

REPORT FROM

OFFICE OF THE CITY ADMINISTRATIVE OFFICER

Date: February 4, 2022

CAO File No. 0220-05291-1128

Council File No. 22-0032

Council District: All

To: The Mayor
The City Council

From: Matthew W. Szabo, City Administrative Officer



for

Reference: Los Angeles Wastewater System Revenue Bond Debt Financing Program

Subject: **ADDENDUM TO THE CAO REPORT DATED JANUARY 27, 2022 RELATIVE TO THE ISSUANCE OF LOS ANGELES WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, SERIES 2022-A (GREEN BONDS), SERIES 2022-B, AND REFUNDING BONDS, SERIES 2022-C (COLLECTIVELY, THE SERIES 2022 SUBORDINATE BONDS)**

This is an addendum to the Office of the City Administrative Officer (CAO) Report dated January 27, 2022 (Report) relative to the issuance of the Series 2022 Subordinate Bonds. As indicated in the Report, the City is planning to seek consent of the Subordinate Bondholders in connection with the issuance of the Series 2022 Subordinate Bonds to amend and restate the Subordinate General Resolution to make material amendments that are intended to modernize and improve the outdated master indenture. The form of the Amended and Restated Subordinate General Resolution was included as Exhibit B to the Twenty-Seventh Supplemental Subordinate General Resolution which was included as Attachment A to the Report. Subsequent to the release of the Report, upon further consultation with the City's consultants, including Bond Counsel, an additional revision to the Amended and Restated Subordinate General Resolution is necessary to Section 6.09 contained in the Amended and Restated Subordinate General Resolution. The following section is recommended for deletion from Section 6.09 of the Subordinate General Resolution, as reflected in the revised form of the Amended and Restated Subordinate General Resolution attached as Exhibit B to the Twenty-Seventh Supplemental Resolution:

(c) The City shall each year cause the independent certified public accountant which delivers the certificate or opinion described in subsection (b) above to prepare and deliver, with the financial statements, a certificate showing that during such Fiscal Year the City was in compliance with its rate covenant as set forth in Section 6.03(b) or if the City was not in compliance, nonetheless, showing the ratio of Net Revenues to debt service for such year.

The City, in consultation with its consultants, including Bond Counsel, believes that the current requirement contained in Section 6.09(c) that a certified public accountant determine compliance with the debt service coverage ratio is not typical for this type of bond program. Instead, the City

will establish an alternative process to determine annual compliance with the debt service coverage ratio test contained in Section 6.03(b) of the Amended and Restated Subordinate General Resolution. This change will not become effective until the springing consent process is effectuated. Please refer to the Report for a description of such process.

In addition, the change to Section 6.09 of the Amended and Restated Subordinate General Resolution described above should have no adverse impact on Subordinate Bondholders as the City will continue to prepare annual audited financial statements in accordance with GAAP, as required under Section 6.09(b) of the Amended and Restated Subordinate General Resolution, and will continue to make these statements available to bondholders. The debt service coverage ratio required under Section 6.03(b) of the Amended and Restated Subordinate General Resolution can be determined using the audited financial statements provided by the City annually under Section 6.09(b) of the Amended and Restated Subordinate General Resolution.

This addendum replaces Recommendation No. 1 and Attachment A of the CAO report dated January 27, 2022.

REVISED RECOMMENDATION

That the City Council, subject to the approval of the Mayor:

1. ADOPT the Twenty-Seventh Supplemental Subordinate General Resolution attached to this addendum, which authorizes the negotiated sale of up to \$750 million of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022, including refunding bonds, in one or more series, on a tax-exempt and taxable basis, proposes amendments and supplements to the Subordinate General Resolution which require bondholder consent, and authorizes the execution of various documents required to consummate the transactions, including approval for the City Administrative Officer to take necessary actions required to manage the transaction.

FISCAL IMPACT STATEMENT

There is no impact to the General Fund as a result of the recommendations contained in this report. The Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022 Bonds are payable solely from revenues and from amounts in the Sewer Construction and Maintenance Fund. All costs associated with these transactions shall be paid from bond proceeds or existing Sewer Construction and Maintenance funds, and in no event shall the General Fund be called upon for the repayment of any principal and interest on the Series 2022 Subordinate Bonds.

FINANCIAL POLICIES STATEMENT

The recommendations in this report comply with the City's Financial Policies in that debt service on the Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022 Bonds will be paid from the Sewer Construction and Maintenance Fund.

DEBT IMPACT STATEMENT

There is no debt impact to the City's General Fund from the approval of the recommendations in this report as debt service on all Los Angeles Wastewater System Revenue Bonds are paid from the Sewer Construction and Maintenance Fund. The issuance of approximately \$541.69 million (par amount) in Los Angeles Wastewater System Subordinate Series 2022-AB Bonds and Refunding Bonds, Series 2022-C is currently expected to result in the City paying a total of approximately \$779.45 million, including \$237.76 million in interest, over 30 years at a true interest cost of approximately 2.20 percent. Debt service payments will commence on June 1, 2022. The average annual debt service for the Series 2022 Subordinate Bonds is \$25,838,236.80. The proposed Refunding Bonds, Series 2022-C are expected to generate savings over the life of the bonds for the SCM Fund. The estimated present value savings from the Refunding Bonds, Series 2022- C is \$57.6 million or 12.96 percent of the refunded bonds.

These borrowing amounts and interest rates are based on market conditions as of January 19, 2022. Actual borrowing amounts and interest rates are subject to change based on market conditions at the time of pricing.

MWS:HT:SMS:09220120

THE COUNCIL OF THE CITY OF LOS ANGELES

TWENTY-SEVENTH SUPPLEMENTAL RESOLUTION

Adopted by the Council of the City on

February __, 2022

and

SUPPLEMENTING THE

WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION

Which Was

Adopted by the Council of the City on

March 26, 1991

AND AUTHORIZING AND APPROVING THE ISSUANCE OF
WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, SERIES 2022,
INCLUDING REFUNDING BONDS, IN ONE OR MORE SERIES, ON A TAX-EXEMPT
AND TAXABLE BASIS, THE NEGOTIATED SALES OF SUCH BONDS, THE
EXECUTION AND DELIVERY OF DOCUMENTS RELATED THERETO AND RELATED
ACTIONS, AND PROPOSING AMENDMENTS AND SUPPLEMENTS TO THE
SUBORDINATE GENERAL RESOLUTION

TWENTY-SEVENTH SUPPLEMENTAL RESOLUTION

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(This table of contents is not part of the Twenty-Seventh Supplemental Resolution and has been added only for convenience of reference. The captions herein are of no legal effect and do not vary the meaning or legal effect of any part of this Twenty-Seventh Supplemental Resolution.)

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TWENTY-SEVENTH SUPPLEMENTAL RESOLUTION

Providing for

City of Los Angeles
Wastewater System Subordinate Revenue Bonds
Series 2022

WHEREAS, the City Council (the “Council”) of the City of Los Angeles (the “City”) on November 10, 1987 adopted a resolution designated as the “Wastewater System Revenue Bonds General Resolution,” as supplemented by supplemental resolutions thereto (collectively, the “General Resolution”), which sets forth the basic terms under which the City may issue wastewater system revenue bonds and which provides for a pledge of Revenues (as defined in the General Resolution) to secure all Bonds (defined below) issued thereunder; and

WHEREAS, the General Resolution provides that each Series of Bonds issued thereunder shall be authorized by, and the terms thereof set forth in, a Supplemental Resolution; and

WHEREAS, the Council, by resolution adopted on February 24, 1987, submitted to the qualified voters of the City the proposition of issuing bonds pursuant to the procedures set forth in the Revenue Bond Law of 1941, §54300 *et seq.* of the California Government Code (the “Revenue Bond Law”) for the purpose of financing a portion of a major wastewater system improvement program; and

WHEREAS, at three elections, the voters voting on the respective propositions authorized a total of \$3,500,000,000 in bonds for the purpose of financing a portion of a major wastewater system improvement program; and

WHEREAS, on June 8, 1999, the City adopted a new Charter of the City (the “Charter”), which Charter became operative on and as of July 1, 2000; and

WHEREAS, pursuant to Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City (the “Procedural Ordinance”), the Council, exercising the powers reserved to the City under the Constitution of the State of California, and its powers under Section 361 of the Charter, may determine that revenue bonds, notes and other indebtedness or obligations (as defined in said Article 6.7 and as used for purposes of this preamble, “Bonds”) be issued as provided in said Article 6.7 for the purpose of financing project costs, refunding outstanding Bonds, establishing reserves and paying costs of issuance in connection with such Bonds, payable from the SCM Fund (as defined in the General Resolution), and the Procedural Ordinance shall provide a complete alternative method of issuing such Bonds without a vote of qualified voters in the City; and

WHEREAS, the City has, under the General Resolution and individual supplemental resolutions thereto, issued wastewater system revenue bonds, all of which are Senior Lien Bonds (to the extent Outstanding) and are collectively referred to herein as the “Prior Senior Bonds,” \$971,695,000 of which are Outstanding as of the date hereof; and

WHEREAS, the Council on March 26, 1991 adopted a resolution designated as the “Wastewater System Subordinate Revenue Bonds General Resolution,” as supplemented by supplemental resolutions thereto (collectively, the “Subordinate General Resolution”), which sets forth the basic terms under which the City may issue wastewater system subordinate revenue bonds and which provides for a pledge of Revenues to secure all Subordinate Bonds (as defined in the Subordinate General Resolution) issued thereunder on a basis subordinate to the Senior Lien Bonds issued under the General Resolution; and

WHEREAS, the City has, under the Subordinate General Resolution and individual supplemental resolutions thereto, authorized the issuance of up to a maximum amount of \$400,000,000 of Wastewater System Commercial Paper Revenue Notes (the “Commercial Paper Notes”) and wastewater system subordinate revenue bonds, \$1,558,245,000 of which are outstanding as of the date hereof (the “Prior Subordinate Bonds”), all of which are Subordinate Bonds (to the extent Outstanding); and

WHEREAS, the Subordinate General Resolution provides that additional Subordinate Bonds may be issued in one or more Series, and the City has determined that it is now appropriate to authorize the issuance of one or more Series of Subordinate Bonds, designated as Wastewater System Subordinate Revenue Bonds Series 2022, with such additional Series and subseries designations, including “Refunding Bonds,” “Taxable” and “Green Bonds,” as shall be deemed necessary or appropriate as provided herein (the “Series 2022 Subordinate Bonds”), through the adoption of this Twenty-Seventh Supplemental Resolution (the “Twenty-Seventh Supplemental Resolution”) for the purpose of (i) refunding all or a portion of the outstanding Prior Senior Bonds (the “Refunded Senior Bonds”), (ii) refunding all or a portion of the outstanding Prior Subordinate Bonds (the “Refunded Subordinate Bonds,” and, together with the Refunded Senior Bonds, the “Refunded Bonds”), (iii) paying all or a portion of outstanding Commercial Paper Notes when due, and (iv) paying the costs of issuance in connection with the issuance of any Series of the Series 2022 Subordinate Bonds; and

WHEREAS, Series 2022 Subordinate Bonds shall be issued pursuant to and in accordance with the procedures set forth in the Procedural Ordinance, and, with respect to any Series 2022 Subordinate Bonds designated as Refunding Bonds (the “Refunding Bonds”), Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the California Government Code (the “Refunding Law”) and the provisions of the Subordinate General Resolution, including this Twenty-Seventh Supplemental Resolution; and

WHEREAS, the Series 2022 Subordinate Bonds may be issued in one or more Series, on a tax-exempt and taxable basis, in such amounts and with such payment terms and details as the City Administrative Officer, upon the advice of the City’s municipal advisors shall determine to be in the City’s best interests and which are otherwise consistent with the provisions and parameters of the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution; and

WHEREAS, any refunding to be accomplished with the proceeds from the sale of any Series of the Series 2022 Subordinate Bonds issued pursuant to this Twenty-Seventh Supplemental Resolution will result in either (A) a minimum present value savings of 3.00% of the refunded par amount for any one refunding transaction, or (B) a desirable restructuring of debt or benefits to the

manageability and convenience of the bond financing and refunding program for the System, as determined by the City Administrative Officer, upon the advice of the City’s municipal advisors, at or before the time of issuance and in accordance with the City’s Debt Management Policy, dated September 23, 2020 (the “Debt Management Policy”); and

WHEREAS, the aggregate principal amount of Series 2022 Subordinate Bonds issued pursuant to this Twenty-Seventh Supplemental Resolution for the purpose of refunding Refunded Bonds shall not be limited in principal amount if such refunding satisfies the Debt Management Policy; and

WHEREAS, Sections 5450 *et seq.* of the California Government Code (the “Government Code”) provide statutory authority for pledging collateral for the payment of principal or redemption price of, and interest on bonds, and the Government Code creates a continuing perfected security interest which shall attach immediately to such collateral irrespective of whether the parties to the pledge documents have notice of the pledge and without the need for any physical delivery, recordation, filing, or further act, and the City hereby warrants and represents that pursuant to the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution, the Owners of the Series 2022 Subordinate Bonds have a second priority perfected security interest in Revenues that serve as the collateral for the Series 2022 Subordinate Bonds pursuant to the Government Code; and

WHEREAS, the City has determined that one or more Series or subseries of the Series 2022 Subordinate Bonds may be issued as “Green Bonds”; and

WHEREAS, the City Administrative Officer finds and recommends that, pursuant to Sections 371(e)(2) and 371(e)(10) of the Charter, due to the complex legal structure and credit story of the wastewater revenue bonds and the benefits of maintaining flexibility and control of the timing and manner of the sale of the Series 2022 Subordinate Bonds in current market conditions, and upon the advice of its municipal advisor, the use of competitive bidding required under Section 371 of the Charter to sell the Series 2022 Subordinate Bonds would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the Series 2022 Subordinate Bonds through negotiated underwriting processes, provided that, if circumstances should change, nothing herein shall preclude the City from selling the Series 2022 Subordinate Bonds on a competitive basis; and

WHEREAS, the City Administrative Officer finds and recommends that, pursuant to Sections 371(e)(2) and 371(e)(10) of the Charter, due to the technical nature of the services required for the sale and issuance of the Series 2022 Subordinate Bonds, which services are of a temporary and occasional character, and upon advice from the City Attorney with respect to legal professionals, the use of competitive bidding required under Section 371 of the Charter to select legal and other professionals necessary for the sale and issuance of the Series 2022 Subordinate Bonds would not be practicable, advantageous, or compatible with the City’s best interest; and

WHEREAS, it is desirable and necessary that the Council provide for the issuance, securing and sale of the Series 2022 Subordinate Bonds; and

WHEREAS, Section 11.02 of the Subordinate General Resolution permits the City by supplemental resolution to amend and supplement the Subordinate General Resolution and any Supplemental Resolution thereto, provided that certain conditions set forth in Section 11.02 of the Subordinate General Resolution have been satisfied, and the City has been advised by Bond Counsel that the proposed terms of this Twenty-Seventh Supplemental Resolution do not adversely affect the interests of the Bondholders, including the amendments set forth in Article X hereof; and

WHEREAS, the City has received an opinion of Bond Counsel in accordance with Section 11.02 of the Subordinate General Resolution; and

WHEREAS, Section 11.03 of the Subordinate General Resolution permits the City by supplemental resolution to amend and supplement the Subordinate General Resolution and any Supplemental Resolution thereto and Section 11.03 of the Subordinate General Resolution authorizes the City to distribute notice to all Bondholders of the Outstanding Subordinate Bonds of its intention to amend and restate the Subordinate General Resolution in the form attached hereto as Exhibit B (the “Amended and Restated Subordinate General Resolution”); and

WHEREAS, such Amended and Restated Subordinate General Resolution makes certain amendments to the First Supplemental Subordinate Resolution (as defined in the Amended and Restated Subordinate General Resolution); and

WHEREAS, the City proposes to circulate for approval of Bondholders a form of the Amended and Restated Subordinate General Resolution attached hereto as Exhibit B, which this Council intends to adopt in substantially such form when all required consents have been obtained; and

WHEREAS, any purchasers of the Series 2022 Subordinate Bonds shall be deemed to have granted their consent to the Amended and Restated Subordinate General Resolution by their purchase of the Series 2022 Subordinate Bonds; and

WHEREAS, the Twenty-Seventh Supplemental Resolution is adopted in accordance with the provisions of the Subordinate General Resolution;

NOW, THEREFORE, BE IT RESOLVED by the Council of the City, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01. Definitions. Unless otherwise specifically provided in this Section, capitalized terms used in this Twenty-Seventh Supplemental Resolution shall have the meanings ascribed to them in the General Resolution or the Subordinate General Resolution. The following definitions shall apply to terms used in this Supplemental Resolution unless the context clearly requires otherwise:

“Authorized City Representative” means the Mayor, the City Clerk, the City Controller, the City Administrative Officer or a duly authorized designee of any of the foregoing, or any one

or more of them and, in addition to the foregoing, for the purpose of directing the investment of money under the Subordinate General Resolution only, the Treasurer, any Assistant Treasurer, the Chief Investment Officer or a duly authorized designee of any of the foregoing.

“Authorized Denominations” means denominations of \$5,000 and integral multiples thereof.

“Beneficial Owner” means, whenever used with respect to a Series 2022 Subordinate Bond, the person in whose name such Bond is recorded as the beneficial owner by a Participant on the records of such Participant or such person’s subrogee.

“Bond Purchase Agreement” means each agreement between the City and the respective Underwriters identified therein providing for the purchase by such Underwriters for reoffering of one or more Series of the Series 2022 Subordinate Bonds.

“Book-Entry Bonds” means the Series 2022 Subordinate Bonds held by DTC (or its nominee) as the registered owner thereof pursuant to the terms and provisions of Section 3.05 hereof.

“Cede & Co.” means Cede & Co., the nominee of DTC, and any successor nominee of DTC with respect to the Series 2022 Subordinate Bonds.

“City Administrative Officer” means the City Administrative Officer of the City, any Assistant City Administrative Officer of the City or any duly authorized designee thereof.

“Commercial Paper Notes” means the City’s Wastewater System Commercial Paper Revenue Notes which the City has issued and will issue from time to time on a parity with the other Subordinate Bonds, as authorized as of the date hereof under the Subordinate General Resolution, as supplemented.

“Continuing Disclosure Certificate” means each Continuing Disclosure Certificate executed by the City and dated the date of issuance and delivery of any Series of the Series 2022 Subordinate Bonds, as originally executed and as it may be amended from time to time in accordance with the terms thereof.

“Costs of Issuance” means all costs and expenses incurred by the City in connection with the issuance of any Series of the Series 2022 Subordinate Bonds and the refunding of the Refunded Bonds, including, but not limited to, costs and expenses of printing and copying documents and the Series 2022 Subordinate Bonds, any fees incurred in connection with agreements described in Section 8.04 hereof, and the fees, costs and expenses of rating agencies, legal counsels, accountants, verification specialists, underwriters, municipal advisors, insurance consultants and other consultants and agents.

“Costs of Issuance Fund” means the fund by such name created pursuant to Section 6.03 hereof.

“Costs of Issuance Agreement” means each agreement between the City and the respective Custodian identified therein, and related to the deposit and use of a portion of the proceeds of any

one or more Series of the Series 2022 Subordinate Bonds to pay the Costs of Issuance of such Series of the Series 2022 Subordinate Bonds.

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

“Escrow Agent” means a financial institution appointed pursuant to Section 8.01 hereof to serve as escrow agent under an Escrow Agreement.

“Escrow Agreement” means each agreement between the City and the respective Escrow Agent identified therein, and related to the deposit, investment and use of a portion of the proceeds of any one or more Series of the Series 2022 Subordinate Bonds and the earnings thereon to pay principal of, and premium and interest on any Refunded Bonds and to pay the Costs of Issuance of such Series of the Series 2022 Subordinate Bonds.

“Fitch” means Fitch Ratings, Inc. and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“General Resolution” or “Senior Lien Resolution” means the resolution entitled “Wastewater System Revenue Bonds General Resolution” adopted by the Council on November 10, 1987 and setting forth the terms under which wastewater system Senior Lien Bonds may be issued and secured, as amended and supplemented from time to time in accordance with the terms thereof.

“Interest Payment Date,” for any Series of the Series 2022 Subordinate Bonds, means each June 1 and December 1, commencing on June 1, 2022, or such other interest payment dates as may be designated in the Bond Purchase Agreement with respect to such Series.

“Kroll” means Kroll Bond Rating Agency and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“Letter of Credit” means a Letter of Credit supporting a series of Refunded Subordinate Bonds.

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

“Prior Senior Bonds” means, collectively, all Senior Lien Bonds issued by the City pursuant to the General Resolution prior to this Supplemental Resolution.

“Prior Subordinate Bonds” means, collectively, all Outstanding Subordinate Bonds issued by the City pursuant to the Subordinate General Resolution prior to this Supplemental Resolution; provided, that, as used in this Supplemental Resolution, the term “Prior Subordinate Bonds” does not include the Commercial Paper Notes.

“Record Date” means, for a June 1 Interest Payment Date, the close of business on the preceding May 15 and, for a December 1 Interest Payment Date, the close of business on the

preceding November 15, whether or not such day is a Business Day, or such other record dates designated in the Bond Purchase Agreement with respect to such Series.

“Refunded Bonds” means all or any of the Refunded Senior Bonds and the Refunded Subordinate Bonds to be refunded by the Series 2022 Subordinate Bonds, as the context may require.

“Refunded Senior Bonds” means all or any of the Prior Senior Bonds which are to be refunded by the Series 2022 Subordinate Bonds, which may include the Series 2012-A Senior Bonds, with the final determination to be based on market conditions.

“Refunded Subordinate Bonds” means all or any of the Prior Subordinate Bonds which are to be refunded by the Series 2022 Subordinate Bonds, which may include the Series 2010-A Subordinate Bonds, the Series 2012-B Subordinate Bonds, the Series 2012-C Subordinate Bonds, and the Series 2018-C Subordinate Bonds, with the final determination to be based on market conditions.

“Representation Letter” means the Blanket Letter of Representations from the City to DTC which Representation Letter applies to the Series 2022 Subordinate Bonds.

“Rule 15c2-12” means Rule 15c2-12 promulgated by the U.S. Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended.

“SCM Fund” means, collectively, the Sewer Construction and Maintenance Fund, the Sewer Operation and Maintenance Fund and the Sewer Capital Fund previously created by the City and more particularly described in Section 5.03 of the Senior Lien Resolution.

“Series” means any series of the Series 2022 Subordinate Bonds.

“Series 2010-A Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2010-A (Tax-Exempt) issued pursuant to the Subordinate General Resolution and the Twelfth Supplemental Resolution.

“Series 2012-A Senior Bonds” means the City of Los Angeles Wastewater System Revenue Bonds, Refunding Series 2012-A issued pursuant to the General Resolution and the Twenty-Sixth Supplemental Resolution.

“Series 2012-B Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-B issued pursuant to the Subordinate General Resolution and the Thirteenth Supplemental Resolution.

“Series 2012-C Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2012-C issued pursuant to the Subordinate General Resolution and the Thirteenth Supplemental Resolution.

“Series 2018-C Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding Series 2018 C-1 and 2018 C-2 issued pursuant to the Subordinate General Resolution and the Twenty-Fifth Supplemental Resolution.

“Series 2022 Subordinate Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022 and the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Refunding Series 2022 of each Series authorized to be issued pursuant to this Twenty-Seventh Supplemental Resolution.

“S&P” means Standard & Poor’s Corporation and its successors and assigns, or, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, any other nationally recognized securities rating agency designated by the City.

“Subordinate General Resolution” means the resolution entitled “Wastewater System Subordinate Revenue Bonds General Resolution” adopted by the Council on March 26, 1991 and setting forth the terms under which wastewater system Subordinate Bonds may be issued and secured, as amended and supplemented from time to time in accordance with the terms thereof.

“Tax Certificate” means the Tax Certificate relating to federal tax matters to be executed on behalf of the City at the time of issuance of any one or more Series of Tax-Exempt Series 2022 Subordinate Bonds, as amended from time to time.

“Tax-Exempt Series 2022 Subordinate Bonds” means the Series 2022 Subordinate Bonds issued as bonds the interest on which is exempt from federal income taxation.

“Taxable Series 2022 Subordinate Bonds” means the Series 2022 Subordinate Bonds issued as bonds the interest on which is not exempt from federal income taxation.

“Underwriters” means the respective underwriters identified in a Bond Purchase Agreement with the City with respect to any one or more Series of the Series 2022 Subordinate Bonds.

Section 1.02. Incorporation of Definitions in the Subordinate General Resolution. Except as otherwise provided in Section 1.01 hereof, all words, terms and phrases defined in the Subordinate General Resolution shall have the same meanings in this Twenty-Seventh Supplemental Resolution as in the Subordinate General Resolution. Except as otherwise provided in any Supplemental Resolution hereafter adopted, all terms which are defined in this Twenty-Seventh Supplemental Resolution, unless the context otherwise requires, shall have the same meanings in such Supplemental Resolution as in this Twenty-Seventh Supplemental Resolution.

Section 1.03. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this Twenty-Seventh Supplemental Resolution.

ARTICLE II

SECURITY AND AUTHORIZATION

Section 2.01. Subordinate General Resolution; Special Obligations. The Series 2022 Subordinate Bonds authorized by this Twenty-Seventh Supplemental Resolution are Subordinate Bonds issued under the terms of the Subordinate General Resolution and secured by and entitled to the security and the rights granted by the Subordinate General Resolution. The Series 2022

Subordinate Bonds shall be issued subordinate to the Prior Senior Bonds and any other Senior Lien Bonds issued hereafter and shall be issued on a parity with the Commercial Paper Notes, the Prior Subordinate Bonds and any other Subordinate Bonds issued hereafter.

The Series 2022 Subordinate Bonds shall be and are special, limited obligations of the City, and the City shall be obligated to pay the principal of, premium, if any, and interest on the Series 2022 Subordinate Bonds solely from the Revenues and from amounts in the SCM Fund and the Debt Service Fund. The General Fund of the City is not liable for the payment of the principal of, interest on or premium, if any, on the Series 2022 Subordinate Bonds. Neither the full faith and credit nor the taxing power of the City is pledged to pay the Series 2022 Subordinate Bonds. The pledge, assignment and lien on the Revenues granted pursuant to the Senior Lien Resolution to secure the Senior Lien Bonds shall, in all respects, be prior to the pledge, assignment and lien on the Revenues granted by the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution. The principal of and interest on the Series 2022 Subordinate Bonds and any premiums upon the redemption of any thereof are not a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues except the Revenues and amounts in the SCM Fund and the Debt Service Fund.

Section 2.02. Authorization. The Series 2022 Subordinate Bonds are hereby declared to be issued under the terms of the Charter, the Procedural Ordinance and, with respect to Refunding Bonds, the Refunding Law, as applicable, and secured as provided for in the Charter, the Procedural Ordinance and the Subordinate General Resolution; and provided, that the security provided for the Series 2022 Subordinate Bonds is also granted subordinate to the prior and senior lien to secure Senior Lien Bonds issued under the Senior Lien Resolution, and, on a parity with the lien granted to secure other Subordinate Bonds, including Commercial Paper Notes, issued under the Subordinate General Resolution, and provided that liens on the Revenues which are subordinate to the liens securing the Subordinate Bonds may be granted. The Series 2022 Subordinate Bonds may recite that they are issued pursuant to the Charter, the Procedural Ordinance and/or the Refunding Law, as applicable. It is hereby declared that the proceeds of the Series 2022 Subordinate Bonds issued as Refunding Bonds may be held in part and for such time as the City may deem advisable in trust for the protection of the owners of the Refunded Bonds.

ARTICLE III

DESCRIPTION OF THE SERIES 2022 SUBORDINATE BONDS

Section 3.01. Designation of the Series 2022 Subordinate Bonds; Principal Amounts. The Series 2022 Subordinate Bonds are hereby authorized to be issued in one or more Series (and any subseries thereof) under the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution. The aggregate principal amount of Series 2022 Subordinate Bonds issued pursuant to this Twenty-Seventh Supplemental Resolution, including to retire Commercial Paper Notes, shall not exceed \$750,000,000. The aggregate principal amount of Series 2022 Subordinate Bonds issued for the purpose of refunding Prior Senior Bonds and/or Prior Subordinate Bonds pursuant to this Twenty-Seventh Supplemental Resolution shall not be limited except as provided in the preambles hereto and Section 3.03 hereof. The Series 2022 Subordinate Bonds shall be issued in such principal amounts and shall be designated as the “City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022,” with such additional

Series and subseries designations (if any), including “Refunding Bonds,” “Taxable Bonds” and/or “Green Bonds,” as determined by the City. References herein to a Series of the Series 2022 Subordinate Bonds shall be equally applicable to a subseries thereof.

Section 3.02. Series 2022 Subordinate Bonds Under the Subordinate General Resolution; Security. The Series 2022 Subordinate Bonds are issued under, secured by and subject to the terms of the Subordinate General Resolution and are secured by the Revenues in accordance with the terms of the Subordinate General Resolution. The Series 2022 Subordinate Bonds are special obligations of the City payable only from the Revenues, the SCM Fund and the Debt Service Fund, and not from the general fund of the City, and the City is not obligated to pay the Series 2022 Subordinate Bonds from any other source.

Section 3.03. Terms of the Series 2022 Subordinate Bonds; Signature. The Series 2022 Subordinate Bonds shall be issued in Authorized Denominations and shall be issuable only as fully registered bonds. The Series 2022 Subordinate Bonds shall be signed by the Mayor or the City Administrative Officer and shall be authenticated by any Authorized City Representative. Any such signature may be by facsimile, except that on one of each Series 2022 Subordinate Bond there shall be at least one manual signature. The Series 2022 Subordinate Bonds shall be numbered as any Authorized City Representative shall determine.

The Series 2022 Subordinate Bonds of each Series, upon initial issuance, shall be dated the date of delivery (or have such other dated date as set forth in the Bond Purchase Agreement related to such Series). Each Series 2022 Subordinate Bond shall bear interest from the Interest Payment Date next preceding the date of authentication thereof unless such date of authentication is after a Record Date and on or prior to the next succeeding Interest Payment Date, in which event such Bond shall bear interest from such next succeeding Interest Payment Date or unless such date of authentication is on or before the first Interest Payment Date, in which event such Bond shall bear interest from its dated date. If interest on the Series 2022 Subordinate Bonds shall be in default, Bonds issued in exchange for Bonds surrendered for transfer or exchange shall bear interest from the Interest Payment Date to which interest has been paid in full on the Bonds surrendered.

Interest on the Series 2022 Subordinate Bonds shall be paid on each June 1 and December 1, commencing on June 1, 2022 (or such other interest payment dates as set forth in the Bond Purchase Agreement related to such Series). Interest shall be calculated on the basis of a year of 360 days and twelve 30-day months.

The Series 2022 Subordinate Bonds shall mature on June 1 (or on such other date as set forth in the Bond Purchase Agreement related to such Series) in the years and in the amounts, subject to prior redemption (if applicable), and bear interest at the annual rates set forth in the Bond Purchase Agreement related to such Series, provided, however, that the final maturity of the Series 2022 Subordinate Bonds will not be later than 40 years from the date of issuance of such Series and the true interest cost on the Series 2022 Subordinate Bonds of any Series will not exceed 5.00%.

Payment of principal of the Series 2022 Subordinate Bonds shall be made upon surrender of such Series 2022 Subordinate Bonds to the Treasurer, provided that, with respect to the Series 2022 Subordinate Bonds which are Book-Entry Bonds, the Treasurer may make other

arrangements for the payment of principal as provided in the Representation Letter. Payment of interest on Series 2022 Subordinate Bonds which are not Book-Entry Bonds shall be paid by check of the City or a Paying Agent, if a Paying Agent has been appointed, mailed by first-class mail, postage prepaid, to the registered owners at their addresses as they appear on the registration books maintained for the Series 2022 Subordinate Bonds. The payment of interest on Book-Entry Bonds shall be made as provided in Section 3.05 hereof. With respect to all Series 2022 Subordinate Bonds, interest shall be paid to the person who was, on the Record Date, the registered owner thereof. The Series 2022 Subordinate Bonds shall be substantially in the form set forth in Section 3.06 hereof. Principal, interest and premium, if any, will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts.

Interest on overdue principal of a Series 2022 Subordinate Bond and, to the extent lawful, on overdue interest on a Series 2022 Subordinate Bond will be payable at the stated interest rate on such Series 2022 Subordinate Bond on the day before the default occurred.

Any refunding to be accomplished with the proceeds from the sale of any Series of the Series 2022 Subordinate Bonds issued pursuant to this Twenty-Seventh Supplemental Resolution shall comply with the Debt Management Policy.

Section 3.04. Exchange and Transfer of Series 2022 Subordinate Bonds. Series 2022 Subordinate Bonds which are delivered to the Treasurer for exchange may be exchanged for an equal total unpaid principal amount of Series 2022 Subordinate Bonds of the same Series and maturity but of different Authorized Denominations. Series 2022 Subordinate Bonds presented to the Treasurer shall be transferred upon the registration books in accordance with the procedures determined by the Treasurer and as provided in Section 3.06 of the Subordinate General Resolution.

The Treasurer will not, however, be required to transfer or exchange any such Series 2022 Subordinate Bond during the period beginning 15 days before the mailing of notice calling any such Series 2022 Subordinate Bond for redemption and ending on the date notice of redemption is mailed nor to transfer or exchange any Series 2022 Subordinate Bond which has been selected for redemption.

Section 3.05. Book-Entry Bonds.

(a) Except as provided in subparagraph (c) of this Section 3.05, the registered owner of all of the Series 2022 Subordinate Bonds shall be DTC and the Series 2022 Subordinate Bonds shall be registered in the name of Cede & Co., as nominee for DTC. Payment of principal or interest for any Series 2022 Subordinate Bond registered in the name of Cede & Co. shall be made on the payment date by wire transfer of New York clearing house or equivalent next day funds or by wire transfer of same day funds to the account of Cede & Co. Such payments shall be made to Cede & Co. at the address which is, on the regular Record Date or special record date, as the case may be, shown for Cede & Co. in the registration books of the City.

(b) The Series 2022 Subordinate Bonds shall be initially issued in the form of a separate single authenticated fully registered Series 2022 Subordinate Bond for each separate stated maturity of the Series 2022 Subordinate Bonds. Upon initial issuance, the ownership of all Series

2022 Subordinate Bonds shall be registered on the registration books of the City in the name of Cede & Co., as nominee of DTC. The City may treat DTC (or its nominee) as the sole and exclusive owner of the Series 2022 Subordinate Bonds registered in its name for the purposes of payment of the principal or redemption price of or interest on the Series 2022 Subordinate Bonds, respectively, selecting the Series 2022 Subordinate Bonds or portions thereof to be redeemed, giving any notice permitted or required to be given to Bondholders under the Subordinate General Resolution or this Twenty-Seventh Supplemental Resolution, registering the transfer of Series 2022 Subordinate Bonds, as the case may be, obtaining any consent or other action to be taken by Bondholders and for all other purposes whatsoever, and the City shall not be affected by any notice to the contrary. The City shall not have any responsibility or obligation to any Participant, any person claiming a beneficial ownership interest in the Series 2022 Subordinate Bonds under or through DTC or any Participant, or any other person which is not shown on the registration books as being a Bondholder, with respect to the accuracy of any records maintained by DTC or any Participant; the payment to DTC or any Participant of any amount in respect of the principal of, redemption price of or interest on the Series 2022 Subordinate Bonds; any notice which is permitted or required to be given to Bondholders under the General Resolution or this Twenty-Seventh Supplemental Resolution; the selection by DTC or any Participant of any person to receive payment in the event of a partial redemption of the Series 2022 Subordinate Bonds; or any consent given or other action taken by DTC as Bondholder. The City shall pay all principal of and premium, if any, and interest on the Series 2022 Subordinate Bonds only to or “upon the order of” DTC (as that term is used in the Uniform Commercial Code as adopted in the State of California), and all such payments shall be valid and effective to fully satisfy and discharge the City’s obligations, with respect to the principal of and premium, if any, and interest on the Series 2022 Subordinate Bonds, respectively, to the extent of the sum or sums so paid. No person other than DTC shall receive an authenticated Series 2022 Subordinate Bond evidencing the obligation of the City to make payments of principal of and premium, if any, and interest pursuant to the Subordinate General Resolution or this Twenty-Seventh Supplemental Resolution. Upon delivery by DTC to the City of written notice to the effect that DTC has determined to substitute a new nominee in place of Cede & Co., and subject to the provisions herein with respect to Record Dates, the word “Cede & Co.” in this Twenty-Seventh Supplemental Resolution shall refer to such new nominee of DTC.

(c) If the City determines that it is in the best interest of the Beneficial Owners that they be able to obtain Bond certificates and that such certificates should, therefore, be made available, and notifies DTC of such determination, then DTC will notify the Participants of the availability through DTC of Bond certificates. In such event the Treasurer shall authenticate and shall transfer and exchange Bond certificates as requested by DTC and any other Bondholders in appropriate amounts. DTC may determine to discontinue providing its services with respect to the Series 2022 Subordinate Bonds at any time by giving written notice to the City and discharging its responsibilities with respect thereto under applicable law. Under such circumstances (if there is no successor securities depository), the City shall be obligated to deliver Bond certificates as described in this Twenty-Seventh Supplemental Resolution. If Bond certificates are issued, the provisions of the General Resolution and this Twenty-Seventh Supplemental Resolution shall apply to, among other things, the transfer and exchange of such certificates and the method of payment of principal of and interest on such certificates. Whenever DTC requests the City to do so, the City will cooperate with DTC in taking appropriate action after reasonable notice (a) to make available one or more separate certificates evidencing the Series 2022 Subordinate Bonds to

any DTC Participant having Series 2022 Subordinate Bonds credited to its DTC account or (b) to arrange for another securities depository to maintain custody of certificates evidencing the Series 2022 Subordinate Bonds.

(d) Notwithstanding any other provision of the Subordinate General Resolution or this Twenty-Seventh Supplemental Resolution to the contrary, so long as any Series 2022 Subordinate Bond is registered in the name of Cede & Co., as nominee of DTC, all payments with respect to the principal of and premium, if any, and interest on such Series 2022 Subordinate Bond and all notices with respect to such Series 2022 Subordinate Bond shall be made and given, respectively, to DTC as provided in the Representation Letter.

(e) In connection with any notice or other communication to be provided to Bondholders pursuant to the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution by the City with respect to any consent or other action to be taken by Bondholders, the City shall establish a record date for such consent or other action and give DTC notice of such record date not less than 15 calendar days in advance of such record date to the extent possible. Notice to DTC shall be given only when DTC is the sole Bondholder.

Section 3.06. Form of Series 2022 Subordinate Bonds. The Series 2022 Subordinate Bonds of each Series (and any subseries thereof) shall be substantially in the form set forth in Exhibit A, with such additions, deletions and modifications as shall be necessary or appropriate to conform such form to the terms of such Series.

ARTICLE IV

REDEMPTION

Section 4.01. Notices to Bondholders. Prior to the redemption of any Series 2022 Subordinate Bonds, the City shall give notice to the registered owners of the Series 2022 Subordinate Bonds to be redeemed as provided in Section 4.03 of the Subordinate General Resolution. Such notice shall be given by Mail or by telecopy or other electronic means of communication, at least 20 days and not more than 60 days before the redemption date and shall be given to each registered owner of a Series 2022 Subordinate Bond to be redeemed.

In addition to the notice required by Section 4.03 of the Subordinate General Resolution, if, at any time, the Series 2022 Subordinate Bonds are no longer Book-Entry Bonds, then, upon any redemption, further notice shall be given by the City as set out below, but no defect in any such further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed.

Each further notice of redemption given hereunder shall contain the information required by Section 4.03 of the General Resolution plus (i) the CUSIP numbers of all Series 2022 Subordinate Bonds, or portions thereof being redeemed; (ii) the date of original issuance of the Series 2022 Subordinate Bonds; (iii) the rate of interest borne by the Series 2022 Subordinate Bonds being redeemed; (iv) the maturity date of the Series 2022 Subordinate Bonds being redeemed; (v) the redemption price or, if applicable, a description of the mechanism or method for

determining the redemption price; and (vi) any other descriptive information to identify accurately the Series 2022 Subordinate Bonds or portions thereof being redeemed.

Each further notice of redemption shall be sent at least 20 days before the redemption date by telecopy, registered or certified mail or overnight delivery service to:

The Depository Trust Company
55 Water Street
New York, NY 10041

and to the Municipal Securities Rulemaking Board's Electronic Municipal Market Access System at <http://emma.msrb.org/>.

Any notice given pursuant to this Section 4.01 may be conditional, other than notice of redemption from mandatory sinking fund payments pursuant to Section 4.03, and may be rescinded by written notice given by the City. Upon such rescission, the City shall give notice of such rescission in the same manner (i.e. by Mail or by telecopy or other electronic means of communication), and to the same persons, as notice of such redemption was given pursuant to this Section. Any optional redemption of the Series 2022 Subordinate Bonds and notice thereof shall be rescinded and cancelled if for any reason on the date fixed for redemption moneys are not available and held in trust for such purpose in an amount sufficient to pay in full on such date the principal of, interest, and any premium due on such Series 2022 Subordinate Bonds called for redemption.

Section 4.02. Optional Redemption of the Series 2022 Subordinate Bonds. The Series 2022 Subordinate Bonds of any Series may be subject to optional redemption as set forth in the Bond Purchase Agreement related to such Series. The Series 2022 Subordinate Bonds of any Series which are subject to optional redemption at par shall be subject to optional redemption not later than the tenth calendar year following the date of issuance of such Series 2022 Subordinate Bonds or as otherwise set forth in the Bond Purchase Agreement related to such Series. Additionally, any Taxable Series 2022 Subordinate Bond may be subject to make-whole optional redemption as set forth in the Bond Purchase Agreement related to such Series.

Section 4.03. Mandatory Sinking Fund Redemption of the Series 2022 Subordinate Bonds. The Series 2022 Subordinate Bonds of any Series shall be subject to mandatory sinking fund redemption as set forth in the Bond Purchase Agreement related to such Series. On or before the forty-fifth day prior to any mandatory sinking fund redemption date, the City shall proceed to select for redemption (by lot or pro rata in such manner as the City may determine and consistent with Section 4.05 herein), from all Series 2022 Subordinate Bonds subject to such redemption, an aggregate principal amount of such Subordinate Bonds equal to the amount for such year as set forth in the table in the Bond Purchase Agreement related to such Series and shall call such Subordinate Bonds or portions thereof in Authorized Denominations for redemption and shall give notice of such call. At the option of the City, the City may credit against any mandatory sinking fund redemption requirement the Series 2022 Subordinate Bonds or portions thereof in Authorized Denominations of the stated maturity subject to such redemption which, prior to said date, have been purchased by the City or redeemed (otherwise than under the provisions of this Section 4.03) and canceled and not theretofore applied as a credit against any mandatory sinking fund

redemption requirement. Each such Series 2022 Subordinate Bond or portion thereof so purchased or previously redeemed shall be credited by the City at one hundred percent (100%) of the principal amount thereof against the obligation of the City on such mandatory sinking fund redemption date.

Section 4.04. Payment of Series 2022 Subordinate Bonds Called for Redemption. Upon surrender to the Treasurer, Series 2022 Subordinate Bonds called for redemption shall be paid at the redemption price, including accrued and unpaid interest, if any, to the redemption date, provided that, with respect to Book-Entry Bonds, the City may make other arrangements for payment as provided in the Representation Letter.

Section 4.05. Selection of Series 2022 Subordinate Bonds for Redemption; Series 2022 Subordinate Bonds Redeemed in Part. The Tax-Exempt Series 2022 Subordinate Bonds which are subject to optional redemption will be selected among such maturities as the City may designate or, absent such designation, pro rata among maturities or as set forth in the Bond Purchase Agreement related to such Series. The Series 2022 Subordinate Bonds may be redeemed by lot or pro rata within any one maturity in a manner the City shall deem appropriate.

Upon surrender of a Series 2022 Subordinate Bond to be redeemed, the Authorized City Representative acting as Authenticating Agent or other Authenticating Agent, if one has been appointed, will authenticate for the holder a new Series 2022 Subordinate Bond of the same Series and maturity equal in principal amount to the unredeemed portion of the Series 2022 Subordinate Bond surrendered.

ARTICLE V

APPLICATION OF PROCEEDS

Section 5.01. Application of Proceeds. The proceeds of the sale of any Series of the Series 2022 Subordinate Bonds (and any subseries thereof) received by the City shall be applied by the City for the following purposes and in such amounts and in such manner as directed by the City in connection with such Series:

(a) the amount needed to pay Costs of Issuance associated with the issuance of such Series of the Series 2022 Subordinate Bonds shall be transferred to the respective Custodian for the Costs of Issuance Fund to be disbursed to pay the Costs of Issuance, pursuant to the applicable Cost of Issuance Agreement;

(b) the amount needed to refund the Refunded Senior Bonds shall be transferred to the Escrow Agent for the Refunded Senior Bonds and used to pay the Refunded Senior Bonds, pursuant to the applicable Escrow Agreement;

(c) the amount needed to refund the Refunded Subordinate Bonds shall be transferred to the Escrow Agent or paying agent for the related Refunded Subordinate Bonds and used to pay the respective Refunded Subordinate Bonds pursuant to the applicable Escrow Agreement or as otherwise directed by the City; and

(d) the amount needed to pay the Commercial Paper Notes when due shall be transferred to the Issuing and Paying Agent for the Commercial Paper Notes and deposited into the Commercial Paper Notes Debt Service Fund and used to pay the Commercial Paper Notes;

Notwithstanding the foregoing provisions of this Article V, the amount to be transferred to the respective Escrow Agent or paying agent for the Refunded Bonds may be paid directly by the Underwriters to such Escrow Agent or paying agent and, in such event, shall be deemed to have been received by the City and transferred to such Escrow Agent or paying agent.

ARTICLE VI

FUNDS

Section 6.01. Reserved.

Section 6.02. Debt Service Fund. The City will, by ordinance create one or more separate funds for the Series 2022 Subordinate Bonds, with such further designations identifying the Series (which may be one or more Series of the Series 2022 Subordinate Bonds) to which such fund shall relate, or as otherwise designated by the City, all as the City deems appropriate, within the City Treasury for each Series of the Series 2022 Subordinate Bonds, designated as the “Wastewater System Subordinate Revenue Bonds Debt Service Fund, Series 2022- [insert Series/subseries designation]” (collectively, the “2022 Subordinate Debt Service Funds”), which shall each be a Debt Service Fund as provided in the Subordinate General Resolution for the respective Series of the Series 2022 Subordinate Bonds. Amounts in the 2022 Subordinate Debt Service Funds shall be used to pay principal of, and interest and any premium on, the Series 2022 Subordinate Bonds as the same become due and payable.

Section 6.03. Costs of Issuance Fund. There is hereby authorized to be created under any one or more Costs of Issuance Agreements, one or more Costs of Issuance Funds for the Series 2022 Subordinate Bonds (collectively, the “Series 2022 Costs of Issuance Fund”). Amounts in the Series 2022 Costs of Issuance Fund shall be used to pay Costs of Issuance of the Series 2022 Subordinate Bonds. Any moneys remaining in the Series 2022 Cost of Issuance Fund after payment of all related Costs of Issuance shall be transferred to the 2022 Subordinate Debt Service Fund, as applicable.

ARTICLE VII

TAX COVENANTS

Section 7.01. Reserved.

Section 7.02. Tax Compliance.

(a) With respect to the Tax-Exempt Series 2022 Subordinate Bonds, the City hereby agrees that it will deliver and comply with the covenants and agreements set forth in the Tax Certificate for the Tax-Exempt Series 2022 Bonds, including creating funds by ordinance which will be held by the City if so required under the Tax Certificate for the Tax-Exempt Series 2022 Subordinate Bonds.

(b) The City shall not use or permit the use of any proceeds of Tax-Exempt Series 2022 Subordinate Bonds or any other funds of the City held under this Twenty-Seventh Supplemental Resolution or the Subordinate General Resolution, directly or indirectly, to acquire any securities or obligations, and shall not use or permit the use of any amounts received by the City, and shall not take or permit to be taken any other action or actions, which would cause any Tax-Exempt Series 2022 Subordinate Bond to be “federally guaranteed” within the meaning of Section 149(b) of the Code or an “arbitrage bond” within the meaning of Section 148 of the Code and applicable regulations promulgated from time to time thereunder.

Section 7.03. Additional Actions. The City shall at all times do and perform all acts and things permitted by law, the Subordinate General Resolution and this Twenty-Seventh Supplemental Resolution which are necessary or desirable in order to assure that interest paid on the Tax-Exempt Series 2022 Subordinate Bonds (or any of them) will be excluded from gross income of the recipient thereof for federal income tax purposes and shall take no action that would result in such interest being included in gross income for federal income tax purposes.

ARTICLE VIII

AGENTS

Section 8.01. Appointment of Agent. The City Administrative Officer is authorized to appoint one or more banks, trust companies or financial institutions as Escrow Agent for the purpose of accepting, holding, investing and applying funds to be used to refund the Refunded Bonds and to pay the Costs of Issuance related to any one or more Series of the Series 2022 Subordinate Bonds. The City hereby appoints U.S. Bank National Association as Escrow Agent for the Series 2022 Subordinate Bonds. The City may from time to time appoint a bank, trust company or other financial institution to serve as Paying Agent, Registrar or Authenticating Agent in place of or in addition to the City with respect to any Series of the Series 2022 Subordinate Bonds. The City hereby appoints the City Clerk as Authenticating Agent for the Series 2022 Subordinate Bonds.

Section 8.02. Resignation; Removal. Any entity at any time serving as Paying Agent, Authenticating Agent and/or Registrar may resign any one or more of such positions in accordance with the terms of its agreement with the City or may be removed by the City in accordance with

the terms of such agreement. An Escrow Agent may resign or be removed as provided in the applicable Escrow Agreement.

Section 8.03. Replacement. If the Paying Agent, Authenticating Agent, Registrar or other agent resigns or is removed, the City may appoint a new Paying Agent, Authenticating Agent or Registrar or may provide that such functions as were provided by the Paying Agent, Authenticating Agent and/or Registrar be undertaken directly by the City. A successor Escrow Agent can be appointed by the City only as provided in the respective Escrow Agreement.

Section 8.04. Appointment of Costs of Issuance Fund Custodian. The City hereby appoints U.S. Bank National Association as custodian (the “Custodian”) of the proceeds to be deposited in the respective Series 2022 Cost of Issuance Fund and hereby directs the Custodian to establish such funds and accounts in the name of the City for such purpose and to deposit and disburse amounts from such accounts pursuant to the agreement entered into with the Custodian or otherwise at the written direction of the City Administrative Officer or his designee.

ARTICLE IX

APPROVALS AND AUTHORIZATIONS

Section 9.01. Findings Related to Negotiated Sale of the Series 2022 Subordinate Bonds and Selection of Professionals. Pursuant to Sections 371(e)(2) and 371(e)(10) of the Charter, the Council hereby adopts the findings and recommendations of the City Administrative Officer that, due to the complex legal structure and credit story of the wastewater revenue bonds and the benefits of maintaining flexibility and control of the timing and manner of the sale of the Series 2022 Subordinate Bonds in current market conditions, and upon the advice of its municipal advisor, the use of competitive bidding required under Section 371 of the Charter to sell the Series 2022 Subordinate Bonds would be undesirable and impractical and that it is in the best financial interest of the City to propose to sell the Series 2022 Subordinate Bonds through negotiated underwriting processes with the Underwriters. The Council hereby approves the City Administrative Officer’s recommendation of the Underwriters. The City Administrative Officer or his designee may approve additional underwriters to participate in the underwriting syndicate as the City Administrative Officer or his designee shall approve as being in the best interests of the City, such approval to be conclusively evidenced by the City Administrative Officer’s or his designee’s execution and delivery of the applicable Bond Purchase Agreement. In addition, pursuant to Sections 371(e)(2) and 371(e)(10) of the Charter, the Council hereby adopts the findings and recommendations of the City Administrative Officer that, due to the technical nature of the services required for the sale and issuance of the Series 2022 Subordinate Bonds, which services are of a temporary and occasional character, and upon advice from the City Attorney with respect to legal professionals, the use of competitive bidding required under Section 371 of the Charter to select legal and other professionals necessary for the sale and issuance of the Series 2022 Subordinate Bonds would not be practicable, advantageous, or compatible with the City’s best interest.

Section 9.02. Approval of Bond Purchase Agreement. Each Bond Purchase Agreement in substantially the form before this Council is hereby approved. The City Administrative Officer is hereby authorized to execute and enter into each Bond Purchase Agreement with one or more of the Underwriters with respect to any one or more Series of the Series 2022 Subordinate Bonds,

in substantially the form presented to this Council, with such changes as such City Administrative Officer, upon the advice of the City Attorney, deems necessary and appropriate. The signature of any City Administrative Officer shall be sufficient to bind the City and cause the Bond Purchase Agreement to be a valid and binding obligation of the City. The Underwriters' discount under the respective Bond Purchase Agreement shall not exceed 0.5% of the aggregate principal amount of the Series 2022 Subordinate Bonds purchased thereunder.

Section 9.03. Approval of Escrow Agreements. The Escrow Agreement(s) in substantially the form before this Council is hereby approved. The City Administrative Officer is hereby authorized to execute and enter into one or more Escrow Agreements with an Escrow Agent in substantially the form presented to this Council with respect to any one or more Series of the Series 2022 Subordinate Bonds, with such changes as such City Administrative Officer, upon the advice of the City Attorney, deems necessary and appropriate. The signature of the City Administrative Officer shall be sufficient to bind the City and cause the Escrow Agreement(s) to be a valid and binding obligation of the City.

Section 9.04. Official Statement. The forms of the preliminary official statements relating to the Series 2022 Subordinate Bonds (the "Preliminary Official Statements") submitted to this Council with such changes therein, and in any supplement thereto, if applicable, as may be approved by the City Administrative Officer are hereby approved for use in connection with the public offering of the Series 2022 Subordinate Bonds. Upon approval of such additions and changes, whether material or otherwise, by the City Administrative Officer, the Preliminary Official Statements, and any supplement thereto, if applicable, shall be deemed final as of their respective dates, as evidenced by a certificate to such effect, except for the omission of certain information as provided in and pursuant to Rule 15c2-12. The City Administrative Officer, for and on behalf of the City, is hereby authorized to execute a final official statement for one or more Series of the Series 2022 Subordinate Bonds (the "Official Statement"), with such additions and changes therein, and in any supplement thereto, if applicable, whether material or otherwise, as he or she may require or approve, such approval to be conclusively evidenced by execution and delivery thereof. The distribution of the Official Statement, and any supplement thereto, if applicable, in connection with the public offering of each Series of the Series 2022 Subordinate Bonds is hereby approved.

Section 9.05. Continuing Disclosure. The Continuing Disclosure Certificates, in substantially the forms attached to the Preliminary Official Statements as Appendix H and are before this Council are hereby approved. The City Administrative Officer is hereby authorized to execute and enter into one or more Continuing Disclosure Certificates with respect to any one or more Series of the Series 2022 Subordinate Bonds in substantially the form presented to this Council, with such changes as such City Administrative Officer, upon the advice of the City Attorney, deems necessary and appropriate. The signature of the City Administrative Officer shall be sufficient to bind the City and cause the Continuing Disclosure Certificate(s) to be a valid and binding obligation of the City. The City hereby covenants and agrees that they will comply with and carry out all of their respective obligations under any such Continuing Disclosure Certificate for the Series 2022 Subordinate Bonds. Notwithstanding any other provision of the Subordinate General Resolution or this Twenty-Seventh Supplemental Resolution, failure of the City to comply with any such Continuing Disclosure Certificate shall not be considered an Event of Default; however, any Beneficial Owner of the applicable Series 2022 Subordinate Bonds covered by such

Continuing Disclosure Certificate may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the City, as the case may be, to comply with its obligations under this Section. For purposes of this Section, “Beneficial Owner” means any person which has or shares the power, directly or indirectly, to make investment decisions concerning ownership of any applicable Series 2022 Subordinate Bonds covered by such Continuing Disclosure Certificate (including persons holding such applicable Series 2022 Subordinate Bonds covered by such Continuing Disclosure Certificate through nominees, depositories or other intermediaries).

Section 9.06. Execution of Documents; Additional Actions and Ratification. The City Administrative Officer is hereby authorized to purchase or subscribe from time to time for the government obligations or other securities to be deposited in escrow in connection with the refundings contemplated by this Twenty-Seventh Supplemental Resolution, to authorize the Escrow Agent(s) to so subscribe, to enter into cash flow agreements, debt service agreements, forward supply contracts and other similar contractual obligations necessary or appropriate to effectuate the transactions contemplated by this Twenty-Seventh Supplemental Resolution, to execute any documents necessary to procure municipal bond insurance upon such terms as the City Administrative Officer determines (if the City Administrative Officer, upon the advice of the City’s municipal advisor, determines that such municipal bond insurance is cost effective), to execute such certificates (including the Tax Certificate), agreements, forms and other closing documents, including those relating to the tax-exempt status of the Tax-Exempt Series 2022 Subordinate Bonds and those relating to the securities depository, and such other instruments or documents as are necessary or appropriate to consummate the transactions contemplated by this Twenty-Seventh Supplemental Resolution, to execute such certificates, agreements, forms, extensions and other documents, including to execute an extension or extensions of the Letter of Credit supporting a series of Refunded Subordinate Bonds, necessary or appropriate to effectuate the transactions contemplated by this Twenty-Seventh Supplemental Resolution and to carry out the intent hereof. All actions heretofore taken by an officer, employees, agents or directors of the City and the review and execution of any documents, certificates and other instruments by any officer, employees, agents or directors of the City, regarding the matters set forth herein, including the extension or extensions of the Letter of Credit supporting a series of Refunded Subordinate Bonds, are hereby ratified, confirmed, adopted, authorized and approved. The City Administrative Officer is authorized and directed to do any and all things and to take any and all further actions to carry out the intent hereof. All of the agreements contemplated by this Twenty-Seventh Supplemental Resolution may be executed in one or more counterparts, and by the parties in separate counterparts, each of which when executed shall be deemed to be an original but all of which taken together shall constitute one and the same agreement. Facsimile signatures or signatures scanned into a portable document format (.pdf file) (or signatures in another electronic format designated by the City) and sent by e-mail shall be deemed original signatures, unless stated otherwise in the agreement.

ARTICLE X AMENDMENTS TO THE SUBORDINATE GENERAL RESOLUTION

Section 10.01. Definitions. Section 1.01 of the Subordinate General Resolution is hereby amended to supplement and modify the definitions of the terms contained in the Subordinate General Resolution as follows:

“Balloon Indebtedness” shall mean, with respect to any Series of Subordinate Bonds and Senior Lien Bonds designated as “Balloon Indebtedness” by the City in a certificate at the time of issuance of such Series and with respect to which twenty-five percent (25%) or more of the principal matures on the same date or within a 12-month period, that portion of such Series which matures on such date or within such 12-month period; provided, however, that to constitute Balloon Indebtedness the amount of indebtedness maturing on a single date or over a 12-month period must equal or exceed 150% of the amount of such Series which matures during any preceding 12-month period. For purposes of this definition, the principal amount maturing on any date shall be reduced by the amount of such indebtedness which is required, by the documents governing such indebtedness, to be amortized by prepayment or redemption prior to its stated maturity date.

“Business Day” shall, from and after the date of issuance of the Series 2022 Subordinate Bonds, with respect to Subordinate Bonds issued on or after the date of initial issuance of the Series 2022 Subordinate Bonds, means any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of California or the City or is a day on which banking institutions in the State of California or the City are authorized or required by law or other governmental action to close, and with respect to Subordinate Bonds issued prior to the date of the initial issuance of the Series 2022 Subordinate Bonds, means a day on which banks located in New York, New York and in Los Angeles, California are open; provided that such term may have a different meaning for any specified Series of Subordinate Bonds if so provided by Supplemental Resolution.

Section 10.02. Annual Financial Statements. Section 6.09(b) of the Subordinate General Resolution shall be amended to be read in full as follows:

(b) The City will prepare annually, within *270 days* after the close of each Fiscal Year, so long as any of the Subordinate Bonds are Outstanding, financial statements of the SCM Fund, the Debt Service Funds and the Reserve Funds, if any, and the Construction Funds for the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles applied on a consistent basis from year to year which financial statements shall be examined by and include the certificate or opinion of an independent certified public accountant. The City will make the financial statements available for examination by any Bondholder or Beneficial Owner and will furnish a copy of the financial statements to any Bondholder or Beneficial Owner upon request. The City may charge a fee to cover the cost of copying.

ARTICLE XI MISCELLANEOUS

Section 11.01. Owners of Series 2022 Subordinate Bonds Deemed to Consent to the Amended and Restated Subordinate General Resolution. All Owners and Beneficial Owners of the Series 2022 Subordinate Bonds, by virtue of their purchase and acceptance of the Series 2022 Subordinate Bonds, shall be deemed to have consented to the provisions of the proposed form of the Amended and Restated Subordinate General Resolution, including the amendments to the First Supplemental Subordinate Resolution, attached hereto as Exhibit B.

Section 11.02. Notices.

(a) Any notice, request, direction, designation, consent, acknowledgment, certification, appointment, waiver or other communication required or permitted by this Twenty-Seventh Supplemental Resolution or the Series 2022 Subordinate Bonds shall be in writing except as expressly provided otherwise in this Twenty-Seventh Supplemental Resolution or the Series 2022 Subordinate Bonds.

(b) Any notice or other communication, otherwise specified, shall be sufficiently given and deemed given when delivered by hand or by Mail or by such other means as is specifically provided therefor, and addressed as provided in the Subordinate General Resolution.

(c) Any addressee may designate additional or different addresses for purposes of this Section.

(d) If any of S&P, Fitch and/or Kroll shall have provided a credit rating for any of the Series 2022 Subordinate Bonds at the request of the City, the City shall give written notice to each of S&P, Fitch and/or Kroll then providing a credit rating on any of the Series 2022 Subordinate Bonds if at any time (i) payment of principal and interest on the Series 2022 Subordinate Bonds is accelerated pursuant to the provisions of Section 9.02(a) of the General Resolution or (ii) there is any amendment to the General Resolution or this Twenty-Seventh Supplemental Resolution. Notice, in the case of an event referred to in clause (ii) hereof, shall include a copy of any such amendment. Notices sent to notices sent to S&P shall be addressed to Standard & Poor's, 55 Water Street, New York, New York 10041; notices sent to Fitch shall be addressed to Fitch at Fitch, Inc., One State Street Plaza, New York, New York 10004; notices sent to Kroll shall be addressed to Kroll Bond Rating Agency, 845 Third Avenue, New York, New York 10022, or to such other address as S&P, Fitch or Kroll, respectively, shall supply to the City.

Section 11.03. Limitation of Rights. Nothing expressed or implied in this Twenty-Seventh Supplemental Resolution or the Series 2022 Subordinate Bonds shall give any person other than the City, and the Bondholders any right, remedy or claim under or with respect to this Twenty-Seventh Supplemental Resolution.

Section 11.04. Supplemental Resolution a Contract. This Twenty-Seventh Supplemental Resolution (excluding Article XI hereof), together with the Subordinate General Resolution, is adopted by the City for the benefit of the Bondholders and together they constitute a contract with the Subordinate Bondholders.

Section 11.05. Severability. If any provision of the Twenty-Seventh Supplemental Resolution shall be determined to be unenforceable, that shall not affect any other provision of this Twenty-Seventh Supplemental Resolution.

Section 11.06. Payments due on Non-Business Days. If a payment date is not a Business Day, then payment may be made on the next Business Day, and no interest shall accrue for the intervening period.

Section 11.07. Governing Law. This Twenty-Seventh Supplemental Resolution shall be governed by and construed in accordance with the laws of the State.

Section 11.08. Captions. The captions in this Twenty-Seventh Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this Twenty-Seventh Supplemental Resolution.

Section 11.09. Effective Date. This Twenty-Seventh Supplemental Resolution shall take effect from and upon its adoption.

Approved as to Form

MICHAEL N. FEUER, City Attorney

By:  _____

Deputy City Attorney

EXHIBIT A

FORM OF SERIES 2022 SUBORDINATE BOND

UNITED STATES OF AMERICA
STATE OF CALIFORNIA
CITY OF LOS ANGELES
WASTEWATER SYSTEM SUBORDINATE REVENUE BOND,
[REFUNDING] SERIES 2022- []

No.

<u>Interest</u>	<u>Maturity Date</u>	<u>Dated Date</u>	<u>CUSIP No.</u>
%			

THIS SUBORDINATE BOND IS A SPECIAL, LIMITED OBLIGATION OF THE CITY OF LOS ANGELES. THE PRINCIPAL HEREOF, PREMIUM, IF ANY, AND INTEREST HEREON ARE PAYABLE SOLELY FROM CERTAIN WASTEWATER SYSTEM REVENUES AND OTHER AMOUNTS ON DEPOSIT IN CERTAIN SPECIAL LIMITED FUNDS AS DESCRIBED HEREIN. THIS SUBORDINATE BOND IS AN OBLIGATION THAT IS JUNIOR AND SUBORDINATE TO SENIOR LIEN BONDS (DEFINED BELOW) ISSUED UNDER THE GENERAL RESOLUTION (DEFINED BELOW) AS TO LIEN ON AND SOURCE AND SECURITY FOR PAYMENT FROM THE REVENUES. THE CITY IS NOT OBLIGATED TO MAKE PAYMENT HEREON FROM ANY OTHER SOURCE. THIS SUBORDINATE BOND IS NOT PAYABLE FROM THE GENERAL FUND OF THE CITY AND NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO THE PAYMENT OF ANY AMOUNTS DUE ON THIS SUBORDINATE BOND.

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: \$ _____

The City of Los Angeles (the "City"), a municipal corporation and a political subdivision of the State of California, organized and operating under the terms of the Charter of the City of Los Angeles (the "Charter") and the Constitution of the State of California, promises to pay, from the sources described in this Subordinate Bond and not from any other sources, to the Registered

Owner set forth above or registered assigns, the Principal Amount set forth above on the Maturity Date set forth above, and to pay interest as provided in this Subordinate Bond.

This Subordinate Bond is authorized, issued and secured under the terms of that Wastewater System Subordinate Revenue Bonds General Resolution adopted by the Council of the City on March 26, 1991, as heretofore amended and supplemented (the “Subordinate General Resolution”), including by the terms of that Twenty-Seventh Supplemental Resolution Supplementing the Subordinate General Resolution, adopted by the Council on February __, 2022 (as hereinafter defined, the “Twenty-Seventh Supplemental Resolution”). This Subordinate Bond is issued pursuant to the authority of the Charter, Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City [and Articles 10 and 11 of Chapter 3 of Part 1 of Division 2 of Title 5 (Section 53570 *et seq.* and Section 53580 *et seq.*, respectively) of the Government Code of the State of California].

All bonds, notes and other indebtedness, obligations or securities of any kind or class issued or incurred pursuant to the terms of the Wastewater System Revenue Bonds General Resolution adopted on November 10, 1987 (as heretofore amended and supplemented, the “General Resolution”) are referred to hereinafter as “Senior Lien Bonds” and are all equally and ratably secured by and payable from the Revenues and those funds described in the General Resolution.

Additional Senior Lien Bonds and Subordinate Bonds may be issued from time to time under the terms of the General Resolution and Subordinate General Resolution, respectively, and all such additional Senior Lien Bonds and Subordinate Bonds will be equally and ratably secured with the Prior Senior Lien Bonds and Prior Subordinate Bonds, respectively, in accordance with the General Resolution and the Subordinate General Resolution, respectively, by the Revenues and those funds described in the General Resolution and Subordinate General Resolution, respectively, and will be payable from the same source as this Subordinate Bond, respectively. The General Resolution provides that operation and maintenance expenses of the System are to be paid from the Revenues in the SCM Fund as such expenses become due in the ordinary course of business.

The City’s obligation to make payment of the principal of, interest on and premium, if any, on the Subordinate Bonds is only to the extent of the Revenues and amounts in the SCM Fund, the Debt Service Fund (defined in the Subordinate General Resolution), and the City has no obligation to make payments from any other sources. The general fund of the City is not liable for the payment of this Subordinate Bond, or the premium, if any, or interest thereon, and neither the full faith and credit nor the taxing power of the City is pledged for the payment of this Subordinate Bond, or the premium, if any, of the interest thereon.

The security for the Subordinate Bonds, the events that constitute Events of Default thereunder and the remedies therefor are set forth in the Subordinate General Resolution and Twenty-Seventh Supplemental Resolution, and Holders of this Subordinate Bond are referred to the Subordinate General Resolution and the Twenty-Seventh Supplemental Resolution for description of those terms.

This Subordinate Bond shall bear interest until its Maturity Date or earlier redemption (if applicable) at the rate shown on the face of this Subordinate Bond. Interest on overdue principal

and, to the extent lawful, all overdue interest will be payable at the stated interest rate on this Subordinate Bond on the day before the default occurred. Interest on this Subordinate Bond shall be calculated on the basis of a year of 360 days and twelve 30-day months. Interest will be due and payable on this Subordinate Bond on each June 1 and December 1, commencing on June 1, 2022, until maturity or earlier redemption and will be paid to the party who is the owner hereof on the Record Date for such payment. The Record Date for a June 1 payment is the close of business on the preceding May 15, and the Record Date for a December 1 payment is the close of business on the preceding November 15, whether or not such day is a Business Day.

This Subordinate Bond is subject to redemption prior to its maturity date as provided in the Twenty-Seventh Supplemental Resolution. When notice of redemption is given, the Subordinate Bonds called for redemption become due and payable on the redemption date at the applicable redemption price; in such case, when funds are held in trust for payment of the redemption price and such amounts are sufficient to pay the redemption price, interest on the Subordinate Bonds to be redeemed will cease to accrue from and after the redemption date.

Holders must surrender Subordinate Bonds to the Treasurer of the City to collect principal except that with respect to Subordinate Bonds which are Book-Entry Bonds (as defined in the Twenty-Seventh Supplemental Resolution), the Treasurer may make other arrangements for payment of principal. Interest will be paid to each party who is, as of the Record Date, the registered owner of Subordinate Bonds. If this Subordinate Bond is not a Book-Entry Bond, as defined in the Twenty-Seventh Supplemental Resolution, interest hereon will be paid by check mailed to the Holder's registered address, and, if this Subordinate Bond is a Book-Entry Bond, interest will be paid as provided in Section 3.05 of the Twenty-Seventh Supplemental Resolution. Principal, interest and premium, if any, will be paid in money of the United States that at the time of payment is legal tender for payment of public and private debts. If any payment on the Subordinate Bonds is due on a non-Business Day, it will be made on the next Business Day, and no additional interest will accrue as a result.

These Subordinate Bonds are available in denominations of \$5,000 and integral multiples of \$5,000. A Bondholder may transfer or exchange Subordinate Bonds in accordance with the Subordinate General Resolution and the Twenty-Seventh Supplemental Resolution. The City may require a Bondholder, among other things, to furnish appropriate endorsements and transfer documents and to pay any required taxes and fees associated therewith. The City need not transfer or exchange any of these Subordinate Bonds for the period beginning 15 days before mailing a notice of redemption of such Subordinate Bonds and ending on the date the notice of redemption is mailed nor transfer or exchange any of these Subordinate Bonds which has been selected for redemption.

The registered owner of this Subordinate Bond shall be treated as the owner of it for all purposes.

If the City at any time irrevocably sets aside money or Government Obligations as described in the Subordinate General Resolution sufficient, together with the earnings thereon, to pay at redemption or maturity, the principal of, premium, if any, and interest on the outstanding Subordinate Bonds, and if the City also pays all other sums then payable by the City under the Subordinate General Resolution, the Subordinate General Resolution will be discharged. After

discharge, Bondholders must look only to the money and securities set aside for payment. If the City at any time irrevocably sets aside money or Government Obligations as described in the Subordinate General Resolution sufficient to pay at redemption or maturity principal of, premium, if any, and interest on all or any portion of these outstanding Subordinate Bonds, such Subordinate Bonds, with respect to which the money or securities were set aside, shall no longer be deemed to be outstanding and shall no longer be secured by the Subordinate General Resolution except to the extent of the moneys and securities set aside therefor.

The Subordinate General Resolution, the Twenty-Seventh Supplemental Resolution and these Subordinate Bonds may be amended or supplemented, and any past default or compliance with any provision may be waived, as provided in the Subordinate General Resolution. Any consent given by the owner of this Subordinate Bond to any such action shall be irrevocable and shall bind any subsequent owner of this Subordinate Bond or any Subordinate Bond delivered in substitution for this Subordinate Bond.

By purchase of this Subordinate Bond, the owner hereby consents to the provisions of the proposed form of the Amended and Restated Subordinate General Resolution, including the amendments to the First Supplemental Subordinate Resolution, attached to the Twenty-Seventh Supplemental Resolution as Exhibit B.

The Subordinate General Resolution provides that the occurrences of certain events constitute Events of Default. If an Event of Default occurs and is continuing, the Principal of this Subordinate Bond may be declared to be due and payable immediately on the terms set forth in the Subordinate General Resolution. Any such acceleration may be waived as provided in the Subordinate General Resolution. Bondholders may not enforce the Subordinate General Resolution or the Subordinate Bonds except as provided in the Subordinate General Resolution, and, if credit enhancement has been provided for all or a portion of the Subordinate Bonds issued under the Subordinate General Resolution, the provider or providers of such credit enhancement may be able to direct the exercise of remedies.

This Subordinate Bond shall not be valid until the City Clerk, as Authenticating Agent, signs the certificate of authentication on the last page of this Subordinate Bond.

Customary abbreviations may be used in the name of a Bondholder or an assignee, such as TEN COM (= tenants in common), TEN ENT (= tenants by the entireties), JT TEN (= joint tenants with right of survivorship and not as tenants in common), CUST (= Custodian), and UGMA (= Uniform Gifts to Minors Act).

Dated:

CITY CLERK, as duly Authorized AUTHENTICATING AGENT FOR THE CITY OF LOS ANGELES, certifies that this is one of the Subordinate Bonds referred to in the Subordinate General Resolution and Twenty-Seventh Supplemental Resolution referred to herein.

By: _____

CITY OF LOS ANGELES

By: _____
[Mayor or City Administrative Officer]

ASSIGNMENT

FOR VALUE RECEIVED the undersigned hereby sells, assigns and transfers unto

(Please print or type, write Name and Address, including Zip Code,
and Federal Taxpayer Identification or Social Security Number of Assignee)

this Subordinate Bond and all rights hereunder, and hereby irrevocably constitutes and appoints

Agent to transfer this Subordinate Bond on the books of the City, with full power of substitution
in the premises.

Dated: _____, 20__

Signed by:

NOTICE: The signature to this assignment must correspond with the name as it appears on the face of this Subordinate Bond in every particular, without alteration or enlargement or any change whatsoever.

Signature Guaranteed by:

NOTICE: Signature must be guaranteed by a member firm of the New York Stock exchange or a commercial bank or trust company.

EXHIBIT B

FORM OF THE AMENDED AND RESTATED SUBORDINATE GENERAL RESOLUTION

THE CITY COUNCIL OF THE CITY OF LOS ANGELES

**AMENDED AND RESTATED
WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS
GENERAL RESOLUTION**

**Adopted by
the City Council**

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**THE CITY COUNCIL OF THE CITY OF LOS ANGELES
AMENDED AND RESTATED
WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS
GENERAL RESOLUTION**

WHEREAS, the City of Los Angeles (the “City”) is a municipal corporation and a political subdivision of the State of California (the “State”) and is a charter city having availed itself of the home rule provisions of the California Constitution and is organized and operates under the terms of the Charter of the City of Los Angeles as from time to time amended (the “Charter”) and under such Charter has the power and authority to issue bonds and incur other indebtedness and obligations; and

WHEREAS, the City owns and operates the System (as defined herein); and

WHEREAS, it is necessary from time to time to provide financing for the acquisition, construction, improvement and extension of the System and for other needs related to the System; and

WHEREAS, the City Council on November 10, 1987, adopted its Wastewater System Revenue Bonds General Resolution (as amended, modified and supplemented from time to time, the “Senior Lien Resolution”) and therein pledged, as security and a source of payment for all Bonds (as defined in the Senior Lien Resolution), the Revenues and all moneys and securities held in the Reserve Fund, Debt Service Fund and Construction Funds under the Senior Lien Resolution; and

WHEREAS, the City Council on March 26, 1991, adopted its Wastewater System Subordinate Revenue Bonds General Resolution (as amended, modified and supplemented to date, the “Original Subordinate Lien Resolution”), to implement a commercial paper program to provide an alternative form of financing for costs of the System and to encumber the Revenues on a subordinate basis to secure obligations issued as part of the commercial paper program and to provide for other subordinate obligations to be incurred from time to time on a parity with the commercial paper notes; and

WHEREAS, the City Council desires to amend and restate the Original Subordinate Lien Resolution; and

WHEREAS, the City Council desires to also make an amendment to the First Supplemental Subordinate Resolution (as defined herein); and

WHEREAS, the conditions precedent set forth in the Original Subordinate Lien Resolution to the effectiveness of the amendments and restatement contained herein have been satisfied;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Los Angeles, as follows:

ARTICLE I

DEFINITIONS; INTERPRETATION

Section 1.01 Definitions. The terms defined in this Article I shall, for all purposes of this Subordinate General Resolution and all Supplemental Resolutions into which such definitions may be incorporated, have the meanings specified unless the context clearly requires otherwise.

“Annual Debt Service” shall mean, with respect to any Covered Obligations and for any Fiscal Year, the aggregate amount of Debt Service on such Covered Obligations becoming due and payable during such Fiscal Year (or assumed to be due and payable under the definition of “Debt Service”).

“Authenticating Agent” shall mean a person or entity, other than the Treasurer, which person or entity is authorized to authenticate Subordinate Bonds of any Series in place of or in addition to the Treasurer.

“Authorized City Representative” shall mean the Mayor, the City Administrative Officer, or the Treasurer of the City, or such other officer or employee of the City or other person who has been designated as such representative by resolution of the Council.

“Average Annual Debt Service” shall mean as of any date of calculation, the quotient obtained by dividing (1) the sum of the Annual Debt Service on all Covered Obligations for all Fiscal Years during the period commencing with the Fiscal Year in which such calculation is made and terminating in the last Fiscal Year in which any Debt Service on any Covered Obligations is due, by (2) the number of such Fiscal Years.

“Authorized Denomination” shall mean, with respect to any Series of Subordinate Bonds, any denomination authorized by the Supplemental Resolution under which Subordinate Bonds of such Series are issued.

“Bond Counsel” shall mean a firm of attorneys which is nationally recognized as experts in the area of municipal finance.

“Bondholder,” “Holder,” “Owner” or “Registered Owner” shall mean at any given time the person in whose name a Subordinate Bond or Subordinate Bonds of any Series are at such time registered on the books maintained by the City or its Registrar.

“Build America Bonds” shall mean any bonds or other obligations issued as Build America Bonds under Section 54AA of the Code, or under any other provisions of the Code, that creates, in the determination of the City, a substantially similar direct-pay subsidy program that provides comparable security for the Owners thereof.

“Business Day” shall mean (i) with respect to the Series 2022 Subordinate Bonds and any Series of Subordinate Bonds issued after the Series 2022 Subordinate Bonds, any day excluding Saturday, Sunday and any day which is a legal holiday under the laws of the State of California or the City or is a day on which banking institutions in the State of California or the City are authorized or required by law or other governmental action to close, and (ii) with respect to

Subordinate Bonds of any Series issued before the date of issuance of the Series 2022 Subordinate Bonds, any day on which banks located in New York, New York and in Los Angeles, California are open; provided that, with respect to both (i) and (ii) above, such term may have a different meaning for any specified Series of Subordinate Bonds if so provided by Supplemental Resolution.

“Capitalized Interest” shall mean the amount of interest, if any, on a Series of Subordinate Bonds which is paid from proceeds of the Subordinate Bonds.

“Charter” shall mean the Charter of the City of Los Angeles as from time to time amended under which the City is organized and operates.

“City” shall mean the City of Los Angeles, California.

“City Administrative Officer” shall mean the City Administrative Officer of the City or any Assistant City Administrative Officer.

“City Attorney” shall mean the Office of the City Attorney of the City including the City Attorney, any Assistant City Attorney and any Deputy City Attorney or any other legal counsel designated by the City.

“Code” shall mean the Internal Revenue Code of 1986, as amended.

“Commercial Paper Program” shall mean an aggregate principal amount of short-term obligations of the City payable from the Revenues and authorized by the Council to be incurred through the issuance and refinancing, from time to time, of notes of the City with maturities of not to exceed 270 days. The maximum aggregate principal amount of such notes which may be Outstanding at any time is limited by the Council. The term “Commercial Paper Program” shall also include the City’s agreement with and obligations to any and all banks or other credit enhancers or liquidity providers entered into in connection with the program, including Credit Agreements and Bank Notes (as such terms are defined in the First Supplemental Subordinate Resolution).

“Construction Fund” shall mean any of the Construction Funds created as described in Section 5.06 hereof and, where specifically stated as such, the Construction Funds as defined in the Senior Lien Resolution.

“Consultant” shall mean the consultant, consulting firm, engineer, architect, engineering firm, architectural firm, accountant or accounting firm retained by the City to perform acts and carry out the duties provided for such Consultant in this Subordinate General Resolution.

“Covered Obligations” shall mean, collectively, the Senior Lien Bonds and the Subordinate Bonds.

“Council” shall mean the City Council of the City of Los Angeles.

“Debt Service” shall mean, as of any date of determination and with respect to any Fiscal Year, the sum of (1) the interest scheduled to be due on any Covered Obligations during such Fiscal Year, (2) the principal or scheduled mandatory redemption payments required to be paid

with respect to such Covered Obligations during such Fiscal Year, and (3) any other regularly scheduled payments of Covered Obligations during such Fiscal Year to the extent not included in clauses (1) and (2) of this definition, all of which are to be computed on the assumption that no portion of such Covered Obligations shall cease to be Outstanding during such Fiscal Year except by reason of the application of such scheduled payments; provided, however, that for purposes of such calculation:

(i) if any of the Outstanding Series of Covered Obligations constitutes Tender Indebtedness or if Subordinate Bonds then proposed to be issued would constitute Tender Indebtedness, then, for purposes of determining Debt Service, Tender Indebtedness shall be treated as if the principal amount of such Covered Obligations were to be amortized in substantially equal annual installments of principal and interest over a term of 30 years commencing in the year in which such Series is first subject to tender; the interest rate used for such computation shall be the rate quoted in The Bond Buyer Revenue Bond Index for the last week of the month preceding the date of calculation, as published in The Bond Buyer, or if that index is no longer published another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield as of the date of calculation for United States Treasury bonds maturing at least 25 years after the date of such calculation, or if there are no such Treasury bonds having such maturities, 100% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States ranked by assets; with respect to all principal and interest payments becoming due prior to the year in which such Tender Indebtedness is first subject to tender, such payments shall be treated as described in the initial paragraph of this definition of “Debt Service” unless the interest during that period is subject to fluctuation, in which case, the interest becoming due prior to such first tender date shall be determined as provided in (ii) below;

(ii) if any of the Outstanding Series of Covered Obligations constitutes Variable Rate Indebtedness or if Subordinate Bonds proposed to be issued would constitute Variable Rate Indebtedness (except to the extent subsection (i) relating to Tender Indebtedness or subsection (iii) relating to a Commercial Paper Program apply), then, such Series of Covered Obligations shall be assumed to bear interest at the rate quoted in The Bond Buyer Revenue Bond Index for the last week of the month preceding the date of calculation as published in The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the then Outstanding Subordinate Bonds or Senior Lien Bonds for which the interest rate is to be assumed or having an equivalent maturity as the additional Subordinate Bonds proposed to be issued, or if there are no such Treasury bonds having equivalent maturities, 100% of the lowest prevailing prime rate or any of the five largest commercial banks in the United states ranked by assets;

(iii) if any of the Outstanding Series of Covered Obligations are, or Subordinate Bonds proposed to be issued will be, part of a Commercial Paper Program, then the maximum aggregate principal amount established by the Council with respect to such Commercial Paper Program (without regard to the principal amount of such Covered Obligations that have been issued at such time) shall be deemed to be fully Outstanding on

the date of calculation and such maximum aggregate principal amount shall be treated for purposes of this definition of “Debt Service” as if it were to be amortized in substantially equal annual installments of principal and interest over a term of 30 years commencing in the year in which the date of calculation falls; and the interest rate used for such computation shall be the rate quoted in The Bond Buyer Revenue Bond Index for the last week of the month preceding the date of calculation, as published in The Bond Buyer, or if that index is no longer published, another similar index selected by the City, or if the City fails to select a replacement index, an interest rate equal to 80% of the yield as of the date of calculation for United States Treasury bonds maturing at least 25 years after the date of such calculation, or if there are no such Treasury bonds having such maturities, 100% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States ranked by assets; and, provided, further, that no other amounts with respect to the Commercial Paper Program (including any of the City’s agreement with and obligations to any and all banks or other credit enhancers or liquidity providers entered into in connection with the Commercial Paper Program, including Credit Agreements and Bank Notes (as such terms are defined in the First Supplemental Subordinate Resolution) shall be included in the calculation of “Debt Service”;

(iv) if moneys or Permitted Investments have been deposited by the City into a separate fund or account or are otherwise held by the City or by a fiduciary to be used to pay principal and/or interest on specified Covered Obligations, then the principal and/or interest to be paid from such moneys or Permitted Investments or from the earnings thereon shall be disregarded and not included in calculating Debt Service; and

(v) for the purpose of calculating Debt Service, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Senior Lien Bonds or Subordinate Bonds that were issued as Direct Subsidy Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation).

Notwithstanding any other subsection of this definition of Debt Service, no amounts payable (including any settlement amounts or termination payments) under any interest rate swap agreement constituting a Covered Obligation shall be included in the calculation of Debt Service. Except as otherwise provided in this definition of Debt Service, to the extent that any calculation under this definition requires an index, interest rate or other amount to make such calculation, and such index, interest rate or other amount is not published, is not available or is not capable of being included in such calculation, then the City shall use such other index, interest rate, or other amount in its reasonable discretion in order to complete such calculation and that calculation shall be binding on City, the Owners of all Subordinate Bonds, the Paying Agent and all other affected parties, absent manifest error.

“Debt Service Fund” shall mean any of the Debt Service Funds as described in Section 5.04 hereof and, where specifically stated as such, the Debt Service Fund as defined in the Senior Lien Resolution.

“Direct Subsidy Bonds” shall mean Build America Bonds and Recovery Zone Economic Development Bonds.

“Electronic Means” shall mean facsimile transmission, email transmission or other similar electronic means of communication providing evidence of transmission, including a telephone communication confirmed by any other method set forth in this definition.

“Event of Default” shall mean any occurrence or event specified in Section 9.01 hereof.

“Expenses” shall mean the total operating expenses of the System as determined in accordance with generally accepted accounting principles except, to the extent such items are included in such operating expenses, depreciation, interest on Outstanding Covered Obligations and amortization of financing expenses.

“First Supplemental Subordinate Resolution” shall mean the Amended and Restated First Supplemental Resolution Supplementing and Amending the Subordinate General Resolution and certain Supplemental Resolutions thereto, adopted by the City Council October 12, 2021, as amended and supplemented from time to time.

“Fiscal Year” shall mean the period of time beginning on July 1 of any given year and ending on June 30 of the immediately subsequent year, or such other annual period as the City designates as its fiscal year.

“Fitch” shall mean Fitch Ratings Inc., its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized rating agency designated by the City.

“Government Obligations” shall mean (i) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States and (ii) securities or receipts evidencing ownership interests in obligations or specified portions (such as principal or interest) of obligations described in (i).

“Insurer” shall mean any municipal bond insurance company, bank or other financial institution or organization providing credit enhancement for any one or more Series of Subordinate Bonds or a portion of a Series of Subordinate Bonds whether such credit enhancement is in the form of an insurance policy, surety bond, letter of credit, line of credit, revolving credit agreement or other form of financial guaranty or commitment instrument.

“Mail” shall mean either by first-class United States mail, postage prepaid or Electronic Means.

“Moody’s” shall mean Moody’s Investors Service, a corporation organized and existing under the laws of the State of Delaware, its successors and their assigns, and, if such corporation shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other nationally recognized rating agency designated by the City.

“Municipal Code” shall mean the Municipal Code of the City of Los Angeles.

“Net Revenues” shall mean, for any given period, the Revenues for such period less the Expenses for such period, but excluding any profits or losses on the early extinguishment of debt or on the sale or other disposition, not in the ordinary course of business, of investments or fixed or capital assets.

“Outstanding” when used with respect to Subordinate Bonds or Senior Lien Bonds shall mean Subordinate Bonds which have been authenticated and delivered under this Subordinate General Resolution or Senior Lien Bonds which have been authenticated and delivered under the Senior Lien Resolution except:

(i) Subordinate Bonds or Senior Lien Bonds cancelled or purchased by the City for cancellation or delivered to or acquired by the City for cancellation and, in all cases, with the intent to extinguish the debt represented thereby;

(ii) Subordinate Bonds or portions of Subordinate Bonds which have been paid or are deemed to be paid in accordance with Article VIII and Senior Lien Bonds or portions of Senior Lien Bonds which have been paid or are deemed to be paid in accordance with the terms of the Senior Lien Resolution;

(iii) Subordinate Bonds in lieu of which other Subordinate Bonds have been authenticated under Section 3.05;

(iv) Subordinate Bonds or Senior Lien Bonds or portions of Subordinate Bonds or Senior Lien Bonds that have become due (at maturity or on redemption, acceleration or otherwise) and for the payment of which sufficient moneys, including interest accrued to the due date, are held by the City or an agent of the City separate and apart for such purpose;

(v) Subordinate Bonds which, under the terms of the Supplemental Resolution pursuant to which they were issued, are deemed to be no longer Outstanding; and

(vi) for purposes of any consent or other action to be taken by the holders of a specified percentage of Subordinate Bonds under this Subordinate General Resolution, Subordinate Bonds held by or for the account of City, unless such Subordinate Bonds are pledged to secure a debt to an unrelated party, in which case such Subordinate Bond shall, for purposes of consents and other Bondholder action, be deemed to be Outstanding and owned by the party to which such Subordinate Bonds are pledged.

“Paying Agent” or “Paying Agents” shall mean the City Treasurer or any other bank, trust company or other financial institution appointed by the City.

“Permitted Investments” shall mean (i) Government Obligations, (ii) obligations of any state or territory of the United States or any agency or political subdivision thereof rated by S&P, if the Series of Subordinate Bonds which such Permitted Investments secure is then rated by S&P, and by Moody’s, if such Series is then rated by Moody’s, at least as high as such Series of Subordinate Bonds, (iii) obligations of any state or territory of the United States or any agency or political subdivision thereof for the payment of the principal or redemption price of and interest on which there shall have been deposited Government Obligations maturing as to principal and interest at times and in amounts sufficient to provide such payment, (iv) time certificates of deposit

issued by a state or nationally chartered bank or trust company or a state or federal savings and loan association, provided that such certificates of deposit shall be (1) continuously and fully insured by the Federal Deposit Insurance Corporation or (2) continuously and fully secured by Government Obligations, which securities shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount of such certificate of deposit, (v) bankers' acceptances which are issued by a bank or trust company rated "A" or higher by Moody's and S&P; provided that such bankers' acceptances may not exceed 270 days' maturity, (vi) repurchase agreements with any bank or trust company or government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, which agreement is secured by Government Obligations, provided that the underlying securities are required by the repurchase agreement to be held by any such bank, trust company or primary dealer having a combined capital and surplus of at least \$100,000,000 and being independent of the issuer of such repurchase agreement, and provided that the securities are continuously maintained at a market value of not less than the amount so invested, (vii) commercial paper of "prime" quality of the highest or of the highest letter and numerical rating as provided by Moody's and S&P, (viii) investment agreements with (1) any bank or trust company or government bond dealer reporting to, trading with and recognized as a primary dealer by the Federal Reserve Bank of New York, having a combined capital and surplus of at least \$100,000,000, or (2) any corporation that is organized and operating within the United States and that has total assets in excess of \$500,000,000 and that has an "A" or higher rating for its debt, other than commercial paper, as provided by Moody's and S&P, provided that such investment agreements shall be continuously and fully secured by Government Obligations, which securities shall have a market value (exclusive of accrued interest) at all times at least equal to the principal amount so invested, (ix) government money market portfolios or money market funds restricted to obligations issued or guaranteed as to payment of principal and interest by the full faith and credit of the United States, which portfolios, unless held by the Treasurer for five business days or less, shall have a rating in the highest two categories provided by Moody's and S&P, (x) any investment permitted by the investment policy of the City, and (xi) with respect to funds held in funds and accounts required under the terms of a specific Supplemental Resolution or securing specific Subordinate Bonds or Subordinate Bonds of a Specific Series of Subordinate Bonds, such other securities or investment vehicles as are specified as Permitted Investments under the terms of the Supplemental Resolution creating such funds and accounts or setting forth the terms of such Series.

"Procedural Ordinance" shall mean Article 6.7 of Chapter 1 of Division 11 of the Administrative Code of the City.

"Project" shall mean any purpose for which a Series of Subordinate Bonds is issued or authorized under the terms of this Subordinate General Resolution.

"Project Costs" shall mean, with respect to the System, all or any part of the cost of construction, acquisition, alteration, reconstruction, remodeling, maintaining and operating, including, without limiting the generality of the foregoing, all labor, materials, machinery, equipment, lands, structures, real and personal property, rights, rights of way, water rights, air rights, franchises, easements and interests acquired or used by the City in connection with the work undertaken; the cost of any demolitions, removals or relocations necessary in connection therewith; financing charges, insurance expenses, Capitalized Interest, if any, reserves for debt service and reserves for capital and current expenses; the cost of architectural, engineering,

financial and legal services, plans, specifications, appraisals, surveys, inspections, estimates of costs and revenues, and other expenses necessary or incident to determining the feasibility or practicality of such undertaking; organizational, professional, administrative, operating and other expenses incurred prior to the commencement of and during such work; costs of the City properly allocated to a Project and with respect to costs of employees or other labor costs, including the cost of medical, pension, retirement and other benefits as well as salary and wages and the allocable cost of administrative, supervisory and managerial personnel and the properly allocable cost of benefits provided for such personnel; costs of equipment, supplies and training of operating personnel and other expense of completing such work and placing the same in operation; working capital, and such other expenses as may be necessary or incidental to a Project, the financing thereof, including, but not limited to, costs and expenses of consultants and advisors including insurance consultants, accountants, engineers and attorneys, printing costs, rating agency fees and expenses, insurance costs and related election expenses and expenses necessary or incidental to placing a Project in operation and all other costs, expenses and charges related directly or indirectly to the System for which the City is otherwise permitted to incur an obligation, including the financing of working capital, whether or not the Project then under consideration involves the acquisition or construction of physical properties.

“Rebate Fund” shall mean any fund created by the City in connection with the issuance of the Subordinate Bonds or any Series of Subordinate Bonds for the purpose of complying with the Code and providing for the collection, holding and payment of amounts to the United States of America.

“Recovery Zone Economic Development Bonds” shall mean any bonds or other obligations issued as Recovery Zone Economic Development Bonds under Section 1400U-2 of the Code, or under any other provisions of the Code, that creates, in the determination of the City, a substantially similar direct-pay subsidy program that provides comparable security for the Owners thereof.

“Refundable Credits” shall mean (a) with respect to a Series of Senior Lien Bonds or Subordinate Bonds issued as Build America Bonds under Section 54AA of the Code or a Series of Senior Lien Bonds or Subordinate Bonds issued as Recovery Zone Economic Development Bonds under Section 1400U02 of the Code, in either case the amounts which are payable by the Federal government under Section 6431 of the Code, and which, in the case of Build America Bonds, the City has elected to receive under Section 54AA(g)(1) of the Code, or (b) with respect to a Series of Senior Lien Bonds or Subordinate Bonds issued as Build America Bonds or as Recovery Zone Economic Development Bonds, as the case may be, under any other provisions of the Code, that creates, in the determination of the City, a substantially similar direct-pay subsidy program, the amounts of which are payable by the Federal government under applicable provisions of the Code, which, in the case of Build America Bonds, the City has elected to receive under applicable provisions of the Code.

“Registrar” shall mean, with respect to the Subordinate Bonds of any Series, the bank, trust company or other entity, if any, designated to perform the function of Registrar under this Subordinate General Resolution or any Supplemental Resolution instead of or in addition to the City Treasurer’s office.

“Reserve Fund” shall mean any Debt Service Reserve Fund created for a Series of Subordinate Bonds as described in Section 5.05 hereof and where specifically stated as such, the Reserve Fund as defined in the Senior Lien Resolution.

“Revenue Bond Law” shall mean the Revenue Bond Law of 1941, §§54300 et seq. of the California Government Code.

“Revenues” shall mean all revenues of the SCM Fund and revenues otherwise attributable to the System, including, but not limited to, those revenues currently arising as a result of the imposition of sewer service charges, industrial waste surcharge and inspection fees, sewage disposal contract charges, sewerage facility charges and bonded sewer fees and all other income and receipts derived by the City from the ownership or operation of the System or arising from the System and including amounts attributable to extensions, additions and improvements to the System and all other amounts received by the City in payment for providing wastewater collection, treatment and/or disposal services; and all earnings received from the investment of the SCM Fund and the Debt Service Fund (as defined in the Senior Lien Resolution); and all earnings received on the Debt Service Funds created for Subordinate Bonds of any Series, provided, however, that Revenues shall not include:

- (i) any amount received from the levy or collection of taxes;
- (ii) amounts received under contracts or agreements with governmental or private entities and designated for capital costs;
- (iii) grants received from the United States of America, from the State of California or other political bodies;
- (iv) earnings on any Construction Funds and any Reserve Funds;
- (v) earnings on any Construction Funds under the Senior Lien Resolution and any Reserve Funds under the Senior Lien Resolution;
- (vi) the proceeds of borrowings; and
- (vii) proceeds of insurance.

“SCM Fund” shall mean, collectively, the City’s Sewer Construction and Maintenance Fund, Sewer Operation and Maintenance Fund, and Sewer Capital Fund established under the terms of the City’s Municipal Code as special funds in the City Treasury into which the Revenues are to be deposited and such term also includes any other fund or series of funds into which Revenues are deposited.

“Senior Lien Bonds” shall mean bonds, notes and all other obligations issued or incurred under the terms of the Senior Lien Resolution and secured, under the terms of the Senior Lien Resolution, by a pledge of the Revenues prior to that pledge securing Subordinate Bonds issued under this Subordinate General Resolution.

“Senior Lien Resolution” shall mean the Wastewater System Revenue Bonds General Resolution adopted by the City Council November 10, 1987, as amended and supplemented from time to time.

“Series” when used with respect to Subordinate Bonds, shall mean Subordinate Bonds issued at the same time or sharing some other common term or characteristic and designated as a separate Series, and shall also mean a Commercial Paper Program authorized by the Council notwithstanding the fact that the Subordinate Bonds constituting part of such program are issued at different times and from time to time; and, when used with respect to Senior Lien Bonds, shall have the meaning assigned to such term in the Senior Lien Resolution.

“Series 2022 Subordinate Bond” shall mean the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Series 2022 [of each Series, issued on _____, 2022].

“S&P” shall mean Standard & Poor’s Corporation, a corporation organized and existing under the laws of the State of New York, its successors and their assigns, and if such corporation shall for any reason no longer perform the functions of a securities rating agency, “S&P” shall be deemed to refer to any other nationally recognized securities rating agency designated by the City.

“State” shall mean the State of California.

“Subordinate Bond” or “Subordinate Bonds” shall mean bonds, notes and other indebtedness, obligations or securities of any kind or class issued or incurred as provided in Article III of this Subordinate General Resolution and secured by this Subordinate General Resolution and by the subordinate pledge of the Revenues granted hereby. The term “Subordinate Bonds” includes, but is not limited to, obligations in the form of bonds, notes, bond anticipation notes, commercial paper, and certificates of participation. “Subordinate Bond” or “Subordinate Bonds” shall not include any obligations incurred by the City as permitted by Section 5.06 which rank junior to the Subordinate Bonds issued pursuant to and secured by this Subordinate General Resolution.

“Subordinate General Resolution” shall mean this “Amended and Restated Wastewater System Subordinate Revenue Bonds General Resolution” adopted by the Council on _____, as amended from time to time.

“Supplemental Resolution” shall mean any supplemental resolution adopted by the Council providing for the issuance of a Series or multiple Series of Subordinate Bonds, amending and/or supplementing this Subordinate General Resolution or amending and/or supplementing another Supplemental Resolution.

“System” shall mean the City’s entire wastewater collection, transportation, drainage, treatment and disposal system, including all sewers, pipes, buildings, systems, plants, works, equipment, improvements and other facilities or undertakings of the City relating to the collection, transportation, treatment and disposal of sewage, wastewater, industrial wastewater and infiltration/inflows incidental thereto, including those facilities in existence at the time of adoption of this Subordinate General Resolution and any and all subsequent additions, extensions, improvements, acquisitions and replacements thereto and all facilities and undertakings relating to or useful in connection with the construction, improvement, replacement, expansion, extension,

operation and maintenance of the System. The term System more specifically includes, but is not limited to, sewage and wastewater treatment and disposal plants, sewage pumping plants, water reclamation plants, sewer maintenance yards and headquarters, intercepting and collecting sewers, outfall sewers, trunk, connecting, relief and other sewer mains and additions to, alterations of and reconstruction of, any of them and the lands, rights of way, pipe, conduits, equipment, machinery, apparatus, and property necessary therefor.

“Tender Indebtedness” shall mean any Covered Obligations or portions of Covered Obligations a feature of which is an option, on the part of the Bondholders, or an obligation, under the terms of such Covered Obligations, to tender all or a portion of such Covered Obligations to the City, a Paying Agent or other fiduciary or agent for payment or purchase and requiring that such Covered Obligations or portions of Covered Obligations be purchased if properly presented.

“Treasurer” shall mean the Treasurer of the City or any deputy treasurer.

“Variable Rate Indebtedness” shall mean any portion of indebtedness the interest rate on which is subject to fluctuation or subsequent adjustment.

Section 1.02 Cross References. Except as otherwise indicated, references to Articles and Sections are to the Articles and Sections of this Subordinate General Resolution.

Section 1.03 Rules of Construction. Words of the masculine gender shall be deemed and construed to include correlative words of the feminine and neuter genders. Unless the context shall otherwise indicate, the words importing the singular number shall include the plural and vice versa, and words importing person shall include firms, associations and corporations, including public bodies, as well as natural persons.

Section 1.04 Accounting Terms. Terms used in this Subordinate General Resolution in an accounting context and not otherwise defined shall have the meaning ascribed to them by generally accepted accounting principles.

Section 1.05 Interpretation of “Principal Amount” Under this Subordinate General Resolution. Whenever in the Subordinate General Resolution it is provided that any actions be taken or determinations made on the basis of the principal amount of Subordinate Bonds Outstanding or the principal amount of Subordinate Bonds affected by an action, including the calculation of the principal amount of Subordinate Bonds for purposes of declaring principal of Subordinate Bonds due and payable pursuant to Article IX, the calculation of the principal amount of any Subordinate Bonds that accrete interest shall be determined pursuant to the terms of Supplemental Resolutions.

ARTICLE II

PLEDGE TO SECURE SUBORDINATE BONDS; SOURCE OF PAYMENT

Section 2.01 Pledge of Revenues and Funds. To secure the payment of all Subordinate Bonds issued pursuant to the terms of this Subordinate General Resolution, the City hereby pledges to the Owners of the Subordinate Bonds, and places a second lien upon and assigns to the Owners

of the Subordinate Bonds (1) the Revenues as defined in this Subordinate General Resolution, including any additional sources of Revenues pledged by Supplemental Resolutions and (2) the Revenues held in the SCM Fund including the earnings on such Revenues. The City has previously pledged and assigned the Revenues and granted a lien upon the Revenues to secure Senior Lien Bonds, whenever issued, including Senior Lien Bonds issued subsequent to the execution and delivery of this Subordinate General Resolution and subsequent to the issuance of Subordinate Bonds. The pledge, assignment and lien on the Revenues granted to secure the Senior Lien Bonds shall in all respects be prior to the pledge, assignment and lien granted by this Subordinate General Resolution. The Revenues, including Revenues held in the SCM Fund and the earnings on such Revenues, shall be used first to pay the Senior Lien Bonds as the same become due and make current deposits into the funds held pursuant to the Senior Lien Resolution before such Revenues will be available to pay Subordinate Bonds. This pledge of and lien upon the Revenues shall be for the equal and proportionate benefit and security of all Subordinate Bonds issued under the terms of this Subordinate General Resolution, all of which, regardless of the time or times of their authentication and delivery or maturity, shall be of equal rank without preference, priority or distinction as to lien or otherwise of any Subordinate Bond over any other Subordinate Bond. The pledge and lien hereby granted shall remain effective for so long as any Subordinate Bonds are Outstanding hereunder. Amounts in any Debt Service Fund and Reserve Fund established for any Series of Subordinate Bonds shall, by the terms of the Supplemental Resolution setting forth the terms of such Series, be pledged to secure the Subordinate Bonds of such Series in accordance with the terms of such Supplemental Resolution.

Section 2.02 [Reserved.]

Section 2.03 No Prior or Parity Pledge. The City hereby represents and warrants that except for the pledge granted to secure the Senior Lien Bonds, the City has not pledged the Revenues or the SCM Fund nor created any lien thereon on a basis that ranks senior to the Subordinate Bonds, and the City covenants that, until all the Subordinate Bonds issued under the provisions of this Subordinate General Resolution and the interest thereon shall have been paid or are deemed to have been paid, it will not, except to the extent additional Senior Lien Bonds are issued under the terms of the Senior Lien Resolution grant any prior or parity pledge of Revenues or the SCM Fund, or create or permit to be created any charge or lien on the Revenues ranking prior to or on a parity with the charge and lien which secures the Subordinate Bonds issued pursuant to this Subordinate General Resolution. It is hereby expressly provided that the City shall not, by the provisions of this Section 2.03 or any other part of this Subordinate General Resolution, be restricted or limited in any way in its ability to issue additional Senior Lien Bonds, all of which shall rank prior to the Subordinate Bonds with respect to the pledge of, lien on and assignment of the Revenues. The City may, as provided in Section 5.06, create or permit to be created a charge or lien on the Revenues ranking junior and subordinate to the charge and lien which secures the Subordinate Bonds issued pursuant to this Subordinate General Resolution.

Section 2.04 Special Obligations. The Subordinate Bonds shall be and are special, limited obligations of the City and the City is obligated to pay the principal of, premium, if any, and interest on the Subordinate Bonds solely from the Revenues and from amounts in the SCM Fund and, with respect to the Subordinate Bonds of an individual Series, from any Debt Service Fund and Reserve Fund created for such Series. The general fund of the City is not liable for the payment of the principal of, interest on or premium, if any, on the Subordinate Bonds. Neither the

full faith and credit nor the taxing power of the City is pledged to payment of the Subordinate Bonds and the Owners shall not have any ability to compel the exercise of the taxing power of the City or the forfeiture of any of its property. The City's limited obligation to make payment on the Subordinate Bonds does not create a debt of the City or legal or equitable pledge, charge, lien or encumbrance, upon any of the City's property, or upon any of its income, receipts or revenues except the Revenues and, to the extent provided by Supplemental Resolution, amounts in the Debt Service Funds and Reserve Funds.

ARTICLE III

ISSUANCE OF SUBORDINATE BONDS AND TERMS THEREOF

Section 3.01 Issuance of Subordinate Bonds; Form of Subordinate Bonds. Subordinate Bonds of any Series may be issued by the City under the terms of this Subordinate General Resolution from time to time and secured hereby for any purpose related to the System that the City deems appropriate. Subordinate Bonds of any Series may be issued under this Subordinate General Resolution and secured hereby only if the provisions of Section 3.09 are satisfied.

The Subordinate Bonds of any Series may be issued in such denominations as provided by the Supplemental Resolution creating such Series, in fully registered or bearer form, with or without coupons or in fully registered book-entry form. The Subordinate Bonds of any Series may have notations, legends or endorsements required by law or usage. In addition, Subordinate Bonds of each Series may be in any of the forms, but are not limited to forms described in the definition of Subordinate Bonds in Section 1.01, and may be sold as provided in the Supplemental Resolution establishing such Series.

Section 3.02 Terms, Designation and Payment. The Subordinate Bonds of a Series shall be issued in the principal amount, shall bear interest at a rate or rates, including variable or adjustable rates, shall mature and may be subject to redemption prior to their respective maturities, all as shall be set forth by Supplemental Resolution. The Subordinate Bonds of each Series issued under the provisions of this Article shall be designated "City of Los Angeles Wastewater System Revenue [Bonds, Notes or other designation]," inserting appropriate identifying descriptions, series letter, number, year, word or words and including such other characteristics or designations as may be provided by a Supplemental Resolution. Subordinate Bonds of each Series shall contain an express statement that a Subordinate Bond of such Series is junior and subordinate to the Senior Lien Bonds as to lien on and source and security for payment from the Revenues.

Payments with respect to the Subordinate Bonds of each Series shall be made as provided in the Supplemental Resolution providing for the issuance of Subordinate Bonds of such Series or as provided in the Subordinate Bonds of such Series, which provisions shall include the designation of the currency in which such payments shall be made.

Section 3.03 Execution and Authentication. The Subordinate Bonds of any Series will be executed for the City as provided in the Supplemental Resolution. Each Subordinate Bond of any Series shall have an authentication certificate thereon which shall read substantially as follows:

The [Treasurer of the City of Los Angeles] [_____], as duly authorized Authenticating Agent] certifies that this is one of the Subordinate Bonds referred to in the Subordinate General Resolution and _____ Supplemental Resolution referred to herein.

By _____

The Subordinate Bonds of any Series shall be delivered following execution by the City to the Treasurer for authentication and delivery unless an Authenticating Agent has been appointed for such Series, in which case the Subordinate Bonds of such Series shall be delivered to the Authenticating Agent. In case any officer of the City whose signature or whose facsimile signature shall appear on Subordinate Bonds of any Series shall cease to be such officer before the authentication and delivery of Subordinate Bonds of such Series, such signature or the facsimile signature thereof shall nevertheless be valid and sufficient for all purposes the same as if he or she had remained in office until authentication and delivery. Also, if a person signing a Subordinate Bond of any Series is the proper officer on the actual date of execution, the Subordinate Bond of such Series will be valid even if that person is not the proper officer on the nominal date of action and even though, at the date of this Subordinate General Resolution or any Supplemental Resolution, such person was not such officer.

Subordinate Bonds of any Series will not be valid until the Treasurer or an Authenticating Agent executes the certificate of authentication on the Subordinate Bond of such Series by manual or facsimile signature. Such signature will be conclusive evidence that the Subordinate Bonds of such Series has been authenticated under this Subordinate General Resolution.

The City may appoint an Authenticating Agent to authenticate Subordinate Bonds of any Series and may appoint different Authenticating Agents for different Series of Subordinate Bonds. An Authenticating Agent may authenticate Subordinate Bonds of any Series whenever the Treasurer may do so. Each reference in this Subordinate General Resolution to authentication by the City or by the Treasurer includes authentication by such agent.

Subordinate Bonds of any Series issued under this Subordinate General Resolution may be issued in uncertificated form, in which case the procedures for issuance and delivery and evidence of validity, ownership, transfer and exchange shall be as provided in a Supplemental Resolution.

Section 3.04 Bond Register. Unless otherwise provided in a Supplemental Resolution, with respect to each Series of Subordinate Bonds issued in registered form, the office of the Treasurer or a Registrar will keep a register of the Subordinate Bonds of such Series and of their transfer and exchange. At reasonable times and under reasonable regulations established by the City or the Registrar, any of such lists of Bondholders may be inspected by any Bondholder (or a properly designated representative thereof) which owns \$1,000,000 or more in principal amount of Subordinate Bonds (or beneficial interest therein) then Outstanding. Subordinate Bonds of any Series may be presented to the Treasurer or to the Registrar as provided by Supplemental Resolution for registration, transfer and exchange, as provided in Section 3.06. The City and any Paying Agent shall treat the Bondholder, as shown on the registration books kept by the City or the Registrar, as the person exclusively entitled to payment of principal, premium, if any, and interest and the exercise of all other rights and powers of the Bondholder.

Section 3.05 Mutilated, Lost, Stolen or Destroyed Subordinate Bonds.

(a) In the event any Subordinate Bond of any Series is mutilated or defaced but identifiable by number and description, the City shall execute and the Treasurer or an Authenticating Agent shall authenticate and deliver a new Subordinate Bond of like Series, date, interest rate and maturity as and in a denomination equal to the unpaid amount of such Subordinate Bond, upon surrender thereof to the City or its agent; provided that there shall first be furnished to the City or its agent clear and unequivocal proof satisfactory to the City or its agent that the Subordinate Bond has been mutilated or defaced to such an extent as to impair its value to the Bondholder. The City or its agent shall then cause proper record to be made of the cancellation of the original, and thereafter the substitute shall have the validity of the original.

(b) In the event any Subordinate Bond of any Series is lost, stolen or destroyed, the City may execute and the Treasurer or an Authenticating Agent may authenticate and deliver a new Subordinate Bond of like Series, date and maturity as and in a denomination equal to the unpaid amount of the Subordinate Bond lost, stolen or destroyed; provided that there shall first be furnished to the City or its agent evidence of such loss, theft or destruction satisfactory to the City or its agent, together with indemnity satisfactory to them.

(c) The City and any agents may charge the Holder of any such Subordinate Bond described in (a) or (b) above the cost of preparing the substitute Subordinate Bond, all transfer taxes, if any, and the City's and/or agent's reasonable fees and expenses in this connection. All substitute Subordinate Bonds issued and authenticated pursuant to this Section shall be issued as a substitute and numbered, if numbering is required by the Supplemental Resolution or the City, as determined by the City or its agent. In the event any such Subordinate Bond shall be about to mature or has matured or been called for redemption, instead of issuing a substitute Subordinate Bond, the City may pay the same at its maturity or redemption without surrender thereof.

Section 3.06 Registration and Transfer of Subordinate Bonds; Persons Treated as Owners. All Subordinate Bonds presented for transfer or exchange shall be accompanied by a written instrument or instruments of transfer or authorization for exchange, in form satisfactory to the Treasurer or the Registrar, as the case may be, duly executed by the Bondholder or by his duly authorized attorney.

Except as limited by any Supplemental Resolution, the City or any Registrar also may require payment from the Bondholder of a sum sufficient to cover any tax or other governmental fee or charge that may be imposed in relation to any transfer or exchange.

Supplemental Resolutions may designate certain limited periods during which Subordinate Bonds will not be exchanged or transferred.

Subordinate Bonds delivered upon any exchange or transfer as provided herein, or as provided in Section 3.05, shall be valid obligations of the City evidencing the same obligation as the Subordinate Bond surrendered, shall be secured by this Subordinate General Resolution and

shall be entitled to all of the security and benefits hereof to the same extent as the Subordinate Bond surrendered.

Section 3.07 Destruction of Subordinate Bonds. Whenever any Outstanding Subordinate Bonds shall be delivered to the City or its agent for cancellation, upon payment of the principal amount and interest represented thereby or for replacement pursuant to Section 3.06 or exchange or transfer pursuant to Section 3.06, such Subordinate Bond shall be cancelled and destroyed by the City or its agent.

Section 3.08 Temporary Subordinate Bonds. Pending preparation of definitive Subordinate Bonds of any Series, the City may execute, authenticate and deliver, in lieu of definitive Subordinate Bonds of such Series and subject to the same limitations and conditions, interim receipts, certificates or temporary bonds which shall be exchanged for the Subordinate Bonds of such Series.

If temporary Subordinate Bonds are issued, the City shall cause the definitive Subordinate Bonds to be prepared and, upon presentation to it of any temporary Subordinate Bond, shall cancel the same and deliver in exchange therefor at the place designated by the Bondholder, without charge to the Bondholder, definitive Subordinate Bonds of an equal aggregate principal amount, of the same Series and maturity and bearing interest at the same rate or rates as the temporary Subordinate Bonds surrendered. Until so exchanged, the temporary Subordinate Bonds shall in all respects be entitled to the same benefit and security of this Subordinate General Resolution as the definitive Subordinate Bonds to be issued and authenticated hereunder.

Section 3.09 Issuance of Series of Subordinate Bonds; Supplemental Resolution; Application of Bond Proceeds. The Subordinate Bonds of each Series shall be issued, at one time or from time to time, pursuant to and in accordance with the procedures set forth in the Charter, the Procedural Ordinance and subject to the conditions of this Section 3.09.

Each Series of Subordinate Bonds shall be dated, shall mature, shall bear interest, shall be subject to redemption and shall be amortized, all as provided in the Supplemental Resolution under which such Subordinate Bonds are issued. In addition, each such Supplemental Resolution may provide for the appointment of an Authenticating Agent, Registrar or Registrars and a Paying Agent or Paying Agents or an Issuing and Paying Agent and for the removal or replacement thereof.

Such Supplemental Resolution may provide that the interest rate on the Series of Subordinate Bonds and the duration of the periods during which any such interest rate applies may, from time to time, be adjusted and that the Series of Subordinate Bonds may be purchased upon the demand of the owners thereof or shall be subject to mandatory purchase upon the occurrence of certain events or at certain times. Such provisions relating to interest rate periods and adjustments may include, without limitation, the creation of objective standards for such adjustments and the appointment of agents to apply such standards, and may provide for the procurement of liquidity and credit support facilities with respect to the Subordinate Bonds.

Each of the following shall be a condition to the issuance of any Series of Subordinate Bonds under this Subordinate General Resolution:

(a) the Council shall adopt a Supplemental Resolution authorizing such Series of Subordinate Bonds and setting forth the terms of such Series of Subordinate Bonds;

(b) if credit enhancement or liquidity support is to be provided at the time of issuance of the Series, the executed bond insurance policy, surety bond, letter of credit or other liquidity facility or credit support facility, if any, relating to the Series of Subordinate Bonds shall be delivered to the City or an appropriate fiduciary;

(c) the certificate or certificates of the Consultant required by Section 3.11 or, if the Subordinate Bonds of any Series to be issued are refunding Subordinate Bonds and the last paragraph of Section 3.11 is applicable, the certificate of the Authorized City Representative described therein;

(d) a certificate of an Authorized City Representative stating that no Event of Default has occurred and is then continuing; and

(e) an opinion of Bond Counsel to the effect that the issuance of such Subordinate Bonds has been duly authorized, that all legal conditions precedent to the delivery of such Bonds have been fulfilled, that the Subordinate Bonds are valid and binding obligations of the City in accordance with their terms, and if it is the intention of the City that interest on the Subordinate Bonds of such Series is to be excluded from gross income of the recipient for federal income tax purposes, that the interest on the Subordinate Bonds will be so excluded; and an opinion of Bond Counsel to the effect that the issuance of such Subordinate Bonds will not adversely affect the tax-exempt status of any previously issued Subordinate Bonds.

With respect to Subordinate Bonds of any Series which are part of a Commercial Paper Program, fulfillment of the conditions (a) to (e), inclusive, of this Section shall be required prior to issuance of the first note of such program; thereafter, Subordinate Bonds of any Series constituting part of the same Commercial Paper Program may be issued from time to time as the City determines without again meeting the requirements of this Section so long as the maximum aggregate principal amount of such Commercial Paper Program authorized by the Council for which the conditions (a) to (e), inclusive, were previously fulfilled, is not increased. Any increase in the maximum aggregate principal amount of the Commercial Paper Program authorized by the Council shall, prior to such increase, require compliance with conditions (a) to (e), inclusive.

When the conditions mentioned in clauses (a) to (e), inclusive, of this Section shall have been fulfilled, then upon receipt by the City of payment for the Subordinate Bonds, the Subordinate Bonds shall be delivered to or upon the order of the purchasers thereof.

Simultaneously with the delivery of Subordinate Bonds of any Series, the City shall apply the proceeds of Subordinate Bonds of such Series as provided in the Supplemental Resolution.

Section 3.10 Refunding Subordinate Bonds. There may be issued under and secured by this Subordinate General Resolution Subordinate Bonds of a Series for the purpose of providing funds for refunding all of the Outstanding Subordinate Bonds of any one or more Series or a portion of any Series. Such Subordinate Bonds of such Series shall be issued in accordance with the provisions of Sections 3.09 and 3.11 of this Subordinate General Resolution.

Section 3.11 Tests for Issuance of Subordinate Bonds. As a condition to the issuance of any Series of Subordinate Bonds, the City shall first be required to obtain a certificate or certificates prepared by a Consultant or by Consultants showing that the Net Revenues for the immediately preceding Fiscal Year or for any 12 consecutive months out of the 18 consecutive months immediately preceding the issuance of the proposed Series of Subordinate Bonds were at least equal to 110% of the Average Annual Debt Service for all Covered Obligations which will be Outstanding immediately after the issuance of the proposed Series of Subordinate Bonds. For purposes of preparing the certificate or certificates described above, the Consultant or Consultants may (a) rely upon financial statements prepared by the City that have not been subject to audit by an independent certified public accountant if audited financial statements for the Fiscal Year or period are not available and (b) make such other assumptions as determined reasonable or appropriate by such Consultant or Consultants.

For purposes of the computations to be made as described in the preceding paragraph, the determination of Net Revenues may take into account any increases in rates and charges which relate to the System and shall take into account any reductions in such rates and charges which increases or decreases have been authorized by the City to be implemented and which will be effective prior to or at the time of issuance of such proposed Series of Subordinate Bonds.

With respect to Subordinate Bonds of any Series which are part of a Commercial Paper Program, fulfillment of the requirement of this Section shall be required prior to issuance of the first note of such program; thereafter, Subordinate Bonds of any Series constituting part of the same Commercial Paper Program may be issued from time to time as the City determines without again meeting the requirements of this Section so long as the maximum aggregate principal amount of such Commercial Paper Program authorized by the Council for which such requirement was previously fulfilled, is not increased. Any increase in the maximum aggregate principal amount of the Commercial Paper Program authorized by the Council shall, prior to such increase, require compliance with the requirement of this Section.

Except as described in the last sentence of this paragraph, the certificate or certificates described above shall not be required if the Series of Subordinate Bonds being issued are for the purpose of refunding then Outstanding Senior Lien Bonds or Subordinate Bonds, and if at the time of the issuance of such Series of Subordinate Bonds, a certificate of an Authorized City Representative shall be delivered showing that Average Annual Debt Service on all Covered Obligations Outstanding after the issuance of the refunding Series of Subordinate Bonds will not exceed Average Annual Debt Service on all Covered Obligations Outstanding prior to the issuance of such Series of Subordinate Bonds. The City may not rely on the exception in this paragraph with respect to the issuance of a refunding Series of Subordinate Bonds which are not part of a Commercial Paper Program to refund Subordinate Bonds which are part of a Commercial Paper Program unless the maximum aggregate principal amount of the Commercial Paper Program authorized by the Council is concurrently reduced by an amount equal to that portion of Subordinate Bonds constituting part of such Commercial Paper Program being refunded.

ARTICLE IV

REDEMPTION OF SUBORDINATE BONDS

Section 4.01 Subordinate Bonds Redeemable. The Subordinate Bonds of each Series may be made subject to redemption either in whole or in part and at such times, prices and in such order and under such terms as may be provided by the Supplemental Resolution providing for the issuance of such Subordinate Bonds. The City may provide for the redemption of Subordinate Bonds of any Series from any funds available to the City and not obligated for other purposes.

Section 4.02 Selection of Subordinate Bonds to Be Redeemed. If less than all the Subordinate Bonds of any Series shall be called for redemption, the Subordinate Bonds to be redeemed shall be selected from such Series of Subordinate Bonds as provided in the Supplemental Resolution under which Subordinate Bonds of such Series were issued.

Section 4.03 Notice of Redemption. In the event Subordinate Bonds of any Series are called for redemption, the City, or through its agent, shall give notice, at the times and in the manner specified by Supplemental Resolution, to the Bondholders of the Subordinate Bonds of a Series to be redeemed, of the redemption of Subordinate Bonds of such Series, which notice shall (i) specify the Subordinate Bonds of a Series to be redeemed, the redemption date, the redemption price and the place or places where amounts due upon such redemption will be payable and, if less than all of the Subordinate Bonds of a Series are to be redeemed, the numbers of the Subordinate Bonds, and the portions of Subordinate Bonds, to be redeemed, (ii) state any condition to such redemption and (iii) state that on the redemption date, and upon the satisfaction of any such condition, the Subordinate Bonds of such Series to be redeemed shall cease to bear interest. Such notice may set forth any additional information relating to such redemption. Notice may provide for purchase in lieu of redemption or conditional redemption as provided by a Supplemental Resolution. Notwithstanding the foregoing, Supplemental Resolutions may provide for redemption of Subordinate Bonds of a Series, under certain circumstances, without notice or with notice which differs from that set forth in this section.

Section 4.04 Effect of Redemption Call. On the date so designated for redemption, notice, if required, having been given in the manner and under the conditions provided herein and in the Supplemental Resolution relating to the Subordinate Bonds of a Series to be redeemed and moneys for payment of the redemption price being held in trust to pay the redemption price, unless otherwise provided in a Supplemental Resolution, the Subordinate Bonds of such Series so called for redemption shall become and be due and payable on the redemption date, interest on such Subordinate Bonds shall cease to accrue, such Subordinate Bonds of such Series shall cease to be entitled to any lien, benefit or security under this Subordinate General Resolution and the owners of such Subordinate Bonds of such Series shall have no rights in respect thereof except to receive payment of the redemption price.

Subordinate Bonds of any Series which have been duly called for redemption under the provisions of this Article IV and for the payment of the redemption price of which moneys shall be held in trust or irrevocably set aside for the Holders of the Subordinate Bonds of such Series to be redeemed, all as provided in this Subordinate General Resolution, shall not be deemed to be Outstanding under the provisions of this Subordinate General Resolution.

ARTICLE V

REVENUES AND FUNDS

Section 5.01 Subordinate Bonds Secured by Revenues. The Subordinate Bonds of any Series authorized and issued under the provisions of this Subordinate General Resolution are, as provided in Article II, secured by a subordinate lien on and pledge of the Revenues. The Revenues shall be deposited and used as provided in Article V of the Senior Lien Resolution and in this Article V.

Section 5.02 The SCM Fund; Creation of Funds. The City has heretofore created and currently maintains the Sewer Construction and Maintenance Fund, the Sewer Operation and Maintenance Fund and the Sewer Capital Fund (such funds and any other fund or funds into which the Revenues are deposited, the “SCM Fund”) and the City agrees that so long as any Subordinate Bonds remain Outstanding it will continue to maintain such funds or another special fund or special funds into which all Revenues will be deposited and any and all of such funds into which Revenues are deposited by the City shall be maintained and the amounts therein held and used as provided in the Senior Lien Resolution, so long as such resolution remains in effect, and as provided herein with respect to the SCM Fund and the Revenues therein shall be subject to the subordinate pledge set forth herein to secure the Subordinate Bonds.

The City agrees that it will deposit all Revenues (except the earnings on the Debt Service Fund (as defined in the Senior Lien Resolution) created and held under the Senior Lien Resolution and any Reserve Fund (as defined in the Senior Lien Resolution) created and held under the Senior Lien Resolution for which special provision is made in the Senior Lien Resolution and except for earnings on funds created and held under Supplemental Resolutions for which special provision may be made) as collected, into the SCM Fund. All Revenues in the SCM Fund shall be held by the City in trust and applied as provided in the Senior Lien Resolution and as provided in this Article V, and, pending such application, such amounts shall be subject to a lien and charge in favor of the Holders of the Subordinate Bonds issued and Outstanding under this Subordinate General Resolution as provided in Article II of this Subordinate General Resolution.

With respect to any of the funds required to be established hereunder or under a Supplemental Resolution, the City may, to accommodate its internal accounting and management systems, create one or more funds, all of which collectively constitute the fund described herein, all of which collectively shall be subject to the lien created hereby upon such fund and all of which collectively shall serve the purposes described herein for such fund.

Section 5.03 The SCM Fund. All Revenues (except the earnings on the Debt Service Fund (as defined in the Senior Lien Resolution) created and held under the Senior Lien Resolution and any Reserve Fund (as defined in the Senior Lien Resolution) created and held under the Senior Lien Resolution for which special provision is made in the Senior Lien Resolution and except for earnings on funds created and held under Supplemental Resolutions for which special provisions may be made) shall be deposited as soon as practicable into the SCM Fund either directly or, with respect to those amounts which are collected by a collection agent, upon transfer to the SCM Fund. Revenues which have been received by a collection agent but not yet deposited into the SCM Fund, shall nevertheless be subject to the restrictions of this Section 5.03 as if they were then on deposit

in the SCM Fund. Revenues in the SCM Fund shall be used on an ongoing basis to pay or provide for the expenses of the operation and maintenance of the System including, without limitation, refunds and the expenses of management, repair and other expenses necessary to maintain and preserve the System in good repair and working order when such amounts become due. So long as the requirements set forth below are met, the City may, at any time, as provided by Supplemental Resolution, withdraw amounts from the SCM Fund to make deposits to the Debt Service Funds and Reserve Funds created under Supplemental Resolutions or otherwise to make payments or provide for payments on Subordinate Bonds. The foregoing provisions are, however, restricted to the extent that no amount shall be withdrawn from the SCM Fund to make deposits to funds created under Supplemental Resolutions or otherwise make payments or provide for payments on Subordinate Bonds unless:

- (a) all operation and maintenance expenses are being or have been paid as they become due;
- (b) the monthly deposits to be made into the Debt Service Fund and any Reserve Fund (each such fund as defined in and held under the Senior Lien Resolution) for all prior months have been made in full and no deficiency exist with respect to the Debt Service Fund or any Reserve Fund under the Senior Lien Resolution; and
- (c) the amounts which are or will be required to be deposited into the Debt Service Fund and any Reserve Fund (each such as defined in the Senior Lien Resolution and held under the Senior Lien Resolution) during the then-current calendar month have been deposited into such funds or such amounts are segregated within the SCM Fund to be used to make such deposits, and the funding requirements for the then-current calendar month contained in the Senior Lien Resolution have been satisfied, prior to the withdrawal or use of funds for the purpose of paying or providing for the payment of Subordinate Bonds.

If the conditions (a), (b) and (c) above are met, and an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the System's operation and maintenance expenses during the next 45 days shall remain in the SCM Fund, then the City may at any time and, subject to the conditions set forth above, shall, as required by Supplemental Resolutions, withdraw from the SCM Fund such amounts as are required by this Subordinate General Resolution and the Supplemental Resolutions to pay debt service on Subordinate Bonds or to provide for the payment of debt service on Subordinate Bonds and fulfill other funding requirements contained in Supplemental Resolutions under which Subordinate Bonds have been issued.

If the conditions (a), (b) and (c) above are met, an amount at least equal to the amount reasonably estimated by the City to be needed to provide for the System's operation and maintenance expenses during the next 45 days shall remain in the SCM Fund, and the City has withdrawn from the SCM Fund such amounts as are required by this Supplemental General Resolution and the Supplemental Resolutions for the then-current calendar month to pay debt service on Subordinate Bonds or to provide for the payment of debt service on Subordinate Bonds and fulfill other funding requirements for the then-current calendar month contained in Supplemental Resolutions under which Subordinate Bonds have been issued, then the City may

use any amounts in the SCM Fund, from time to time, to pay capital expenses of the System or be used for any other lawful purpose related to the System.

Any amounts in the SCM Fund which are not Revenues may be used or withdrawn at any time without any restriction imposed by this Subordinate General Resolution.

Section 5.04 The Debt Service Funds. Amounts in the Debt Service Funds established pursuant to the Supplemental Resolutions shall be used to pay interest and principal on the Subordinate Bonds of the Series for which such Fund was created as the same becomes due and payable. Such Debt Service Funds may be established and held by the City or established by the City, but held by a Paying Agent, but in any case, the fund shall be held in trust as security and a source of payment for the Series of Subordinate Bonds for which it was created. Amounts which are held in a Debt Service Fund for the payment of Subordinate Bonds of any Series which are due and payable but which have not been presented for payment and amounts which are in a Debt Service Fund to pay the redemption price of Subordinate Bonds of any Series which have been called for redemption, but which have not been presented for payment shall be so designated, segregated in such fund, held in trust for the Owners of such Subordinate Bonds of such Series and be available only to make payments on such specific Subordinate Bonds of such Series presented. In addition to the direct payment of principal, interest and redemption price, if interest, principal, or redemption price on a Series of Subordinate Bonds is paid by or through a form of credit enhancement provided for such Series of Subordinate Bonds, amounts in the Debt Service Fund created for such Series may, if so provided by Supplemental Resolution, be used to reimburse such amounts to the Insurer providing the credit support.

Section 5.05 Reserve Fund. The City may, by Supplemental Resolution, at the time of authorization of any Series of Subordinate Bonds or at any time thereafter, provide for the creation of a Reserve Fund, as security for such series. The Supplemental Resolution shall provide for the size and manner of funding and replenishing of such Reserve Fund and shall establish such other terms with respect to such Reserve Fund as the City deems to be appropriate. The provisions for funding or replenishing any Reserve Fund shall not permit any deposit into the Reserve Fund to be made from the SCM Fund unless all payments of principal of and interest on all Subordinate Bonds which have become due and payable have been paid in full or provision has been made for the payment thereof. Moneys held in a Reserve Fund shall be used for the propose of paying principal and interest on Subordinate Bonds of a Series in accordance with the Supplemental Resolution under which the Subordinate Bonds of such Series are issued and the Reserve Fund created.

Section 5.06 The Construction Funds. Each Construction Fund shall be created under the terms of the Supplemental Resolution authorizing the related Series of Subordinate Bonds. The individual Construction Funds shall be funded with proceeds of the Series of Subordinate Bonds for which the fund was created and with the earnings thereon. Moneys in the respective Construction Funds shall be used to pay Project Costs or other costs as provided in the Supplemental Resolutions creating such accounts.

Section 5.07 Moneys Held in Trust; Unclaimed Moneys. All moneys which shall have been segregated within a Debt Service Fund or deposited with a Paying Agent for the purpose of paying any Subordinate Bonds which have become due and payable, either at the maturity thereof

or upon call for redemption, shall be held in trust for the respective holders of such Subordinate Bonds and such funds shall be held (i) uninvested, (ii) in Government Obligations with a maturity not longer than 30 days or such earlier date on which funds will be needed to make payments on the Subordinate Bonds, (iii) in repurchase agreements which are fully secured by Government Obligations, or (iv) other investments specified by Supplemental Resolution. Any moneys which shall be so segregated or deposited and which shall remain unclaimed by the Holders of such Subordinate Bonds for a period of three years after the date on which such Subordinates Bonds shall have become due and payable (or such longer period as shall be required by state law) shall be released from trust and deposited into the SCM Fund, and thereafter the holders of such Subordinate Bonds shall look only to the SCM Fund for payment and the City shall be obligated to make such payment, but only to the extent of the original amounts due on such Subordinate Bonds on the original due date or redemption date and without any interest thereon and the City shall be obligated to make payment only from Revenues.

Section 5.08 Additional Funds. The City may create additional funds under this Subordinate General Resolution or any Supplemental Resolution for such purposes as the City deems appropriate, including separate funds available only for specified Subordinate Bonds or Series of Subordinate Bonds; however, except for Debt Service Funds and Reserve Funds, the Revenues may be used to fund such funds only if the conditions for the use of excess amounts in the SCM Fund are met as provided in Section 5.03.

Section 5.09 Additional Security. The Revenues secure all Subordinate Bonds issued under the terms of this Subordinate General Resolution on an equal and ratable basis. The City may, however, in its discretion, provide additional security or credit enhancement for specified Subordinate Bonds or Series of Subordinate Bonds with no obligation to provide such additional security or credit enhancement to other Subordinate Bonds.

ARTICLE VI

COVENANTS OF THE CITY

Section 6.01 Payment of Principal and Interest. The City covenants and agrees that it will duly and punctually pay or cause to be paid the principal of, premium, if any, and interest on every Subordinate Bond at the place and on the dates and in the manner herein and in the Subordinate Bonds specified, according to the true intent and meaning thereof, and that it will faithfully do and perform all covenants and agreements herein and in the Subordinate Bonds contained and the City agrees that time is of the essence under this Subordinate General Resolution; provided, however, that (i) the City's obligation to make payment of the principal of, premium, if any, and interest on the Subordinate Bonds shall be strictly limited and the City shall only be obligated to make such payments from and to the extent of the Revenues and amounts in the SCM Fund and, with respect to the individual Series of Subordinate Bonds, from the Debt Service Fund and the Reserve Fund, if any, created for such Series, and any other source which the City may specifically provide for the Subordinate Bonds or any Series of Subordinate Bonds, (ii) no Bondholder shall have any right to require payment from any other funds of the City, (iii) the City's obligation to make payments of the principal of, premium, if any, and interest on the Subordinate Bonds from Revenues shall be subordinate to the City's obligations to make payments on the Senior Lien Bonds and to make deposits required by the Senior Lien Resolution,

and (iv) no Revenues shall be withdrawn from the SCM Fund and used to make payments on or provide for the payment of Subordinate Bonds unless the conditions set forth in Section 5.03 of this Subordinate General Resolution have been met. The general fund of the City is not liable for the payment of the principal of, interest on or premium, if any, on the Subordinate Bonds. Neither the full faith and credit nor the taxing power of the City is pledged to or will be available to pay the Subordinate Bonds.

Section 6.02 Performance of Covenants by the City; Authority; Due Execution. The City covenants that it will faithfully perform at all times any and all covenants, undertakings, stipulations and provisions contained in this Subordinate General Resolution, in any and every Subordinate Bond executed, authenticated and delivered hereunder and in all of its proceedings pertaining hereto. The City represents and warrants that it is duly authorized under the constitution and laws of the State and its Charter to issue the Subordinate Bonds and pledge the Revenue thereto, on a subordinate basis, as provided herein, and that the City has not except as provided in the Senior Lien Resolution previously pledged such Revenues to secure any obligations.

Section 6.03 Rate Covenant.

(a) The City will, at all times while any of the Subordinate Bonds remain Outstanding, establish, fix, prescribe and collect rates, fees and charges, and collect other moneys, in each case, in connection with the use of the System so that Revenues and other amounts deposited into or on deposit in the SCM Fund in each Fiscal Year will be at least sufficient to pay the following amounts:

(1) the interest on and principal of the outstanding Senior Lien Bonds and Subordinate Bonds as they become due and payable;

(2) all other payments required for compliance with the terms of the Senior Lien Resolution and this Subordinate General Resolution and of any Supplemental Resolution including, but not limited to, the required deposits under Section 5.03 of the Senior Lien Resolution and to the Debt Service Funds and Reserve Funds, if any, created under Supplemental Resolutions; and

(3) all current operation and maintenance costs of the System (but not including such operation and maintenance costs as are scheduled to be paid by the City from moneys other than Revenues, such moneys to be clearly available for such purpose).

(b) The City further agrees that it will establish, fix, prescribe and collect rates, fees and charges, and collect other moneys, in each case, in connection with the use of the System so that during each Fiscal Year the Net Revenues and other amounts deposited into or on deposit in the SCM Fund are equal to at least 110% of the scheduled debt service becoming due on Outstanding Senior Lien Bonds and Subordinate Bonds in such year provided that for such purposes, the principal amount of Senior Lien Bonds and Subordinate Bonds becoming due in such year which is paid from the proceeds of other borrowings shall not be included as debt service becoming due in such year.

For the purpose of calculating scheduled debt service coming due on Outstanding Senior Lien Bonds and Subordinate Bonds, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of Senior Lien Bonds or Subordinate Bonds that were issued as Direct Subsidy Bonds, such amount shall be reduced by an amount equal to the Refundable Credits the City is scheduled to receive during each such twelve-month period ending June 30 (and to avoid double counting, an equivalent amount shall be deducted from Revenues for the purpose of such calculation).

Section 6.04 Instruments of Further Assurance. The City covenants that it will, through its appropriate officers, employees and agents, do, adopt, execute, acknowledge and deliver, or cause to be done, adopted, executed, acknowledged and delivered, such Supplemental Resolutions and such further acts, instruments and transfers as may reasonably be necessary to establish or confirm to the Owners of the Subordinate Bonds all of the rights and obligations of the City under and pursuant to this Subordinate General Resolution.

Section 6.05 [Reserved.]

Section 6.06 Restriction Upon Prior and Parity Obligations; Provision for Subordinated Obligations. The City covenants that it will not, except to the extent it issues additional Senior Lien Bonds under the terms of the Senior Lien Resolution, issue any other obligations, except upon the condition and in the manner provided in Sections 3.09 and 3.10, payable from the Revenues prior to or on a parity with the Subordinate Bonds or secured by a prior or parity interest in the Revenues, and the City covenants that it will not voluntarily create or cause to be created any debt, lien, pledge, assignment, encumbrance or any other charge having priority to or being on a parity with the lien held by the Holders of the Subordinate Bonds upon the Revenues, or any part thereof. This provision shall not be deemed to restrict the City's ability to incur obligations for ordinary and reasonable operation and maintenance expenses payable on an ongoing basis from the SCM Fund as provided in Section 5.03. Such obligations for operation and maintenance expenses shall not be secured by nor create a lien on the Revenues. The City may issue obligations on a basis subordinate to the Subordinate Bonds provided that any such subordinated obligations issued by the City and payable from the Revenues shall contain an express statement that such obligations are junior and subordinate to the Subordinate Bonds issued under Article III of this Subordinate General Resolution as to lien on and source and security for payment from the Revenues. Any such subordinated obligations may be paid on an ongoing basis from the Revenues so long as the conditions set forth in Section 5.03 are met.

Section 6.07 Operation and Maintenance of System. The City will maintain and preserve the System in good repair and working order at all times, in conformity with standards customarily followed for municipal wastewater systems of like size and character. The City will, from time to time, make all necessary and proper repairs, renewals, replacements and substitutions to the properties of the System, so that at all times business carried on in connection with the System shall and can be properly and advantageously conducted in an efficient manner and at reasonable cost, and will operate the System in an efficient and economical manner, consistent with the protection of the holders of the Subordinate Bonds.

Section 6.08 [Reserved.]

Section 6.09 Books and Accounts; Financial Statements.

(a) The City will keep proper books of record and accounts of the SCM Fund, the Debt Service Funds, the Reserve Funds, if any, and the Construction Funds, in which complete and correct entries shall be made of all transactions relating to such funds. Such books of record and accounts shall at all times during business hours be subject to the inspection of any Bondholder or a representative thereof who is authorized in writing, at reasonable hours and under reasonable conditions.

(b) The City will prepare annually within 270 days after the close of each Fiscal Year so long as any of the Subordinate Bonds are Outstanding financial statements of the SCM Fund, the Debt Service Funds, the Reserve Funds, if any, and the Construction Funds for the preceding Fiscal Year, prepared in accordance with generally accepted accounting principles applied on a consistent basis from year to year which financial statements shall be examined by and include the certificate or opinion of an independent certified public accountant. The City will make the financial statements available for examination by any Bondholder and will furnish a copy of the financial statements to any Bondholder upon request. The City may charge a fee to cover the cost of copying.

(c) [Reserved.]

(d) The City will annually, prior to the beginning of each Fiscal Year, prepare and adopt a budget for the SCM Fund which budget shall include the budgeted receipts and expenditures of the SCM Fund and the rates and charges to be implemented to assure that the City is able to comply with its covenants as set forth in this Subordinate General Resolution, and the City will annually prepare a five-year capital plan or capital budget setting forth in reasonable detail the expected amounts to be expended in each year for capital needs of the System and the purposes for which such expected amounts are to be expended.

Section 6.10 Ownership and Operation. The City will not sell, transfer or otherwise dispose of the System or any part thereof essential to the proper operation of the System unless, after giving effect to such sale, transfer or disposition, the City reasonably expects that the System is able to generate sufficient Revenues to satisfy its obligations under Section 6.03 hereof.

Section 6.11 Insurance and Condemnation. The City agrees that it will, to the extent it determines that insurance or reserves covering risks to the System is appropriate for the System, insure or provide a self-insured reserve as protection against loss or damage to the System arising from fire, storm or other causes; provided that the City shall not be required to maintain insurance or reserve against loss or damage resulting from earthquakes if the City determines that the cost thereof is excessive.

If the City determines to obtain insurance to comply with the preceding paragraph, the City may, but shall not be required to, rely on the advice of an independent insurance consultant for purposes of determining the types and amounts of insurance to be maintained. Such insurance may be maintained through a pooled risk arrangement with other entities, through commercial insurance, a captive insurance company or through other arrangements which the City determines

to be appropriate, including a combination of commercial insurance and self-insurance in accordance with the City's self-insurance policy.

If the City determines to provide a self-insurance fund to comply with the first paragraph of this Section, the City shall establish and fund a separate self-insurance fund or together with other cities or political subdivisions establish a pooled self-insurance fund. The amount to be deposited into and maintained in the self-insurance fund shall be that amount determined by the City or by an independent insurance consultant retained by the City as necessary to adequately reserve against the risks to be covered. If such a self-insurance fund is established, the level of funding shall be reviewed annually and, on or before the last day of each Fiscal Year, the City shall determine the amount to be held in such fund for the next Fiscal Year and, if the amount in such fund is to be increased, the City shall include the amount of such increase in the budget for the SCM Fund.

Section 6.12 Resolution to Constitute a Contract. This Subordinate General Resolution is adopted by the Council for the benefit of the Bondholders and constitutes a contract with the Bondholders.

ARTICLE VII

INVESTMENTS

Moneys held in the SCM Fund, the Debt Service Funds, the Reserve Funds, if any, and the Construction Funds shall be invested and reinvested as determined by the City, in Permitted Investments subject to the restrictions set forth in this Article VII and the restrictions set forth in any Supplemental Resolution. Such investments may be made by commingling such amounts for investment purposes with other funds of the City, provided that the amount of each such fund and the earnings thereon are clearly accounted for. The maturities of investments in the Debt Service Funds shall not extend beyond the time when funds will be needed therefrom to make payment on the Subordinate Bonds. Investments of moneys in any such fund shall be deemed at all times to be a part of such fund.

Earnings on the SCM Fund shall be credited to and deposited in the SCM Fund. Earnings on a Construction Fund when received shall be credited to and deposited in such Construction Fund. Earnings on a Debt Service Fund when received shall be credited to and deposited in such Debt Service Fund. Earnings on any Reserve Fund shall be credited and deposited as provided in the Supplemental Resolution creating such Reserve Fund.

ARTICLE VIII

DEFEASANCE

Subordinate Bonds of any Series or portions thereof (such portions to be in integral multiples of the Authorized Denomination) which have been paid in full or which are deemed to have been paid in full shall no longer be secured by or entitled to the benefits of this Subordinate General Resolution except for the purposes of payment from moneys or Government Obligations held by the City or a Paying Agent for such purpose. When all Subordinate Bonds which have

been issued under this Subordinate General Resolution have been paid in full or are deemed to have been paid in full, and all other sums payable hereunder by the City, including all necessary and proper fees, compensation and expenses of any Registrar or Paying Agent, have been paid or are duly provided for, then the pledge of the Revenues granted hereby shall cease, terminate and become void, and this Subordinate General Resolution shall cease to be a lien on such Revenues and shall be discharged, except that funds or securities which are held by the City or a Paying Agent for the payment of the principal of, premium, if any, and interest on the Subordinate Bonds shall continue to be held in trust for such purpose.

A Subordinate Bond of any Series, except as provided in the last paragraph of this Article or by Supplemental Resolution, shall be deemed to be paid within the meaning of this Article VIII and for all purposes of this Subordinate General Resolution when (a) payment of the principal, interest and premium, if any, either (i) shall have been made in accordance with the terms of the Subordinate Bonds and this Subordinate General Resolution or (ii) shall have been provided for by irrevocably setting aside exclusively for such payment, (1) moneys sufficient to make such payment and/or (2) Government Obligations, maturing as to principal and interest or payable to the City or its agent on demand in such amounts and at such times as will insure the availability of sufficient moneys to make such payment, and (b) all necessary and proper fees, compensation and expenses of any Registrar and any Paying Agent pertaining to the Subordinate Bonds with respect to which such deposit is made shall have been paid or provision made for the payment thereof. At such times as Subordinate Bonds shall be deemed to be paid hereunder, such Subordinate Bonds shall no longer be secured by or entitled to the benefits of this Subordinate General Resolution, except for the purposes of payment from such moneys or Government Obligations.

Notwithstanding the foregoing paragraph, no deposit under clause (a)(ii) of the immediately preceding paragraph shall be deemed a payment of any such Subordinate Bonds unless the City has given notice or has agreed to give notice in accordance with Section 4.03, as soon as practicable, to the Owners of the Subordinate Bonds with respect to which such deposit has been made and that such deposit has been made and in such notice has included or will include the maturity or redemption date upon which moneys are to be available for the payment of the principal of and the applicable redemption premium, if any, on such Subordinate Bonds and the City has given or has agreed to give proper and timely notice of the redemption of those Subordinate Bonds which are to be redeemed in advance of their maturity.

Notwithstanding the foregoing provisions of this Article, the Bank Notes (as such term is defined in the First Supplemental Subordinate Resolution) which are part of a Commercial Paper Program shall remain Outstanding and shall not be deemed paid until such Bank Notes and the interest thereon shall have been paid in full.

ARTICLE IX

DEFAULTS AND REMEDIES

Section 9.01 Events of Default. Each of the following events shall constitute and is referred to in this Subordinate General Resolution as an “Event of Default”:

(a) a failure to pay the principal of or premium, if any, on any of the Senior Lien Bonds or the Subordinate Bonds when the same shall become due and payable at maturity or upon redemption;

(b) a failure to pay any installment of interest on any of the Senior Lien Bonds or the Subordinate Bonds when such interest shall become due and payable;

(c) a failure in a given Fiscal Year to achieve the level of debt service coverage required by Section 6.03(b); provided that such event shall not constitute an Event of Default hereunder if (i) the budget for such Fiscal Year and the rates and charges implemented in accordance with such budget were such that the required level of debt service coverage was projected to be achieved, and (ii) immediately upon discovery of the failure to achieve the required coverage the City commences such action as is reasonable to assure that required coverage is achieved in the succeeding year;

(d) a failure by the City to observe and perform any covenant, condition, agreement or provision (other than as specified in subsections (a), (b), (c) and (d) of this Section 9.01) contained in the Subordinate Bonds or in this Subordinate General Resolution on the part of the City to be observed or performed, which failure shall continue for a period of 60 days after written notice, specifying such failure and requesting that it be remedied, shall have been given to the City by an Insurer on a Series of Subordinate Bonds or by the Holders of 25% or more of the principal amount of the Subordinate Bonds then Outstanding, unless such Insurer (if the Insurer has given the notice of such failure to comply with the terms hereof) or, if the notice has been given by the Holders, the Holders of Subordinate Bonds in a principal amount not less than the principal amount of Subordinate Bonds the Holders of which gave such notice, shall agree in writing to an extension of such period; provided, however, that the Insurer and the Holders shall be deemed to have agreed to an extension of such period if corrective action is initiated by the City within 60 days after receipt of such written notice and is being diligently pursued;

(e) a failure on the part of the City to collect the Revenues, or an attempt to divert the Revenues for any use prior to the deposit into the SCM Fund or creation of a lien on or a charge against the Revenues or the SCM Fund, which lien or charge is prior to (except to the extent such lien secures Senior Lien Bonds), or, except to the extent permitted by this Subordinate General Resolution, on a parity with that granted to secure the Subordinate Bonds; or the creation of a lien on or a charge against a Debt Service Fund or Reserve Fund which, except to the extent permitted by this Subordinate General Resolution, lien or charge is prior to or on a parity with, the lien granted to secure a Series of Subordinate Bonds; and

(f) the occurrence of any other Event of Default as is provided in a Supplemental Resolution.

Section 9.02 Acceleration; Other Remedies.

(a) Upon the occurrence and continuance of an Event of Default described in Section 9.01, any Insurer or the Holders of 51% or more of the principal amount of the

Subordinate Bonds which are then Outstanding and which are subject to acceleration, may by written notice to the City, declare the Subordinate Bonds which are subject to acceleration to be immediately due and payable, whereupon the Subordinate Bonds which are subject to acceleration shall, without further action, become and be immediately due and payable, anything in this Subordinate General Resolution or in the Subordinate Bonds to the contrary notwithstanding. All Subordinate Bonds Outstanding under this Subordinate General Resolution shall be subject to acceleration unless, under the terms of the Supplemental Resolution authorizing such Subordinate Bonds, a Series of Subordinate Bonds or a portion of a Series is declared not to be subject to acceleration; and provided that, with respect to any Series of Subordinate Bonds or portion of a Series of Subordinate Bonds which is credit enhanced, no acceleration shall be effective with respect to such Subordinate Bonds unless the declaration is given by the Insurer or is consented to by the Insurer.

(b) The provisions of the preceding paragraph are subject to the condition that, if after the principal of the Subordinate Bonds shall have been declared to be due and payable, and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the City shall cause to be paid all matured installments of interest upon all Subordinate Bonds and the principal of any and all Subordinate Bonds which shall have become due otherwise than by reason of such declaration (with interest upon such principal and, to the extent permissible by law, on overdue installments of interest, at the rate per annum specified in the Subordinate Bonds) and all Events of Default hereunder other than nonpayment of the principal of Subordinate Bonds which shall have become due by such declaration shall have been remedied, then the holders of at least a majority in principal amount of Subordinate Bonds Outstanding including a majority in principal amount of Subordinate Bonds which have been accelerated may, if all Insurers consent in writing to such waiver, waive the Event of Default and rescind or annul the acceleration and its consequences. But no such waiver, rescission and annulment shall extend to or affect any subsequent Event of Default or impair any right or remedy consequent thereon.

(c) Upon the occurrence and continuance of any Event of Default, the Holders of 51% or more of the principal amount of the Subordinate Bonds then Outstanding or any Insurer shall have the right:

(i) by mandamus, or other suit, action or proceeding at law or in equity, to enforce all rights of the Bondholders, and require the City to carry out any agreements with or for the benefit of the Bondholders and to perform its duties or agreements under this Subordinate General Resolution or any Supplemental Resolution, provided that any such remedy may be taken only to the extent permitted under the applicable provisions of this Subordinate General Resolution;

(ii) to bring suit upon the Subordinate Bonds;

(iii) to commence an action or suit in equity to require the City to account as if it were the trustee of an express trust for the Bondholders; or

(iv) by action or suit in equity to enjoin any acts or things which may be unlawful or in violation of the rights of the Bondholders.

In the event of a conflict between the actions taken or proposed to be taken under this Section 9.02(c) by any Insurer and the Holders of the Subordinate Bonds or between the Insurers on different Series of Subordinate Bonds, the position taken by the entity or group of Bondholders representing the greatest principal amount of Subordinate Bonds Outstanding shall prevail. For such purposes the Insurer of a Series of Subordinate Bonds shall be deemed to represent the entire principal amount of Subordinate Bonds for which such Insurer has provided credit enhancement.

(d) Any Holder of any Subordinate Bond issued under the terms of the Revenue Bond Law may compel the use of any or all of the remedies provided in the Revenue Bond Law.

Section 9.03 Restoration to Former Position. In the event that any proceeding taken to enforce any right under this Subordinate General Resolution shall have been discontinued or abandoned for any reason, or shall have been determined adversely to the Bondholders, then the City, and the Bondholders shall be restored to their former positions and rights hereunder, respectively, and all rights, remedies and powers of the Bondholders and the Insurers shall continue as though no such proceeding had been taken.

Section 9.04 No Impairment of Right to Enforce Payment. Notwithstanding any other provision in this Subordinate General Resolution, the right of any Bondholder to receive payment of the principal of and interest on such Subordinate Bond, on or after the respective due dates expressed therein and to the extent of the Revenues, or to institute suit for the enforcement of any such payment on or after such respective date, shall not be impaired or affected without the consent of such Bondholder.

Section 9.05 No Remedy Exclusive. No remedy herein conferred upon or reserved to the Bondholders or the Insurers is intended to be exclusive of any other remedy or remedies, and each and every such remedy shall be cumulative, and shall be in addition to every other remedy given hereunder, or now or hereafter existing at law or in equity or by statute.

Section 9.06 No Waiver of Remedies. No delay or omission of any Bondholder or Insurer to exercise any right or power accruing upon any default shall impair any such right or power or be construed to be a waiver of any such default, or an acquiescence therein; and every power and remedy given by this Article IX to the Bondholders and the Insurers may be exercised from time to time and as often as may be deemed expedient.

Section 9.07 Application of Moneys. Any moneys received by any receiver or by any Bondholder or Insurer pursuant to any right given or action taken under the provisions of this Article IX, after payment of the costs and expenses of the proceedings resulting in the collection of such moneys and of the expenses, liabilities and advances incurred or made by the receiver, Bondholder or Insurer, shall be applied as follows:

(a) Unless the principal of all the Subordinate Bonds of such Series shall have been declared due and payable, all such moneys shall be applied (i) first, to the payment to the persons entitled thereto of all installments of interest then due on the Subordinate Bonds

of such Series, with interest on overdue installments, if lawful, at the rate provided in the respective Subordinate Bonds, in the order of maturity of the installments of such interest and, if the amount available shall not be sufficient to pay in full any particular installment of interest, then to the payment ratably, according to the amounts due on such installment, and (ii) second, to the payment to the persons entitled thereto of the unpaid principal of the Subordinate Bonds of such Series which has become due with interest on such unpaid principal amounts at the rates borne by the respective Subordinate Bonds from the respective dates upon which they became due and, if the amount available shall not be sufficient to pay in full all Subordinate Bonds of such Series due on any particular date, together with such interest, then to the payment ratably, according to the amount of principal and interest due on such date, in each case to the persons entitled thereto, without any discrimination or privilege.

(b) If the principal of all the Subordinate Bonds of such Series shall have been declared due and payable, all such moneys shall be applied to the payment of the principal and interest then due and unpaid upon all Subordinate Bonds of such Series, with interest on overdue interest, if lawful, and principal, as aforesaid, without preference or priority of principal over interest or interest over principal, or of any installment of interest over any other installment of interest, or of any Subordinate Bond of such Series over any other Subordinate Bond of such Series, ratably, according to the amounts due respectively for principal and interest, to the persons entitled thereto without any discrimination or privilege.

(c) If the principal of all the Subordinate Bonds of such Series shall have been declared due and payable, and if such declaration shall thereafter have been rescinded and annulled, then, subject to the provisions of clause (b) of this Section 9.07 which shall be applicable in the event that the principal of all the Subordinate Bonds of such Series shall later become due and payable, the moneys shall be applied in accordance with the provisions of clause (a) of this Section 9.07.

Whenever moneys are to be applied pursuant to the provisions of this Section 9.07, such moneys shall be applied at such times, and from time to time, as the receiver, Bondholders or Insurer shall determine, having due regard to the amount of such moneys available for application and the likelihood of additional moneys becoming available for such applications in the future.

Section 9.08 Severability of Remedies. It is the purpose and intention of this Article IX to provide all rights and remedies to the Bondholders and Insurers that may be lawfully granted, but should any right or remedy herein granted be held to be unlawful, the Bondholders and Insurers shall be entitled, as above set forth, to every other right and remedy provided in this Subordinate General Resolution and by applicable law.

Section 9.09 Additional Events of Default and Remedies. So long as any particular Series of Subordinate Bonds is Outstanding, the Events of Default and remedies as set forth in this Article IX may be supplemented with additional Events of Default and remedies as set forth in the Supplemental Resolution under which such Series of Subordinate Bonds is issued and additional Events of Default and remedies, not necessarily limited to the time any Series of Subordinate Bonds are Outstanding may likewise be added from time to time by Supplemental Resolution.

ARTICLE X

PAYING AGENT AND CO-PAYING AGENTS; REGISTRAR

Section 10.01 Paying Agent. The City may at any time or from time to time appoint a Paying Agent or Paying Agents for the Subordinate Bonds or for any Series of Subordinate Bonds and may from time to time remove a Paying Agent. Each Paying Agent shall signify its acceptance of the duties and obligations imposed upon it hereunder or under a Supplemental Resolution by a written instrument of acceptance delivered to the City under which each such Paying Agent will agree, particularly:

- (a) to hold all sums delivered to it for the payment of the principal of, premium or interest on Subordinate Bonds in trust for the benefit of the Bondholders until such sums shall be paid to such Bondholders or repaid to the City as herein provided;
- (b) to keep such books and records as shall be consistent with prudent industry practice, to make such books and records available for inspection by the City at all reasonable times; and
- (c) upon the request of the City, to forthwith deliver to the City all sums so held in trust by such Paying Agent.

Section 10.02 Registrar. The City may appoint a Registrar for the Subordinate Bonds or a Registrar for any Series of Subordinate Bonds and may from time to time remove a Registrar. Each Registrar shall signify its acceptance of the duties imposed upon it hereunder or under a Supplemental Resolution by a written instrument of acceptance delivered to the City under which such Registrar will agree, particularly, to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection by the City and the Paying Agent at all reasonable times.

Section 10.03 Other Agents. The City may from time to time appoint other agents to perform duties and obligations under this Subordinate General Resolution or under a Supplemental Resolution, which agents may include, but not be limited to, tender agents, remarketing agents, escrow agents, issuing and paying agents and authenticating agents and may remove such agents.

Section 10.04 Several Capacities. Anything in this Resolution to the contrary notwithstanding, the same entity may serve hereunder as the Paying Agent, Registrar and any other agent appointed to perform duties or obligations under this Subordinate General Resolution, under a Supplemental Resolution or an escrow agreement or in any combination of such capacities or other capacities.

ARTICLE XI

SUPPLEMENTAL RESOLUTIONS

Section 11.01 Limitations. This Subordinate General Resolution shall not be modified or amended except as provided in and in accordance with and subject to the provisions of this Article XI.

Section 11.02 Supplemental Resolutions Not Requiring Consent of Bondholders. The Council may, from time to time and at any time, without the consent of or notice to the Bondholders, adopt Supplemental Resolutions supplementing or amending, or both, this Subordinate General Resolution or any Supplemental Resolution as follows:

- (a) to provide for the issuance of a Series or multiple Series of Subordinate Bonds under the provisions of Section 3.09 of this Subordinate General Resolution and to set forth the terms of such Subordinate Bonds and the special provisions which shall apply to such Subordinate Bonds;
- (b) to cure any formal defect, omission, inconsistency or ambiguity in this Subordinate General Resolution or any Supplemental Resolution;
- (c) to add to the covenants and agreements of the City in this Subordinate General Resolution or to surrender any right or power reserved or conferred upon the City, and which shall not adversely affect the interests of the Bondholders;
- (d) to confirm, as further assurance, any interest in and to the Revenues or in and to the funds required to be established as provided herein or in and to any other moneys, securities or funds of the City provided pursuant to this Subordinate General Resolution or to otherwise add additional security for the Bondholders;
- (e) to evidence any change in the terms of any Series of Subordinate Bonds if such changes are authorized by the Supplemental Resolution at the time the Series of Subordinate Bonds is issued and such change is made in accordance with the terms of such Supplemental Resolution;
- (f) to comply with the requirements of the Trust Indenture Act of 1939, as from time to time amended or any statutory provisions substituted therefor;
- (g) to modify, alter, amend or supplement this Subordinate General Resolution or any Supplemental Resolution in any other respect which is not materially adverse to the Bondholders;
- (h) to provide for uncertificated Subordinate Bonds or for the issuance of coupons and bearer Subordinate Bonds or Subordinate Bonds registered only as to principal;

(i) to qualify the Subordinate Bonds or a Series of Subordinate Bonds for a rating or ratings or an upgrade in a rating or ratings by Moody's, S&P and/or Fitch or any other nationally recognized rating agency then rating any Series of Subordinate Bonds; and

(j) to comply with the requirements of the Code as are necessary, in the opinion of Bond Counsel, to prevent the interest on the Subordinate Bonds or a Series of Subordinate Bonds from being included in gross income of the recipient for federal income taxation purposes.

Before the City shall, pursuant to this Section 11.02, adopt any Supplemental Resolution, there shall have been delivered to the City an opinion of Bond Counsel stating that such Supplemental Resolution is authorized or permitted by this Subordinate General Resolution, complies with its terms, will, upon the adoption thereof, be valid and binding upon the City in accordance with its terms and that, with respect to Subordinate Bonds the interest on which was, at the time of issuance thereof, determined to be excluded from gross income of the recipients thereof for federal income tax purposes, such Supplemental Resolution will not cause the interest on such Subordinate Bonds to be included in the gross income of such recipients for federal income tax purposes and that, with respect to Subordinate Bonds the interest on which was, at the time of issuance, determined to be exempt from California personal income taxation, such Supplemental Resolution will not cause the interest on such Subordinate Bonds to become subject to such taxation.

Section 11.03 Supplemental Resolutions Requiring Consent of Bondholders.

(a) Except for Supplemental Resolutions adopted pursuant to Section 11.02 and except for Supplemental Resolutions adopted pursuant to Section 11.03(b) below, the City shall not adopt any Supplemental Resolution unless all Insurers and the holders of not less than 51% in aggregate principal amount of the Subordinate Bonds then outstanding shall have consented to and approved the adoption of such Supplemental Resolution. With such consents and approval, the City may, from time to time, adopt any Supplemental Resolution deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in this Subordinate General Resolution or in a Supplemental Resolution; provided, however, that, unless approved in writing by the holders of all the Subordinate Bonds which would be affected by such change or unless such change affects less than all Series of Subordinate Bonds and the following subsection (b) is applicable, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any outstanding Subordinate Bonds or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Bonds or the rate of interest thereon; and provided that nothing herein contained, including the provisions of Section 11.03(b) below, shall, unless approved in writing by the holders of all the Subordinate Bonds then Outstanding, permit or be construed as permitting (iii) the creation of a lien (except as expressly permitted by this Subordinate General Resolution as originally executed) upon or pledge of the Revenues created by this Subordinate General Resolution, ranking prior to or on a parity with the claim created by this Subordinate General Resolution, or (iv) except with respect to additional security which may be provided for a particular Series of Subordinate Bonds,

a preference or priority of any Subordinate Bond or Subordinate Bonds over any other Subordinate Bond or Subordinate Bonds, or (v) a reduction in the aggregate principal amount of Subordinate Bonds the consent of the Bondholders of which is required prior to the adoption of a Supplemental Resolution.

(b) The City may, from time to time and at any time adopt a Supplemental Resolution which amends the provisions of an earlier Supplemental Resolution under which a Series or multiple Series of Subordinate Bonds were issued. If such Supplemental Resolution is adopted for one of the purposes set forth in Section 11.02, no notice to or consent of the Bondholders shall be required. If such Supplemental Resolution contains provisions which affect the rights and interests of less than all Series of Subordinate Bonds Outstanding and Section 11.02 is not applicable, then this subsection (b) rather than subsection (a) above shall control and, subject to the terms and provisions contained in this Section 11.03, the holders of not less than 51% in aggregate principal amount of the Subordinate Bonds of all series which are directly affected by such changes and all Insurers of Subordinate Bonds of such Series which are directly affected shall have the right from time to time to consent to and approve the adoption of any Supplemental Resolution deemed necessary or desirable by the City for the purposes of modifying, altering, amending, supplementing or rescinding, in any particular, any of the terms or provisions contained in such Supplemental Resolution and affecting only the Subordinate Bonds of such series; provided, however, that, unless approved in writing by the holders of all the Subordinate Bonds which would be affected by such change, nothing herein contained shall permit, or be construed as permitting, (i) a change in the times, amounts or currency of payment of the principal of or interest on any Outstanding Subordinate Bonds of such Series or (ii) a reduction in the principal amount or redemption price of any Outstanding Subordinate Bonds of such Series or the rate of interest thereon.

(c) If Bondholders of not less than the percentage of Subordinate Bonds required by this Section 11.03 shall have consented to and approved the adoption thereof as herein provided, no Bondholder shall have any right to object to the adoption of such Supplemental Resolution, or to object to any of the terms and provisions contained therein or the operation thereof, or in any manner to question the propriety of the adoption thereof, or to enjoin or restrain the City from adopting the same or from taking any action pursuant to the provisions thereof.

Section 11.04 Effect of Supplemental Resolution. Upon the adoption of any Supplemental Resolution pursuant to the provisions of this Article XI, this Subordinate General Resolution or the Supplemental Resolution shall thereupon be modified and amended in accordance therewith and shall be binding upon all Holders of Subordinate Bonds issued under this Subordinate General Resolution, and the respective rights, duties, and obligations under this Subordinate General Resolution and the Supplemental Resolution of the City, and all Bondholders shall thereafter be determined, exercised and enforced under this Subordinate General Resolution and the Supplemental Resolution, if applicable, subject in all respects to such modifications and amendments.

Section 11.05 Supplemental Resolutions to Be Part of This Subordinate General Resolution. Any Supplemental Resolution adopted in accordance with the provisions of this

Article XI shall thereafter form a part of this Subordinate General Resolution or the Supplemental Resolution which it supplements or amends, and all of the terms and conditions contained in any such Supplemental Resolution shall be part of the terms and conditions of this Subordinate General Resolution or the Supplemental Resolution which it supplements or amends.

ARTICLE XII

MISCELLANEOUS PROVISIONS

Section 12.01 Parties in Interest. Except as herein otherwise specifically provided, nothing in this Subordinate General Resolution expressed or implied is intended or shall be construed to confer upon any person, firm or corporation other than the City, the Bondholders, the Insurers and any agents appointed as described herein any right, remedy or claim under or by reason of this Subordinate General Resolution. This Subordinate General Resolution is for the sole and exclusive benefit of the City, the Bondholders, the Insurers and any such agents.

Section 12.02 Severability. In case any one or more of the provisions of this Subordinate General Resolution, any Supplemental Resolution or of any Subordinate Bonds issued hereunder shall, for any reason, be held to be illegal or invalid, such illegality or invalidity shall not affect any other provisions of this Subordinate General Resolution, Supplemental Resolution or of the Subordinate Bonds, and this Subordinate General Resolution, any such Supplemental Resolution and any Subordinate Bonds issued hereunder shall be construed and enforced as if such illegal or invalid provisions had not been contained herein or therein.

Section 12.03 No Personal Liability of City Officials. No covenant or agreement contained in the Subordinate Bonds or in this Subordinate General Resolution shall be deemed to be the covenant or agreement of any present or future official, officer, agent or employee of the City in his or her individual capacity, and neither the officers of the City nor any person executing the Subordinate Bonds shall be liable personally on the Subordinate Bonds or be subject to any personal liability or accountability by reason of the issuance thereof.

Section 12.04 Execution of Instruments; Proof of Ownership. Any request, direction, consent or other instrument in writing required or permitted by this Subordinate General Resolution to be signed or executed by Bondholders or on their behalf by an attorney-in-fact may be in any number of concurrent instruments of similar tenor and may be signed or executed by such Bondholders in person or by an agent or attorney-in-fact appointed by an instrument in writing or as provided in the Subordinate Bonds. Proof of the execution of any such instrument and of the ownership of Subordinate Bonds shall be sufficient for any purpose of this Subordinate General Resolution and shall be conclusive in favor of the City with regard to any action taken by it under such instrument if made in the following manner:

- (a) The fact and date of the execution by any person of any such instrument may be proved by the certificate of any officer in any jurisdiction who, by the laws thereof, has power to take acknowledgments within such jurisdiction, to the effect that the person signing such instrument acknowledged before him the execution thereof, or by an affidavit of a witness to such execution.

(b) The ownership of Subordinate Bonds shall be proved by the registration books kept under the provisions of Section 3.04 hereof.

Nothing contained in this Section 12.04 shall be construed as limiting the City to such proof. The City may accept any other evidence of matters herein stated which it may deem sufficient. Any request, consent of or assignment by any Bondholder shall bind every future Bondholder of the same Subordinate Bonds or any Subordinate Bonds issued in lieu thereof in respect of anything done by the City in pursuance of such request or consent.

Section 12.05 Governing Law. The laws of the State shall govern the construction and enforcement of this Subordinate General Resolution and of all Subordinate Bonds issued hereunder.

Section 12.06 Notices. Except as otherwise provided in this Subordinate General Resolution, all notices, certificates, requests, requisitions or other communications by the City, any Paying Agent or Registrar, pursuant to this Subordinate General Resolution, shall be in writing and shall be sufficiently given and shall be deemed given when given by Mail, addressed as follows: if the City, to the City of Los Angeles, c/o the City Administrative Officer, 200 North Main Street, Los Angeles, California 90012, Suite 1500; if to a Paying Agent or Registrar, to such address as is designated in writing by it to the City. Any of the foregoing may, by notice given hereunder to each of the others, designate any further or different addresses to which subsequent notices, certificates, requests, or other communications shall be sent hereunder. Any of the foregoing may also be sent by Electronic Means, receipt of which shall be confirmed.

Section 12.07 Holidays. If the date for making any payment or the last date for performance of any act or the exercising of any right, as provided in this Subordinate General Resolution, shall not be a Business Day, such payment may, unless otherwise provided in this Subordinate General Resolution or, with respect to any Series of Subordinate Bonds or portion of Series of Subordinate Bonds, provided in the Supplemental Resolution under which such Subordinate Bonds are issued, be made or act performed or right exercised on the next succeeding Business Day with the same force and effect as if done on the nominal date provided in this Subordinate General Resolution, and no interest shall accrue for the period from such nominal date to the next Business Day.

Section 12.08 Validity of Subordinate Bonds Not Affected by Acts of the City. The validity of the authorization and issuance of the Subordinate Bonds by the City shall not be dependent upon or affected in any way by:

(a) Proceedings taken by the City for the acquisition, construction or completion of any Project or any part thereof;

(b) Any contracts made in connection with the acquisition, construction or completion of any Project; or

(c) The failure to complete any Project or any portion thereof for which the Subordinate Bonds are authorized to be issued.

Section 12.09 [Reserved.]

Section 12.10 Amendment to First Supplemental Subordinate Resolution. The First Supplemental Subordinate Resolution shall be hereby amended to delete the last two sentences of Section 3.02 of the First Supplemental Subordinate Resolution, as set forth below (deletions are marked with strikethrough):

~~“The City further acknowledges that all Other Obligations shall constitute payments described under Section 6.03(a)(3) of the Subordinate General Resolution.~~

~~The City agrees that with respect to any money obligations included in Other Obligations, for purposes of calculating compliance with Section 3.11 of the Subordinate General Resolution, such obligations will be treated as interest coming due in the year in which such obligations are first payable.”~~

Section 12.11 Effective Date. This Amended and Restated Subordinate General Resolution shall take effect from and upon its adoption.