.3 of the LA Admin Code in effect on the Effective Date has been attached to this Agreement for the convenience of the parties as *Exhibit B* hereto. By way of specification but not limitation, pursuant to Sections 10.8.3.E and 10.8.3.F of the LA Admin Code, the failure of the Purchaser to comply with the Equal Employment Practices provisions of this Agreement could be deemed to be a material breach of this Agreement. No such finding shall be made or penalties assessed except pursuant to the Equal Employment Practices and upon a full and fair hearing after notice and an opportunity to be heard have been given to the Purchaser. Upon a finding duly made that the Purchaser has failed to comply with the Equal Employment Practices provisions of this Agreement, this Agreement could be forthwith terminated, cancelled, or suspended to the extent required by the Equal Employment Practices. Any such termination of this Agreement pursuant to the Equal Employment Practices shall be subject to the termination provisions set forth in Section 4.05 of this Agreement.

(c) *Affirmative Action Program.* To the extent required by the hereinafter defined Affirmative Action Program, if the total payments made under this Agreement are One Hundred Thousand Dollars (\$100,000) or more, this provision shall apply. To the extent the Purchaser is subject to and required by the Affirmative Action Program, during the performance of this Agreement, the Purchaser agrees to comply with Section 10.8.4 of the LA Admin Code as in effect on the Effective Date ("*Affirmative Action Program*"), which is incorporated herein by this reference to the extent required by the Affirmative Action Program. A copy of Section 10.8.4 of the LA Admin Code in effect on the Effective Date has been attached to this

Agreement for the convenience of the parties as *Exhibit C* hereto. By way of specification but not limitation, pursuant to Sections 10.8.4.E and 10.8.4.F of the LA Admin Code, the failure of the Purchaser to comply with the Affirmative Action Program provisions of this Agreement could be deemed to be a material breach of this Agreement. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard have been given to the Purchaser. Upon a finding duly made that the Purchaser has failed to comply with the Affirmative Action Program provisions of this Agreement, this Agreement could be forthwith terminated, cancelled, or suspended to the extent required by the Affirmative Action Program provisions. Any such termination of this Agreement pursuant to the Affirmative Action Program shall be subject to the termination provisions set forth in Section 4.05 of this Agreement.

Section 9.02. Child Support Orders. To the extent required by the hereinafter defined Child Support Provisions, this Agreement is subject to Section 10.10, Article I, Chapter 1, Division 10 of the LA Admin Code related to Child Support Assignment Orders as in effect on the Effective Date ("*Child Support Provisions*"), which is incorporated herein by this reference to the extent required by the Child Support Provisions. A copy of the Child Support Provisions in effect on the Effective Date has been attached to this Agreement for the convenience of the parties as *Exhibit D* hereto. To the extent the Purchaser is subject to and required by the Child Support Provisions, pursuant to this section, the Purchaser (and any subcontractor of the Purchaser providing services to the City under this Agreement) shall (1) fully comply with all State and Federal employment reporting requirements for the Purchaser's or the Purchaser's subcontractor's employees applicable to Child Support Assignment Orders; (2) certify that the principal owner(s) of the Purchaser and applicable subcontractors are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally; (3) fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230, et seq.; and (4) maintain such compliance throughout the term of this Agreement. To the extent the Purchaser is subject to and required by Section 10.10(b) of the LA Admin Code, failure of the Purchaser or an applicable subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignment Orders and Notices of Assignment or the failure of any principal owner(s) of the Purchaser or applicable subcontractors to comply with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally, shall (only to the extent required by the Child Support Provisions) constitute a default of this Agreement subjecting (only to the extent required by the Child Support Provisions) this Agreement to termination where such failure shall continue for more than ninety (90) calendar days after notice of such failure to the Purchaser or such applicable subcontractor by the City (in lieu of any time for cure provided elsewhere in this Agreement). Any such termination of this Agreement pursuant to the Child Support Provisions shall be subject to the termination provisions set forth in Section 4.05 of this Agreement.

Section 9.03. Compliance with Los Angeles City Charter Section 470(c)(12). The Purchaser, the Participants, the Subcontractors and their Principals are obligated to fully comply with Charter Section 470(c)(12), Ordinance No. 181972 and other applicable ordinances related to Charter Section 470(c)(12) regarding limitations on campaign contributions and fundraising for the City Attorney and the Controller of the City, candidates for these offices, and the City

committees they control (the “*Measure H Ordinance*”) to the extent such provisions are applicable to this Agreement for such period as is required by the Measure H Ordinance. Additionally, the Purchaser is required, for as long as required by the Measure H Ordinance, to provide and update certain information required by the Measure H Ordinance to the City within the timeframe required by the Measure H Ordinance; in turn, the City will electronically submit the information to the City Ethics Commission as required by the Measure H Ordinance. The Purchaser shall include the following notice (each a “*Participant/Subcontractor Notice*”) in any contract with a Participant or a Subcontractor expected to receive at least \$100,000 (each a “*Measure H Subcontract*”) in connection with its participation in this Agreement:

Notice Regarding Los Angeles Campaign Contribution and Fundraising Restrictions.

As provided in Los Angeles City Charter Section 470(c)(12), Ordinance No. 181972 and other applicable ordinances related to Charter Section 470(c)(12) (the “*Measure H Ordinance*”), you are considered a subcontractor in connection with the Continuing Covenant Agreement dated as of December 1, 2015, between the City of Los Angeles, California (the “*City*”) and Banc of America Preferred Funding Corporation, as Purchaser. Pursuant to the Los Angeles City Charter Section 470(c)(12), you and your Principals are prohibited from making campaign contributions and fundraising for the City Attorney and the Controller of the City, candidates for these offices, and the City committees they control, as provided in the Measure H Ordinance. You are required to provide to the Purchaser, the information required by the Measure H Ordinance with respect to your Principals and contact information within the timeframe required by the Measure H Ordinance and to update that information if it changes during the timeframe required by the Measure H Ordinance. Failure to comply may result in termination of this [Participation Agreement] or any other available legal remedies, including fines. Information about the restrictions may be found at the City Ethics Commission’s website at <http://ethics.lacity.org/> or by calling (213) 978-1960.

The Purchaser, the Participants, the Subcontractors and their Principals shall comply with these requirements and limitations. Any failure of the Purchaser to include a Participant/Subcontractor Notice in an applicable Measure H Subcontract pursuant to the foregoing provision and any violation of Section 470(c)(12) of the Charter or the Measure H Ordinance by the Purchaser or a Principal of the Purchaser shall entitle the City to terminate this Agreement in accordance with the terms of the Measure H Ordinance and pursue any and all applicable legal remedies that may be available to the City. Any such termination of this Agreement pursuant to the Measure H Ordinance shall be subject to the termination provisions set forth in Section 4.05 of this Agreement. Any violation of Section 470(c)(12) of the Charter or the Measure H Ordinance by a Participant or Subcontractor or their respective Principals may

subject the Participant or Subcontractor or such respective Principal to penalties under Section 470(c)(12) of the Charter or the Measure H Ordinance.

The Purchaser represents and warrants that the individuals identified on Bidder Contributions CEC Form 55 submitted in connection with this Agreement on the Effective Date, other than those described clauses (i), (ii), (iii) or (v) of the definition of “Principal” herein, are the individual employees authorized to represent the Purchaser before the City in connection with this Agreement.

During the term of this Agreement, the City shall use its commercially reasonable efforts to provide the Purchaser with notice of any adopted or enacted changes, additions, amendments or modifications to campaign contribution or fundraising restrictions applicable to the Purchaser that relate to this Agreement (including, without limitation, any amendments or modifications to the Charter or the Measure H Ordinance), within seven (7) Business Days after the adoption or enactment thereof; *provided that* the Purchaser acknowledges that it is solely responsible for complying with the provisions of this Section and the City’s failure to provide such information shall not constitute an Event of Default. The Purchaser may obtain information about the Measure H Ordinance at the City Ethics Commission’s website at <http://ethics.lacity.org/> or by calling 213/978-1960.

ARTICLE X

MISCELLANEOUS

Section 10.01. Patriot Act Notice. The Purchaser hereby notifies the City that pursuant to the requirements of the Patriot Act it is required to obtain, verify and record information that identifies the City, which information includes the name and address of the City and other information that will allow the Purchaser to identify the City in accordance with the Patriot Act. The City hereby agrees that it shall promptly provide such information upon request by the Purchaser.

Section 10.02. Further Assurances. From time to time upon the request of either party hereto, the other shall promptly and duly execute, acknowledge and deliver any and all such further instruments and documents as the requesting party may in its reasonable discretion deem necessary or desirable to confirm this Agreement, and the other Related Documents, to carry out the purpose and intent hereof and thereof or to enable the requesting party to enforce any of its rights hereunder or thereunder. At any time, and from time to time, upon request by the Purchaser, the City will, at the City’s expense, (a) correct any defect, error or omission which may be discovered in the form or content of any of the Related Documents, and (b) make, execute, deliver and record, or cause to be made, executed, delivered and recorded, any and all further instruments, certificates, and other documents as may, in the opinion of the Purchaser, be necessary or desirable in order to complete, perfect or continue and preserve the Lien of the Resolution. Upon any failure by the City to do so, the Purchaser or the Paying Agent may make, execute and record any and all such instruments, certificates and other documents for and in the name of the City, all at the sole expense of the City, and the City hereby appoints the Purchaser and the Paying Agent the agent and attorney-in-fact of the City to do so, this appointment being

coupled with an interest and being irrevocable. Without limitation of the foregoing, the City irrevocably authorizes the Purchaser at any time and from time to time to file any initial financing statements, amendments thereto and continuation statements deemed necessary or desirable by the Purchaser to establish or maintain the validity, perfection and priority of the security interests granted in the Resolution, and the City ratifies any such filings made by the Purchaser prior to the date hereof. In addition, at any time, and from time to time, upon request by the Purchaser or the Paying Agent, the City will, at the City's expense, provide any and all further instruments, certificates and other documents as may, in the opinion of the Purchaser or the Paying Agent, be necessary or desirable in order to verify the City's identity and background in a manner satisfactory to the Purchaser or the Paying Agent, as the case may be.

Section 10.03. Amendments and Waivers; Enforcement. The Purchaser and the City may from time to time enter into agreements amending, modifying or supplementing this Agreement or the other Related Documents or changing the rights of the Purchaser or the City hereunder or thereunder, and the Purchaser may from time to time grant waivers or consents to a departure from the due performance of the obligations of the City hereunder or thereunder. Any such agreement, waiver or consent must be in writing and shall be effective only to the extent specifically set forth in such writing. In the case of any such waiver or consent relating to any provision hereof, any Default or Event of Default so waived or consented to shall be deemed to be cured and not continuing, but no such waiver or consent shall extend to any other or subsequent Default or Event of Default or impair any right consequent thereto.

Section 10.04. No Implied Waiver; Cumulative Remedies. No course of dealing and no delay or failure of the Purchaser in exercising any right, power or privilege under this Agreement or the other Related Documents shall affect any other or future exercise thereof or exercise of any right, power or privilege; nor shall any single or partial exercise of any such right, power or privilege or any abandonment or discontinuance of steps to enforce such a right, power or privilege preclude any further exercise thereof or of any other right, power or privilege. The rights and remedies of the Purchaser under this Agreement are cumulative and not exclusive of any rights or remedies which the Purchaser would otherwise have under any Related Document, at law or in equity.

Section 10.05. Notices. All notices, requests, demands, directions and other communications (collectively "notices") under the provisions of this Agreement shall be in writing (including facsimile communication), unless otherwise expressly permitted hereunder, and shall be sent by first-class mail or overnight delivery and shall be deemed received as follows: (i) if by first class mail, five (5) Business Days after mailing; (ii) if by overnight delivery, on the next Business Day; (iii) if by telephone, when given to a person who confirms such receipt; and (iv) if by facsimile, when confirmation of receipt is obtained. All notices shall be sent to the applicable party at the following address or in accordance with the last unrevoked written direction from such party to the other parties hereto:

The City: City of Los Angeles/CAO
200 North Main Street, Room 1500
Los Angeles, California 90012
Facsimile: (213) 473-7540
Telephone: (213) 473-7500
Attention: Natalie Brill

with a copy to: Los Angeles City Attorney
200 North Main Street, Room 920
MS 140
Los Angeles, California 90012
Facsimile: (213) 978-7711
Telephone (Main Office): (213) 978-8100
Telephone (Main Office for Public Finance):
(213) 978-7700
Attention: Public Finance

The Purchaser: Banc of America Preferred Funding Corporation
333 S. Hope Street, Suite 2310
Los Angeles, California 90071
Attention: Authorized Agent
Telephone: (213) 621-7131
Facsimile: (415) 796-5697
Email: greg.s.bailey@baml.com

With a copy to:

Bank of America, N.A.
555 California Street, Suite 1160
San Francisco, California 94104
Attention: Municipal Credit Officer
Telephone: (415) 913-2325
Facsimile: (213) 984-4051
Email: grace.barvin@baml.com

The Paying Agent: U.S. Bank National Association
633 West Fifth Street, 24th Floor
Los Angeles, California 90071
Attention: Corporate Trust Services
Facsimile: (213) 615-6199
Telephone: (213) 615-6001

The Purchaser may rely on any notice (including telephone communication) purportedly made by or on behalf of the other, and shall have no duty to verify the identity or authority of the Person giving such notice, unless such actions or omissions would amount to gross negligence or intentional misconduct.

Section 10.06. Right of Setoff. (a) Upon the occurrence of an Event of Default, a Bondholder may, at any time and from time to time, without notice to the City or any other person (any such notice being expressly waived), set off and appropriate and apply against and on account of any Obligations under this Agreement, without regard to whether or not such Bondholder shall have made any demand therefor, and although such Obligations may be contingent or unmatured, any and all deposits (general or special, including but not limited to deposits made pursuant to this Agreement and Debt evidenced by certificates of deposit, whether matured or unmatured, but not including trust accounts, such as restricted donor accounts) and any other Debt at any time held or owing by such Bondholder to or for the credit or the account of any or all of the City.

(b) Each Bondholder agrees promptly to notify the City after any such set-off and application referred to in subsection (a) above, *provided* that the failure to give such notice shall not affect the validity of such set-off and application. Subject to the provisions of subsection (a) above, the rights of a Bondholder under this Section 10.06 are in addition to other rights and remedies (including, without limitation, other rights of set-off) which such Bondholder may have.

Section 10.07. No Third-Party Rights. Nothing in this Agreement, whether express or implied, shall be construed to give to any Person other than the parties hereto and the Bondholders any legal or equitable right, remedy or claim under or in respect of this Agreement, which is intended for the sole and exclusive benefit of the parties hereto.

Section 10.08. Severability. The provisions of this Agreement are intended to be severable. If any provision of this Agreement shall be held invalid or unenforceable in whole or in part in any jurisdiction, such provision shall, as to such jurisdiction, be ineffective to the extent of such invalidity or unenforceability without in any manner affecting the validity or enforceability thereof in any other jurisdiction or the remaining provisions hereof in any jurisdiction.

Section 10.09. Governing Law; Consent to Jurisdiction and Venue; Consent to Judicial Reference. (a) THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK WITHOUT GIVING EFFECT TO CONFLICTS OF LAWS PROVISIONS (OTHER THAN NEW YORK GENERAL OBLIGATIONS LAWS 5-1401 AND 5-1402); *PROVIDED* THAT THE OBLIGATIONS OF THE CITY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF CALIFORNIA.

(b) TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, EACH OF THE PURCHASER AND THE CITY WAIVES THE RIGHT TO TRIAL BY JURY IN ANY CIVIL ACTION OR PROCEEDING ARISING OUT OF, OR BASED UPON, OR IN ANY WAY CONNECTED WITH THIS AGREEMENT OR ANY OTHER RELATED DOCUMENT.

(C) IN THE EVENT THAT, IN CONNECTION WITH ANY ACTION OR PROCEEDING BEFORE A STATE OR FEDERAL COURT IN THE STATE OF CALIFORNIA, SUCH COURT, OR ANY APPELLATE COURT, DETERMINES THAT THE JURY WAIVER REFERENCED IN PARAGRAPH (B) OF THIS SECTION 10.09 IS UNENFORCEABLE, THE PARTIES HERETO AGREE THAT ANY DISPUTE ARISING UNDER OR RELATING TO THIS AGREEMENT SHALL BE SUBJECT TO JUDICIAL REFERENCE PURSUANT TO THE TERMS OF CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638. IN SUCH EVENT, (I) THE REFEREE SHALL BE A RETIRED STATE OR FEDERAL JUDGE WITH EXPERIENCE IN PUBLIC FINANCE ISSUES AND (II) THE REFEREE SHALL DETERMINE ALL OF THE ISSUES IN THE ACTION OR PROCEEDING, WHETHER OF FACT OR OF LAW, AND WILL REPORT A STATEMENT OF DECISION. EACH OF THE PARTIES HERETO REPRESENTS THAT EACH HAS REVIEWED THIS CONSENT AND EACH KNOWINGLY AND VOLUNTARILY CONSENTS TO JUDICIAL REFERENCE FOLLOWING CONSULTATION WITH LEGAL COUNSEL ON SUCH MATTERS. IN THE EVENT OF LITIGATION, A COPY OF THIS AGREEMENT MAY BE FILED AS A WRITTEN CONSENT TO A TRIAL BY THE COURT OR TO JUDICIAL REFERENCE UNDER CALIFORNIA CODE OF CIVIL PROCEDURE SECTION 638 AS PROVIDED HEREIN.

(D) THE PARTIES HERETO HEREBY IRREVOCABLY SUBMIT TO THE JURISDICTION OF THE FEDERAL AND STATE COURTS OF THE STATE OF CALIFORNIA AND ANY APPELLATE COURT FROM ANY THEREOF, IN ANY ACTION, SUIT OR PROCEEDING BROUGHT AGAINST OR BY IT IN CONNECTION WITH THIS AGREEMENT OR ANY RELATED DOCUMENT OR FOR RECOGNITION OR ENFORCEMENT OF ANY JUDGMENT RELATED THERETO, AND THE PARTIES HERETO HEREBY IRREVOCABLY AND UNCONDITIONALLY AGREE THAT ALL CLAIMS IN RESPECT OF ANY SUCH ACTION OR PROCEEDING MAY BE HEARD OR DETERMINED IN SUCH CALIFORNIA FEDERAL OR STATE COURT. THE PARTIES AGREE THAT A FINAL NONAPPEALABLE JUDGMENT IN ANY SUCH ACTION, SUIT OR PROCEEDING SHALL BE CONCLUSIVE AND MAY BE ENFORCED IN OTHER JURISDICTIONS BY SUIT ON THE JUDGMENT OR IN ANY OTHER MANNER PROVIDED BY LAW. TO THE EXTENT PERMITTED BY APPLICABLE LAW, IN THE EVENT ANY SUIT, ACTION, CLAIM OR OTHER PROCEEDING IS BROUGHT IN ANY COURT REFERRED TO IN THE IMMEDIATELY PROCEEDING SENTENCE, THE PARTIES HEREBY WAIVE AND AGREE NOT TO ASSERT BY WAY OF MOTION, AS A DEFENSE OR OTHERWISE IN ANY SUCH SUIT, ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT, THAT THE SUIT, ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT IS BROUGHT IN AN INCONVENIENT FORUM OR THAT THE VENUE OF THE SUIT, ACTION OR PROCEEDING ARISING OUT OF THIS AGREEMENT IS IMPROPER.

(e) The covenants, waivers and consents made pursuant to this Section 10.09 shall be irrevocable and unmodifiable, whether in writing or orally, and shall be applicable to any subsequent amendments, renewals, supplements or modifications of this Agreement. In the event of litigation, this Agreement may be filed as a written consent to a trial by the court.

Section 10.10. Prior Understandings. This Agreement and the other Related Documents supersede all other prior understandings and agreements, whether written or oral, among the parties hereto relating to the transactions provided for herein and therein.

Section 10.11. Duration. All representations and warranties of the City contained herein or made in connection herewith shall survive the making of and shall not be waived by the execution and delivery of this Agreement or the other Related Documents. All covenants and agreements of the City contained herein shall continue in full force and effect from and after the date hereof until the Obligations have been fully discharged. Notwithstanding the foregoing, the

provisions of this Agreement, other than the definitions of “Base Rate,” “Default Rate,” “Federal Funds Rate,” “Prime Rate,” any other terms and provisions that are referenced in or necessary in connection with the Paying Agent Agreement or the Resolution or that specifically survive the termination of this Agreement, shall not be applicable at any time that the Purchaser, any Purchaser Transferee or any combination thereof, no longer owns a majority of the aggregate principal amount of the Bonds and the Obligations payable hereunder have been paid in full.

Section 10.12. Counterparts. This Agreement may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

Section 10.13. Successors and Assigns.

(a) *Successors and Assigns Generally.* This Agreement is a continuing obligation and shall be binding upon the City, its successors, transferees and assigns and shall inure to the benefit of the Bondholders and their respective permitted successors, transferees and assigns. The City may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of the Purchaser. Each Bondholder may, in its sole discretion and in accordance with applicable Law, from time to time assign, sell or transfer in whole or in part, this Agreement, its interest in the Bonds and the Related Documents in accordance with the provisions of paragraph (b) or (c) of this Section. Each Bondholder may at any time and from time to time enter into participation agreements in accordance with the provisions of paragraph (d) of this Section. Each Bondholder may at any time pledge or assign a security interest subject to the restrictions of paragraph (e) of this Section. Banc of America Preferred Funding Corporation shall be the Purchaser hereunder until such time as Banc of America Preferred Funding Corporation, any Purchaser Transferee or any combination thereof, no longer owns a majority of the aggregate principal amount of the Bonds and the Obligations payable hereunder have been paid in full.

(b) *Sales and Transfers by Bondholder to a Purchaser Transferee.* Without limitation of the foregoing generality, a Bondholder may at any time sell or otherwise transfer to one or more transferees all or a portion of the Bonds to a Person that is (i) a Purchaser Affiliate or (ii) a trust or other custodial arrangement established by the Purchaser or a Purchaser Affiliate, the owners of any beneficial interest in which are limited to “qualified institutional buyers” as defined in Rule 144A promulgated under the Securities Act of 1933, as amended (the “1933 Act”) or “accredited investors” as defined in Rule 501 of Regulation D under the 1933 Act (each, a “Purchaser Transferee”). From and after the date of such sale or transfer, Banc of America Preferred Funding Corporation (and its successors) shall continue to have all of the rights of the Purchaser hereunder and under the other Related Documents as if no such transfer or sale had occurred; *provided, however,* that (A) no such sale or transfer referred to in clause (b)(i) or (b)(ii) hereof shall in any way affect the obligations of the Purchaser hereunder, (B) the City and the Paying Agent shall be required to deal only with the Purchaser with respect to any matters under this Agreement and (C) in the case of a sale or transfer referred to in clause (b)(i) or (b)(ii) hereof, only the Purchaser shall be entitled to enforce the provisions of this Agreement against the City.

(c) *Sales and Transfers by Bondholder to a Non-Purchaser Transferee.* Without limitation of the foregoing generality, a Bondholder may at any time sell or otherwise transfer to one or more transferees which are not Purchaser Transferees but each of which constitutes a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act (each a “Non-Purchaser Transferee”) all or a portion of the Bonds if (A) written notice of such sale or transfer, including that such sale or transfer is to a Non-Purchaser Transferee, together with addresses and related information with respect to the Non-Purchaser Transferee, shall have been given to the City, the Paying Agent and the Purchaser (if different than the Bondholder) by such selling Bondholder and Non-Purchaser Transferee, and (B) the Non-Purchaser Transferee shall have delivered to the City, the Paying Agent and the selling Bondholder, an investment letter in substantially the form attached as Exhibit F hereto (the “Purchaser Letter”).

From and after the date the City, the Paying Agent and the selling Bondholder have received written notice and an executed Purchaser Letter, (A) the Non-Purchaser Transferee thereunder shall be a party hereto and shall have the rights and obligations of a Bondholder hereunder and under the other Related Documents, and this Agreement shall be deemed to be amended to the extent, but only to the extent, necessary to effect the addition of the Non-Purchaser Transferee, and any reference to the assigning Bondholder hereunder and under the other Related Documents shall thereafter refer to such transferring Bondholder and to the Non-Purchaser Transferee to the extent of their respective interests, and (B) if the transferring Bondholder no longer owns any Bonds, then it shall relinquish its rights and be released from its obligations hereunder and under the Related Documents.

(d) *Participations.* The Purchaser shall have the right to grant participations in all or a portion of the Purchaser’s interest in the Bonds, this Agreement and the other Related Documents to one or more other banking institutions; *provided, however,* that (i) no such participation by any such participant shall in any way affect the obligations of the Purchaser hereunder and (ii) the City and the Paying Agent shall be required to deal only with the Purchaser, with respect to any matters under this Agreement, the Bonds and the other Related Documents and no such participant shall be entitled to enforce any provision hereunder against the City.

(e) *Certain Pledges.* The Purchaser may at any time pledge or grant a security interest in all or any portion of its rights under the Bonds, this Agreement and the Related Documents to secure obligations of the Purchaser, including any pledge or assignment to secure obligations to a Federal Reserve Bank; *provided* that no such pledge or assignment shall release the Purchaser from any of its obligations hereunder or substitute any such pledgee or assignee for the Purchaser as a party hereto.

Section 10.14. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

Section 10.15. Acknowledgement and Appointment as the Calculation Agent Bank of America, N.A. hereby acknowledges and accepts its appointment as Calculation Agent during the Initial Period pursuant to the Paying Agent Agreement and acknowledges, accepts and agrees

to all the duties and obligations of the Calculation Agent set forth in the Paying Agent Agreement.

Section 10.16. No Fiduciary Relationship. The City acknowledges and agrees that its dealing with the Purchaser are solely in the nature of a debtor/creditor relationship and that in no event shall the Purchaser be considered to be a partner or joint venturer of the City. Also, the City represents and warrants that it has independently evaluated the business transaction and has not relied upon, nor will it rely upon, the expertise, advice or other comments or statements of the Purchaser (including agents of the Purchaser), if any, in deciding to pursue such undertaking. As the City is experienced in business, in no event shall the Purchaser owe any fiduciary or similar obligations to it in connection with the subject transaction.

Section 10.17. Electronic Signatures. The parties agree that the electronic signature of a party to this Agreement shall be as valid as an original signature of such party and shall be effective to bind such party to this Agreement. The parties agree that any electronically signed document (including this Agreement) shall be deemed (i) to be “written” or “in writing,” (ii) to have been signed and (iii) to constitute a record established and maintained in the ordinary course of business and an original written record when printed from electronic files. Such paper copies or “printouts,” if introduced as evidence in any judicial, arbitral, mediation or administrative proceeding, will be admissible as between the parties to the same extent and under the same conditions as other original business records created and maintained in documentary form. Neither party shall contest the admissibility of true and accurate copies of electronically signed documents on the basis of the best evidence rule or as not satisfying the business records exception to the hearsay rule. For purposes hereof, “electronic signature” means a manually-signed original signature that is then transmitted by electronic means; “transmitted by electronic means” means sent in the form of a facsimile or sent via the internet as a “pdf” (portable document format) or other replicating image attached to an e-mail message; and, “electronically signed document” means a document transmitted by electronic means and containing, or to which there is affixed, an electronic signature.

[SIGNATURES BEGIN ON THE FOLLOWING PAGE.]

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Effective Date.

BANC OF AMERICA PREFERRED FUNDING CORPORATION

By 
Name: Eric Kosmin
Title: Authorized Agent

CITY OF LOS ANGELES

By: _____
Name: _____
Title: _____

Acknowledged and Agreed to as to Section 10.15 of the Continuing Covenant Agreement

BANK OF AMERICA, N.A., as Calculation Agent

By _____
Name: Grace Barvin
Title: Senior Vice President

APPROVED AS TO FORM:
Michael N. Feuer, City Attorney

Date: December ____, 2015


By _____
Deputy/Assistant City Attorney

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Effective Date.

BANC OF AMERICA PREFERRED FUNDING
CORPORATION

By _____
Name: Eric Kosmin
Title: Authorized Agent

CITY OF LOS ANGELES

By:  _____
Name: Benjamin Ceja
Title: Assistant City Administrative Officer

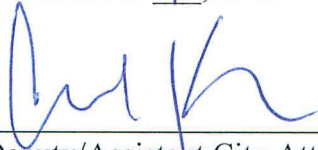
Acknowledged and Agreed to as to Section 10.15
of the Continuing Covenant Agreement

BANK OF AMERICA, N.A., as Calculation Agent

By _____
Name: Grace Barvin
Title: Senior Vice President

APPROVED AS TO FORM:
Michael N. Feuer, City Attorney

Date: December 7, 2015

By  _____
Deputy/~~Assistant~~ City Attorney

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and delivered as of the Effective Date.

BANC OF AMERICA PREFERRED FUNDING
CORPORATION

By _____

Name: Eric Kosmin

Title: Authorized Agent

CITY OF LOS ANGELES

By: _____

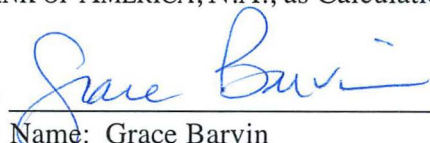
Name: _____

Title: _____

Acknowledged and Agreed to as to Section 10.15
of the Continuing Covenant Agreement

BANK OF AMERICA, N.A., as Calculation Agent

By



Name: Grace Barvin

Title: Senior Vice President

APPROVED AS TO FORM:
Michael N. Feuer, City Attorney

Date: December __, 2015

By _____
Deputy/Assistant City Attorney

EXHIBIT A

FORM OF NO DEFAULT CERTIFICATE

This No Default Certificate (this “*Certificate*”) is furnished to Banc of America Preferred Funding Corporation (the “*Purchaser*”) pursuant to that certain Continuing Covenant Agreement dated as of December 1, 2015 (the “*Agreement*”), between City of Los Angeles (the “*City*”) and Purchaser. Unless otherwise defined herein, the terms used in this Certificate shall have the meanings assigned thereto in the Agreement.

THE UNDERSIGNED HEREBY CERTIFIES THAT:

1. I am the duly elected chief financial officer of the City;
2. I have reviewed the terms of the Agreement and I have made, or have caused to be made under my supervision, a detailed review of the transactions and conditions of the System during the accounting period covered by the attached financial statements;
3. The examinations described in paragraph 2 did not disclose, and I have no knowledge of, the existence of any condition or the occurrence of any event which constitutes a Default or Event of Default during or at the end of the accounting period covered by the attached financial statements or as of the date of this Certificate, except as set forth below;
4. To the best of my knowledge the financial statements required by Section 6.05 of the Agreement and being furnished to you concurrently with this certificate fairly represent the financial condition of the System in accordance with GAAP (subject to year end adjustments) as of the dates and for the periods covered thereby; and

Described below are the exceptions, if any, to paragraph 3 by listing, in detail, the nature of the condition or event, the period during which it has existed and the action which the City has taken, is taking, or proposes to take with respect to each such condition or event:

The foregoing certifications and the financial statements delivered with this Certificate in support hereof, are made and delivered this _____ day of _____, 20__.

CITY OF LOS ANGELES

By: _____
Name: _____
Title: _____

EXHIBIT B

SECTION 10.8.3 OF THE LOS ANGELES ADMINISTRATIVE CODE

Sec. 10.8.3. Equal Employment Practices Provisions.

Every non-construction contract with or on behalf of the City of Los Angeles for which the consideration is \$1,000 or more, and every construction contract for which the consideration is \$1,000 or more, shall contain the following provisions, which shall be designated as the **EQUAL EMPLOYMENT PRACTICES** provision of such contract:

A. During the performance of this contract, the contractor agrees and represents that it will provide equal employment practices and the contractor and each subcontractor hereunder will ensure that in his or her employment practices persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

1. This provision applies to work or service performed or materials manufactured or assembled in the United States.

2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.

3. The contractor agrees to post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.

B. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to their race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

C. As part of the City's supplier registration process, and/or at the request of the awarding authority, or the Board of Public Works, Office of Contract Compliance, the contractor shall certify in the specified format that he or she has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, national origin, ancestry, sex, sexual orientation, age, disability, marital status or medical condition.

D. The contractor shall permit access to and may be required to provide certified copies of all of his or her records pertaining to employment and to employment practices by the awarding authority or the Office of Contract Compliance for the purpose of investigation to ascertain compliance with the Equal Employment Practices provisions of City contracts. On their or either of their request the contractor shall provide evidence that he or she has or will comply therewith.

E. The failure of any contractor to comply with the Equal Employment Practices provisions of this contract may be deemed to be a material breach of City contracts. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made or penalties assessed except upon a full and fair hearing after notice and an opportunity to be heard has been given to the contractor.

F. Upon a finding duly made that the contractor has failed to comply with the Equal Employment Practices provisions of a City contract, the contract may be forthwith canceled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City of Los Angeles. In addition thereto, such failure to comply may be the basis for a determination by the awarding authority or the Board of Public Works that the said contractor is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Charter of the City of Los Angeles. In the event of such a determination, such contractor shall be disqualified from being awarded a contract with the City of Los Angeles for a period of two years, or until the contractor shall establish and carry out a program in conformance with the provisions hereof.

G. Notwithstanding any other provision of this contract, the City of Los Angeles shall have any and all other remedies at law or in equity for any breach hereof.

H. The Board of Public Works shall promulgate rules and regulations through the Office of Contract Compliance, and provide necessary forms and required language to the awarding authorities to be included in City Request for Bids or Request for Proposal packages or in supplier registration requirements for the implementation of the Equal Employment Practices provisions of this contract, and such rules and regulations and forms shall, so far as practicable, be similar to those adopted in applicable Federal Executive orders. No other rules, regulations or forms may be used by an awarding authority of the City to accomplish the contract compliance program.

I. Nothing contained in this contract shall be construed in any manner so as to require or permit any act which is prohibited by law.

J. At the time a supplier registers to do business with the City, or when an individual bid or proposal is submitted, the contractor shall agree to adhere to the Equal Employment Practices specified herein during the performance or conduct of City Contracts.

K. Equal Employment Practices shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:

1. Hiring practices;
2. Apprenticeships where such approved programs are functioning, and other on-the-job training for non-apprenticeable occupations;
3. Training and promotional opportunities; and
4. Reasonable accommodations for persons with disabilities.

L. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.

SECTION HISTORY

Amended by: Ord. No. 147,030, Eff. 4-28-75; Paragraphs A., B., C., Ord. No. 164,516, Eff. 4-13-89; Paragraphs C., Ord. No. 168,244, Eff. 10-18-92; Ord. No. 173,186, Eff. 5-22-00; Subsec. F Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00.

EXHIBIT C

SECTION 10.8.4 OF THE LOS ANGELES ADMINISTRATIVE CODE

Sec. 10.8.4. Affirmative Action Program Provisions

Every non-construction contract with or on behalf of the City of Los Angeles for which the consideration is \$100,000 or more and every construction contract with or on behalf of the City of Los Angeles for which the consideration is \$5,000 or more shall contain the following provisions which shall be designated as the **AFFIRMATIVE ACTION PROGRAM** provisions of such contract:

A. During the performance of a City contract, the contractor certifies and represents that the contractor and each subcontractor hereunder will adhere to an affirmative action program to ensure that in its employment practices, persons are employed and employees are treated equally and without regard to or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

1. This provision applies to work or services performed or materials manufactured or assembled in the United States.

2. Nothing in this section shall require or prohibit the establishment of new classifications of employees in any given craft, work or service category.

3. The contractor shall post a copy of Paragraph A hereof in conspicuous places at its place of business available to employees and applicants for employment.

B. The contractor will, in all solicitations or advertisements for employees placed by or on behalf of the contractor, state that all qualified applicants will receive consideration for employment without regard to their race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

C. As part of the City's supplier registration process, and/or at the request of the awarding authority or the Office of Contract Compliance, the contractor shall certify on an electronic or hard copy form to be supplied, that the contractor has not discriminated in the performance of City contracts against any employee or applicant for employment on the basis or because of race, religion, ancestry, national origin, sex, sexual orientation, age, disability, marital status or medical condition.

D. The contractor shall permit access to and may be required to provide certified copies of all of its records pertaining to employment and to its employment practices by the awarding authority or the Office of Contract Compliance, for the purpose of investigation to ascertain compliance with the Affirmative Action Program provisions of City contracts, and on their or either of their request to provide evidence that it has or will comply therewith.

E. The failure of any contractor to comply with the Affirmative Action Program provisions of City contracts may be deemed to be a material breach of contract. Such failure shall only be established upon a finding to that effect by the awarding authority, on the basis of its own investigation or that of the Board of Public Works, Office of Contract Compliance. No such finding shall be made except upon a full and fair hearing after notice and an opportunity to be heard has been given to the contractor.

F. Upon a finding duly made that the contractor has breached the Affirmative Action Program provisions of a City contract, the contract may be forthwith cancelled, terminated or suspended, in whole or in part, by the awarding authority, and all monies due or to become due hereunder may be forwarded to and retained by the City of Los Angeles. In addition thereto, such breach may be the basis for a determination by the awarding authority or the Board of Public Works that the said contractor is an irresponsible bidder or proposer pursuant to the provisions of Section 371 of the Los Angeles City Charter. In the event of such determination, such contractor shall be disqualified from being awarded a contract with the City of Los Angeles for a period of two years, or until he or she shall establish and carry out a program in conformance with the provisions hereof.

G. In the event of a finding by the Fair Employment and Housing Commission of the State of California, or the Board of Public Works of the City of Los Angeles, or any court of competent jurisdiction, that the contractor has been guilty of a willful violation of the California Fair Employment and Housing Act, or the Affirmative Action Program provisions of a City contract, there may be deducted from the amount payable to the contractor by the City of Los Angeles under the contract, a penalty of TEN DOLLARS (\$10.00) for each person for each calendar day on which such person was discriminated against in violation of the provisions of a City contract.

H. Notwithstanding any other provisions of a City contract, the City of Los Angeles shall have any and all other remedies at law or in equity for any breach hereof.

I. The Public Works Board of Commissioners shall promulgate rules and regulations through the Office of Contract Compliance and provide to the awarding authorities electronic and hard copy forms for the implementation of the Affirmative Action Program provisions of City contracts, and rules and regulations and forms shall, so far as practicable, be similar to those adopted in applicable Federal Executive Orders. No other rules, regulations or forms may be used by an awarding authority of the City to accomplish this contract compliance program.

J. Nothing contained in City contracts shall be construed in any manner so as to require or permit any act which is prohibited by law.

K. The contractor shall submit an Affirmative Action Plan which shall meet the requirements of this chapter at the time it submits its bid or proposal or at the time it registers to do business with the City. The plan shall be subject to approval by the Office of Contract Compliance prior to award of the contract. The awarding authority may also require contractors and suppliers to take part in a pre-registration, pre-bid, pre-proposal, or pre-award conference in order to develop, improve or implement a qualifying Affirmative Action Plan. Affirmative Action Programs developed pursuant to this section shall be effective for a period of twelve months from the date of approval by the Office of Contract Compliance. In case of prior submission of a plan, the contractor may submit documentation that it has an Affirmative Action Plan approved by the Office of Contract Compliance within the previous twelve months. If the approval is 30 days or less from expiration, the contractor must submit a new Plan to the Office of Contract Compliance and that Plan must be approved before the contract is awarded.

(1) Every contract of \$5,000 or more which may provide construction, demolition, renovation, conservation or major maintenance of any kind shall in addition comply with the requirements of Section 10.13 of the Los Angeles Administrative Code.

(2) A contractor may establish and adopt as its own Affirmative Action Plan, by affixing his or her signature thereto, an Affirmative Action Plan prepared and furnished by the Office of Contract Compliance, or it may prepare and submit its own Plan for approval.

L. The Office of Contract Compliance shall annually supply the awarding authorities of the City with a list of contractors and suppliers who have developed Affirmative Action Programs. For each contractor and supplier the Office of Contract Compliance shall state the date the approval expires. The Office of Contract Compliance shall not withdraw its approval for any Affirmative Action Plan or change the Affirmative Action Plan after the date of contract award for the entire contract term without the mutual agreement of the awarding authority and the contractor.

M. The Affirmative Action Plan required to be submitted hereunder and the pre-registration, pre-bid, pre-proposal or pre-award conference which may be required by the Board of Public Works, Office of Contract Compliance or the awarding authority shall, without limitation as to the subject or nature of employment activity, be concerned with such employment practices as:

1. Apprenticeship where approved programs are functioning, and other on-the-job training for non-apprenticeable occupations;
2. Classroom preparation for the job when not apprenticeable;
3. Pre-apprenticeship education and preparation;
4. Upgrading training and opportunities;
5. Encouraging the use of contractors, subcontractors and suppliers of all racial and ethnic groups, provided, however, that any contract subject to this ordinance shall require the contractor, subcontractor or supplier to provide not less than the prevailing wage, working conditions and practices generally observed in private industries in the contractor's, subcontractor's or supplier's geographical area for such work;
6. The entry of qualified women, minority and all other journeymen into the industry; and
7. The provision of needed supplies or job conditions to permit persons with disabilities to be employed, and minimize the impact of any disability.

N. Any adjustments which may be made in the contractor's or supplier's work force to achieve the requirements of the City's Affirmative Action Contract Compliance Program in purchasing and construction shall be accomplished by either an increase in the size of the work force or replacement of those employees who leave the work force by reason of resignation, retirement or death and not by termination, layoff, demotion or change in grade.

O. Affirmative Action Agreements resulting from the proposed Affirmative Action Plan or the pre-registration, pre-bid, pre-proposal or pre-award conferences shall not be confidential and may be publicized by the contractor at his or her discretion. Approved Affirmative Action Agreements become the property of the City and may be used at the discretion of the City in its Contract Compliance Affirmative Action Program.

P. This ordinance shall not confer upon the City of Los Angeles or any Agency, Board or Commission thereof any power not otherwise provided by law to determine the legality of any existing collective bargaining agreement

and shall have application only to discriminatory employment practices by contractors or suppliers engaged in the performance of City contracts.

Q. All contractors subject to the provisions of this section shall include a like provision in all subcontracts awarded for work to be performed under the contract with the City and shall impose the same obligations, including but not limited to filing and reporting obligations, on the subcontractors as are applicable to the contractor. Failure of the contractor to comply with this requirement or to obtain the compliance of its subcontractors with all such obligations shall subject the contractor to the imposition of any and all sanctions allowed by law, including but not limited to termination of the contractor's contract with the City.

SECTION HISTORY

Amended by Ord. No. 147,030, Eff. 4-28-75; Paragraphs A., B., C., Ord. No. 164,516, Eff. 4-13-89; Paragraphs B. and C., Ord. No. 168,244, Eff. 10-18-92; Title and Section, Ord. No. 173,186, Eff. 5-22-00; Subsec. F, Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00.

EXHIBIT D

SECTION 10.10 OF THE LOS ANGELES ADMINISTRATIVE CODE

Sec. 10.10 Child Support Assignment Orders

a. **Definitions.**

1. **Awarding Authority** means a subordinate or component entity or person of the City (such as a City department or Board of Commissioners) that has the authority to enter into a contract or agreement for the provision of goods or services on behalf of the City of Los Angeles.

2. **Contract** means any agreement, franchise, lease or concession including an agreement for any occasional professional or technical personal services, the performance of any work or service, the provision of any materials or supplies, or the rendering of any service to the City of Los Angeles or to the public which is let, awarded or entered into with, or on behalf of, the City of Los Angeles or any awarding authority thereof.

3. **Contractor** means any person, firm, corporation, partnership or any combination thereof which submits a bid or proposal or enters into a contract with any awarding authority of the City of Los Angeles.

4. **Subcontractor** means any person, firm, corporation, partnership or any combination thereof who enters into a contract with a contractor to perform or provide a portion of any contract with the City.

5. **Principal Owner** means any person who owns an interest of 10 percent or more in a contractor or subcontractor as defined herein.

b. **Mandatory Contract Provisions.** Every contract that is let, awarded or entered into with or on behalf of the City of Los Angeles shall contain a provision obligating the contractor or subcontractor to fully comply with all applicable State and Federal employment reporting requirements for the contractor or subcontractor's employees. The contractor or subcontractor will also be required to certify that the principal owner(s) thereof are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally, that the contractor or subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignments in accordance with California Family Code §§5230 *et seq.* and that the contractor or subcontractor will maintain such compliance throughout the term of the contract.

Failure of a contractor or subcontractor to comply with all applicable reporting requirements or to implement lawfully served Wage and Earnings Assignments or Notices of Assignment or failure of the principal owner(s) to comply with any Wage and Earnings Assignments or Notices of Assignment applicable to them personally shall constitute a default under the contract. Failure of the contractor or subcontractor or principal owner thereof to cure the default within 90 days of notice of such default by the City shall subject the contract to termination.

c. **Notice to Bidders.** Each awarding authority shall be responsible for giving notice of the provisions of this ordinance to those who bid on, or submit proposals for, prospective contracts with the City.

d. **Current Contractor Compliance.** Within 30 days of the operative date of this ordinance, the City, through its operating departments, shall serve upon existing contractors a written request that they and their subcontractors (if any) comply with all applicable State and Federal employment reporting requirements for the contractor and subcontractor's employees, that they certify that the principal owner(s) of the contractor and any subcontractor are in compliance with any Wage and Earnings Assignment Orders and Notices of Assignment applicable to them personally, that the contractor and subcontractor will fully comply with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignments in accordance with California Family Code §§5230 *et seq.* and that the contractor and subcontractor will maintain such compliance throughout the term of the contract.

e. **City's Compliance with California Family Code.** The City shall maintain its compliance with the provisions of California Family Code §§5230 *et seq.* and all other applicable law regarding its obligations as an employer to implement lawfully served Wage and Earnings Assignments and Notices of Assignment.

f. **Report of Employees' Names to District Attorney.**

1. The City shall maintain its current practice of assisting the District Attorney's support enforcement activities by annually reporting to the Los Angeles County District Attorney the names of all of its employees and retirees so that the District Attorney may identify those employees and retirees subject to Wage and Earnings Assignment Orders and Notices of Assignment and may establish court orders for support, where appropriate. Should the District Attorney so request it, the City will provide such information on a more frequent basis.

2. All applicants for employment with the City of Los Angeles will be asked to acknowledge their responsibility to comply with any court-ordered support obligations and will be advised of the City's practice of assisting the District Attorney as described in the provisions of Subsection f.1., above.

SECTION HISTORY

Added by Ord. No. 172,401, Eff.2-13-99.

EXHIBIT E

SECTION 10.37 OF THE LOS ANGELES ADMINISTRATIVE CODE

Sec. 10.37. Legislative Findings

The City awards many contracts to private firms to provide services to the public and to City government. Many lessees or licensees of City property perform services that affect the proprietary interests of City government in that their performance impacts the success of City operations. The City also provides financial assistance and funding to others for the purpose of economic development or job growth. The City expends grant funds under programs created by the federal and state governments. Such expenditures serve to promote the goals established for those programs by such governments and similar goals of the City. The City intends that the policies underlying this article serve to guide the expenditure of such funds to the extent allowed by the laws under which such grant programs are established.

Experience indicates that procurement by contract of services has all too often resulted in the payment by service contractors to their employees of wages at or slightly above the minimum required by federal and state minimum wage laws. Such minimal compensation tends to inhibit the quantity and quality of services rendered by such employees to the City and to the public. Underpaying employees in this way fosters high turnover, absenteeism, and lackluster performance. Conversely, adequate compensation promotes amelioration of these undesirable conditions. Through this article the City intends to require service contractors to provide a minimum level of compensation that will improve the level of services rendered to and for the City.

The inadequate compensation typically paid today also fails to provide service employees with resources sufficient to afford life in Los Angeles. It is unacceptable that contracting decisions involving the expenditure of City funds should foster conditions placing a burden on limited social services. The City, as a principal provider of social support services, has an interest in promoting an employment environment that protects such limited resources. In requiring the payment of a higher minimum level of compensation, this article benefits that interest.

Nothing less than the living wage should be paid by the recipients of City financial assistance themselves. Whether they be engaged in manufacturing or some other line of business, the City does not wish to foster an economic climate where a lesser wage is all that is offered to the working poor. The same adverse social consequences from such inadequate compensation emanate just as readily from manufacturing, for example, as service industries. This article is meant to protect these employees as well.

The City holds a proprietary interest in the work performed by many employees employed by lessees and licensees of City property and by their service contractors and subcontractors. In a very real sense, the success or failure of City operations may turn on the success or failure of these enterprises, for the City has a genuine stake in how the public perceives the services rendered for them by such businesses. Inadequate compensation of these employees adversely impacts the performance by the City's lessee or licensee and thereby does the same for the success of City operations. By the 1998 amendment to this article, recognition is given to the prominence of this interest at those facilities visited by the public on a frequent basis, including but not limited to, terminals at Los Angeles International Airport, Ports O'Call Village in San Pedro, and golf courses and recreation centers operated by the Department of Recreation and Parks. This article is meant to cover all such employees not expressly exempted.

Requiring payment of the living wage serves both proprietary and humanitarian concerns of the City. Primarily because of the latter concern and experience to date regarding the failure of some employers to honor their obligation to pay the living wage, the 1998 amendments introduce additional enforcement mechanisms to ensure compliance with this important obligation. Non-complying employers must now face the prospect of paying civil penalties, but only if they fail to cure non-compliance after having been given formal notice thereof. Where non-payment is the issue, employers who dispute determinations of non-compliance may avoid civil penalties as well by paying into a City holding account the monies in dispute. Employees should not fear retaliation, such as by losing their jobs, simply because they claim their right to the living wage, irrespective of the accuracy of the claim. The 1998 amendments strengthen the prohibition against retaliation to serve as a critical shield against such employer misconduct.

SECTION HISTORY

Article and Section Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.

Sec. 10.37.1. Definitions

The following definitions shall apply throughout this article:

(a) "**Airport**" means the Department of Airports and each of the airports which it operates.
(b) "**Airport Employer**" means an Employer, as the term is defined in this section, at the Airport.
(c) "**Airport Employee**" means an Employee, as the term is defined in this section, of an Airport Employer.
(d) "**Awarding authority**" means that subordinate or component entity or person of the City (such as a department) or of the financial assistance recipient that awards or is otherwise responsible for the administration of a service contract or public lease or license, or, where there is no such subordinate or component entity or person, then the City or the City financial assistance recipient.

(e) "**City**" means the City of Los Angeles and all awarding authorities thereof, including those City departments which exercise independent control over their expenditure of funds, but excludes the Community Redevelopment Agency of the City of Los Angeles ("**CRA**"). The CRA is urged, however, to adopt a policy similar to that set forth in this article.

(f) "**City financial assistance recipient**" means any person who receives from the City discrete financial assistance for economic development or job growth expressly articulated and identified by the City, as contrasted with generalized financial assistance such as through tax legislation, in accordance with the following monetary limitations. Assistance given in the amount of one million dollars (\$1,000,000) or more in any twelve-month period shall require compliance with this article for five years from the date such assistance reaches the one million dollar (\$1,000,000) threshold. For assistance in any twelve-month period totaling less than one million dollars (\$1,000,000) but at least one hundred thousand dollars (\$100,000), there shall be compliance for one year if at least one hundred thousand dollars (\$100,000) of such assistance is given in what is reasonably contemplated at the time to be on a continuing basis, with the period of compliance beginning when the accrual during such twelve-month period of such continuing assistance reaches the one-hundred thousand dollar (\$100,000) threshold.

Categories of such assistance include, but are not limited to, bond financing, planning assistance, tax increment financing exclusively by the City, and tax credits, and shall not include assistance provided by the Community Development Bank. City staff assistance shall not be regarded as financial assistance for purposes of this article. A loan shall not be regarded as financial assistance. The forgiveness of a loan shall be regarded as financial assistance. A loan shall be regarded as financial assistance to the extent of any differential between the amount of the loan and the present value of the payments thereunder, discounted over the life of the loan by the applicable federal rate as used in 26 U.S.C. Sections 1274(d), 7872(f). A recipient shall not be deemed to include lessees and sublessees.

A recipient shall be exempted from application of this article if:

- (1) it is in its first year of existence, in which case the exemption shall last for one (1) year,
- (2) it employs fewer than five (5) employees for each working day in each of twenty (20) or more calendar weeks in the current or preceding calendar year, or
- (3) it obtains a waiver as provided herein.

A recipient - who employs the long-term unemployed or provides trainee positions intended to prepare employees for permanent positions, and who claims that compliance with this article would cause an economic hardship - may apply in writing to the City department or office administering such assistance, which department or office which shall forward such application and its recommended action on it to the City Council. Waivers shall be effected by Council resolution.

(g) "**Contractor**" means any person that enters into:

- (1) a service contract with the City,
- (2) a service contract with a proprietary lessee or licensee or sublessee or sublicensee, or
- (3) a contract with a City financial assistance recipient to assist the recipient in performing the work for which the assistance is being given. Vendors, such as service contractors, of City financial assistance recipients shall not be regarded as contractors except to the extent provided in Subsection (i).*

*Technical correction due to re-lettering of subsections: "Subsection (f)" corrected to "Subsection (i)".

(h) "**Designated Administrative Agency (DAA)**" means the Department of Public Works, Bureau of Contract Administration, who shall bear administrative responsibilities under this article.

(i) "**Employee**" means any person - who is not a managerial, supervisory, or confidential employee and who is not required to possess an occupational license - who is employed

(1) as a service employee of a contractor or subcontractor on or under the authority of one or more service contracts and who expends any of his or her time thereon, including but not limited to: hotel employees, restaurant, food service or banquet employees; janitorial employees; security guards; parking attendants; nonprofessional health care employees; gardeners; waste management employees; and clerical employees;

(2) as a service employee - of a public lessee or licensee, of a sublessee or sublicensee, or of a service contractor or subcontractor of a public lessee or licensee, or sublessee or sublicensee - who works on the leased or licensed premises;

(3) by a City financial assistance recipient who expends at least half of his or her time on the funded project; or

(4) by a service contractor or subcontractor of a City financial assistance recipient and who expends at least half of his or her time on the premises of the City financial assistance recipient directly involved with the activities funded by the City.

(j) **“Employer”** means any person who is a City financial assistance recipient, contractor, subcontractor, public lessee, public sublessee, public licensee, or public sublicensee and who is required to have a business tax registration certificate by Los Angeles Municipal Code §§ 21.00 - 21.198 or successor ordinance or, if expressly exempted by the Code from such tax, would otherwise be subject to the tax but for such exemption; provided, however, that corporations organized under §501(c)(3) of the United States Internal Revenue Code of 1954, 26 U.S.C. §501(c)(3), whose chief executive officer earns a salary which, when calculated on an hourly basis, is less than eight (8) times the lowest wage paid by the corporation, shall be exempted as to all employees other than child care workers.

(k) **“Person”** means any individual, proprietorship, partnership, joint venture, corporation, limited liability company, trust, association, or other entity that may employ individuals or enter into contracts.

(l) **“Public lease or license”**.

(a) Except as provided in (l)(b)*, **“Public lease or license”** means a lease or license of City property on which services are rendered by employees of the public lessee or licensee or sublessee or sublicensee, or of a contractor or subcontractor, but only where any of the following applies:

*Technical correction due to re-lettering of subsections: "(i)(b)" corrected to "(l)(b)".

(1) The services are rendered on premises at least a portion of which is visited by substantial numbers of the public on a frequent basis (including, but not limited to, airport passenger terminals, parking lots, golf courses, recreational facilities); or

(2) Any of the services could feasibly be performed by City employees if the awarding authority had the requisite financial and staffing resources; or

(3) The DAA has determined in writing that coverage would further the proprietary interests of the City.

(b) A public lessee or licensee will be exempt from the requirements of this article subject to the following limitations:

(1) The lessee or licensee has annual gross revenues of less than the annual gross revenue threshold, three hundred fifty thousand dollars (\$350,000), from business conducted on City property;

(2) The lessee or licensee employs no more than seven (7) people total in the company on and off City property;

(3) To qualify for this exemption, the lessee or licensee must provide proof of its gross revenues and number of people it employs in the company’s entire workforce to the awarding authority as required by regulation;

(4) Whether annual gross revenues are less than three hundred fifty thousand dollars (\$350,000) shall be determined based on the gross revenues for the last tax year prior to application or such other period as may be established by regulation;

(5) The annual gross revenue threshold shall be adjusted annually at the same rate and at the same time as the living wage is adjusted under section 10.37.2 (a);

(6) A lessee or licensee shall be deemed to employ no more than seven (7) people if the company’s entire workforce worked an average of no more than one thousand two-hundred fourteen (1,214) hours per month for at least three-fourths (3/4) of the time period that the revenue limitation is measured;

(7) Public leases and licenses shall be deemed to include public subleases and sublicenses;

(8) If a public lease or license has a term of more than two (2) years, the exemption granted pursuant to this section shall expire after two (2) years but shall be renewable in two-year increments upon meeting the requirements therefor at the time of the renewal application or such period established by regulation.

(m) **“Service contract”** means a contract let to a contractor by the City primarily for the furnishing of services to or for the City (as opposed to the purchase of goods or other property or the leasing or renting of property) and that involves an expenditure in excess of twenty-five thousand dollars (\$25,000) and a contract term of at least three (3) months; but only where any of the following applies:

(1) at least some of the services rendered are rendered by employees whose work site is on property owned by the City,

(2) the services could feasibly be performed by City employees if the awarding authority had the requisite financial and staffing resources, or

(3) the DAA has determined in writing that coverage would further the proprietary interests of the City.

(n) “**Subcontractor**” means any person not an employee that enters into a contract (and that employs employees for such purpose) with

(1) a contractor or subcontractor to assist the contractor in performing a service contract or

(2) a contractor or subcontractor of a proprietary lessee or licensee or sublessee or sublicensee to perform or assist in performing services on the leased or licensed premises. Vendors, such as service contractors or subcontractors, of City financial assistance recipients shall not be regarded as subcontractors except to the extent provided in Subsection (i).*

*Technical correction due to re-lettering of subsections: "Subsection (f)" corrected to "Subsection (i)".

(o) “**Willful violation**” means that the employer knew of his, her, or its obligations under this article and deliberately failed or refused to comply with its provisions.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (e), Ord. No. 176,155, Eff. 9-22-04; Subsec. (e), Ord. No. 176,283, Eff. 12-25-04, Oper. 9-22-04; Subsecs. (a) through (l) re-lettered (d) through (o), respectively and new Subsecs. (a), (b), and (c) added, Ord. No. 180,877, Eff. 10-19-09.

Sec. 10.37.2. Payment of Minimum Compensation to Employees

(a) **Wages.** Employers shall pay Employees a wage of no less than the hourly rates set under the authority of this article. The initial rates were seven dollars and twenty-five cents (\$7.25) per hour with health benefits, as described in this article, or otherwise eight dollars and fifty cents (\$8.50) per hour without health benefits. With the annual adjustment effective July 1, 2009, together with all previous annual adjustments as provided by this subsection, such rates are ten dollars and thirty cents (\$10.30) per hour with health benefits or, if health benefits are not provided, then fourteen dollars and eighty cents (\$14.80) per hour for Airport Employees and eleven dollars and fifty-five cents (\$11.55) per hour for all other Employees. The hourly rate with health benefits to be paid to all Employees and the hourly rate without health benefits to be paid to Airport Employees shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly rates, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted rates, which shall take effect upon such publication.

(b) **Compensated Days Off.** Employers shall provide at least twelve (12) compensated days off per year for sick leave, vacation, or personal necessity at the employee’s request. Employers shall also permit employees to take at least an additional ten (10) days a year of uncompensated time to be used for sick leave for the illness of the employee or a member of his or her immediate family where the employee has exhausted his or her compensated days off for that year.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (a), Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00; Subsec. (a), Ord. No. 180,877, Eff. 10-19-09.

Sec. 10.37.3 Health Benefits

(a) **Health Benefits.** The health benefits required by this article shall consist of the payment of at least four dollars and fifty cents (\$4.50) per hour by Airport Employers and at least one dollar and twenty-five cents (\$1.25) per hour by all other Employers towards the provision of health care benefits for Employees and their dependents. Proof of the provision of such benefits must be submitted to the awarding authority to qualify for the wage rate in Section 10.37(a) for Employees with health benefits. Airport Employees cannot waive the health benefits offered by an Airport Employer when the Airport Employer does not require an out-of-pocket contribution by the Airport Employee. Consistent with and as shall be reflected in the hourly rates payable to Airport Employees as provided in

10.37.2(a) above, the amount of payment for health benefits by Airport Employers shall be adjusted annually to correspond with adjustments, if any, to retirement benefits paid to members of the Los Angeles City Employees Retirement System (LACERS), made by the CERS Board of Administration under § 4.1040. The Office of Administrative and Research Services shall so advise the DAA of any such change by June 1 of each year and of the required new hourly payments, if any. On the basis of such report, the DAA shall publish a bulletin announcing the adjusted payment, which shall take effect upon such publication.

(b) **Periodic Review.** At least once every three years, the Office of Administrative and Research Services shall review the health benefit payment by Airport Employers set forth in 10.37.3(a) to determine whether the payment accurately reflects the cost of health care and to assess the impacts of the health benefit payment on Airport Employers and Airport Employees and shall transmit a report with its findings to the Council.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; In Entirety, Ord. No. 180,877, Eff. 10-19-09.

Sec. 10.37.4. Notifying Employees of their Potential Right to Federal Earned Income Credit

Employers shall inform employees making less than twelve dollars (\$12) per hour of their possible right to the federal Earned Income Credit (“EIC”) under Section 32 of the Internal Revenue Code of 1954, 26 U.S.C. Section 32, and shall make available to employees forms informing them about the EIC and forms required to secure advance EIC payments from the employer.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.

Sec. 10.37.5. Retaliation Prohibited.

Neither an employer, as defined in this article, nor any other person employing individuals shall discharge, reduce in compensation, or otherwise discriminate against any employee for complaining to the City with regard to the employer’s compliance or anticipated compliance with this article, for opposing any practice proscribed by this article, for participating in proceedings related to this article, for seeking to enforce his or her rights under this article by any lawful means, or for otherwise asserting rights under this article.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.

Sec. 10.37.6. Enforcement.

(a) An employee claiming violation of this article may bring an action in the Municipal Court or Superior Court of the State of California, as appropriate, against an employer and may be awarded:

(1) For failure to pay wages required by this article - back pay for each day during which the violation continued.

(2) For failure to pay medical benefits - the differential between the wage required by this article without benefits and such wage with benefits, less amounts paid, if any, toward medical benefits.

(3) For retaliation - reinstatement, back pay, or other equitable relief the court may deem appropriate.

(4) For willful violations, the amount of monies to be paid under (1) - (3) shall be trebled.

(b) The court shall award reasonable attorney’s fees and costs to an employee who prevails in any such enforcement action and to an employer who so prevails if the employee’s suit was frivolous.

(c) Compliance with this article shall be required in all City contracts to which it applies, and such contracts shall provide that violation of this article shall constitute a material breach thereof and entitle the City to terminate the contract and otherwise pursue legal remedies that may be available. Such contracts shall also include a pledge that there shall be compliance with federal law proscribing retaliation for union organizing.

(d) An employee claiming violation of this article may report such claimed violation to the DAA which shall investigate such complaint. Whether based upon such a complaint or otherwise, where the DAA has determined that an employer has violated this article, the DAA shall issue a written notice to the employer that the violation is to be

corrected within ten (10) days. In the event that the employer has not demonstrated to the DAA within such period that it has cured such violation, the DAA may then:

(1) Request the awarding authority to declare a material breach of the service contract, public lease or license, or financial assistance agreement and exercise its contractual remedies thereunder, which are to include, but not be limited to, termination of the service contract, public lease or license, or financial assistance agreement and the return of monies paid by the City for services not yet rendered.

(2) Request the City Council to debar the employer from future City contracts, leases, and licenses for three (3) years or until all penalties and restitution have been fully paid, whichever occurs last. Such debarment shall be to the extent permitted by, and under whatever procedures may be required by, law.

(3) Request the City Attorney to bring a civil action against the employer seeking:

(i) Where applicable, payment of all unpaid wages or health premiums prescribed by this article; and/or

(ii) A fine payable to the City in the amount of up to one hundred dollars (\$100) for each violation for each day the violation remains uncured.

Where the alleged violation concerns non-payment of wages or health premiums, the employer will not be subject to debarment or civil penalties if it pays the monies in dispute into a holding account maintained by the City for such purpose. Such disputed monies shall be presented to a neutral arbitrator for binding arbitration. The arbitrator shall determine whether such monies shall be disbursed, in whole or in part, to the employer or to the employees in question. Regulations promulgated by the DAA shall establish the framework and procedures of such arbitration process. The cost of arbitration shall be borne by the City, unless the arbitrator determines that the employer's position in the matter is frivolous, in which event the arbitrator shall assess the employer for the full cost of the arbitration. Interest earned by the City on monies held in the holding account shall be added to the principal sum deposited, and the monies shall be disbursed in accordance with the arbitration award. A service charge for the cost of account maintenance and service may be deducted therefrom.

(e) Notwithstanding any provision of this Code or any other ordinance to the contrary, no criminal penalties shall attach for violation of this article.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (d), Para. (1), Ord. No. 173,747, Eff. 2-24-01.

Sec. 10.37.7. Administration

The City Council shall by resolution designate a department or office, which shall promulgate rules for implementation of this article and otherwise coordinate administration of the requirements of this article (“**designated administrative agency**” - DAA). The DAA shall monitor compliance, including the investigation of claimed violations, and shall promulgate implementing regulations consistent with this article. The DAA shall also issue determinations that persons are City financial assistance recipients, that particular contracts shall be regarded as “**service contracts**” for purposes of Section 10.37.1(j), and that particular leases and licenses shall be regarded as “**public leases**” or “**public licenses**” for purposes of Section 10.37.1(i), when it receives an application for a determination of non-coverage or exemption as provided for in Section 10.37.13. The DAA shall also establish employer reporting requirements on employee compensation and on notification about and usage of the federal Earned Income Credit referred to in Section 10.37.4. The DAA shall report on compliance to the City Council no less frequently than annually.

During the first, third, and seventh years of this article's operation since May 5, 1997, and every third year thereafter, the Office of Administrative and Research Services and the Chief Legislative Analyst shall conduct or commission an evaluation of this article's operation and effects. The evaluation shall specifically address at least the following matters:

(a) how extensively affected employers are complying with the article;

(b) how the article is affecting the workforce composition of affected employers;

(c) how the article is affecting productivity and service quality of affected employers;

(d) how the additional costs of the article have been distributed among workers, their employers, and the City.

Within ninety days of the adoption of this article, these offices shall develop detailed plans for evaluation, including a determination of what current and future data will be needed for effective evaluation.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00; Ord. No. 173,747, Eff. 2-24-01.

Sec. 10.37.8. Exclusion of Service Contracts from Competitive Bidding Requirement.

Service contracts otherwise subject to competitive bid shall be let by competitive bid if they involve the expenditure of at least two-million dollars (\$2,000,000). Charter Section 372 shall not be applicable to service contracts.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Ord. No. 173,285, Eff. 6-26-00, Oper. 7-1-00.

Sec. 10.37.9. Coexistence with Other Available Relief for Specific Deprivations of Protected Rights

This article shall not be construed to limit an employee's right to bring legal action for violation of other minimum compensation laws.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.

Sec. 10.37.10. Expenditures Covered

This article shall apply to the expenditure - whether through aid to City financial assistance recipients, service contracts let by the City, or service contracts let by its financial assistance recipients - of funds entirely within the City's control and to other funds, such as federal or state grant funds, where the application of this article is consonant with the laws authorizing the City to expend such other funds.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.

Sec. 10.37.11 Timing of Application

(a) **Original 1997 Ordinance.** The provisions of this article as enacted by City Ordinance No.171,547, effective May 5, 1997, shall apply to

- (1) contracts consummated and financial assistance provided after such date,
- (2) contract amendments consummated after such date and before the effective date of the 1998 ordinance which themselves met the requirements of former Section 10.37.1(h) (definition of "service contract") or which extended contract duration, and
- (3) supplemental financial assistance provided after May 5, 1997 and before the effective date of the 1998 ordinance which itself met the requirements of Section 10.37.1(c).

(b) **1998 Amendment.** The provisions of this article as amended by the 1998 ordinance shall apply to

- (1) service contracts, public leases or licenses, and financial assistance agreements consummated after the effective date of such ordinance and
- (2) amendments, consummated after the effective date of such ordinance, to service contracts, public leases or licenses, and financial assistance agreements that provide additional monies or which extend term.

(c) **2000 amendment.** The provisions of this article as amended by the 2000 ordinance shall apply to

- (1) service contracts, public leases or public licenses and City financial assistance recipient agreements consummated after the effective date of such ordinance and
- (2) amendments to service contracts, public leases or licenses and City financial assistance recipient agreements which are consummated after the effective date of such ordinance and which provide additional monies or which extend the term.

(d) **2009 Amendment.** The provisions of this article as amended by the 2009 ordinance shall become operative ninety (90) days following the effective date of the 2009 ordinance.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99; Subsec. (b), Subsec. (c) Added, Ord. No. 173,747, Eff. 2-24-01; Subsec. (d) Added, Ord. No. 180,877, Eff. 10-19-09.

Sec. 10.37.12. Suppression by Collective Bargaining Agreement

Parties subject to this article may by collective bargaining agreement provide that such agreement shall supersede the requirements of this article.

SECTION HISTORY

Added by Ord. No. 171,547, Eff. 5-5-97.

Amended by: In Entirety, Ord. No. 172,336, Eff. 1-14-99.

Sec. 10.37.13. Liberal Interpretation of Coverage; Rebuttable Presumption of Coverage

The definitions of “**City financial assistance recipient**” in Section 10.37.1(c), of “**public lease or license**” in Section 10.37.1(i), and of “**service contract**” in Section 10.37.1(j) shall be liberally interpreted so as to further the policy objectives of this article. All recipients of City financial assistance meeting the monetary thresholds of Section 10.37.1(c), all City leases and licenses (including subleases and sublicenses) where the City is the lessor or licensor, and all City contracts providing for services that are more than incidental, shall be presumed to meet the corresponding definition just mentioned, subject, however, to a determination by the DAA of non-coverage or exemption on any basis allowed by this article, including, but not limited to, non-coverage for failure to satisfy such definition. The DAA shall by regulation establish procedures for informing persons engaging in such transactions with the City of their opportunity to apply for a determination of non-coverage or exemption and procedures for making determinations on such applications.

SECTION HISTORY

Added by Ord. No. 172,336, Eff. 1-14-99.

Amended by: Ord. No. 173,747, Eff. 2-24-01.

Sec. 10.37.14 Severability

If any provision of this article is declared legally invalid by any court of competent jurisdiction, the remaining provisions shall remain in full force and effect.

SECTION HISTORY

Added by Ord. No. 172,336, Eff. 1-14-99.

EXHIBIT F

PURCHASER LETTER

_____, 20__

City of Los Angeles
200 North Main Street, Room 1500
Los Angeles, California 90012
Facsimile: (213) 473-7540
Telephone: (213) 473-7500

Re: \$280,860,000
City of Los Angeles
Wastewater System Subordinate Revenue Bonds
Variable Rate Refunding, Series 2012-D

Ladies and Gentlemen:

This letter is to provide you with certain representations and agreements with respect to our purchase of all of the above-referenced bonds (the "*Bonds*"), dated their date of issuance. The Bonds were issued under and secured in the manner set forth pursuant to that (i) certain Wastewater System Subordinate Revenue Bonds General Resolution, adopted March 26, 1991 (the "*Subordinate General Resolution*"), as amended from time to time including by that certain Fourteenth Supplemental Resolution adopted December 11, 2012 (the "*14th Supplemental Resolution*") and that certain Nineteenth Supplemental Resolution adopted November 25, 2015 (the "*19th Supplemental Resolution*", and together the "*Supplemental Resolutions*", and collectively with the Subordinate General Resolution as heretofore amended, the "*Resolution*") and (ii) certain Amended and Restated Paying Agent Agreement, dated as of December 1, 2015 (the "*Paying Agent Agreement*"), by and between the City and U.S. Bank National Association, as Paying Agent (the "*Paying Agent*"). [PURCHASER] (the "*Purchaser*," the "*undersigned*," "*us*" or "*we*," as applicable) is purchasing the Bonds pursuant to a Continuing Covenant Agreement dated as of December 1, 2015 (the "*Agreement*"), between the City of Los Angeles (the "*City*") and the Purchaser. Capitalized terms used herein and not otherwise defined herein shall have the meaning set forth in the Agreement, the Resolution or the Paying Agent Agreement, as applicable. We hereby represent and warrant to you and agree with you as follows:

1. We understand that the Bonds have not been registered pursuant to the Securities Act of 1933, as amended (the "*1933 Act*"), the securities laws of any state nor has the Resolution or the Paying Agent Agreement been qualified pursuant to the Trust Indenture Act of 1939, as amended, in reliance upon certain exemptions set forth therein. We acknowledge that the Bonds (i) are not being registered or otherwise qualified for sale under the "blue sky" laws and

regulations of any state, (ii) will not be listed on any securities exchange and (iii) may not be readily marketable.

2. We have not offered, offered to sell, offered for sale or sold any of the Bonds by means of any form of general solicitation or general advertising, and we are not an underwriter of the Bonds within the meaning of Section 2(11) of the 1933 Act.

3. We have sufficient knowledge and experience in financial and business matters, including purchase and ownership of municipal and other tax-exempt obligations, to be able to evaluate the risks and merits of the investment represented by the purchase of the Bonds. The Purchaser is able to bear the economic risk of, and entire loss of, an investment in the Bonds.

4. We have authority to purchase the Bonds and to execute this letter and any other instruments and documents required to be executed by the Purchaser in connection with the purchase of the Bonds.

5. The undersigned is a duly appointed, qualified and acting representative of the Purchaser and is authorized to cause the Purchaser to make the certifications, representations and warranties contained herein by execution of this letter on behalf of the Purchaser.

6. The undersigned is either a “qualified institutional buyer” as defined in Rule 144A promulgated under the 1933 Act, or an “accredited investor” as defined in Rule 501 of Regulation D under the 1933 Act and is able to bear the economic risks of such investment.

7. The undersigned understands that no official statement, prospectus, offering circular, or other comprehensive offering statement is being provided with respect to the Bonds. The undersigned has made its own inquiry and analysis with respect to the City and the System, the Bonds and the security therefor, and other material factors affecting the security for and payment of the Bonds. The Purchaser is aware that the operation of the System involves certain economic variables and risks that could adversely affect the security for the Bonds.

8. The undersigned acknowledges that it has either been supplied with or been given access to information, including financial statements and other financial information, regarding the City and the System, to which a reasonable investor would attach significance in making investment decisions, and has had the opportunity to ask questions and receive answers from knowledgeable individuals concerning the City and the System, the Bonds and the security therefor, so that as a reasonable investor, it has been able to make its decision to purchase the Bonds.

9. The Purchaser acknowledges that the obligations of the City to make debt service payments on the Bonds are special, limited obligations of the City, payable solely from the Revenues and from amounts in the SCM Fund and from the funds held under the Paying Agent Agreement for the Bonds pursuant to the terms of the Paying Agent Agreement, and the City shall not be directly or indirectly or contingently or morally obligated to use any other moneys or assets of the City for all or any portion of such debt service.

10. Neither the Paying Agent nor Sidley Austin LLP (“*Bond Counsel*”) or any of their respective employees, counsel or agents will have any responsibility to the Purchaser for

the accuracy or completeness of information obtained by the Purchaser from any source regarding the City, the System or its financial condition or regarding the Bonds, the provision for payment thereof, or the sufficiency of any security therefor, except that the Purchaser may rely upon any opinion of Bond Counsel addressed to the Purchaser.

11. The Bonds are being acquired by the Purchaser for investment for its own account and not with a present view to, or for resale in connection with, any redistribution of the Bonds, and the Purchaser presently intends to hold the Bonds for its own account and for an indefinite period of time, and does not intend at this time to dispose of all or any part of the Bonds; *provided, however*, that the Purchaser reserves the right to sell, transfer or redistribute the Bonds, but agrees that any such sale, transfer or redistribution by the Purchaser shall be to a Person:

(a) that is an affiliate of the Purchaser;

(b) that is a trust or other custodial arrangement established by the Purchaser or one of its affiliates, the owners of any beneficial interest in which are limited to qualified institutional buyers or accredited investors;

(c) that is a qualified institutional buyer who executes an investor letter substantially in the form of this letter, with no revisions except as may be approved in writing by the City, which approval shall not be unreasonably withheld. Failure to deliver such investor letter shall cause the purported transfer to be null and void.

The Purchaser agrees to indemnify and hold harmless the City with respect to any claim asserted against the City that arises solely and directly with respect to any purchase, sale, transfer or other disposition by the Purchaser of the Bonds in violation of the transfer restrictions set forth in Section 10.13 of the Continuing Covenant Agreement; *provided however* that in no event shall Purchaser be liable for any claim that is based upon the willful misconduct of City.

Very truly yours,

[PURCHASER]

By: _____

Name: _____

Title: _____