

REPORT FROM

## OFFICE OF THE CITY ADMINISTRATIVE OFFICER

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Date: June 9, 2010

CAO File No. 0220-02221-8628

Council File No.

Council District: --

To: The Mayor  
The Council

From: Miguel A. Santana, City Administrative Officer *MAS*

Reference: Los Angeles Wastewater System Debt Financing Program

Subject: **SUBSTITUTION/EXTENSION OF WASTEWATER SYSTEM DEBT PROGRAM  
CREDIT FACILITIES**

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### SUMMARY

The City Administrative Officer (CAO) requests authority to substitute/extend agreements with banks providing credit facilities for the Wastewater System Commercial Paper (CP Program) and Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding Series 2008 A through H (Series 2008). The credit facilities for the CP Program expire effective June 30, 2010. The credit facilities for Series 2008 expired on May 1, 2010 and have been extended on a short-term basis by the current banks to accommodate the City.

The CP Program is currently supported by a Line of Credit (LC) of approximately \$326 million provided by WestLB AG (WestLB), State Street Bank and Trust Company (State Street) and California State Teachers' Retirement System (STRS) who have 50 percent, 25 percent and 25 percent liability, respectively. The CAO received notice from WestLB dated February 25, 2010 advising that it was electing to terminate its Agreement with the City effective June 30, 2010 pursuant to the terms and condition of the Agreement. The CAO recommends replacing WestLB with Wells Fargo Bank, N.A. (Wells) and implementing new Agreements, with equal joint but not several liability, with the three banks for a term of two years through 2012. State Street will serve as the agent for the banks.

The Series 2008 variable rate bonds are currently supported by Letters of Credit (LOC) provided by the Bank of Nova Scotia (Scotia) and Bank of America, N.A. (BANA). Scotia currently provides facilities for Series 2008A through E totaling approximately \$245 million; BANA currently provides facilities for Series 2008F through H totaling approximately \$198 million. The CAO was unable to reach a final agreement with Scotia in a timely manner, and with assistance from its financial advisors, surveyed banks currently providing credit facilities as the most cost effective method for identifying a replacement facility. The CAO recommends replacing Scotia with J.P.Morgan Chase Bank, N.A. (JP Morgan) and extending the existing facility with BANA for a term of two years through 2012.

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## **Commercial Paper Program**

In 1991, the City Council approved the establishment of a tax-exempt CP Program for the City's Wastewater System (C.F. 89-2662-S2). The Mayor and Council adopted the General Subordinate Resolution and individual Supplemental Subordinate Resolutions, authorizing a CP Program through the issuance of Subordinate Bonds in the form of commercial paper notes in a maximum authorized principal amount of \$400 million, of which \$250 million is currently outstanding. Although the legal limit is \$400 million, the current LC limits the amount of coverage to \$300 million at any one time.

To maintain a CP Program, the City retains the services of CP dealers to trade the CP notes in the financial markets; the current dealers are Morgan Stanley and Co. and Barclays Capital, Inc. The Eleventh Supplemental Resolution includes provisions authorizing the replacement of CP dealers with dealers on the pre-approved underwriter list if in the best interest of the City.

The bank ratings by Moody's Investor Services (Moody's) and Standard and Poor's Ratings (S&P), respectively are as follows:

- State Street Aa2/P-1; AA-/A-1+
- STRS Aa3/P-1; AA-/A-1+
- Wells Aa2/P-1; AA/A-1+

The annual fee for the new credit facilities will be 80 basis points, a significant increase over the current fee of 12.5 basis points. This represents an increased cost of approximately \$2.2 million annually. This increase is reflective of the market conditions that have developed over the past three years whereby credit has become increasingly more expensive to obtain. Extensive negotiations were held with the banks to arrive at this fee, and the other terms and conditions of the agreements, to ensure the best outcome for the CP Program. While the cost of the credit facilities is significant, the issuance of CP notes for short-term borrowing achieves interest cost savings and provides critical flexibility to finance sewer capital projects.

## **Series 2008**

The Series 2008 bonds are the only variable rate bonds outstanding in the Wastewater System Debt Program. The Mayor and Council approved \$444.6 million in Subordinate Revenue Bonds in April 2008 (C.F. 08-0951), which included credit facilities provided by Scotia and BANA and the services of eight Remarketing Agents for the City's pre-qualified list of underwriters to market and trade the bonds.

The Wastewater System's underlying ratings are currently A1, AA-, AA- according to Moody's, S&P and Fitch Ratings, respectively. The bank ratings by Moody's and S&P, respectively are as follows:

- JPMorgan Aa1/VMIG1; AA-/A-1+
- BANA Aaa/VMIG1; AA+/A-1+

The annual fee for the new and extended credit facilities will be 85 basis points, an increase of 30 basis points from the current fee of 55 basis points. This represents an increased cost of approximately \$1.3 million annually. As mentioned previously, this increase is reflective of market conditions that have resulted in the higher fees for credit. While the cost of the credit facilities is significant, variable interest rates remain attractive and are achieving savings when compared to fixed-rate interest costs.

## Discussion

Regarding the Reimbursement Agreements applicable to both the CP Program and Series 2008, a key term required by the Banks represents a departure from usual City practice. These Agreements provide that any dispute would be resolved by a judicially-appointed referee, pursuant to Section 638 et seq. of the California Code of Civil Procedure, rather than by a jury. This judicial referee process is similar to binding arbitration. The Banks required this process as a material element in their term sheet. The City Attorney has advised that the City's acceptance of this provision is reasonable and in the best interest of the City because any such dispute will involve complex commercial issues and it is appropriate for such issues to be resolved by a judicially-appointed referee in-lieu of a jury trial.

To proceed with the substitution and extension of the above-mentioned credit facilities, the Mayor and City Council will need to approve several documents.

For the CP Program, the Eleventh Supplemental Resolution (Attachment A) incorporates various documents required to execute the credit facility replacement and authorizes the CAO to take certain actions to manage the transaction and the CP Program. The Resolution incorporates the following documents (Exhibits A to E):

- Offering Memorandum (Exhibit A);
- Amended and Restated Issuing and Paying Agent Agreement (Exhibit B);
- Dealer Agreement with Barclay's Capital (Exhibit C);
- Dealer Agreement with Morgan Stanley (Exhibit D); and
- Line of Credit Agreement (Exhibit E).

For Series 2008, the Resolution (Attachment B) incorporates various documents required to execute the replacement of the Scotia credit facility with JPMorgan, the extension of the credit facility with BANA, and authorizes the CAO to take certain actions to manage the transaction. The Supplemental Resolution authorizes additional changes required to be able to issue Build America Bonds (BABs) and Recovery Zone Economic Development Bonds (RZEDBs) in the future (Exhibit A). The Resolution incorporates the following documents (Exhibits A to E):

- Supplemental Resolution (Exhibit A);
- Official Statement Supplement Number 1 (Exhibit B);
- First Amendment to Reimbursement Agreement (Exhibit C);
- Reimbursement Agreement (Exhibit D); and
- Fee Letter Agreement (Exhibit E)

The closing of the credit facilities for the CP program is planned for late June 2010; the closing of the credit facilities for Series 2008 is planned for early July 2010.

These recommendations are in compliance with the City's Financial Policies.

## RECOMMENDATIONS

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

1. ADOPT the Eleventh Supplemental Resolution (Attachment A), which authorizes the execution of replacement credit facilities for the Wastewater Commercial Paper Program, incorporates various documents required to execute the replacement (Exhibits A to E), and authorizes the City Administrative Officer to take certain actions required to manage the transaction and the CP Program;
2. ADOPT the Resolution (Attachment B), which authorizes the execution of a new credit facility with J.P.Morgan Chase Bank, N.A. and extension of an existing credit facility with Bank of America, N.A. for Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding Series 2008 A through H, incorporates various documents required to execute the replacements (Exhibits A to E);
3. FIND that the Reimbursement Agreements requiring that any dispute thereunder be resolved by a judicially-appointed referee pursuant to Section 638 et seq. of the California Code of Civil Procedure, rather than by a jury trial, is reasonable and in the best interest of the City.
4. AUTHORIZE the CAO to make technical adjustments as necessary to implement the intent of the Mayor and Council actions.

## **FISCAL IMPACT STATEMENT**

There is no impact on the General fund as a result of the recommended actions. The debt service and associated costs of the Wastewater Debt Program are paid from the Sewer Construction and Maintenance Fund.

## **DEBT IMPACT STATEMENT**

The proposed replacement and extension of credit facilities for the Wastewater System Debt Program will cost the Sewer Maintenance and Construction Fund approximately \$6.4 million annually. This represents an annual cost increase of \$3.5 million.

*RPC:SMB:09100257*

### **Attachments:**

1. Eleventh Supplemental Resolution (Attachment A)
  - a. Offering Memorandum (Exhibit A)
  - b. Amended and Restated Issuing and Paying Agent Agreement (Exhibit B)
  - c. Dealer Agreement with Barclay's Capital (Exhibit C)
  - d. Dealer Agreement with Morgan Stanley (Exhibit D)
  - e. Line of Credit Agreement (Exhibit E)
2. Resolution (Attachment B)
  - a. Supplemental Resolution (Exhibit A)
  - b. Official Statement Supplement Number 1 (Exhibit B)
  - c. First Amendment to Reimbursement Agreement (Exhibit C)
  - d. Reimbursement Agreement (Exhibit D)
  - e. Fee Letter Agreement (Exhibit E)

## ATTACHMENT A

### Eleventh Supplemental Resolution

THE COUNCIL OF THE CITY OF LOS ANGELES

ELEVENTH SUPPLEMENTAL RESOLUTION  
Adopted by the Council of the City

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SUPPLEMENTING AND AMENDING

THE WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS  
GENERAL RESOLUTION  
and certain  
SUPPLEMENTAL RESOLUTIONS thereto  
Previously Adopted by the Council of the City

\$400,000,000  
Maximum Aggregate Authorized Amount  
City of Los Angeles  
Wastewater System  
Commercial Paper Revenue Notes

**ELEVENTH SUPPLEMENTAL RESOLUTION**

**RELATED TO THE**

**\$400,000,000**

**Maximum Aggregate Authorized Amount  
City of Los Angeles  
Wastewater System  
Commercial Paper Revenue Notes**

**WHEREAS**, the Council (the "Council") of the City of Los Angeles (the "City") by resolutions submitted to the voters of the City and such voters have authorized the issuance of an aggregate amount of \$3,500,000,000 of indebtedness pursuant to the procedures set forth in the Revenue Bond Law of 1941, Government Code Sections 54300 et seq., to finance a portion of a major wastewater system improvement program; and

**WHEREAS**, the Council determined that it was appropriate and beneficial to the City to issue a portion of the authorized indebtedness in the form of Subordinate Bonds (defined below), including commercial paper notes, and in connection therewith on March 26, 1991, the Council adopted a resolution entitled the "WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION" (the "Subordinate General Resolution") which sets forth the basic terms under which the City may issue Subordinate Bonds (as defined in The Subordinate General Resolution); and

**WHEREAS**, on March 26, 1991, the Council also adopted a resolution designated as the "FIRST SUPPLEMENTAL RESOLUTION SUPPLEMENTING THE WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION" (the "First Supplemental Resolution") to, among other actions, authorize the issuance of such Subordinate Bonds in the form of commercial paper notes which were designated therein as the "Commercial Paper Notes" (the "Commercial Paper Notes") in the maximum aggregate principal amount outstanding from time to time of \$130,000,000 (the "Commercial Paper Program"); and

**WHEREAS**, on August 13, 1996, the Council adopted a resolution entitled "SECOND SUPPLEMENTAL RESOLUTION SUPPLEMENTING AND AMENDING THE WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION AND THE FIRST SUPPLEMENTAL RESOLUTION" (the "Second Supplemental Resolution") pursuant to which the Council, among other actions, increased the maximum authorized amount of Commercial Paper Notes to \$200,000,000; and

**WHEREAS**, on September 3, 1997, the Council adopted a resolution entitled "THIRD SUPPLEMENTAL RESOLUTION SUPPLEMENTING AND AMENDING THE WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION AND THE FIRST SUPPLEMENTAL RESOLUTION AND THE WASTEWATER SYSTEM SECOND SUPPLEMENTAL RESOLUTION" (the "Third Supplemental Resolution") to, among other actions, increase the maximum authorized amount of such Commercial Paper Notes from \$200,000,000 to \$400,000,000; and

**WHEREAS**, on August 15, 2000, the Council adopted a resolution entitled "FOURTH SUPPLEMENTAL RESOLUTION SUPPLEMENTING AND AMENDING THE WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION, AND CERTAIN SUPPLEMENTAL RESOLUTIONS THERETO" (the "Fourth Supplemental Resolution") to, among other actions, substitute a letter of credit with a line of credit as the source of liquidity for the Commercial Paper Notes and to make certain other modifications to the existing Supplemental Resolutions which add to the covenants and agreements of the City in the Previous Supplemental Resolutions and which do not adversely affect the interests of the Bondholders; and

**WHEREAS**, on October 26, 2001, the Council adopted a resolution entitled "FIFTH SUPPLEMENTAL RESOLUTION" (the "Fifth Supplemental Resolution") to provide for the issuance by the City of its Wastewater System Subordinate Revenue Bonds Variable Rate Refunding, Series 2001-A, Series 2001-B, Series 2001-C and Series 2001-D, in the original aggregate principal amount of \$308,600,000 pursuant to the Subordinate General Resolution and the Fifth Supplemental Resolution; and

**WHEREAS**, on January 21, 2003, the Council adopted a resolution entitled "SIXTH SUPPLEMENTAL RESOLUTION SUPPLEMENTING AND AMENDING THE WASTEWATER SUBORDINATE REVENUE BONDS GENERAL RESOLUTION AND CERTAIN SUPPLEMENTAL RESOLUTIONS THERETO" (the "Sixth Supplemental Resolution" and together with the First Supplemental Resolution, the Second Supplemental Resolution, the Third Supplemental Resolution and the Fourth Supplemental Resolution, the "Previous CP Supplemental Resolutions") to substitute a new line of credit agreement (the "Existing Line of Credit Agreement") with the Toronto-Dominion Bank, acting through its Houston Agency, and WestLB AG, acting through its New York Branch (collectively, the "Existing Banks"), and Toronto-Dominion Bank, acting through its Houston Agency, as agent for the Banks; and

**WHEREAS**, the Existing Line of Credit Agreement permits the City at any time and at its sole option to replace the Existing Line of Credit Agreement and the commitment thereunder by giving at least 15 days prior written notice to the Existing Banks, and the City now desires to replace the Existing Line of Credit Agreement and enter into a new line of credit agreement (the "Credit Agreement") with State Street Bank and Trust Company, a trust company organized as a state-chartered trust company under the laws of the Commonwealth of Massachusetts, Wells Fargo Bank, National Association, a national banking association, and California State Teachers' Retirement System, a unit of the State of California organized under the laws of the State of California (collectively, the "Banks") and State Street Bank and Trust Company, as agent for the Banks (the "Agent"); and

**WHEREAS**, Morgan Stanley & Co., Incorporated and Barclays Capital Inc. (the "Dealers") currently serve as dealers for the Commercial Paper Notes; and

**WHEREAS**, in connection with the Credit Agreement and the issuance of the Commercial Paper Notes the City desires to reappoint the Dealers, as dealers with respect to the Commercial Paper Notes and to reappoint U.S. Bank National Association, as issuing and paying agent with respect to the Commercial Paper Notes and to give to any Authorized City



Representative the discretion and approval to appoint successor or replacement dealers from the City's approved underwriting pool if it is determined to be in the best interest of the City; 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 met, and the City has been advised by bond counsel that the proposed terms of this Eleventh Supplemental Resolution do not adversely affect the interests of the Bondholders and all such conditions have been met;

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

**ARTICLE I  
SUPPLEMENT AND AMENDMENT TO DEFINITIONS CONTAINED  
IN THE PREVIOUS SUPPLEMENTAL RESOLUTIONS**

The Previous CP Supplemental Resolutions are hereby amended to supplement and modify the definitions of the terms contained in the Previous CP Supplemental Resolutions. All capitalized terms in this Eleventh Supplemental Resolution that are not otherwise designated or defined below or in the preambles above shall have the meanings ascribed to them in the Subordinate General Resolution and the Previous CP Supplemental Resolutions, the provisions of which are hereby ratified and confirmed or in the Credit Agreement (as defined below), as appropriate..

“Amended and Restated Issuing and Paying Agent Agreement” means that certain amended and restated issuing and paying agent agreement as authorized for execution pursuant to Section 4.03 hereof.

“Authorized City Representative means any of the Mayor, the City Treasurer, the City Clerk, and the City Administrative Officer or any Assistant City Administrative Officer.

“Bank Notes” shall have the meaning ascribed to such term in the Credit Agreement.

“Bank” means each of, and “Banks” means collectively, State Street Bank and Trust Company, Wells Fargo Bank, National Association and California State Teachers’ Retirement System, or their respective successors and assigns, as Banks under the Credit Agreement.

“Credit Agreement” means that certain Line of Credit Agreement, dated as of June 1, 2010, by and among the City and the Banks, as authorized for execution pursuant to Section 3.01 hereof. .

“Dealer” means any of Barclays Capital Inc. and Morgan Stanley & Co., Incorporated or any subsequent successor or assign to any one or more of such entities as permitted under the respective Dealer Agreements, or any other dealer for the Commercial Paper Notes which is appointed by the City and has entered into a Dealer Agreement.

“Dealer Agreement” means, with respect to each Dealer, the Dealer Agreement dated as of June 1, 2010, by and between the City and any such Dealer, and any and all modifications, amendments and supplements thereto, or any other Dealer Agreement entered into by the City and a Dealer with respect to the Commercial Paper Notes.

“Issuing and Paying Agent” means U.S. Bank National Association or any successor or assigns permitted under the Amended and Restated Issuing and Paying Agreement, or any other Issuing and Paying Agent which is appointed by the City and has entered into an Issuing and Paying Agent Agreement.

“Related Bank” means the Bank whose line of credit is dedicated to the payment of specific Series of Commercial Paper Notes.

“Series” means any series of Commercial Paper Notes.

## **ARTICLE II AUTHORIZATION AND SECURITY**

The Commercial Paper Notes and City’s obligations to repay Advances (as defined in the Credit Agreement) and to pay any Bank Notes together with interest thereon under the Credit Agreement are Subordinate Bonds issued under the terms of the Subordinate General Resolution and are secured by and entitled to the security and the rights granted by the Subordinate General Resolution. The Commercial Paper Notes will be issued in three Series, each Series in the maximum principal amount as set forth in the Issuing and Paying Agent Agreement.

The Commercial Paper Notes and the City’s obligations to repay and to pay Advances and any Bank Note and to pay interest thereon in accordance with the terms of the Credit Agreement shall be and are special obligations of the City and the City shall be obligated to pay the principal of and interest on the Commercial Paper Notes solely from the Revenues and from amounts in the SCM Fund, the CP Debt Service Fund and the CP Construction Funds into which the proceeds of the Commercial Paper Notes are deposited; provided that the payment of the Commercial Paper Notes from the Revenues and from amounts in the SCM Fund shall be subordinate to the payment of the Senior Lien Bonds, and shall be on a parity with the City’s obligations with respect to any Subordinate Bonds that are outstanding from time to time. **THE GENERAL FUND OF THE CITY IS NOT LIABLE FOR THE PAYMENT OF THE PRINCIPAL OF, INTEREST ON OR PREMIUM, IF ANY, ON THE COMMERCIAL PAPER NOTES. NEITHER THE FULL FAITH AND CREDIT NOR THE TAXING POWER OF THE CITY IS PLEDGED TO PAY THE COMMERCIAL PAPER NOTES.**

To secure the payment of the Commercial Paper Notes and the repayment of all Advances and the payment of any Bank Note and the interest due thereon as provided in the Credit Agreement, the City hereby pledges to the Holders of the Commercial Paper Notes and to the Banks, places a lien upon and assigns to the Holders of the Commercial Paper Notes and to the Banks, the proceeds of the issue of subsequent Commercial Paper Notes, the proceeds of Advances, and all moneys and securities held in the CP Debt Service Fund and the CP Construction Funds. All amounts in the CP Debt Service Fund which have become due and payable but have not been presented for payment shall be held in trust solely as security for such

specific Commercial Paper Notes and shall be used to pay only such Commercial Paper Notes and shall not be pledged as security for or be available to pay other Commercial Paper Notes or to pay the Banks.

### **ARTICLE III AUTHORIZATION AND OBLIGATIONS UNDER THE CREDIT AGREEMENT**

**Section 3.01. Authorization of Credit Agreement.** The Council hereby determines that the marketability of the Commercial Paper Notes will be enhanced if the City provides assurance to the purchasers of the Commercial Paper Notes that the City has ready access to sufficient funds to pay maturing Commercial Paper Notes by providing liquidity support for the Commercial Paper Notes. The Council hereby determines that the payment, interest rate, currency, security, default, remedy and other terms and conditions of a line of credit agreement and the repayment of Advances and any Bank Notes and interest thereon shall be as set forth in this Eleventh Supplemental Resolution and in the Credit Agreement and the Bank Notes. The Council hereby approves the terms of the Credit Agreement and the Bank Notes, forms of which are on file with the City Clerk, and the Council hereby authorizes any one or more of the Authorized City Representatives to execute and deliver the Credit Agreement and the Bank Notes in substantially such forms, but with such modifications and changes therein as the Authorized City Representatives executing such documents shall approve, and to incur the obligations represented thereby and authorizes the incurrence of the obligations therein. The execution and delivery of Credit Agreement by an Authorized City Representative shall be conclusive proof of the approval of any modifications and changes therein by the Authorized City Representative executing such document and by this Council.

**Section 3.02. Obligations Under the Credit Agreement.** The City's obligations to repay Advances and any Bank Notes and to pay interest thereon as set forth in the Credit Agreement are issued under, secured by and subject to the terms of the Subordinate General Resolution and are secured on a basis subordinate to the Senior Lien Bonds and on a parity with all Outstanding Subordinate Bonds, as provided in the Subordinate General Resolution. The obligations incurred under the Credit Agreement are special obligations of the City payable only from the Revenues, the SCM Fund, the CP Debt Service Fund, the CP Construction Funds and the proceeds of the Commercial Paper Notes and not from the general fund of the City and the City is not obligated to repay Advances or any Bank Notes nor the interest thereon from any other source

**Section 3.03. Requests for Advances.** The Issuing and Paying Agent is hereby authorized and directed on each day any Commercial Paper Note of any Series matures to deliver to the Related Bank no later than 12:00 noon New York City time a Request of Advance (as provided in the Credit Agreement) unless, prior to such time, (i) the City has been notified by the Dealers that Commercial Paper Notes have been sold for the account of the City or purchased for the Dealer's account or (ii) the City has provided funds to the Issuing and Paying Agent for deposit into the CP Debt Service Fund in an amount sufficient to pay such maturing Commercial Paper Notes.

**ARTICLE IV**  
**DEALERS; OFFERING MEMORANDUM; PAYING AGENT AGREEMENT**

**Section 4.01. Dealers.** The City hereby reappoints, as dealers, Morgan Stanley & Co., Incorporated and Barclays Capital Inc., and the City will enter into a Dealer Agreement with each of the Dealers.

The Council hereby authorizes any one or more of the Authorized City Representatives to execute and deliver the Dealer Agreements in substantially the form presented to this session of the Council with such modifications thereto as the Authorized Representative executing such Dealer Agreement shall approve. The execution and delivery of such Dealer Agreements by an Authorized City Representative shall be conclusive proof of the approval of any modifications therein by the Authorized City Representative executing such document and by this Council.

The Council hereby authorizes any one or more of the Authorized City Representatives the discretion and approval to take all action required and otherwise necessary to replace one or more of the Dealers with any dealer from the City's approved underwriting pool if it is determined to be in the best interest of the City.

**Section 4.02. Offering Memorandum.** There has been presented to this session of the Council a form of Offering Memorandum describing the Commercial Paper Notes and providing certain information concerning the City and the SCM Fund. The Council hereby authorizes the distribution of such Offering Memorandum in connection with the offer and sale of the Commercial Paper Notes, with such modifications and changes therein as the Authorized City Representatives shall approve. The execution and delivery of the Offering Memorandum by an Authorized City Representative shall be conclusive proof of the approval of any modifications and changes therein by the Authorized City Representative executing such document.

**Section 4.03. Amended and Restated Issuing and Paying Agent Agreement.** The Council hereby reappoints U.S. Bank National Association as issuing and paying agent for the Commercial Paper Notes and authorizes any one or more of the Authorized City Representatives to enter into an amended and restated issuing and paying agent agreement with the Issuing and Paying Agent to provide for the drawing and payment arrangements contemplated by the Credit Agreement. The Council hereby approves the terms of the Amended and Restated Issuing and Paying Agent Agreement, a form of which has been presented to this session of the Council, and hereby authorizes any one or more of the Authorized City Representatives to execute and deliver the Amended and Restated Issuing and Paying Agent Agreement in the form presented to this Council, but with such modifications and changes therein as the Authorized City Representatives executing such document shall approve. The execution and delivery of the Amended and Restated Issuing and Paying Agent Agreement by an Authorized City Representative shall be conclusive proof of the approval of any modifications and changes therein by the Authorized City Representative executing such document by this Council.

**ARTICLE V  
NOTICES AND OTHER ACTIONS REGARDING  
SUBSTITUTION OF CREDIT FACILITY**

The Council hereby authorizes the Authorized City Representatives and each of them to take all action required by Section 8.02 of the First Supplemental Resolution and otherwise necessary to substitute the Banks for the Existing Banks and replace the Existing Credit Agreement with the Credit Agreement, and the Council hereby ratifies and confirms any such actions taken by the Authorized City Representatives prior to adoption of this Supplemental Resolution, including but not limited to, causing notice of the substitution and replacement to have been provided to the Dealers, the Issuing and Paying Agent and the Holders of the Commercial Paper Notes.

**ARTICLE VI  
FUTURE SUBSTITUTION OF BANKS UNDER EXISTING CREDIT AGREEMENT**

Section 2.6(c) of the Credit Agreement permits the City at any time and at its sole option to replace one of the Banks without terminating the Credit Agreement and the commitment thereunder. The Council hereby delegates to the Authorized City Representatives without further approval of or action by the Council, the authority to obtain a substitute Bank at any time a Authorized City Representative deems necessary and appropriate, in accordance with the provisions of, and subject to the limitations set forth in, Section 2.6(c) of the Credit Agreement, provided that the City shall otherwise comply with the requirements set forth in subsection (a) of Section 8.02 of the First Supplemental Resolution, which subsection (a) was amended pursuant to the Fourth Supplemental Resolution, and subsections (b) (c), (d) and (e) of Section 8.02 of the First Supplemental Resolution. In addition, it is hereby confirmed that any notice required by Section 8.02(c) of the First Supplemental Resolution may be published in advance of approval, if required, by the Council, provided that such notice states that a proposed substitution of a Credit Agreement or a Bank is conditioned on Council approval and/or other conditions precedent. Any Authorized City Representative is further authorized to execute and deliver one or more amendments to the Credit Agreement for the purpose of extending the scheduled expiration date thereof for any duration of time deemed necessary, advisable or prudent thereby and modifying such other terms as may be necessary or appropriate by the executing officer, provided that no such amendment shall require the payment of an annual commitment fee in excess of 1.25% (based on the then current ratings of the Commercial Paper Notes) of the amount permitted to be advanced thereunder without the approval of this Council. In the event the ratings of any of the Banks are downgraded such that it adversely affects the issuance of the Commercial Paper Notes, any Authorized City Representative is authorized to execute and enter into a new credit agreement in substantially the form of the Credit Agreement provided no such credit agreement shall require the payment of an annual commitment fee in excess of 1.25%.

**ARTICLE VII  
SUBSTITUTE BANKS**

Section 8.02(c) of the First Supplemental Resolution is hereby amended and restated in its entirety to read as follows:

The City shall cause to be delivered notice of the Substitution of such Bank and Credit Agreement to the Municipal Securities Rulemaking Board (the "MSRB") for filing with the MSRB through the Electronic Municipal Market Access (EMMA) website of the MSRB, currently located at <http://emma.msrb.org>, at least 15 days prior to the date of the substitution or change.

**ARTICLE VIII  
MISCELLANEOUS**

**Section 8.01. Additional Actions.** All actions heretofore taken by any officers, employees, agents or directors of the City, with respect to the negotiation, execution and delivery of the Credit Agreement, or in connection with any amendment thereto, and the making of any filings with the Municipal Securities Rulemaking Board, are hereby approved, confirmed and ratified; and the officers of the City and their authorized representatives, and each of the foregoing acting alone is, hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and to take any and all actions, and to execute and deliver such documents, agreements and certificates, which they, or any of them, may deem necessary or advisable to effectuate the purposes of this Resolution

**Section 8.02. The Provisions of the Previous Supplemental Resolutions.** Unless the context indicates otherwise, the provisions in the Previous CP Supplemental Resolutions shall be incorporated herein by this reference and shall apply to this Eleventh Supplemental Resolution and all of the Commercial Paper Notes authorized pursuant hereto.

**Section 8.03. Effective Date.** This Eleventh Supplemental Resolution shall take effect from and upon its adoption.

I hereby certify that the foregoing Resolution was duly adopted by the Council of the City of Los Angeles this 18th day of June, 2010.

JUNE LAGMAY  
City Clerk

By: \_\_\_\_\_  
Deputy

Approved as to Form  
CARMEN A. TRUTANICH  
City Attorney

By: \_\_\_\_\_  
Assistant City Attorney

ATTACHMENT A  
EXHIBIT A

Offering Memorandum

OFFERING MEMORANDUM DATED JUNE \_\_, 2010

NOT A NEW ISSUE - FULL BOOK-ENTRY

Ratings: See "RATINGS" herein  
Tax-Exempt Commercial Paper

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, under current law and assuming compliance with certain covenants in the Subordinate General Resolution and requirements of the Internal Revenue Code of 1986, as amended, as described herein, interest on the Notes is not includable in the gross income of the holders of the Notes for federal income tax purposes. In the further opinion of Bond Counsel, interest on the Notes is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Bond Counsel expresses no opinion as to the extent to which, if any, interest on the Notes may be excluded from the calculation of federal corporate alternative minimum taxable income. In the further opinion of Bond Counsel, interest on the Notes is exempt from personal income taxes imposed by the State of California.

[LOGO]

City of Los Angeles  
Wastewater System Commercial Paper  
Revenue Notes  
\$300,000,000 Maximum Aggregate Authorized  
Principal Amount Outstanding at Any Time  
Series A - \$ \_\_\_\_\_  
Series B - \$ \_\_\_\_\_  
Series C - \$ \_\_\_\_\_

The purpose of this Offering Memorandum is to provide certain information relating to the City of Los Angeles, California (the "City") Wastewater System Commercial Paper Revenue Notes (the "Notes"). The proceeds of the Notes are used to provide funds to refund Notes previously issued by the City.

The Notes are offered under the authority of the City Charter, voter approval at elections held in 1987, 1988 and 1992 authorizing the issuance of up to \$3.5 billion of wastewater system revenue bonds, under the Wastewater System Subordinate Revenue Bonds General Resolution (the "Subordinate General Resolution") adopted by the Council of the City (the "City Council") on March 26, 1991, as amended and supplemented, and as further amended by an Eleventh Supplemental Resolution adopted by the City Council on June 18, 2010 and an Amended and Restated Issuing and Paying Agent Agreement, dated as of July 1, 2010, by and between the City and U.S. Bank Trust, National Association, as issuing and paying agent.

The maximum aggregate principal amount of Notes offered by this Offering Memorandum may not exceed \$300,000,000.

The Notes are special, limited obligations of the City payable from and secured by a subordinate pledge of certain Revenues (as defined herein) derived from the ownership and operation of the wastewater collection and treatment system of the City (the "System"). The pledge of Revenues with respect to the Notes is subordinate to the pledge of Revenues which secures all Senior Lien Bonds (as defined herein) currently outstanding and those issued from time to time in the future. The pledge of Revenues with respect to the Notes is on a parity with the pledge of Revenues which secures all Subordinate Bonds (as defined herein) currently outstanding and those issued from time to time in the future.

The Notes of each Series are additionally secured by a related line of credit issued pursuant to a Line of Credit Agreement, dated as of July 1, 2010 (the "Credit Agreement"), with State Street Bank & Trust Company ("State Street"), California State Teachers' Retirement System ("CALSTRS") and Wells Fargo Bank, National Association ("Wells Fargo," and collectively, the "Banks"), pursuant to which each of the Banks has severally, but not jointly, agreed to extend to the City, for the benefit of the holders of a particular Series of Notes (as identified below), a revolving line of credit. See "LINES OF CREDIT" herein.

Series A - State Street Bank & Trust Company  
Series B - California State Teachers' Retirement System  
Series C - Wells Fargo Bank, N.A.

The expiration date of the Lines of Credit is \_\_\_\_, 2012 unless terminated earlier or extended pursuant to the terms of the Credit Agreement.

The Notes shall be dated the date of their respective authentication and issuance and shall be issued in fully-registered form and when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC") and shall be issued in minimum denominations of \$100,000 and \$1,000 increments in excess thereof. Interest on the Notes shall be calculated on the basis of a year consisting of 365 or 366 days and the actual number of days elapsed. The Notes shall mature on a Business Day not more than 270 days after their respective dates but in no event later than one Business Day immediately prior to the expiration date of the Credit Agreement or any substitute liquidity arrangement.

The Notes are not subject to redemption prior to their maturity.

**The General Fund of the City is not liable for the payment of the Notes and neither the full faith and credit nor the taxing power of the City is pledged to pay the Notes. The Notes do not constitute a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property, or upon its income, receipts or revenue, except to the extent of the subordinate pledge of the Revenues and the pledge of amounts on deposit in the CP Debt Service Fund and the CP Construction Funds, proceeds of the sale of new Notes and payments under the related Line of Credit.**

This cover page contains information for quick reference only. It is not a summary of the issue. Potential purchasers must read the entire Offering Memorandum and the information incorporated herein by reference to obtain information essential to making an informed investment decision. The Dealers may from time to time have a long or short position in, and buy or sell and make a market in, securities of the City and its affiliates. The Dealers from time to time may act as manager or co-manager of a public offering of such securities and perform investment banking and other services to the issuer of such securities.

MORGAN STANLEY

BARCLAYS CAPITAL

Dated: June \_\_, 2010



No dealer, broker, salesperson or other person has been authorized by the City of Los Angeles to give any information or to make any representations other than those contained herein and, if given or made, such other information or representations must not be relied upon as having been authorized by the City. This Offering Memorandum does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the Notes by a person in any jurisdiction in which it is unlawful for such person to make an offer, solicitation or sale.

This Offering Memorandum is not to be construed as a contract with the purchasers of the Notes. Statements contained in this Offering Memorandum which involve estimates, forecasts or matters of opinion, whether or not expressly so described herein, are intended solely as such and are not to be construed as a representation of facts.

The information set forth in this Offering Memorandum under the caption "THE BANKS" has been provided by the Banks. Neither the City, the Dealers nor any of their respective counsel, officers, agents or employees make any representations as to the accuracy or sufficiency of such information.

The information set forth in this Offering Memorandum has been obtained from the City, and other sources which are believed by the City to be reliable. The Dealers have provided the following sentence for inclusion in this Offering Memorandum. The Dealers have reviewed the information in this Offering Memorandum in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Dealers do not guarantee the accuracy or completeness of such information.

Certain statements included or incorporated by reference in the Offering Memorandum constitute "forward-looking statements." Such statements are generally identifiable by the terminology used such as "plan," "expect," "estimate," "budget" or other similar words. The achievement of certain results or other expectations contained in such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements described to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Although such expectations reflected in such forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. The City is not obligated to issue any updates or revisions to the forward-looking statements if or when its expectations, or events, conditions or circumstances on which such statements are based occur.

The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Offering Memorandum nor any sale made hereunder shall under any circumstances create any implication that there has been no change in the affairs of the City since the date hereof. All summaries of the Notes, the resolutions and other documents summarized herein, are made subject to the provisions of such documents respectively and do not purport to be complete statements of any or all of such provisions. See "FURTHER INFORMATION" herein.

**CITY OF LOS ANGELES**

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*Mayor*

Antonio Villaraigosa

*City Council*

Ed Reyes (District 1)  
Paul Krekorian (District 2)  
Dennis P. Zine (District 3)  
Tom LaBonge (District 4)  
Paul Koretz (District 5)

Tony Cárdenas (District 6)  
Richard Alarcon (District 7)  
Bernard C. Parks (District 8)  
Jan Perry (District 9)  
Herb J. Wesson, Jr. (District 10)

Bill Rosendahl (District 11)  
Greig Smith (District 12)  
Eric Garcetti (District 13)  
Jose Huizar (District 14)  
Janice Hahn (District 15)

---

*City Officials*

Carmen A. Trutanich, *City Attorney*  
Wendy Greuel, *City Controller*  
Miguel A. Santana, *City Administrative Officer*  
Joya C. De Foor, *City Treasurer*  
June Lagmay, *City Clerk*

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*Board of Public Works*

Cynthia M. Ruiz, President

Andrea Alarcón, Vice President  
Valerie Lynne Shaw, Commissioner

Paula A. Daniels, Commissioner  
Steven T. Nutter, Commissioner

*Bureau of Engineering*

Gary Lee Moore, P.E.  
City Engineer

*Bureau of Sanitation*

Enrique Zaldivar  
Director

*[Bureau of Financial Management  
and Personnel Services]*

[ ]  
Chief Financial Officer

---

**SPECIAL SERVICES**

BOND COUNSEL  
Sidley Austin LLP  
San Francisco, California

ISSUER

City Administrative Officer of the City of Los Angeles  
Debt Management Group  
Los Angeles, California

FINANCIAL ADVISOR  
Public Resources Advisory Group  
Los Angeles, California

ISSUING AND PAYING AGENT  
U.S. Bank Trust, National Association  
New York, New York

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## OFFERING MEMORANDUM

### The City of Los Angeles Wastewater System Commercial Paper Revenue Notes

**\$300,000,000 Maximum Aggregate Authorized  
Principal Amount Outstanding at Any Time**

Series A – \$ \_\_\_\_\_

Series B – \$ \_\_\_\_\_

Series C – \$ \_\_\_\_\_

### INTRODUCTION

*This introduction is not a summary of this Offering Memorandum. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Offering Memorandum, including the cover page, and appendices hereto, and the documents described herein. All statements contained in this introduction are qualified in their entirety by reference to the entire Offering Memorandum. References to, and summaries of provisions of the Constitution and laws of the State of California (the "State") and any documents referred to herein do not purport to be complete and such references are qualified in their entirety by reference to the complete provisions.*

This Offering Memorandum, including the cover page and appendices hereto, is being furnished in connection with the offering by the City of Los Angeles, California (the "City") of its Wastewater System Commercial Paper Revenue Notes (the "Notes") to be offered in three series (each a "Series"). The Notes are issued under the authority of the City Charter, voter approval at elections held in 1987, 1988 and 1992 authorizing the issuance of up to \$3.5 billion of wastewater system revenue bonds, under the Wastewater System Subordinate Revenue Bonds General Resolution (the "Subordinate General Resolution") adopted by the Council of the City (the "City Council") on March 26, 1991, as amended and supplemented, and as further amended by an Eleventh Supplemental Resolution adopted by the City Council on June 18, 2010 and an Amended and Restated Issuing and Paying Agent Agreement (the "Issuing and Paying Agent Agreement"), dated as of July 1, 2010, by and between the City and U.S. Bank Trust, National Association, as issuing and paying agent (the "Issuing and Paying Agent").

The maximum aggregate principal amount of Notes offered by this Offering Memorandum may not exceed \$300,000,000.

The Notes are special, limited obligations of the City payable from and secured by a subordinate pledge of certain Revenues (as defined herein) derived from the ownership and operation of the wastewater collection and treatment system of the City (the "System"). The pledge of Revenues with respect to the Notes is subordinate to the pledge of Revenues which secures all Senior Lien Bonds (as defined herein) currently outstanding and those issued from time to time in the future. The pledge of Revenues with respect to the Notes is on a parity with the pledge of Revenues which secures all Subordinate Bonds (as defined herein) currently outstanding and those issued from time to time in the future.

The payment of each Series of Notes is additionally secured by a related line of credit issued pursuant to a Line of Credit Agreement, dated as of July 1, 2010 (the "Credit Agreement"), with State Street Bank & Trust Company ("State Street"), California State Teachers' Retirement System ("CALSTRS") and Wells Fargo Bank, National Association ("Wells Fargo," and collectively, the "Banks"), pursuant to which each of the Banks has severally, but not jointly, agreed to extend to the City, for the benefit of the holders of a particular series of Notes, a revolving line of credit (the "Lines of

Credit"). The Series A, B and C Notes are secured by the Lines of Credit issued by State Street, CALSTRS and Wells Fargo, respectively. See "LINES OF CREDIT" herein.

The expiration date of the Lines of Credit is \_\_\_\_\_, 2012 unless terminated earlier or extended pursuant to the terms of the Credit Agreement. See "LINES OF CREDIT" herein.

The City may issue wastewater system revenue bonds from time to time, the proceeds of which may be used to refund a portion of the Notes then outstanding. The City may also issue additional commercial paper notes from time to time, depending on market conditions. As a result of the adoption of a new City Charter effective on July 1, 2000, the issuance of wastewater system revenue bonds and commercial paper notes no longer requires a vote of the electorate, but can be authorized through a procedural ordinance.

The City expects to issue additional Senior Lien Bonds and Subordinate Bonds in 2010 to refund all or a portion of the Notes, outstanding Senior Lien Bonds and outstanding Subordinate Bonds and to finance certain improvements to the System. No assurances can be given that such bonds will be issued for such purposes.

*The General Fund of the City is not liable for the payment of the Notes and neither the full faith and credit nor the taxing power of the City is pledged to pay the Notes. The Notes do not constitute a debt of the City nor a legal or equitable pledge, charge, lien or encumbrance upon any of the City's property, or upon its income, receipts or revenue, except to the extent of the subordinate pledge of the Revenues and the pledge of amounts on deposit in the CP Debt Service Fund and the CP Construction Funds, proceeds of the sale of new Notes and payments under the related Line of Credit.*

Certain information regarding the City and the System can be found in the City's Official Statement dated March 18, 2009 and attached hereto as APPENDIX A and in the City's Comprehensive Annual Financial Report ("CAFR") for fiscal year ended June 30, 2009, which is available at <http://www.dacbond.com>. The City's CAFR is not incorporated by reference into this Offering Memorandum.

## **THE COMMERCIAL PAPER NOTES**

The Notes shall be dated the date of their respective authentication and issuance and shall be issued in fully-registered form and when issued, will be registered in the name of Cede & Co., as registered owner and nominee of The Depository Trust Company, New York, New York ("DTC") and shall be issued in minimum denominations of \$100,000 and \$1,000 increments in excess thereof. See "BOOK-ENTRY SYSTEM" herein

The Notes shall bear interest payable at maturity at an annual rate not in excess of 12% per annum or such lesser rate permitted by the 1941 Act at the time of issuance of a Note. Interest on the Notes shall be calculated on the basis of a year consisting of 365 or 366 days and the actual number of days elapsed. The Notes shall mature on a Business Day not more than 270 days after their respective dates but in no event later than one Business Day immediately prior to the expiration date of the Credit Agreement or any substitute liquidity arrangement.

The Notes will be available for countersignature and issuance, and will be payable, at the offices of the Issuing and Paying Agent: U.S. Bank Trust, National Association, 100 Wall Street, Suite 1600, New York, New York 10005. The purchase price payable by an investor is required to be made, and the amount payable by the City at maturity, will be paid, in immediately available funds. Notes must be presented to the Issuing and Paying Agent by 1:00 p.m. New York time to assure same-day payment.

The Notes are not subject to redemption prior to maturity.

## SECURITY AND SOURCE OF PAYMENT FOR THE NOTES

### General

The Notes are payable on a subordinate basis from the Revenues derived by the City from the ownership or operation of the System and from amounts, if any, on deposit in the "CP Debt Service Fund" and the "CP Construction Funds" created pursuant to the Subordinate General Resolution. The CP Debt Service Fund consists of three separate accounts designated as the "CP Interest Account" the "CP Principal Account" and the "CP Matured Note Account." All revenues of the System received by the City are deposited, after collection, into the Sewer Construction and Maintenance Fund ("SCM Fund") held by the City Treasurer. The SCM Fund has been operated as a special fund of the City since 1970. See "FURTHER INFORMATION" herein.

Payment of the principal of and interest on each Series of Notes offered pursuant to this Offering Memorandum is additionally secured by a related Line of Credit. See "LINES OF CREDIT" herein.

Pursuant to the Issuing and Paying Agent Agreement, the Issuing and Paying Agent will establish within the CP Interest Account, the CP Principal Account and the CP Matured Note Account, a separate subaccount (a "Subaccount") for each Series of the Notes. The proceeds of the Notes of a Series and Advances related to such Series made by any related Bank under a Line of Credit are pledged to the payment of Notes of the related Series. Moneys deposited into each Subaccount for a Series are held in trust solely to pay the principal of and interest on the Notes of such Series and cannot be used to pay the principal of and interest on the Notes of any other Series.

### System Revenues; Senior and Other Subordinated Debt

"Revenues" are defined in the Subordinate General Resolution as 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, sewage facilities charges and bonded sewer fees and all other income and receipts derived by the City from 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, the Debt Service Fund (as defined in the Senior Lien Resolution, defined below), the Reserve Fund (as defined in the Senior Lien General Resolution) and the Emergency Fund (as defined in the Senior Lien General Resolution); and all earnings received on the Debt Service Funds and, if any, Reserve Funds created for the Subordinate Bonds 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 the CP Construction Funds and earnings on the Construction Funds (as defined in the Senior Lien General Resolution); (v) the proceeds of borrowings; and (vi) proceeds of insurance. The Subordinate General Resolution provides that Revenues include amounts paid to the City under the Service Charge Agreements entered into by the City and other political entities which provide for the payment of supplemental service charges or other payments in recognition of the City's increased expenses as a result of providing System improvements and/or expansions which benefit the contracting political entities.

Under the provisions of the Wastewater System Revenue Bonds General Resolution adopted by the City Council on November 10, 1987, as amended and supplemented (collectively, the "Senior Lien General Resolution"), the City has previously pledged and assigned the Revenues and granted a senior

lien upon the Revenues to secure Wastewater System Revenue Bonds (the "Senior Lien Bonds"), including Senior Lien Bonds issued from time to time in the future. 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 on the Revenues granted to secure the Notes, Subordinate Bonds and the Senior Lien Bonds shall be payable from the Revenues on a priority basis.

The City may issue additional Senior Lien Bonds provided certain requirements in the Senior Lien General Resolution are satisfied, including the requirement that Net Revenues (adjusted as provided in the Senior Lien General Resolution) for the immediately preceding Fiscal Year, or for any 12 consecutive months out of the 18 consecutive months preceding the issuance of such proposed additional Senior Lien Bonds, must have been equal to at least 125% of the Maximum Annual Debt Service for all Senior Lien Bonds which will be outstanding after their issuance. "Net Revenues" are defined in the Senior Lien Resolution and in the Subordinate General Resolution as Revenues less Expenses. The City plans to continue to issue Senior Lien Bonds secured by the Revenues.

In addition, the Subordinate General Resolution permits the City to issue additional commercial paper notes and Subordinate Bonds secured on a parity basis with the Notes provided certain requirements are satisfied, including the requirement that the Net Revenues (adjusted as provided in the Subordinate General Resolution) for the immediately preceding Fiscal Year, or for any 12 consecutive months out of the 18 consecutive months preceding the issuance of such proposed additional Subordinate Bonds, must have been equal to at least 110% of the Maximum Annual Debt Service for all Senior Lien Bonds and Subordinate Bonds which will be outstanding after their issuance.

As of June 1, 2010, the City had \$1,248,715,000 of Senior Lien Bonds outstanding (including refunding bonds) outstanding under the Senior Lien General Resolution and \$986,955,000 of Subordinate Bonds (excluding the Notes) outstanding under the Subordinate General Resolution. None of such additional commercial paper notes or Subordinate Bonds will have any interest in the Lines of Credit, which secure solely the Notes offered by this Offering Memorandum.

The City has agreed that it will at all times impose and collect rates, fees and charges at levels at least sufficient to allow it to comply with its covenants set forth in the Senior Lien General Resolution and Subordinate General Resolution. The City is required by the Senior Lien General Resolution to establish rates and charges for the use of the System to produce Net Revenues in each year at least equal to 125% of actual debt service on Senior Lien Bonds in such year. The City is also required by the Subordinate General Resolution to establish rates and charges for the use of the System to produce Net Revenues each year at least equal to 110% of actual debt service on Senior Lien Bonds and Subordinate Bonds in such year.

Rates and charges for use of the System are established by the City Council by ordinance and are not subject to regulatory approval by any other governmental entity. See also "APPENDIX A-THE 2009 OFFICIAL STATEMENT-FINANCIAL OPERATIONS OF THE WASTEWATER SYSTEM-Sewer Rates and Revenues and -Historical Sewer Rates and Charges" herein.

## **LINES OF CREDIT**

### **General**

The City has entered into the Credit Agreement with the Banks, pursuant to which each of the Banks has each severally, but not jointly, agreed to extend to the City for the benefit of the holders of a related Series of Notes from time to time, a line of credit in the amount shown in the table below:

<u>Series</u>	<u>Line of Credit Bank</u>	<u>Original Principal Amount of Series</u>	<u>Maximum Amount of Line of Credit Amount</u>
A	State Street	\$	\$
B	CALSTRS	\$	\$
C	Wells Fargo	\$	\$

The three Lines of Credit are collectively referred to as the "Lines of Credit." Unless extended, the Lines of Credit expire on \_\_\_\_\_, 2012 or on the earlier occurrence of certain events as described below.

Each Line of Credit may be extended at the related Bank's sole and absolute discretion upon presentation of certain written requests of the City to the Banks as specified in the Credit Agreement. The City may at any time and at its sole option replace any Line of Credit and terminate any of the Bank's respective commitment thereunder upon 15 days prior written notice to the applicable Bank, provided the terms and conditions set out in the Subordinated General Resolution, the Issuing and Paying Agent Agreement and the Credit Agreement are met.

#### **Events of Default and Termination Events**

The occurrence and continuation of one or more of the following events shall constitute an Event of Default ("Event of Default") under the Credit Agreement:

(a) The City fails to pay, or cause to be paid, when due any principal and interest due under the Credit Agreement, including under a Bank Note or any other amounts due under the Credit Agreement; or

(b) (i) The City fails to perform or observe any term, covenant or agreement contained in Section 8.2(g), (h) or (j), 8.11, 8.13, 9.1 or 9.2 of the Credit Agreement or (ii) the City fails to perform or observe any term, covenant or agreement contained in the Credit Agreement (other than those referred to in Section 10.1(a) and (b)(i) of the Credit Agreement) and any such failure is irremediable or, if remediable, remains unremedied for 30 days after notice thereof to the City; or

(c) (i) The City shall fail to make any payment in respect of any of its Senior Lien Bonds or Subordinate Bonds when due (whether by scheduled maturity, required prepayment, acceleration, demand or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the Senior Lien General Resolution or the Subordinate General Resolution or, if applicable, in any other resolution, agreement, contract, lease or other instrument relating to such Senior Lien Bond or Subordinate Bond or other debt or obligation; or (ii) an "Event of Default" as defined in the Senior Lien General Resolution or the Subordinate Resolution or any other "event of default" under any other Program Document shall have occurred and be continuing; or

(d) The City has taken or permitted to be taken any action which would materially adversely affect the enforceability of the Credit Agreement, either Bank Note, the Subordinate General Resolution or Senior Lien General Resolution against the City or the legal ability of the City to pay Payment Obligations, the Commercial Paper Notes or any Senior Lien Bonds or Subordinate Bonds when due; or



(e) A court of competent jurisdiction shall enter a final, non-appealable order or judgment to the effect that any Senior Lien Bonds or Subordinate Bonds are illegal or unenforceable; or

(f) The issuance of any Senior Lien Bonds or Subordinate Bonds shall result in a violation by the City of any material law, rule or regulation, or any order of any court, governmental agency or regulatory body, or any indenture or loan or credit agreement (including the Credit Agreement), or any other agreement or instrument, applicable to the City or to such issuance; or

(g) Any representation or warranty on the part of the City contained in any Program Document or in any certificate, letter or other writing or instrument furnished or delivered by the City to the Banks pursuant to the Credit Agreement or thereto or in connection with the Credit Agreement or therewith, shall at any time prove to have been incorrect in any material respect when made or when effective or when reaffirmed, as the case may be, whether by misstatement or omission; or

(h) (i) Any provision of the Credit Agreement, either Bank Note, the Commercial Paper Notes, the Subordinate General Resolution or the Senior Lien General Resolution relating to or otherwise affecting the City's obligation to pay the principal of or interest on any Senior Lien Bonds or Subordinate Bonds or the pledge of Revenues or (ii) any other provisions of the Program Documents or the Senior Lien General Resolution, shall at any time for any reason cease to be valid and binding on the City or shall be declared to be null and void by any court or governmental authority or agency having jurisdiction over the City, or the validity or the enforceability thereof shall be contested by the City, in a judicial or administrative proceeding; or

(i) The City fails to pay when due a final, nonappealable judgment or order against it, which judgment is payable from Revenues and is in excess of \$10,000,000 and for which insurance proceeds shall not be available shall be rendered against the City or the System that are payable from Revenues and such judgement or order shall continue unstayed, undischarged, unbounded or unsatisfied for a period of [150] days; or

(j) (i) the City imposes a debt moratorium, debt restructuring, debt adjustment or comparable restriction on repayment when due and payable of the principal of or interest on any Senior Lien Bond or Subordinate Bond, or (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the City seeks to have an order for relief entered with respect to it or the System or seeking to adjudicate it or the System insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or the System or its debts or those of the System, or (iii) the City seeks appointment of a receiver, trustee, custodian or other similar official for itself or the System or for any substantial part of the City's property, or the City shall make a general assignment for the benefit of its creditors, or (iv) there shall be commenced against the City or the System any case, proceeding or other action of a nature referred to in clause (ii) and the same shall remain undismissed, or (v) there shall be commenced against the City or the System any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within six days from the entry thereof, or (vi) the City takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i) (ii), (iii), (iv), (v) above, or (vii) the City or the System shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(k) Any of the Rating Agencies suspends, withdraws or downgrades the Senior Lien Bonds or the Subordinate Bonds ratings below investment grade.

In the case of any Termination Event (i) the Commitment of the Banks under the Credit Agreement shall immediately terminate automatically and the Available Commitment shall be reduced to zero and (ii) all amounts due under the Credit Agreement and under the Bank Notes shall immediately become due and payable; provided, that (i) the Event of Default described in clause (a) or (c) above shall constitute a Termination Event only if the unpaid principal or interest referred to in such clause has become due and payable other than by reason of acceleration of the maturity thereof. Upon such termination, the Banks shall send a notice thereof to the City; provided, further, however, that failure to send or receive such notice shall not affect the termination of the Commitment as provided under the Credit Agreement.

In the case of any Event of Default, including any Termination Event, that has occurred and is continuing, the Banks, in their discretion, may exercise certain other rights and remedies specified in the Credit Agreement. Except as expressly provided in the Credit Agreement, procurement, demand, protest and all other notices of every kind are expressly waived in the Credit Agreement.

## THE BANKS

*The following information concerning the Banks has been provided by the respective representatives of the Banks and has not been independently confirmed or verified by the Dealers or the City. No representation is made herein as to the accuracy or adequacy of such information or as to the absence of material adverse changes in such information subsequent to the date hereof or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.*

### State Street Bank

**[To be updated]**

State Street Bank and Trust Company ("State Street"), a wholly-owned subsidiary of State Street Corporation (the "Corporation"), provides banking, securities processing and investment management services to a broad base of customers worldwide. State Street combines information processing with banking to process and manage virtually all types of financial assets. In addition to financial processing services, State Street provides a full range of capital market services to businesses and financial institutions in New England and selected national and international markets. At December 31, 2002, State Street and its consolidated subsidiaries had total assets of \$85.794 billion, total deposits (including deposits in foreign offices) of \$45.468 billion, total loans and lease finance assets net of unearned income, allowance and reserve for possible credit losses of approximately \$4.113 billion and total equity capital of \$4.787 billion.

State Street's Consolidated Reports of Condition for Insured Commercial and State Chartered Savings Banks FFIEC 031 for December 31, 2002, as submitted to the Federal Reserve Bank of Boston, are incorporated by reference under this caption and shall be deemed to be a part hereof.

In addition, all reports filed by State Street pursuant to 12 U.S.C. §324 after the date of this Supplement shall be deemed to be incorporated herein by reference and shall be deemed to be a part hereof from the date of filing of any such report.

Additional information, including financial information relating to the Corporation and State Street is set forth in the Corporation's Annual Report on Form 10-K for the year ended December 31, 2002. Such report and all reports filed by the Corporation pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, after the date of this Supplement are incorporated herein

by reference and shall be deemed a part hereof from the date of filing of any such report. The Credit Agreement is an obligation of State Street and not of the Corporation.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded for purposes of this Supplement to the extent that a statement contained herein or in any subsequently filed document that also is or is deemed to be incorporated by reference herein modifies or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Supplement.

State Street hereby undertakes to provide, without charge to each person to whom a copy of this Supplement has been delivered, on the written request of any such person, a copy of any or all of the documents referred to above which have been or may be incorporated in this Supplement by reference, other than exhibits to such documents. Written requests for such copies should be directed to Investor Relations, State Street Corporation, 225 Franklin Street, Boston, Massachusetts 02110, (617) 786-3000.

Neither State Street nor its affiliates make any representation as to the contents of this Supplement (except as to the information under this caption), the suitability of the Notes for any investor, the feasibility or performance of any project or compliance with any securities or tax laws and regulations.

## **CALSTRS**

### **[To be updated]**

CALSTRS is a component unit of the State of California (the "State"), organized and operating under the laws of the State, including the Teachers' Retirement Law, constituting Part 13 of Division 1 of Title 1 of the Education Code of the State, commencing at Section 22000 (the "Law"), as amended. The Law establishes the Teachers' Retirement Board (the "Board"), which has the sole and exclusive fiduciary responsibility over the administration and investment of funds held in the Teachers' Retirement Fund (the "Fund"), in which the bulk of the assets of CALSTRS are held. School districts and other agencies employing members of CALSTRS are required to make monthly contributions to the Fund in an amount equal to 8% of the total of the salaries upon which members' contributions are based. All full-time certificated employees in the public school system from kindergarten through the community college level are required by law to be members of CALSTRS. CALSTRS provides defined retirement, survivor and disability benefits to all members based on the final compensation attained by the member, the age of retirement and the term of service, and other factors.

Financial data for June 30, 2002 are taken from the audited financial statements presented in CALSTRS' Comprehensive Annual Financial Report ("Annual Report") for the fiscal year ended June 30, 2002.

As of June 30, 2002, the Fund had net assets held in trust for pension benefits with a market value of approximately \$96.8 billion, compared to approximately \$103.2 billion as of June 30, 2001. As of November 30, 2003, net assets had a total market value of approximately \$108.2 billion (unaudited).

CALSTRS is independently rated "AA+/A-1+" by Standard and Poor's, a Division of the McGraw-Hill Companies, Inc. ("S&P"), "Aaa/VMIG1" by Moody's Investors Service, and "AAA/F-1+" by Fitch Ratings.

CALSTRS will provide without charge, upon request, a copy of the 2002 Annual Report containing its financial statements for the years ended June 30, 2002 and 2001. Requests to CALSTRS

for the Annual Report should be directed by mail or phone to State Teachers' Retirement System, P.O. Box 163740, Sacramento, California 95816-3710, Attention: Credit Enhancement Program, telephone (916) 229-3854. The most recent Annual Report and other information regarding CALSTRS can be viewed at [www.calstrs.com](http://www.calstrs.com).

The foregoing information has been provided by CALSTRS and is not intended to serve as a representation, warranty, or contract modification of any kind.

## **Wells Fargo**

[To come]

## **THE SYSTEM**

### **General**

The System provides wastewater collection, treatment and disposal services for an area of approximately 600 square miles including most of the City. The wastewater service area within the Los Angeles Basin is determined by natural drainage patterns and does not generally conform to political boundaries. Parts of the City are served by other agencies and likewise the City provides wastewater service for other communities and adjacent areas because of the economics associated with gravity flow. Areas within the City limits that are not served by the City are served by Los Angeles County Sanitation Districts. Certain information regarding the City and the System can be found in the City's Official Statement dated March 18, 2009 and attached hereto as APPENDIX A and in the City's CAFR for fiscal year ended June 30, 2009, which is available at <http://www.dacbond.com>. The City's CAFR is not incorporated by reference into this Offering Memorandum.

### **BOOK-ENTRY SYSTEM**

*The information concerning The Depository Trust Company ("DTC"), New York, New York, and DTC's book entry system has been obtained from DTC and the City takes no responsibility for the completeness or accuracy thereof. The City cannot and does not give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest, principal or premium, if any, with respect to the Notes, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Notes, or (c) redemption or other notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Notes, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described herein. The current "Rules" applicable to DTC are on file with the Securities and Exchange Commission and the current "Procedures" of DTC to be followed in dealing with DTC Participants are on file with DTC.*

### **Book-Entry System**

DTC will act as securities depository for the Notes. The Notes will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered security certificate will be issued for each Series of the Notes, in the aggregate principal amount of the Notes for each Series, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a

member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has Standard & Poor’s highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of the Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Notes are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Notes, except in the event that use of the book-entry system for the Notes is discontinued.

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

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes. For example, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Notes unless authorized by a Direct Participant in accordance with DTC’s Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the record date. The

Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Payments of principal of and interest on the Notes will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the City or the Issuing and Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), the Issuing and Paying Agent, or the City, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal of and interest evidenced by the Notes to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the City or the Issuing and Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

NEITHER THE CITY, THE DEALERS NOR THE ISSUING AND PAYING AGENT WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

None of the City, the Dealers nor the Issuing and Paying Agent can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal of and interest on the Notes paid to DTC or its nominee, as the registered Owner, or any redemption or other notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Offering Memorandum.

#### **Discontinuation of the Book-Entry Only System**

DTC may discontinue providing its services as securities depository with respect to the Notes at any time by giving reasonable notice to the City or the Issuing and Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Note certificates will be printed and delivered as described in the Issuing and Paying Agent Agreement.

The City may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Note certificates will be printed and delivered as described in the Issuing and Paying Agent Agreement.

SO LONG AS CEDE & CO. IS THE REGISTERED OWNER OF THE NOTES, AS NOMINEE OF DTC, REFERENCES HEREIN TO THE OWNERS OR HOLDERS OF THE NOTES (OTHER THAN UNDER THE CAPTION "TAX MATTERS" HEREIN) SHALL MEAN CEDE & CO. AND SHALL NOT MEAN THE BENEFICIAL OWNERS OF THE NOTES.

NEITHER THE CITY, THE ISSUING AND PAYING AGENT, NOR THE DEALERS WILL HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC DIRECT PARTICIPANTS, INDIRECT PARTICIPANTS, OR TO ANY BENEFICIAL OWNER WITH RESPECT TO (I) THE ACCURACY OF ANY RECORDS MAINTAINED BY DTC, ANY DTC DIRECT PARTICIPANT, OR INDIRECT PARTICIPANT; (II) THE DELIVERY OF ANY NOTICE THAT IS PERMITTED OR REQUIRED TO BE GIVEN TO THE OWNERS OF THE NOTES UNDER THE ISSUING AND PAYING AGENT AGREEMENT; (III) THE PAYMENT BY DTC OR ANY DTC DIRECT PARTICIPANT OR

INDIRECT PARTICIPANT OF ANY AMOUNT WITH RESPECT TO THE PRINCIPAL OR INTEREST DUE WITH RESPECT TO THE NOTES; (IV) ANY CONSENT GIVEN OR OTHER ACTION TAKEN BY DTC AS THE REGISTERED OWNER OF NOTES; OR (V) ANY OTHER MATTER.

### LITIGATION

There is no controversy of any nature now pending against the City or, to the knowledge of its respective officers, threatened, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Notes or in any way contesting or affecting the validity of the Notes or any proceedings of the City taken with respect to the issuance or sale thereof, or the pledge or application of any moneys or security provided for the payment of the Notes or the use of the proceeds of the Notes.

In the opinion of the City Attorney, the City has sufficient defenses against certain claims and lawsuits pending against the SCM Fund for construction claims and certain other alleged liabilities arising during the ordinary course of operations of the System and in no event should these claims and lawsuits result in judgments or settlements which, in the aggregate, would have a material adverse effect on the SCM Fund's financial position.

### CONTINUING DISCLOSURE

The Notes are exempt from the rules of the Securities and Exchange Commission relating to continuing disclosure of annual financial information and certain material events. In connection with prior issues of the Senior Lien Bonds and Subordinate Bonds (collectively, the "Bonds"), the City has agreed to provide to the Municipal Securities Rulemaking Board (the "MSRB") for the purposes of Rule 15c2-12(b)(5) adopted by the Securities and Exchange Commission audited financial statements of the City for the SCM Fund and other financial and operating data relating to the System and notice of certain material events with respect to the Bonds. Holders of the Notes may obtain from the MSRB such information provided by the City in connection with such Bonds so long as such Bonds are outstanding.

### RATINGS

#### [To be Updated]

Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's, a division of The McGraw-Hill Companies ("S&P"), and Fitch, Inc. ("Fitch") have assigned their ratings of "P-1," "A-1+" and "F1+," respectively, to the Notes, with the understanding that the Lines of Credit will be issued by the Banks. Moody's has assigned an underlying rating of "MIG 1" to the Notes. Moody's, S&P and Fitch have assigned their ratings of "A1," "AA-" and "AA-," respectively, to the Senior Lien Bonds. Such ratings reflect only the views of such organizations and are not a recommendation to buy, sell or hold the Notes. Explanations of the significance of such ratings may be obtained only from the respective organizations at: Moody's Investors Services, Inc., 99 Church Street, New York, New York, 10007, Standard & Poor's, 55 Water Street, New York, New York 10004 and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own.

There is no assurance that such ratings will continue for any given period or that they will not be revised downward or withdrawn entirely by the respective rating agencies, if in the judgment of each such rating agency, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Notes.

## TAX MATTERS

### Notes

In the opinion of Sidley Austin LLP, San Francisco, California, Bond Counsel, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants set forth in the Subordinate General Resolution and requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of proceeds of the Notes and the timely payment of certain investment earnings to the United States, interest on the Notes is not includable in the gross income of the owners of the Notes for federal income tax purposes. Failure to comply with such covenants and requirements may cause interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes.

In the further opinion of Bond Counsel, interest on the Notes is not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations. Bond Counsel expresses no opinion as to the extent to which, if any, interest on the Notes may be excluded from the calculation of federal corporate alternative minimum taxable income.

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

Certain requirements and procedures contained or referred to in the Issuing and Paying Agent Agreement may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the effect of any change to any document pertaining to the Notes or of any action taken or not taken where such change is made or action is taken or not taken without Bond Counsel's approval, or in reliance upon the advice of counsel other than Bond Counsel with respect to the exclusion from gross income of interest on the Notes for federal income tax purposes.

### Information Reporting and Backup Withholding

Interest paid on tax-exempt obligations is subject to information reporting in a manner similar to interest paid on taxable obligations. While this reporting requirement does not, by itself, affect the excludability of interest from gross income for federal income tax purposes, the reporting requirement causes the payment of interest with respect to the Notes to be subject to backup withholding if such interest is paid to beneficial owners that (a) are not "exempt recipients," and (b) either fail to provide certain identifying information (such as the beneficial owner's taxpayer identification number) in the required manner or have been identified by the IRS as having failed to report all interest and dividends required to be shown on their income tax returns. Generally, individuals are not exempt recipients, whereas corporations and certain other entities are exempt recipients. Amounts withheld under the backup withholding rules from a payment to a beneficial owner are allowed as a refund or credit against such beneficial owner's federal income tax liability so long as the required information is furnished to the IRS.



### **State Tax Exemption**

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

### **Future Developments**

Future legislative proposals, if enacted into law, regulations, rulings or court decisions may cause interest on the Notes to be subject, directly or indirectly, to federal income taxation or to state or local income taxation, or otherwise prevent beneficial owners from realizing the full current benefit of the tax status of such interest. Further, legislation or regulatory actions and proposals may affect the economic value of the federal or state tax exemption or the market value of the Notes.

Prospective purchasers of the Notes should consult their tax advisors regarding pending or proposed federal or state tax legislation, regulations, rulings or litigation, as to which Bond Counsel expresses no opinion.

A copy of the form of opinion of Bond Counsel is attached hereto as Appendix B.

### **FINANCIAL ADVISOR**

Public Resources Advisory Group has served as financial advisor to the City in connection with the authorization and issuance of the Notes.

### **LEGAL MATTERS**

The Notes are subject to approval as to their legality by Sidley Austin LLP, Bond Counsel. A copy of the proposed form of opinion of Bond Counsel is attached as Appendix B. Certain legal matters will be passed upon for the City by the City Attorney of the City of Los Angeles, and for the Banks by Fulbright & Jaworski, LLP.

### **FURTHER INFORMATION**

Copies of the Subordinate General Resolution, the Senior General Resolution and other documents referred to herein may be obtained from the City by contacting the Office of the City Administrative Officer, 200 North Main Street, Room 1500, City Hall East, Los Angeles, California 90012, Attention: Debt Management Group, (213) 485-2881. Reference is made to the legal documents listed above for the definitions of capitalized terms used and not otherwise defined herein.

This Offering Memorandum has been duly approved, executed and delivered by the City.

By: /s/ Miguel A. Santana  
City Administrative Officer

**APPENDIX A**  
**THE 2009 OFFICIAL STATEMENT**

## APPENDIX B

### PROPOSED FORM OF OPINION OF BOND COUNSEL

\_\_\_\_\_, 2010

City of Los Angeles  
Los Angeles, California

\$300,000,000 (Maximum Principal Amount)  
City of Los Angeles  
Wastewater System Commercial Paper Revenue Notes  
Series A, B and C

Ladies and Gentlemen:

We have acted as bond counsel to the City of Los Angeles (the "City") in connection with the issuance of up to \$300,000,000 Wastewater System Commercial Paper Revenue Notes, (the "Notes"). The Notes are being issued, and will continued to be issued, from time to time, pursuant to the Charter of the City, a Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City (the "Council") on March 26, 1991, as heretofore amended and supplemented and as further amended and supplemented by the Eleventh Supplemental Resolution, adopted by the Council on June 18, 2010, providing for the issuance of the Notes (collectively, the "Subordinate General Resolution"), and an Amended and Restated Issuing and Paying Agency Agreement, dated as of July 1, 2010 (the "Paying Agent Agreement"), by and between the City and U.S. Bank Trust, National Association (the "Issuing and Paying Agent"). Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Subordinate General.

The Notes are being issued in three Series. The Notes of each Series are additionally secured by a related line of credit issued pursuant to a Line of Credit Agreement, dated as of July 1, 2010 (the "Credit Agreement"), with State Street Bank & Trust Company, California State Teachers' Retirement System and Wells Fargo Bank, National Association. ("collectively, the "Banks"), pursuant to which each of the Banks has severally, but not jointly, agreed to extend to the City, for the benefit of the holders of a particular Series of Notes (as identified below), a revolving line of credit.

In our capacity as bond counsel, we have reviewed the Law, copies, certified or otherwise identified to our satisfaction, of the Subordinate General Resolution, the Paying Agent Agreement and the Credit Agreement, certifications of the City, the Banks and others, opinions of the City Attorney and of counsel to the Banks, and such other documents, opinions and instruments, and have made such investigation of law, as we have considered necessary or appropriate for the purpose of this opinion.

We have assumed, but have not independently verified, that the signatures on all documents, certificates and opinions that we have reviewed are genuine. In our examination, we have assumed, but have not independently verified, the legal capacity of all natural persons, the authenticity of all documents submitted to us as originals, the conformity to original documents of all documents submitted to us as certified or photostatic copies or by facsimile or other means of electronic transmission or which we obtained from sites on the internet, and the authenticity of the originals of such latter documents. We

have not undertaken to verify independently, and have assumed, the accuracy of the factual matters represented, warranted or certified in the documents. Furthermore, we have assumed compliance with all covenants and agreements contained in the Subordinate General Resolution, the Paying Agent Agreement and the Tax Certificate, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Notes to be included in gross income for federal income tax purposes.

In addition, we call attention to the fact that the rights and obligations under the Notes, the Subordinate General Resolution and the Paying Agent Agreement are subject to bankruptcy, insolvency, reorganization, arrangement, moratorium and other similar laws affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against public agencies in the State of California. Furthermore, the imposition of fees and charges by the City relating to the Wastewater System may be subject to the provisions of Articles XIII C and XIII D of the California Constitution.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Notes constitute the valid and binding special limited obligations of the City.
2. The Notes are special limited obligations of the City and are payable exclusively from and are secured by a pledge of and secured lien upon Revenues and certain amounts held under or pursuant to the Subordinate General Resolution and the Paying Agent Agreement. The pledge, assignment and lien on the Revenues granted pursuant to the Wastewater System Revenue Bonds General Resolution, adopted by the Council on November 10, 1987, as amended and supplemented from time to time (the "General Resolution") to secure Senior Lien Bonds (as defined in the Subordinate General Resolution) is in all respects prior to the pledge, assignment and lien on the Revenues granted by the Subordinate General Resolution to secure the Notes and all other Subordinate Bonds (as defined in the Subordinate General Resolution). The general fund of the City is not liable, and the credit or taxing power of the City is not pledged, for the payment of the Notes or the interest thereon.
3. The Subordinate General Resolution has been duly adopted by the Council and constitutes the valid and binding obligation of the City. The Subordinate General Resolution creates a valid pledge, to secure the payment of the principal of and interest on the Notes, of the Revenues of the City, and certain other amounts held by the City under the Subordinate General Resolution and the Paying Agent Agreement, subject to the provisions of the Subordinate General Resolution permitting the application thereof for the purposes and on the terms and conditions set forth therein and subject to the prior pledge and assignment thereof granted by the General Resolution to secure the Senior Lien Bonds.
4. Bonds and other subordinate parity debt of the City have been and may from time to time hereafter be issued under the Subordinate General Resolution which are payable from Revenues on a parity basis with the Notes.
5. Based on existing statutes, regulations, rulings and judicial decisions and assuming continuing compliance by the City with certain covenants in the Subordinate General Resolution, and requirements of the Internal Revenue Code of 1986, as amended, regarding the use, expenditure and investment of proceeds of the Notes and the timely payment of certain investment earnings in the United States, interest on the Notes is not includable in gross income of the owners of the Notes for purposes of federal income taxation. Failure to comply with such covenants and requirements may cause interest on the Notes to be included in federal gross income retroactive to the date of issuance of the Notes.

6. Interest on the Notes is not treated as an item of tax preference in calculating the alternative minimum taxable income of individuals or corporations. We express no opinion as to the extent to which, if any, interest on the Notes may be excluded from the calculation of federal corporate alternative minimum taxable income.

7. Interest on the Notes is exempt from personal income tax imposed by the State of California.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions. Such opinions may be adversely affected by actions taken or events occurring, including a change in law, regulation or ruling (or in the application or official interpretation of any law, regulation or ruling) after the date hereof. We have not undertaken to determine, or to inform any person, whether such actions are taken or such events occur, and we have no obligation to update this opinion in light of any such actions or events.

Other than as described herein, we have neither addressed nor are we opining on the tax consequences to any person of the investment in, or the receipt of interest on, the Notes.

Respectfully submitted,



ATTACHMENT A  
EXHIBIT B

Amended and Restated Issuing and Paying Agent  
Agreement



## AMENDED AND RESTATED ISSUING AND PAYING AGENT AGREEMENT

U.S. Bank National Association  
100 Wall Street  
Suite 1600  
New York, New York 10005  
Attention: \_\_\_\_\_

\$300,000,000 Maximum  
Principal Amount Outstanding  
From Time to Time  
The City of Los Angeles  
Wastewater System  
Commercial Paper Revenue Notes

Ladies and Gentlemen:

This letter agreement dated as of June 1, 2010 will set forth the understandings reached between you, U.S. Bank National Association (the "Issuing and Paying Agent"), and the undersigned, The City of Los Angeles, a duly organized municipal corporation and a political subdivision of the State of California and a charter city (the "City") regarding the above-referenced matter and amends and restates in its entirety the Issuing and Paying Agent Agreement, dated August 1, 1996, by and between us which was previously amended by that certain First Amendment to Amended and Restated Issuing and Paying Agent Agreement, dated as of September 1, 1997, and that certain Second Amendment to the Issuing and Paying Agent Agreement, dated January 1, 2003. You have agreed to act as depository for the safekeeping of certain notes of the City which may be issued and sold in the commercial paper market in one or more Series (the "Commercial Paper Notes"), as issuing agent on behalf of the City in connection with the issuance of the Commercial Paper Notes described above and as paying agent to undertake certain obligations as described below on behalf of the holders of the Commercial Paper Notes.

The Issuing and Paying Agent has previously executed a letter of representations (the "Letter of Representations"), which terms shall include the procedures referred to therein with the City and The Depository Trust Company ("DTC") and a certificate agreement (the "Certificate Agreement") with DTC which establishes, among other things, the procedures to be followed by the Issuing and Paying Agent in connection with the issuance and custody of Commercial Paper Notes in book-entry form.

The Commercial Paper Notes have been and are being issued pursuant to a Wastewater System Subordinate Revenue Bonds General Resolution adopted by the City Council of the City (the "Council") on March 26, 1991, as supplemented and as further supplemented by that Eleventh Supplemental Resolution, adopted by the Council on June 18, 2010 (collectively, the "Subordinate General Resolution"). The Commercial Paper Notes shall be issued in a maximum aggregate principal amount of \$300,000,000 consisting of three series designated as "Series A," "Series B" and "Series C" (each a "Series"), and shall be issued in the maximum principal

amounts of \$100,000,000, \$100,000,000 and \$100,000,000, respectively (each, a “Maximum Authorized Principal Amount”). Terms used in this Agreement and not defined herein shall have the meanings assigned to such terms in the Subordinate General Resolution.

1. Appointment of Agent. The City requests that you act, and you hereby agree to act, as Issuing and Paying Agent for each Series of Commercial Paper Notes which the City shall from time to time deliver or cause to be delivered to you. Each Series of Commercial Paper Notes will be substantially in the form attached to the Letter of Representation. Each Series of Commercial Paper Notes will be placed through the two dealers selected by the City, currently Morgan Stanley & Co. Incorporated and Barclays Capital Inc., to each of which the City has allocated all of each Series of Commercial Paper Notes. At no time will the aggregate principal amount of and interest payable upon maturity of such Commercial Paper Notes outstanding exceed \$326,630,136.99

2. Supply of Commercial Paper Notes. The City will from time to time furnish you with a supply of Commercial Paper Notes of each Series. The Commercial Paper Notes of a Series shall be represented by one or more master notes which shall be executed by manual or facsimile signature by an Authorized City Representative in accordance with the Letter of Representation. Pending receipt of instructions pursuant to this Agreement, you will hold the Commercial Paper Notes of a Series in safekeeping for the account of the City or DTC, as the case may be, in accordance with your customary practice and the requirements of the Certificate Agreement.

3. Authorized City Representatives: Signature of Commercial Paper Notes. From time to time the City will furnish you with a certificate certifying the incumbency and specimen signatures of officers or agents of the City authorized to execute Commercial Paper Notes in one or more Series on behalf of the City by manual or facsimile signature and/or to take other action hereunder on behalf of the City (each an “Authorized City Representative”). Until you receive a subsequent incumbency certificate of the City, you are entitled to rely on the last such certificate delivered to you for purposes of determining the Authorized City Representatives.

You shall not have any responsibility to the City to determine by whom or by what means a facsimile signature may have been affixed on the Commercial Paper Notes, or to determine whether any facsimile or manual signature resembles the specimen signature(s) filed with you by a duly authorized officer of the City. Any Commercial Paper Note bearing the manual or facsimile signature of a person who is an Authorized City Representative on the date such signature is affixed shall bind the City after the completion thereof by you notwithstanding that such person shall have died or shall have otherwise ceased to hold his office on the date such Commercial Paper Note is countersigned, authenticated or delivered to you.

You agree that at the time of issuance you will countersign the Commercial Paper Notes as provided in the Subordinate General Resolution and that Commercial Paper Notes shall not be valid until countersigned and authenticated by you.

4. Completion; Authentication and Delivery of Commercial Paper Notes.

(a) Instructions for the issuance of Commercial Paper Notes will be given via a time-sharing terminal or other electronic transmission, if available, or by telephone, promptly confirmed in writing (facsimile) by one or more of the Dealers designated by the City, which Dealers shall be acting at the direction of a Designated Representative as defined in the Subordinate General Resolution. Instructions may be given by telephone (by a Designated Representative or by a Dealer only) or in writing if the system is unavailable or is inoperative. Upon receipt of instructions as described in this paragraph, you will withdraw the necessary Commercial Paper Note(s) from safekeeping and, in accordance with such instructions, shall cause the issuance of such Commercial Paper Notes in the manner set forth in, and take such other actions as are required by, the Letter of Representations and the Certificate Agreement.

(b) Instructions given via the time-sharing terminal must be entered by 2:00 p.m. New York Time for book-entry issuance, and instructions delivered by telephone or in writing must be received by you by 1:00 p.m. New York time, if the Commercial Paper Note(s) are to be delivered the same day. Telephone instructions shall be confirmed in writing the same day.

(c) Notwithstanding anything contained in the Subordinate General Resolution, the City hereby agrees with the Issuing and Paying Agent not to instruct the Issuing and Paying Agent to issue any Commercial Paper Notes of any Series maturing later than the fifth Business Day prior to the Termination Date of the Credit Agreement.

5. Continuation of CP Debt Service Fund: Deposit of Proceeds of Sale of the Commercial Paper Notes and Proceeds of the Credit Agreement.

(a) You have previously established and maintained and will continue to maintain in trust for the benefit of the holders of the Commercial Paper Notes and, with respect to the CP Principal Account and CP Interest Account within the CP Debt Service Fund, for the benefit of the Bank (as defined below), a fund designated as "The City of Los Angeles Wastewater System Commercial Paper Revenue Notes Debt Service Fund" (the "CP Debt Service Fund"). The CP Debt Service Fund currently consists of three separate accounts designated the "CP Interest Account," the "CP Principal Account," and the "CP Matured Note Account." You are hereby directed to establish within each of the CP Interest Account, the CP Principal Account and the CP Matured Note Account a separate subaccount (a "Subaccount") for each Series of Commercial Paper Notes.

(b) You shall deposit into the CP Interest Subaccount for a Series all money received from the City that is to be used to pay interest on the Commercial Paper Notes of such Series. You shall invest such money in accordance with the City's instructions, and all earnings from such investment shall also be deposited into the CP Interest Account of such Series. On each day which Commercial Paper Notes of a Series mature, the Issuing and Paying Agent shall determine the total amount of interest due on the Commercial Paper Notes of such Series on such day and if, by 12:30 p.m. on such day, the Issuing and Paying Agent does not have in the CP Interest Account of such Series moneys in an amount at least sufficient to pay the full amount of the interest due that day, the Issuing and Paying Agent will immediately notify an Authorized City Representative of the amount of such deficiency, and the City agrees, subject to the limitations

on the source of funds and other restrictions set forth in the Subordinate General Resolution, to provide to the Issuing and Paying Agent on such day immediately available funds in an amount at least equal to the deficiency. Amounts in the CP Interest Subaccount of a Series shall be used to pay interest on maturing Commercial Paper Notes of such Series and, with respect to Commercial Paper Notes of a Series not timely presented for payment, to transfer the amount of interest due thereon to the CP Matured Notes Account of such Series for payment on such notes when presented. You shall deposit into the CP Principal Subaccount for a Series: (i) the proceeds of the issuance of the Commercial Paper Notes of such Series on each day of issuance; (ii) any Advances (as defined in the Credit Agreement) received from the Related Bank under the Credit Agreement; and (iii) any other amounts received from or on behalf of the City for the purpose of paying principal on the Commercial Paper Notes of such Series or paying the principal of Advances made by the Related Bank. Amounts in each CP Principal Subaccount of a Series shall be withdrawn by you, first, to pay the principal of Commercial Paper Notes of such Series as they mature or, if the Commercial Paper Notes of a Series are not timely presented, to transfer to the CP Matured Notes Account of such Series for payment of such notes when presented, as provided under this Agreement, second, to the extent then available, to reimburse any Advances related to such Series which have been made under the Credit Agreement and which have not previously been paid to the Related Bank (amounts in the CP Principal Account of a Series shall be used only to pay principal of the Advances related to such Series and not interest thereon), and third, to the extent funds remain available, to transfer all remaining amounts to the City for deposit into the CP Construction Fund of such Series. Such transfer shall occur on each day that you regularly conduct business in your capacity as Issuing and Paying Agent and such excess amounts are presented in any CP Principal Subaccount. On each day on which the Dealer or its agent takes delivery of Commercial Paper Notes of a Series, it shall pay the purchase price for such Commercial Paper Notes of such Series in immediately available funds for credit to the CP Principal Subaccount.

(c) You are directed to hold and you hereby agree to hold the CP Interest Subaccount in trust for the benefit of the Holders of the Commercial Paper Notes of a Series and the CP Principal Account of such Series in trust for the benefit of the Holders of the Commercial Paper Notes of the related Series and for the Related Bank to be applied provided in this paragraph. The proceeds of the Commercial Paper Notes of a Series and Advances related to such Series made by any Bank are pledged to the payment of Commercial Paper Notes of the related Series and shall, while held in the CP Principal Account of such Series, be pledged to secure the Commercial Paper Notes of such Series and to secure repayment of Advances. The fees and expenses of the Issuing and Paying Agent shall be paid by the City from the CP Construction Fund, SCM Fund or other moneys available for such payments and shall not be paid from the CP Debt Service Fund and such fees and expenses of the Issuing and Paying Agent shall not constitute a lien on or be entitled to any security from the CP Debt Service Fund.

(d) Any amounts held in the CP Matured Notes Subaccount for a Series shall be held in trust solely for the payment of Commercial Paper Notes of such Series which have matured and not been presented for payments and shall be held uninvested.

6. Payment of Matured Commercial Paper Notes. On each day that any Commercial Paper Notes of a Series are scheduled to mature, the City shall provide to you sufficient funds from which to pay the maturing Commercial Paper Notes of such Series and the interest thereon

which shall be paid from the funds provided and as described in the Subordinate General Resolution. When any matured Commercial Paper Notes of a Series is presented to you for payment by the holder thereto, payment shall be made from and charged to the CP Principal Account of such Series to the extent of the interest due on such maturing Commercial Paper Notes; except that Commercial Paper Notes of a Series which are not timely presented and for which funds have been credited to the related CP Matured Notes Subaccount shall be paid from such account. Commercial Paper Notes presented to you for payment by 3:00 p.m. on a Business Day shall be paid on that day to the extent of funds available for such purpose.

7. Reliance on Instructions. You shall incur no liability to the City in acting hereunder upon telephonic or other instructions contemplated hereby which the recipient thereof believes in good faith to have been given by an Authorized City Representative, Designated Representative or Authorized Dealer Representative, as the case may be. In the event a discrepancy exists between the telephonic instructions given by the City and as recorded and understood by you, your understanding will be deemed the controlling and proper instructions. It is understood that all telephonic instructions will be recorded by you, and the City hereby consents to such recording.

8. Cancellation of Commercial Paper Notes. After payment of any matured Commercial Paper Notes of any Series, the Issuing and Paying Agent will annotate its records to reflect the base amount of Commercial Paper Notes of such Series outstanding in accordance with the Letter of Representations. Promptly upon the written request of the City, you agree to cancel and return to the City all unissued Commercial Paper Notes of a Series in your possession at the time of such request.

9. Representations and Warranties of the City. Each instruction on the date it is given to you in accordance with Section 4 hereof whether given directly by a Designated Representative or through a Dealer shall constitute a representation and warranty to you and the holders of the Commercial Paper Notes by the City that:

(i) the issuance and delivery of the Commercial Paper Notes have been duly and validly authorized by the City;

(ii) that the Commercial Paper Notes, when completed, countersigned and delivered pursuant hereto, will constitute the legal, valid and binding obligations of the City;

(iii) your appointment to act for the City hereunder has been duly authorized by all necessary action of the City;

(iv) the City has, and at all relevant times has had, all necessary power and authority to execute, deliver and perform this Agreement and to issue the Commercial Paper Notes;

(v) all action on the part of the City which is required (A) for the authorization of the issuance of the Commercial Paper Notes and (B) for the authorization, execution, delivery and performance of this Agreement and the issuance of the Commercial Paper

Notes do not require the approval or consent of any holder or trustee of any indebtedness or obligations of the City;

(vi) the Credit Agreement is in full force and effect;

(vii) after the issuance of such Commercial Paper Notes and the application of the proceeds thereof, the aggregate principal amount of and interest payable upon maturity of Commercial Paper Notes Outstanding of Series A will not exceed \$108,876,712.33 or of Series B will not exceed \$108,876,712.33, or of Series C will not exceed \$108,876,712.33.;

(viii) the interest rate borne by the Commercial Paper Notes to be delivered does not exceed 12% per annum or any lower legal interest rate then applicable to such Commercial Paper Notes;

(ix) the facts, estimates, circumstances and representations set forth or made (as the case may be) in the Tax Certificate continue to exist and are reaffirmed;

(x) the term of the Commercial Paper Notes does not exceed 270 days and the maturity date of such Commercial Paper Notes set forth in such instruction does not extend beyond the 5th day prior to the Termination Date of the Credit Agreement; and

(xi) the City has not been notified by Bond Counsel or by either of such firms that its opinion with respect to the validity of the Commercial Paper Notes and the tax treatment of the interest thereof delivered with respect to the Commercial Paper Notes has been revised or withdrawn or, if any such revisions or withdrawal has occurred, the revised opinion or a substitute opinion acceptable to the Dealer or Dealers to whom the Notes are to be delivered has been delivered.

10. Compliance With Subordinate General Resolution. You agree to accept, undertake and perform all of the duties and obligations set forth and imposed upon the Issuing and Paying Agent and the Authenticating Agent under the Subordinate General Resolution and, in addition, you agree:

(a) to hold all sums held by you for the payment of the principal of or interest on Commercial Paper Notes in trust for the benefit of the holders and the Banks until such sums shall be paid to such holders or the Banks or otherwise disposed of as provided in the Subordinate General Resolution;

(b) to keep such books and records as shall be consistent with prudent industry practice and to make such books and records available for inspection, including sending copies of such books and records so requested for inspection, by the City and the Banks on each Business Day during reasonable business hours;

(c) notwithstanding anything to the contrary contained in this Agreement, the Letter of Representations and the Certificate Agreement, you shall not issue any Commercial Paper Notes of any Series following receipt by you of (i) written notice from a Designated Representative stating that no additional Commercial Paper Notes be issued until such time as

you receive subsequent written notice from a Designated Representative revoking such notice or (ii) written notice from Bond Counsel or from either of such firms that its opinion regarding exclusion of interest on the Commercial Paper Notes of such Series from gross income for federal tax purposes of the holders thereof is being withdrawn; and

(d) you shall not issue any Commercial Paper Notes if such issuance would result in the aggregate principal amount of and interest payable upon maturity of Commercial Paper Notes outstanding being in excess of \$ \_\_\_\_\_, \$ \_\_\_\_\_ or \$ \_\_\_\_\_ for Series A, Series B or Series C respectively.

For purposes of determining the principal amount of Commercial Paper Notes which may be delivered by the Issuing and Paying Agent under the limitations set forth in the preceding paragraphs of this Section, the Paying Agent shall, on each day that Commercial Paper Notes are to be delivered, in trust for the benefit of the holders of the Commercial Paper Notes, verify that, following delivery of the Commercial Paper Notes to be issued on such date, the aggregate principal amount of Commercial Paper Notes of any Series which will be Outstanding will not exceed its Maximum Authorized Principal Amount. For purposes of calculating unpaid Advances under the Credit Agreement, the Issuing and Paying Agent shall assume that all Advances under the Credit Agreement remain unreimbursed except to the extent the reimbursement was made by the Issuing and Paying Agent from the CP Debt Service Fund and the Issuing and Paying Agent has not received notice from the Bank that an Event of Default (as defined in the Reimbursement Agreement) has occurred and is continuing.

11. Liability. Neither you nor your officers, employees or agents shall be liable for any act or omission hereunder, except in the case of negligence or willful misconduct as described in Paragraph 12 herein. Your duties and obligations and those of your officers and employees shall be determined by the express provisions of this Agreement, the Letter of Representations and Certificate Agreement (including the documents referred to therein), and such duties and obligations as are specifically set forth herein and therein, and no implied covenants shall be read into any such document against you or your officers, employees or agents. Neither you nor your officers, employees or agents shall be required to ascertain whether any issuance or sale of CP Note(s) (or any amendment or termination of this Agreement) has been duly authorized or is in compliance with any other agreement to which the City is a party (whether or not you are a party to such other agreement) except as specifically set forth herein.

12. Indemnity. The City hereby agrees to indemnify and hold you, your employees and any of your officers and agents harmless, from and against, and you shall not be liable for, any and all losses, liabilities (including liabilities for penalties), actions, suits, judgments, demands, damages, costs and expenses of any nature (including, without limitation, interest and attorneys' fees, expenses, and the allocable costs of in-house legal services) arising out of or resulting from the exercise of your rights and/or the performance of your duties (or those of your agents and employees) hereunder; provided, however, that the City shall not be liable to indemnify or pay you with respect to any loss, liability, action, suit, judgment, demand, damage, cost or expense that results from or is attributable to your negligence or willful misconduct or that of your officers or employees. The foregoing indemnity includes, but is not limited to, any action taken or omitted to be taken by you upon telex, telephonic or other electronically transmitted instructions (authorized herein) received by you from, or believed by you in good

faith to have been given by, the proper person or persons. The provisions of this paragraph 12 shall survive (i) your resignation or removal hereunder and (ii) the termination of this Agreement.

13. Notices; Addresses. (a) All communications by or on behalf of the City or the Dealers, by telephone or otherwise, relating to the completion, delivery or payment of the Commercial Paper Note(s) are to be directed to your Commercial Paper Issuance Unit of the Corporate Trust Division (or such other department or division which you shall specify in writing to the City or the Dealers). The City will send all Commercial Paper Notes to be completed and delivered by you to your Commercial Paper Issuance Unit of the Corporate Trust Division (or such other department or division as you shall specify in writing to the City). You will advise the City and the Dealers from time to time of the individuals generally responsible for the administration of this Agreement and will from time to time certify incumbency and specimen signatures of officers or employees authorized to countersign Commercial Paper Notes and will supply a list of employees authorized to received telephone instructions.

(b) Notices and other communications hereunder shall (except to the extent otherwise expressly provided) be in writing and shall be addressed as follows, or to such other address as the party receiving such notice shall have previously specified to the party sending such notice:

if to the City at:

The City of Los Angeles  
Office of the City Administrative Officer  
Room 1500  
City Hall East  
200 North Main Street  
Los Angeles, California 90012  
Attention: City Administrative Officer  
Telephone No: (213) 485-2930  
Facsimile No: (213) 847-6006

if to you at:

(i) concerning the daily issuance of Commercial Paper Notes:

U.S. Bank National Association  
100 Wall Street  
Suite 1600  
New York, New York 10005  
Attention: \_\_\_\_\_  
Telephone: (212) 361-\_\_\_\_\_  
Facsimile No.: (212) 809-\_\_\_\_\_

if to the Dealers at:

Morgan Stanley & Co. Incorporated  
1221 Avenue of the Americas



New York, New York 10006  
Attention: Short-Term Municipal Desk  
Telephone No: (212) 296-7612  
Facsimile: (212) 296-5713

Barclays Capital Inc.  
745 Seventh Avenue, 2<sup>nd</sup> Floor  
New York, New York 10019  
Attention: Municipal Short-Term Desk  
Telephone No: \_\_\_\_\_  
Facsimile: \_\_\_\_\_

Notices shall be deemed delivered when received at the addresses specified above. For purposes of this paragraph, "when received" shall mean actual receipt (i) of an electronic communication by a telex machine, telecopier or time-sharing terminal specified in or pursuant to this Agreement; (ii) of an oral communication by any person answering the telephone at your office specified in subparagraph 11(b) hereof and otherwise at the office of the individual or department specified in or pursuant to this Agreement; or (iii) of a written communication hand delivered at the office specified in or pursuant to this Agreement.

14. Additional Information. Upon the reasonable request of the City given at any time and from time to time, you shall promptly provide the City with information with respect to the Commercial Paper Note(s) issued and paid hereunder. Such request shall be in written form and shall include the principal amount, date of issue, number of days, maturity date and rate and amount of interest of each Commercial Paper Note which has been issued or paid by you and for which the request is being made. You and the City shall discuss from time to time the extent to which such information is reasonably available and the times at which you can reasonably furnish such information.

15. Integration. This Agreement contains the entire understanding of the parties hereto with respect to the subject matter contained herein and supersedes and cancels any and all prior agreements, representations or statements, written or oral, of either party with respect hereto.

16. Benefit of Agreement. This Agreement is solely for the benefit of the parties hereto, and no other person shall acquire or have any right under or by virtue hereof.

17. Termination. This Agreement may be terminated by either you or the City after the furnishing of 30 days' written notice of such termination; provided however that no such termination shall be effective until such time as a successor issuing and paying agent has been appointed by the City and has executed an issuing and paying agent agreement substantially identical to this Agreement and that the Credit Agreement has been amended to provide that such successor issuing and paying agent is the beneficiary thereof. Upon termination you will return to the City or its designee any Commercial Paper Notes then held in safekeeping by you according to the City's instructions. No such termination shall affect the City's and your responsibilities hereunder arising prior to such termination

18. GOVERNING LAW. THIS AGREEMENT IS TO BE DELIVERED AND PERFORMED IN, AND SHALL BE CONSTRUED AND ENFORCED IN ACCORDANCE WITH, AND THE RIGHTS OF THE PARTIES SHALL BE GOVERNED BY, THE LAW OF THE STATE OF CALIFORNIA.

19. Fees. You shall, receive fees from the City for acting as Issuing and Paying Agent in accordance with Exhibit A hereto.

20. Counterparts. This Agreement may be signed in several counterparts. Each will be an original but all of them together constitute the same instrument.

Please indicate your agreement with and acceptance of the foregoing terms and provisions by signing the counterpart of this letter enclosed herewith and returning it to the City.

**THE CITY OF LOS ANGELES**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Agreed to and accepted this 1st day of June, 2010.

**U.S. BANK NATIONAL ASSOCIATION, as  
Issuing and Paying Agent**

By: \_\_\_\_\_  
Title: \_\_\_\_\_

Approved as to Form:

CARMEN A. TRUTANICH  
City Attorney

By: \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Exhibit A**

Schedule of Fees for Services as Issuing and Paying Agent

ATTACHMENT A  
EXHIBIT C

Dealer Agreement (Barclay's Capital)

\$300,000,000  
THE CITY OF LOS ANGELES  
WASTEWATER SYSTEM  
COMMERCIAL PAPER REVENUE NOTES

DEALER AGREEMENT

RECITALS

This Dealer Agreement (the "Agreement"), dated as of June 1, 2010, is entered into between the City of Los Angeles, California (the "City"), and Barclays Capital Inc. (the "Dealer").

WHEREAS, on March 26, 1991, the City Council (the "Council") adopted a Wastewater System Subordinate Revenue Bonds General Resolution (the "Subordinate General Resolution") providing for the issuance of obligations secured by and payable from the revenues of the City's Wastewater System, but on a subordinate basis to the City's Wastewater System Revenue Bonds issued from time to time under the Wastewater System Revenue Bonds General Resolution adopted by the Council on November 10, 1987 as supplemented and amended from time to time;

WHEREAS, the City's commercial paper program is authorized under the terms of the Subordinate General Resolution, as amended and as further amended by an Eleventh Supplemental Resolution adopted June 18, 2010 (the "Eleventh Supplemental Resolution");

WHEREAS, the City and U.S. Bank National Association have entered into a Amended and Restated Issuing and Paying Agent Agreement, dated as of June 1, 2010, (the "Issuing and Paying Agent Agreement") pursuant to which U.S. Bank National Association will act as Issuing and Paying Agent for the Notes;

WHEREAS, the Notes will be issued in accordance with the Issuing and Paying Agent Agreement and will be secured by Revenues (as defined in the Subordinate General Resolution) and will further secured by the Credit Agreement (as defined herein);

WHEREAS, Barclays Capital Inc. has agreed to act as a dealer for the Notes and to perform the duties imposed by this Agreement; and

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the City and Dealer hereby agree as follows:

1. Definitions. Capitalized terms used and not otherwise defined in this Agreement shall have the meanings ascribed to them in the Subordinate Resolutions. The following capitalized terms, when used in this Agreement, shall have the following meanings:

"Bank" means, each of, and "Banks" means collectively, State Street Bank and Trust Company, California State Teachers' Retirement System and Wells Fargo Bank, National Association or their respective successors and assigns, as Banks under the Credit Agreement, and any issuer or issuers of an alternate credit facility with respect to the Commercial Paper Notes, under and pursuant to the Subordinate General Resolution.

“Credit Agreement” means the Line of Credit Agreement, dated as of June 1, 2010, by and between the City, the Banks, including any amendment or supplement to such Line of Credit Agreement.

“DTC” means The Depository Trust Company.

“Issuing and Paying Agent” means U.S. Bank National Association, in its capacity as Issuing and Paying Agent, or any successor thereto, as a party to the Issuing and Paying Agent Agreement.

“Issuing and Paying Agent Agreement” means the Amended and Restated Issuing and Paying Agent Agreement, dated as of June 1, 2010, between the City and the Issuing and Paying Agent, and any further amendment and supplement thereto.

“Notes” means the City’s Wastewater System Commercial Paper Notes, in the form contemplated by and with terms consistent with limits specified in the Eleventh Supplemental Resolution.

“Rating Agency” means, each of, and “Rating Agencies” means collectively, Moody’s Investors Service, Inc. and Standard & Poor’s Rating Services, a division The McGraw-Hill Companies, Incorporated.

2. Appointment of Dealer; Responsibilities of Dealer.

(a) Appointment of Dealer. Subject to the terms and conditions herein contained, the City hereby appoints Dealer, and Dealer hereby accepts such appointment, as a non-exclusive dealer for the City in connection with the offering and sale of the Notes. Dealer acknowledges that the City may enter into dealer agreements with other dealers in connection with the offering and sale of the Notes.

(b) Duties of Dealer. The City shall have the right to allocate the Notes to Dealer and among the other dealers for the Notes as it deems appropriate during the time that this Agreement is effective. In its capacity as dealer, Dealer shall exercise its best efforts to solicit purchases of the portion of the Notes allocated to it from time to time upon notice by the City. It is understood and agreed that Dealer’s responsibilities hereunder will include: (i) soliciting purchases of Notes from investors that can purchase tax-exempt commercial paper or other short-term tax-exempt securities, (ii) effecting and processing such purchases, (iii) providing information to the City concerning such purchases in form and substance satisfactory to the City and at the time or times requested by the City, (iv) billing and receiving payment for Notes purchased and sold, (v) performing all duties and obligations of a dealer with respect to the timing of notifications and payments set forth in the Issuing and Paying Agent Agreement, and (vi) performing such other related functions as may be requested by the City and agreed to by Dealer.

(c) Purchaser of Notes by Dealer. All transactions in the Notes between Dealer and the City shall be in accordance with the custom and practice in the tax-exempt commercial paper market. Such custom and practice shall consist of the procedures set

forth in this Agreement and any other procedures that may be approved by the City in writing in advance. The purchase of the Notes by Dealer, or sales arranged by Dealer, shall be authorized by representatives of the City the day before the anticipated sale. Before 11:30 A.M., New York time, on each day on which the Notes, the purchase of which has been solicited by Dealer, are to be issued, Dealer will notify the Issuing and Paying Agent and the Banks of the principal amounts and terms and conditions of such Notes with respect to which Dealer has received indications of interest from potential purchasers. If the City determines that the terms and conditions available from Dealer are acceptable, the City shall prior to 1:00 p.m., New York time, on such day electronically authorize the Issuing and Paying Agent to release the Notes. If authorizations or communications described in this Section cannot be delivered electronically, such information will be communicated via telephone (followed by written confirmation) or facsimile. If, by 10:30 a.m., New York time, on such day, Dealer concludes that it will not be able to sell prior to 11:30 a.m., New York time, on such day, the full amount of Notes allocated to it, it shall immediately notify the City, the Issuing and Paying Agent and the Banks of such conclusion. The purchase of Notes by Dealer, or sales arranged by Dealer, shall be negotiated and agreed upon orally between Dealer and the City, and the principal amount of Notes to be sold, the interest rate applicable thereto, and the maturity thereof shall be so determined. Dealer shall not be obligated to purchase any Notes unless and until agreement has been reached in each case on the foregoing points and Dealer has agreed to such purchase.

(d) The Notes. Interest on the Notes will be calculated on the basis of a 365/366-day year and the actual number of days elapsed. The Notes will be issued at par. Dealer shall confirm each transaction made with or arranged by it to the City in writing in Dealer's customary form promptly following each transaction and in any event within three (3) business days. The Notes will be issuable in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess of \$100,000.

(e) Compensation. For services rendered hereunder, the City will pay to the Dealer a commission calculated at the rate of one-twentieth of one percent (0.05%) per annum on the average daily amount of Notes outstanding and allocated to the Dealer. The commission shall be payable quarterly in arrears by the City upon receipt of an invoice therefor from Dealer on each January 1, April 1, July 1 and October 1, commencing October 1, 2010. The City's obligation to pay such fees shall survive the termination of the Agreement to the extent Notes purchased or sold by Dealer are outstanding as of the effective date of such termination.

(f) Payment and Delivery of the Notes. Dealer shall pay for the Notes purchased by Dealer or sold by Dealer in immediate available funds in the manner provided for in the Issuing and Paying Agent Agreement on the business day such Notes are issued. The Notes shall be delivered to DTC in accordance with the Issuing and Paying Agent Agreement.

(g) Confirmation of Trades. With respect to all Notes marketed by Dealer, Dealer will provide to the Issuing and Paying Agent no later than 2:00 p.m. New York time on the date the Notes are to be issued the following trade information: (i) the amount

of such Notes sold on that date, (ii) the maturity(ies) of such Notes and (iii) the interest rate(s) on such Notes. The trade information described in this Section 2 will be delivered electronically to the City and the Issuing and Paying Agent. If such trade information cannot be delivered electronically, Dealer will communicate such information via telephone (followed by written confirmation) or facsimile.

(h) Overnight Rate. Dealer agrees that in the event it purchases the Notes for its own account overnight, the interest rate on such Notes purchased by Dealer shall not exceed the interest rate posted by Dealer on the day of such purchase as the Tax-Exempt Daily Demand Bond Rate.

3. Representations and Warranties of the City. The City hereby represents and warrants to Dealer that:

(a) Power and Authority. It has or had, as applicable, full power and authority to: (i) adopt the Subordinate General Resolution, including without limitation, the Eleventh Supplemental Resolution, (ii) execute and deliver this Agreement, the Credit Agreement and the Issuing and Paying Agent Agreement, and (iii) issue the Notes and perform its obligations thereunder; and

(b) Legal, Valid, Binding Obligations. The Notes, when issued and delivered in accordance with the terms of the Issuing and Paying Agent Agreement, will be duly authorized, executed and issued and will constitute legal, valid and binding obligations of the City enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of California.

4. Representations and Warranties of Dealer.

Dealer hereby represents and warrants to the City that:

(a) Organization; Power; Authority. It is duly organized, validly existing and in good standing under applicable laws of the state of its incorporation and has full power and authority to execute and deliver this Agreement; and

(b) Legal, Valid, Binding Obligation. This Agreement, when executed and delivered to the City, will be duly authorized and will constitute a legal, valid and binding obligation of Dealer enforceable in accordance with its terms, except as may be limited to bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

5. Covenants of the City. The City hereby covenants to Dealer that:

(a) Deliver Information. It will promptly deliver copies of all final official statements published by it (and any supplements thereto) with respect to the sale of its



wastewater system revenue bonds or other evidence of indebtedness payable from the City's wastewater system revenues, and audited annual financial statements of the wastewater system of the City.

(b) Notice of Certain Events. It will provide prompt notice to Dealer of the occurrence of any event referred to in Rule 15c2-12(b)(5)(i)(C) promulgated under Securities Exchange Act of 1934, as amended, if material.

6. Depository Trust Company. The Notes will be issued in accordance with the book-entry only procedures established by DTC.

7. Conditions Precedent. At or promptly following the execution of this Agreement and as a condition precedent to any obligations of Dealer under this Agreement, the City shall furnish to Dealer the following documents, in form and substance reasonably satisfactory to Dealer:

(a) A certified copy of the Credit Agreement;

(b) Certified copies of the Subordinate General Resolution and this Agreement, together with any amendment or supplement to either of them;

(c) A certified copy of the Issuing and Paying Agent Agreement and any amendment and supplements thereto;

(d) An opinion of Sidley Austin LLP (not addressed to Dealer) as to certain matters contemplated by the Eleventh Supplemental Resolution; and

(e) An opinion of counsel to the Banks (not addressed to Dealer) as to the legality and enforceability of the Credit Agreement.

8. Notices. Except as otherwise specifically provided herein, all notices required under the terms and provisions of this Agreement shall be written, either delivered by hand, by mail (postage prepaid), or by telecopy, promptly confirmed by letter (postage prepaid), and any such notice shall be effective when received at the address specified below.

If to the City:           The City of Los Angeles  
Office of the City Administrative Officer  
Room 1500  
City Hall East  
200 North Main Street  
Los Angeles, California 90012  
Attention: Chief of Debt Management

If to Dealer:           Barclays Capital  
745 Seventh Avenue, 2<sup>nd</sup> Floor  
New York, New York 10019  
Attention: Municipal Short-Term Desk

If to the Issuing  
and Paying Agent: U.S. Bank National Association  
100 Wall Street  
Suite 1600  
New York, New York 10005  
Attention: \_\_\_\_\_

Notwithstanding the foregoing, any of the foregoing parties, or their successors, may designate a different address from time to time by notice duly given in accordance with the terms of this Section 8.

9. Termination.

This Agreement may be terminated by the City at any time or by the Dealer upon thirty (30) days' prior notice to the City. No such termination shall affect the obligations of the Dealer to the extent Notes purchased or sold by Dealer are outstanding.

10. Nondiscrimination.

Dealer shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City of Los Angeles. In performing this Agreement, Dealer shall not discriminate in its employment practices against any employee or applicant for employment because of such person's race, religion, national origin, ancestry, sex, sexual orientation, age, disability, marital status or medical condition. Dealer shall comply with the provisions of the Los Angeles Administrative Code Section 10.8 through 10.13 to the extent applicable hereto. Any subcontracts entered into by Dealer relating to this Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

11. Wage and Earnings Assignment Orders.

Dealer hereby represents, warrants and covenants that (a) it is currently in compliance, and shall fully comply throughout the term of this Agreement, with all State and Federal employment reporting requirements for the Dealer's employees applicable to Wage and Earnings Assignment Orders and Notices of Assignment; and (b) it is in compliance, and shall fully comply throughout the term of this Agreement, with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq. To the extent Section 10.10.b of the Los Angeles Administrative Code is determined to be applicable to this Agreement, failure of the Dealer to comply with this Section shall subject the Agreement to termination

12. Miscellaneous.

(a) Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining to this Agreement or any document related thereto shall be brought in the courts of the State of California located in the County of Los Angeles or the courts of the United States of America

serving the County of Los Angeles jurisdiction and, by execution and delivery of this Agreement, the parties hereto consent to and hereby accept for themselves an in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of *forum non conveniens*, which they may now or hereafter have to the bringing of any such action or proceedings in such respective jurisdictions.

(b) Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the respective successors and assigns of the parties to this Agreement. The terms “successors” and “assigns” shall not include any purchaser of any of the Notes merely because of such purchase.

(c) Entire Agreement. This Agreement, together with the Subordinate Resolutions and other agreements referred to herein, constitutes the entire understanding of the parties with respect to its subject matter, and supersedes any and all prior or contemporaneous written or oral agreements.

(d) Waiver. The failure of either party at any time to require performance by the other party of any provision hereof shall not affect in any way the full right to require such performance at any time thereafter, nor shall the waiver by either party of a breach of any provision hereof be taken or held to be a waiver of the provision itself.

(e) Modification. This Agreement may not be modified or amended except by a written agreement executed by both parties and only to the extent set forth therein.

(f) Counterparts. This Agreement maybe executed in counterparts, both of which together shall constitute a single instrument, and each of which shall be deemed an original of this Agreement for all purposes, notwithstanding that less than all signatures appear on any one counterpart.

(g) Section Headings. The various section headings in this Agreement are inserted for convenience of reference only, and shall not affect the meaning or interpretation of this Agreement or any provision hereof.

(h) Holidays. When performance of an obligation or satisfaction of a condition set forth in this Agreement is required on or by a date that is a Saturday, Sunday, or legal holiday in California or New York, such performance or satisfaction shall instead be required on or by the next business day following that Saturday, Sunday, or holiday, notwithstanding any other provisions of this Agreement.

(i) Time. Time is of the essence in this Agreement and each and every provision of this Agreement.

(j) Severability. If any paragraph, section, sentence, clause or phrase contained in this Agreement becomes or is held by any court of competent jurisdiction to be illegal, null or void or against public policy, the remaining paragraphs, sections, sentences, clauses or phrases contained in this Agreement shall not be affected thereby.

(k) Ambiguities Not to be Construed Against Drafting Party. The doctrine that any ambiguity contained in a contract shall be construed against the party whose counsel has drafted the contract is expressly waived by each of the parties hereto with respect to this Agreement.

(l) Rights Cumulative. The rights of each of the parties under this Agreement are cumulative and may be exercised as often as any party considers appropriate.

(m) Construction. Unless the context otherwise requires, singular nouns and pronouns, when used herein, shall be deemed to include the plural of such noun or pronoun and pronoun of the one gender shall be deemed to include the equivalent pronoun of the other gender.

(n) Assignment. This Agreement may not be assigned by Dealer without the prior written consent of the City, which consent the City may grant or withhold in its sole and absolute discretion. Any attempted assignment by Dealer without the prior written consent of the City shall be voidable by the City upon written notice effective on the date specified in such notice.

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be duly executed and delivered by their respective officers as of the day and year stated above.

THE CITY OF LOS ANGELES, CALIFORNIA

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

BARCLAYS CAPITAL INC.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTACHMENT A  
EXHIBIT D

Dealer Agreement (Morgan Stanley)

\$300,000,000  
THE CITY OF LOS ANGELES  
WASTEWATER SYSTEM  
COMMERCIAL PAPER REVENUE NOTES

DEALER AGREEMENT

RECITALS

This Dealer Agreement (the "Agreement"), dated as of June 1, 2010, is entered into between the City of Los Angeles, California (the "City"), and Morgan Stanley & Co., Incorporated (the "Dealer").

WHEREAS, on March 26, 1991, the City Council (the "Council") adopted a Wastewater System Subordinate Revenue Bonds General Resolution (the "Subordinate General Resolution") providing for the issuance of obligations secured by and payable from the revenues of the City's Wastewater System, but on a subordinate basis to the City's Wastewater System Revenue Bonds issued from time to time under the Wastewater System Revenue Bonds General Resolution adopted by the Council on November 10, 1987 as supplemented and amended from time to time;

WHEREAS, the City's commercial paper program is authorized under the terms of the Subordinate General Resolution, as amended and as further amended by an Eleventh Supplemental Resolution adopted June 18, 2010 (the "Eleventh Supplemental Resolution");

WHEREAS, the City and U.S. Bank National Association have entered into a Amended and Restated Issuing and Paying Agent Agreement, dated as of June 1, 2010, (the "Issuing and Paying Agent Agreement") pursuant to which U.S. Bank National Association will act as Issuing and Paying Agent for the Notes;

WHEREAS, the Notes will be issued in accordance with the Issuing and Paying Agent Agreement and will be secured by Revenues (as defined in the Subordinate General Resolution) and will further secured by the Credit Agreement (as defined herein);

WHEREAS, Morgan Stanley & Co., Incorporated has agreed to act as a dealer for the Notes and to perform the duties imposed by this Agreement;

NOW, THEREFORE, for good and valuable consideration, the receipt of which is hereby acknowledged, the City and Dealer hereby agree as follows:

1. Definitions. Capitalized terms used and not otherwise defined in this Agreement shall have the meanings ascribed to them in the Subordinate Resolutions. The following capitalized terms, when used in this Agreement, shall have the following meanings:

"Bank" means, each of, and "Banks" means collectively, State Street Bank and Trust Company, California State Teachers' Retirement System and Wells Fargo Bank, National Association or their respective successors and assigns, as Banks under the Credit Agreement, and any issuer or issuers of an alternate credit facility with respect to the Commercial Paper Notes, under and pursuant to the Subordinate General Resolution.

“Credit Agreement” means the Line of Credit Agreement, dated as of June 1, 2010, by and between the City, the Banks, including any amendment or supplement to such Line of Credit Agreement.

“DTC” means The Depository Trust Company.

“Issuing and Paying Agent” means U.S. Bank National Association, in its capacity as Issuing and Paying Agent, or any successor thereto, as a party to the Issuing and Paying Agent Agreement.

“Issuing and Paying Agent Agreement” means the Amended and Restated Issuing and Paying Agent Agreement, dated as of June 1, 2010, between the City and the Issuing and Paying Agent, and any further amendment and supplement thereto.

“Notes” means the City’s Wastewater System Commercial Paper Notes, in the form contemplated by and with terms consistent with limits specified in the Eleventh Supplemental Resolution.

“Rating Agency” means, each of, and “Rating Agencies” means collectively, Moody’s Investors Service, Inc. and Standard & Poor’s Rating Services, a division The McGraw-Hill Companies, Incorporated.

2. Appointment of Dealer; Responsibilities of Dealer.

(a) Appointment of Dealer. Subject to the terms and conditions herein contained, the City hereby appoints Dealer, and Dealer hereby accepts such appointment, as a non-exclusive dealer for the City in connection with the offering and sale of the Notes. Dealer acknowledges that the City may enter into dealer agreements with other dealers in connection with the offering and sale of the Notes.

(b) Duties of Dealer. The City shall have the right to allocate the Notes to Dealer and among the other dealers for the Notes as it deems appropriate during the time that this Agreement is effective. In its capacity as dealer, Dealer shall exercise its best efforts to solicit purchases of the portion of the Notes allocated to it from time to time upon notice by the City. It is understood and agreed that Dealer’s responsibilities hereunder will include: (i) soliciting purchases of Notes from investors that can purchase tax-exempt commercial paper or other short-term tax-exempt securities, (ii) effecting and processing such purchases, (iii) providing information to the City concerning such purchases in form and substance satisfactory to the City and at the time or times requested by the City, (iv) billing and receiving payment for Notes purchased and sold, (v) performing all duties and obligations of a dealer with respect to the timing of notifications and payments set forth in the Issuing and Paying Agent Agreement, and (vi) performing such other related functions as may be requested by the City and agreed to by Dealer.

(c) Purchaser of Notes by Dealer. All transactions in the Notes between Dealer and the City shall be in accordance with the custom and practice in the tax-exempt commercial paper market. Such custom and practice shall consist of the procedures set

forth in this Agreement and any other procedures that may be approved by the City in writing in advance. The purchase of the Notes by Dealer, or sales arranged by Dealer, shall be authorized by representatives of the City the day before the anticipated sale. Before 11:30 A.M., New York time, on each day on which the Notes, the purchase of which has been solicited by Dealer, are to be issued, Dealer will notify the Issuing and Paying Agent and the Banks of the principal amounts and terms and conditions of such Notes with respect to which Dealer has received indications of interest from potential purchasers. If the City determines that the terms and conditions available from Dealer are acceptable, the City shall prior to 1:00 p.m., New York time, on such day electronically authorize the Issuing and Paying Agent to release the Notes. If authorizations or communications described in this Section cannot be delivered electronically, such information will be communicated via telephone (followed by written confirmation) or facsimile. If, by 10:30 a.m., New York time, on such day, Dealer concludes that it will not be able to sell prior to 11:30 a.m., New York time, on such day, the full amount of Notes allocated to it, it shall immediately notify the City, the Issuing and Paying Agent and the Banks of such conclusion. The purchase of Notes by Dealer, or sales arranged by Dealer, shall be negotiated and agreed upon orally between Dealer and the City, and the principal amount of Notes to be sold, the interest rate applicable thereto, and the maturity thereof shall be so determined. Dealer shall not be obligated to purchase any Notes unless and until agreement has been reached in each case on the foregoing points and Dealer has agreed to such purchase.

(d) The Notes. Interest on the Notes will be calculated on the basis of a 365/366-day year and the actual number of days elapsed. The Notes will be issued at par. Dealer shall confirm each transaction made with or arranged by it to the City in writing in Dealer's customary form promptly following each transaction and in any event within three (3) business days. The Notes will be issuable in minimum denominations of \$100,000 and integral multiples of \$1,000 in excess of \$100,000.

(e) Compensation. For services rendered hereunder, the City will pay to the Dealer a commission calculated at the rate of one-twentieth of one percent (0.05%) per annum on the average daily amount of Notes outstanding and allocated to the Dealer. The commission shall be payable quarterly in arrears by the City upon receipt of an invoice therefor from Dealer on each January 1, April 1, July 1 and October 1, commencing October 1, 2010. The City's obligation to pay such fees shall survive the termination of the Agreement to the extent Notes purchased or sold by Dealer are outstanding as of the effective date of such termination.

(f) Payment and Delivery of the Notes. Dealer shall pay for the Notes purchased by Dealer or sold by Dealer in immediate available funds in the manner provided for in the Issuing and Paying Agent Agreement on the business day such Notes are issued. The Notes shall be delivered to DTC in accordance with the Issuing and Paying Agent Agreement.

(g) Confirmation of Trades. With respect to all Notes marketed by Dealer, Dealer will provide to the Issuing and Paying Agent no later than 2:00 p.m. New York time on the date the Notes are to be issued the following trade information: (i) the amount



of such Notes sold on that date, (ii) the maturity(ies) of such Notes and (iii) the interest rate(s) on such Notes. The trade information described in this Section 2 will be delivered electronically to the City and the Issuing and Paying Agent. If such trade information cannot be delivered electronically, Dealer will communicate such information via telephone (followed by written confirmation) or facsimile.

(h) Overnight Rate. Dealer agrees that in the event it purchases the Notes for its own account overnight, the interest rate on such Notes purchased by Dealer shall not exceed the interest rate posted by Dealer on the day of such purchase as the Tax-Exempt Daily Demand Bond Rate.

3. Representations and Warranties of the City. The City hereby represents and warrants to Dealer that:

(a) Power and Authority. It has or had, as applicable, full power and authority to: (i) adopt the Subordinate General Resolution, including without limitation, the Eleventh Supplemental Resolution, (ii) execute and deliver this Agreement, the Credit Agreement and the Issuing and Paying Agent Agreement, and (iii) issue the Notes and perform its obligations thereunder; and

(b) Legal, Valid, Binding Obligations. The Notes, when issued and delivered in accordance with the terms of the Issuing and Paying Agent Agreement, will be duly authorized, executed and issued and will constitute legal, valid and binding obligations of the City enforceable in accordance with their respective terms, except as may be limited by bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally, the exercise of judicial discretion and the limitations on legal remedies against public entities in the State of California.

4. Representations and Warranties of Dealer.

Dealer hereby represents and warrants to the City that:

(a) Organization; Power; Authority. It is duly organized, validly existing and in good standing under applicable laws of the state of its incorporation and has full power and authority to execute and deliver this Agreement; and

(b) Legal, Valid, Binding Obligation. This Agreement, when executed and delivered to the City, will be duly authorized and will constitute a legal, valid and binding obligation of Dealer enforceable in accordance with its terms, except as may be limited to bankruptcy, insolvency, reorganization, moratorium or other laws, judicial decisions or principles of equity relating to or affecting the enforcement of creditors' rights or contractual obligations generally.

5. Covenants of the City. The City hereby covenants to Dealer that:

(a) Deliver Information. It will promptly deliver copies of all final official statements published by it (and any supplements thereto) with respect to the sale of its

wastewater system revenue bonds or other evidence of indebtedness payable from the City's wastewater system revenues, and audited annual financial statements of the wastewater system of the City.

(b) Notice of Certain Events. It will provide prompt notice to Dealer of the occurrence of any event referred to in Rule 15c2-12(b)(5)(i)(C) promulgated under Securities Exchange Act of 1934, as amended, if material.

6. Depository Trust Company. The Notes will be issued in accordance with the book-entry only procedures established by DTC.

7. Conditions Precedent. At or promptly following the execution of this Agreement and as a condition precedent to any obligations of Dealer under this Agreement, the City shall furnish to Dealer the following documents, in form and substance reasonably satisfactory to Dealer:

(a) A certified copy of the Credit Agreement;

(b) Certified copies of the Subordinate General Resolution and this Agreement, together with any amendment or supplement to either of them;

(c) A certified copy of the Issuing and Paying Agent Agreement and any amendment and supplements thereto;

(d) An opinion of Sidley Austin LLP (not addressed to Dealer) as to certain matters contemplated by the Eleventh Supplemental Resolution; and

(e) An opinion of counsel to the Banks (not addressed to Dealer) as to the legality and enforceability of the Credit Agreement.

8. Notices. Except as otherwise specifically provided herein, all notices required under the terms and provisions of this Agreement shall be written, either delivered by hand, by mail (postage prepaid), or by telecopy, promptly confirmed by letter (postage prepaid), and any such notice shall be effective when received at the address specified below.

If to the City:                   The City of Los Angeles  
  Office of the City Administrative Officer  
  Room 1500  
  City Hall East  
  200 North Main Street  
  Los Angeles, California 90012  
  Attention: Chief of Debt Management

If to Dealer:                   Morgan Stanley & Co., Incorporated  
  555 California Street, 14<sup>th</sup> Floor  
  San Francisco, California 94104  
  Attention: \_\_\_\_\_

If to the Issuing  
and Paying Agent: U.S. Bank National Association  
100 Wall Street  
Suite 1600  
New York, New York 10005  
Attention: \_\_\_\_\_

Notwithstanding the foregoing, any of the foregoing parties, or their successors, may designate a different address from time to time by notice duly given in accordance with the terms of this Section 8.

9. Termination.

This Agreement may be terminated by the City at any time or by the Dealer upon thirty (30) days' prior notice to the City. No such termination shall affect the obligations of the Dealer to the extent Notes purchased or sold by Dealer are outstanding.

10. Nondiscrimination.

Dealer shall comply with the applicable nondiscrimination and affirmative action provisions of the laws of the United States of America, the State of California, and the City of Los Angeles. In performing this Agreement, Dealer shall not discriminate in its employment practices against any employee or applicant for employment because of such person's race, religion, national origin, ancestry, sex, sexual orientation, age, disability, marital status or medical condition. Dealer shall comply with the provisions of the Los Angeles Administrative Code Section 10.8 through 10.13 to the extent applicable hereto. Any subcontracts entered into by Dealer relating to this Agreement, to the extent allowed hereunder, shall be subject to the provisions of this paragraph.

11. Wage and Earnings Assignment Orders.

Dealer hereby represents, warrants and covenants that (a) it is currently in compliance, and shall fully comply throughout the term of this Agreement, with all State and Federal employment reporting requirements for the Dealer's employees applicable to Wage and Earnings Assignment Orders and Notices of Assignment; and (b) it is in compliance, and shall fully comply throughout the term of this Agreement, with all lawfully served Wage and Earnings Assignment Orders and Notices of Assignment in accordance with California Family Code Section 5230 et seq. To the extent Section 10.10.b of the Los Angeles Administrative Code is determined to be applicable to this Agreement, failure of the Dealer to comply with this Section shall subject the Agreement to termination

12. Miscellaneous.

(a) Governing Law; Venue. This Agreement shall be governed by and construed in accordance with the laws of the State of California. Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining to this Agreement or any document related thereto shall be brought in the courts of the State of California located in the County of Los Angeles or the courts of the United States of America

serving the County of Los Angeles jurisdiction and, by execution and delivery of this Agreement, the parties hereto consent to and hereby accept for themselves an in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of *forum non conveniens*, which they may now or hereafter have to the bringing of any such action or proceedings in such respective jurisdictions.

(b) Successors and Assigns. This Agreement shall be binding on and inure to the benefit of the respective successors and assigns of the parties to this Agreement. The terms “successors” and “assigns” shall not include any purchaser of any of the Notes merely because of such purchase.

(c) Entire Agreement. This Agreement, together with the Subordinate Resolutions and other agreements referred to herein, constitutes the entire understanding of the parties with respect to its subject matter, and supersedes any and all prior or contemporaneous written or oral agreements.

(d) Waiver. The failure of either party at any time to require performance by the other party of any provision hereof shall not affect in any way the full right to require such performance at any time thereafter, nor shall the waiver by either party of a breach of any provision hereof be taken or held to be a waiver of the provision itself.

(e) Modification. This Agreement may not be modified or amended except by a written agreement executed by both parties and only to the extent set forth therein.

(f) Counterparts. This Agreement maybe executed in counterparts, both of which together shall constitute a single instrument, and each of which shall be deemed an original of this Agreement for all purposes, notwithstanding that less than all signatures appear on any one counterpart.

(g) Section Headings. The various section headings in this Agreement are inserted for convenience of reference only, and shall not affect the meaning or interpretation of this Agreement or any provision hereof.

(h) Holidays. When performance of an obligation or satisfaction of a condition set forth in this Agreement is required on or by a date that is a Saturday, Sunday, or legal holiday in California or New York, such performance or satisfaction shall instead be required on or by the next business day following that Saturday, Sunday, or holiday, notwithstanding any other provisions of this Agreement.

(i) Time. Time is of the essence in this Agreement and each and every provision of this Agreement.

(j) Severability. If any paragraph, section, sentence, clause or phrase contained in this Agreement becomes or is held by any court of competent jurisdiction to be illegal, null or void or against public policy, the remaining paragraphs, sections, sentences, clauses or phrases contained in this Agreement shall not be affected thereby.

(k) Ambiguities Not to be Construed Against Drafting Party. The doctrine that any ambiguity contained in a contract shall be construed against the party whose counsel has drafted the contract is expressly waived by each of the parties hereto with respect to this Agreement.

(l) Rights Cumulative. The rights of each of the parties under this Agreement are cumulative and may be exercised as often as any party considers appropriate.

(m) Construction. Unless the context otherwise requires, singular nouns and pronouns, when used herein, shall be deemed to include the plural of such noun or pronoun and pronoun of the one gender shall be deemed to include the equivalent pronoun of the other gender.

(n) Assignment. This Agreement may not be assigned by Dealer without the prior written consent of the City, which consent the City may grant or withhold in its sole and absolute discretion. Any attempted assignment by Dealer without the prior written consent of the City shall be voidable by the City upon written notice effective on the date specified in such notice.

IN WITNESS WHEREOF, the parties to this Agreement have caused this Agreement to be duly executed and delivered by their respective officers as of the day and year stated above.

THE CITY OF LOS ANGELES, CALIFORNIA

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

MORGAN STANLEY & CO., INCORPORATED

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

ATTACHMENT A  
EXHIBIT E

Line of Credit Agreement

LINE OF CREDIT AGREEMENT

by and among

CITY OF LOS ANGELES,

STATE STREET BANK AND TRUST COMPANY,

and

CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM,

and

WELLS FARGO BANK, NATIONAL ASSOCIATION

Dated as of July 1, 2010

CITY OF LOS ANGELES  
WASTEWATER SYSTEM  
COMMERCIAL PAPER REVENUE NOTES

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## LINE OF CREDIT AGREEMENT

This LINE OF CREDIT AGREEMENT, dated as of July 1, 2010 (this "Agreement"), is entered into by and among the CITY OF LOS ANGELES, a municipal corporation and a political subdivision duly organized and existing under the Constitution and laws of the State of California (the "City"), STATE STREET BANK AND TRUST COMPANY, a trust company organized as a state-chartered trust company under the laws of The Commonwealth of Massachusetts ("State Street"), WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association ("Wells Fargo"), and CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM, a unit of the State of California, organized under the laws of the State of California ("CalSTRS") (State Street, Wells Fargo and CalSTRS are referred to herein separately as a "Bank" and together as the "Banks").

### RECITALS

A. On March 26, 1991, the Council (the "City Council") of the City adopted a Wastewater System Subordinate Revenue Bonds General Resolution (the "Subordinate General Resolution") providing for the issuance of obligations secured by and payable from the revenues of the System on a subordinate basis to the Senior Lien Bonds issued from time to time under the Wastewater System Revenue Bonds General Resolution adopted by the City Council November 10, 1987 as supplemented and amended from time to time (the "Senior Lien Resolution").

B. Pursuant to the terms of the Subordinate General Resolution, a First Supplemental Resolution (the "First Supplemental Resolution") adopted March 26, 1991 and a Second Supplemental Resolution (the "Second Supplemental Resolution") adopted August 13, 1996, the City authorized a Commercial Paper Program wherein the aggregate principal amount of Commercial Paper Notes which may be outstanding from time to time shall not have exceeded \$200,000,000.

C. Pursuant to the terms of the Subordinate General Resolution, the First Supplemental Resolution, the Second Supplemental Resolution and a Third Supplemental Resolution adopted September 3, 1997 (the "Third Supplemental Resolution"), the City authorized an increase in the aggregate principal amount of the Commercial Paper Notes which may be outstanding from time to time under the Commercial Paper Program from \$200,000,000 to \$400,000,000.

D. To provide liquidity for the Commercial Paper Notes, the City desires to obtain a line of credit (the "Line of Credit") for the benefit of the holders from time to time of the Commercial Paper Notes.

E. Pursuant to the terms of the Eleventh Supplemental Resolution (the "Eleventh Supplemental Resolution") adopted June 18, 2010, the City authorized, *inter alia*, the execution and delivery by the City of this Agreement.

F. All obligations of the City to reimburse the Banks for payments made by the Banks under the Line of Credit and to pay all other amounts payable to the Banks arising under or pursuant to this Agreement or the notes to be issued to the Banks hereunder (all such obligations are hereinafter collectively referred to as the "Payment Obligations") are created under and will be evidenced by this Agreement and such notes and will be secured by a pledge of certain System (as defined herein) revenues all in accordance with the terms and conditions hereof.

NOW, THEREFORE, in consideration of the foregoing Recitals and other consideration, the receipt and sufficiency of which is hereby acknowledged, and to induce the Banks to extend to the City

and for the benefit of the holders from time to time of the Commercial Paper Notes, the Line of Credit, the City and the Banks hereby agree as follows:

## ARTICLE I

### DEFINITIONS

SECTION 1.1. Definitions. The following terms shall have the following meanings as used herein:

“Administrative Agent” means State Street, or any other administrative agent appointed by the Banks for the purposes of determining and announcing the Prime Rate.

“Advance” means an advance requested by the Issuing and Paying Agent under the terms hereof for the payment of maturing Commercial Paper Notes.

“Advance Date” means the date on which the Banks honor a Request for Advance and make the funds requested available to the Issuing and Paying Agent.

“Agreement” means this Line of Credit Agreement, as the same may be amended from time to time.

“Authorized Representative” means, (i) with respect to the City, the City Administrative Officer of the City and any Assistant City Administrative Officer of the City or a duly authorized designee of the Administrative Officer of the City, or an Assistant Administrative Officer of the City; provided, that a copy of such designation shall have been provided to the Banks, and (ii) with respect to the Issuing and Paying Agent, such persons authorized to act on behalf of the Issuing and Paying Agent and notified to the Banks in writing.

“Available Commitment” means the Series A Available Commitment, the Series B Available Commitment and the Series C Available Commitment, as applicable.

“Bank” and “Banks” have the meaning provided in introductory paragraph hereto.

“Bank Notes” means, together, the Revolving Loan Notes and the Term Loan Notes.

“Bank Rate” means, for the first 45 days after an Advance, the Base Rate, from and including the 46<sup>st</sup> day after an Advance to the date that is 60 days after such Advance, the Base Rate plus one percent (1.00%), and thereafter the Base Rate plus two percent (2.00%).

“Base Rate” means a fluctuating rate of interest equal to the highest of (i) the Prime Rate plus two percent (2.00%), (ii) the overnight Federal Funds Rate plus one and one half percent (1.50%), or (iii) seven and one half percent (7.50%); provided, that the Base Rate shall never be lower than the rate on outstanding Commercial Paper Notes.

“Business Day” means any day other than (i) a Saturday, Sunday or (ii) a day on which banks in New York, New York or Boston, Massachusetts are required or authorized by law to be closed, (iii) a day on which State Street or Wells Fargo is required or authorized by law to be closed or (iv) a day on which the New York Stock Exchange is closed.

“CalSTRS” means California State Teachers’ Retirement System, a unit of the State of California, organized under the laws of the State of California.

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

“City” has the meaning provided in the introductory paragraph hereto,

“City Attorney” means the Office of the City Attorney of the City, including the City Attorney, any Assistant City Attorney, or any Deputy City Attorney.

“City Clerk” means the city clerk of the City.

“City Council” has the meaning set forth in the Recitals hereto.

“Code” means the Internal Revenue Code of 1986.

“Commercial Paper Notes” means promissory notes of the City issued by the City under the Subordinate Resolution as in effect on the Effective Date.

“Commercial Paper Program” has the meaning provided in the Subordinate Resolution.

“Commitment” means the several, but not joint, agreement of the Banks to make Advances for the account of the City for the purpose of providing funds to pay the principal of and accrued interest on maturing Commercial Paper Notes, to the extent no other funds are available.

“Commitment Expiration Date” means \_\_\_\_\_, 2012 unless extended as provided herein.

“Commitment Fee” has the meaning provided forth in Section 2.5(a) hereto.

“Conversion Date” means, with respect to any Revolving Loan, the Revolving Loan Maturity Date for that Revolving Loan on which it is converted to a Term Loan pursuant to Article IV.

“CP Construction Fund” has the meaning provided in the First Supplemental Resolution.

“CP Debt Service Fund” has the meaning provided in the First Supplemental Resolution.

“Dealer” means Barclays Capital and Morgan Stanley & Co. Incorporated, and any successor to each of them, or any other dealer with respect to the Commercial Paper Notes designated by the City in accordance with the Subordinate Resolution, and the terms hereof, as such agreement may be amended or supplemented from time to time.

“Dealer Agreement” means each dealer agreement entered into between the City and a Dealer with respect to the Commercial Paper Notes in accordance with the Subordinate Resolution and the terms hereof, as such agreement may be amended or supplemented from time to time.

“Default” means any condition or event which, with the giving of notice or lapse of time or both would unless cured or waived, become an Event of Default.

“Default Rate” means a fluctuating rate of interest per annum equal to the Base Rate plus three percent (3.0%) per annum.

“Effective Date” means the date on which all conditions contained in Section 2.3 hereof are met and this Agreement becomes effective.

“Eleventh Supplemental Resolution” has the meaning provided in the Recitals hereto.

“Event of Default” means any event or circumstance specified in Section 10.1 hereto.

“Federal Funds Rate” means on any given day the highest interest rate per annum which the Administrative Agent must pay to borrow in the institutional overnight federal funds market in the United States.

“Fifth Supplemental Resolution” has the meaning provided for such term in the Sixth Supplemental Resolution.

“First Supplemental Resolution” has the meaning provided in the Recitals hereto.

“Fiscal Year” has the meaning provided in the Subordinate Resolution.

“Fitch” means Fitch, Inc.

“Fourth Supplemental Resolution” has the meaning provided for such term in the Sixth Supplemental Resolution.

“Indemnified Party” has the meaning provided in Section 6.2 hereto.

“Issuing and Paying Agent” means U.S. Bank Trust National Association, and any successor thereto under the Amended and Restated Issuing and Paying Agent Agreement approved in writing by the Banks.

“Amended and Restated Issuing and Paying Agent Agreement” means Amended and Restated Issuing and Paying Agent Agreement, dated as of July 1, 2010, between the City and the Issuing and Paying Agent, and as it may be further amended or supplemented from time to time.

“Maximum Annual Debt Service” has the meaning provided in the Subordinate Resolution.

“Moody’s” means Moody’s Investors Service.

“Net Revenue” has the meaning provided in the Subordinate Resolution.

“Notice of No Issuance” means a notice in substantially the form set forth in Exhibit E.

“Offering Memorandum” means the Offering Memorandum of the City relating to the Commercial Paper Notes, dated \_\_\_\_\_, 2010, together with any amendments or supplements thereto.

“Outstanding” has the meaning provided in the Subordinate Resolution.

“Participant” means any entity to which a Bank has granted a participation in the obligations of such Bank hereunder and of the City hereunder and under the Term Loan Note.

“Payment Date” means the last calendar day of the month which is six months after the month in which a Conversion Date occurs and the last calendar day of every sixth month thereafter.

“Payment Obligations” has the meaning provided in the Recitals hereto.

“Person” shall mean any individual, partnership, firm, corporation, association, joint venture, trust or other entity, or any government (or political subdivision or agency, department or instrumentality thereof).

“Prime Rate” means the rate of interest publicly announced by the Administrative Agent from time to time as its Base Rate; provided, that, without prejudice to the terms hereof, the Administrative Agent may from time to time make loans to certain customers at rates less than the Base Rate. Each determination of the Prime Rate shall be conclusive and binding on the City absent manifest error.

“Program Documents” means this Agreement, the Revolving Loan Note, a Dealer Agreement, the Amended and Restated Issuing and Paying Agent Agreement, the Commercial Paper Notes, the Senior Lien Resolution, the Subordinate Resolution, the Offering Memorandum and any documents related thereto.

“Rating Agencies” means S&P, Moody’s and Fitch.

“Request for Advance” means any request for an Advance made by the Issuing and Paying Agent to a Bank, in the form of Exhibit C hereto.

“Revenues” has the meaning provided in the Subordinate Resolution.

“Revolving Loan” has the meaning set forth in Section 3.1.

“Revolving Loan Maturity Date” means, with respect of any Revolving Loan, the earlier of the Commitment Expiration Date and the date that is six months after the Advance Date for the Advance that led to that Revolving Loan.

“Revolving Loan Note” has the meaning set forth in Section 3.3.

“S&P” means Standard and Poor’s Rating Service.

“SCM Fund” has the meaning provided in the Subordinate Resolution.

“Second Supplemental Resolution” has the meaning provided in the Recitals hereto.

“Senior Lien Bonds” means 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 the pledge securing Subordinate Bonds issued under the Subordinate Resolution.

“Senior Lien Resolution” has the meaning provided in the Recitals hereto.

“Series A Available Commitment” means, on any date, an amount equal to \$108,876,712.33 and thereafter such initial amount adjusted from time to time as follows: (a) downward in an amount equal to any Advance or Revolving Loan or Term Loan in respect of such Advance; (b) upward in an amount equal to any Advance that is repaid or the principal amount of any Revolving Loan or Term Loan that is prepaid, including upon the sale of Commercial Paper Notes and receipt of a request for reinstatement from the Issuing and Paying Agent in the form of Exhibit H hereto; (c) downward in an amount equal to

any reduction thereof effected pursuant to Section 2.6 or 10.2(b); and (d) downward to zero upon the expiration or termination of the Available Commitment in accordance with the terms hereof.

“Series B Available Commitment” means, on any date, an amount equal to \$108,876,712.33 and thereafter such initial amount adjusted from time to time as follows: (a) downward in an amount equal to any Advance or Revolving Loan or Term Loan in respect of such Advance; (b) upward in an amount equal to any Advance that is repaid or the principal amount of any Revolving Loan or Term Loan that is prepaid, including upon the sale of Commercial Paper Notes and receipt of a request for reinstatement from the Issuing and Paying Agent in the form of Exhibit H hereto; (c) downward in an amount equal to any reduction thereof effected pursuant to Section 2.6 or 10.2(b); and (d) downward to zero upon the expiration or termination of the Available Commitment in accordance with the terms hereof.

“Series C Available Commitment” means, on any date, an amount equal to \$108,876,712.33 and thereafter such initial amount adjusted from time to time as follows: (a) downward in an amount equal to any Advance or Revolving Loan or Term Loan in respect of such Advance; (b) upward in an amount equal to any Advance that is repaid or the principal amount of any Revolving Loan or Term Loan that is prepaid, including upon the sale of Commercial Paper Notes and receipt of a request for reinstatement from the Issuing and Paying Agent in the form of Exhibit H hereto; (c) downward in an amount equal to any reduction thereof effected pursuant to Section 2.6 or 10.2(b); and (d) downward to zero upon the expiration or termination of the Available Commitment in accordance with the terms hereof.

“Series A Notes” means the Commercial Paper Notes designated in the Amended and Restated Issuing and Paying Agent Agreement as “Series A.”

“Series B Notes” means the Commercial Paper Notes designated in the Amended and Restated Issuing and Paying Agent Agreement as “Series B.”

“Series C Notes” means the Commercial Paper Notes designated in the Amended and Restated Issuing and Paying Agent Agreement as “Series C.”

“Sixth Supplemental Resolution” has the meaning provided in the Recitals hereto.

“State Street” means State Street Bank and Trust Company, a trust company organized as a state-chartered trust company under the laws of The Commonwealth of Massachusetts.

“Subordinate Bonds” has the meaning provided in the Subordinate Resolution.

“Subordinate General Resolution” has the meaning provided in the Recitals hereto.

“Subordinate Resolution” means collectively the Subordinate General Resolution, First Supplemental Resolution, Second Supplemental Resolution, Third Supplemental Resolution, Fourth Supplemental Resolution, Fifth Supplemental Resolution and the Sixth Supplemental Resolution.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or bond index swaps or options or forward bond or forward bond price or forward bond index transactions, interest rate options, forward foreign exchange transactions, cap transactions, floor transactions, collar transactions, currency swap transactions, cross-currency rate swap transactions, currency options, spot contracts, or any other similar transactions or any combination of any of the foregoing (including any options to enter into any of the foregoing), whether or not any such transaction is governed by or subject to any master agreement, and



(b) any and all transactions of any kind, and the related confirmations, which are subject to the terms and conditions of, or governed by, any form of master agreement published by the International Swaps and Derivatives Association, Inc., any International Foreign Exchange Master Agreement, or any other master agreement (any such master agreement, together with any related schedules, a "Master Agreement"), including any such obligations or liabilities under any Master Agreement.

"System" means the City's entire wastewater collection, transportation, drainage, treatment and disposal system, as defined in the Subordinate Resolution.

"Taxes" has the meaning provided in Section 6.5 hereto.

"Term Loan" has the meaning provided in Section 4.1 hereto.

"Term Loan Maturity Date" means, with respect to any Term Loan, the date that is no later than three years after a Conversion Date.

"Term Loan Note" has the meaning provided in Section 4.3 herein.

"Termination Date" means the earlier of (i) the Commitment Expiration Date, as such date may be extended pursuant to Section 2.7 hereof, and (ii) the date the Commitment terminates by its terms in accordance with Section 10.2 hereof.

"Termination Event" has the meaning provided in Section 10.2(a) hereof.

"Third Supplemental Resolution" has the meaning provided in the Recitals hereto.

"United States" means the United States of America.

"Unreimbursed Advance" means a Advance or portion thereof for which the City has not reimbursed the Banks and which has not been converted to a Revolving Loan pursuant to Article 4 herein.

"Wells Fargo" means Wells Fargo Bank, National Association, a national banking association.

SECTION 1.2. Accounting Terms and Determinations. Unless otherwise specified herein, all accounting terms used herein shall be interpreted, all accounting determinations hereunder shall be made and all financial statements required to be delivered hereunder shall be prepared in accordance with generally accepted accounting principles as in effect from time to time, applied on a consistent basis.

SECTION 1.3. Interpretation. The following rules shall apply to the construction of this Agreement unless the context requires otherwise: (i) the singular includes the plural, and the plural the singular; (ii) words importing any gender include the other gender; (iii) references to statutes are to be construed as including all statutory provisions consolidating and amending, and all regulations promulgated pursuant to, such statutes; (iv) references to "writing" include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible form; (v) the words "including," "includes" and "include" shall be deemed to be followed by the words "without limitation;" (vi) references to the introductory paragraph, recitals, articles, sections (or clauses or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Agreement unless otherwise indicated; (vii) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not prohibited by the terms of this Agreement; (viii) section headings in this Agreement are included herein for convenience of reference only and shall

not constitute a part of this Agreement for any other purpose; (ix) references to Persons include their respective permitted successors and assigns; and (x) in the computation of a period of time from a specified date to a later specified date, the word "from" means "from and including" and the words "to" and "until" each means "to but excluding." All references to "funds" herein shall include all accounts and subaccounts therein unless the context clearly requires otherwise.

## ARTICLE II

### APPLICATION AND ISSUANCE OF THE LINE OF CREDIT; PAYMENTS

SECTION 2.1. Application. The City hereby applies to the Banks for, and authorizes and instructs the Banks to issue for its account, the Commitment in the initial Available Commitment.

SECTION 2.2. Making of Advances; Use of Proceeds.

(a) Subject to the terms and conditions of this Agreement, each Bank severally and not jointly agrees to make Advances from time to time on any Business Day, commencing on the Effective Date and ending on the Termination Date, in amounts not to exceed at any time outstanding such Bank's Percentage Liability of the Available Commitment. Each Advance shall be made solely for the purpose of providing funds to pay the principal and accrued interest on Commercial Paper Notes, on the maturity date thereof, to the extent that other funds are not available therefor. The aggregate amount of all Advances made on any Advance Date shall not exceed the Available Commitment (calculated without giving effect to any Advances made on such date) at 9:00 am (New York City time) on such date.

(b) Reborrowing. Within the limits of this Section 2.2, the City may borrow, repay pursuant to Section 2.4 hereof and reborrow under this Section 2.2. Upon any repayment of an Advance or prepayment of the related Revolving Loan or Term Loan, the Available Commitment shall be reinstated as set forth in the definition thereof.

(c) Method of Borrowing. Upon receipt of a Request for Advance by a Bank not later than 11:00 a.m. (New York City time) on the day of the proposed borrowing, a Banks subject to the terms and conditions of this Agreement, shall be required to make an Advance by 2:00 p.m. (New York City time) on such day for the account of the City in an amount equal to the amount of the requested borrowing. With respect to any such Request for Advance received by a Bank after 11:00 a.m. (New York City time) on any date, the Bank shall be required to make such Advances by 2:00 p.m. (New York City time) on the next succeeding Business Day. Any Request for Advance shall be signed by an Authorized Representative of the Issuing and Paying Agent. Each Advance shall be made by a Bank by wire transfer of immediately available funds to the Issuing and Paying Agent in accordance with written instructions provided by the Issuing and Paying Agent. If, after examination, the Bank shall have determined that a request for advance does not conform to the terms and conditions hereof, then the Bank shall use its best efforts to give notice to the Issuing and Paying Agent to the effect that negotiation was not in accordance with the terms and conditions hereof and stating the reasons therefor. The Issuing and Paying Agent may attempt to correct any such nonconforming request for advance, if, and to the extent that, the Issuing and Paying Agent is entitled (without regard to the provisions of this sentence) and able to do so.

SECTION 2.3. Conditions Precedent.

(a) Conditions Precedent to Effective Date. The obligations of the Banks to make the Commitment available hereunder shall be subject to the fulfillment of each of the following conditions precedent on or before the Effective Date in a manner satisfactory to the Banks:

(i) The Banks shall have received a copy of the resolution of the City Council authorizing the execution and delivery of this Agreement, certified as of the Effective Date by the City Clerk.

(ii) The Banks shall have received certified copies of all approvals, authorizations and consents of any trustee, or holder of any indebtedness or obligation of the City or any governmental agency or public authority, necessary for the City to enter into each of the Program Documents to which it is a party and the transactions contemplated herein and therein.

(iii) The Banks shall have received an opinion addressed to the Banks and dated the Effective Date of the City Attorney as to the due authorization, execution and delivery, validity and enforceability with respect to the City of this Agreement, and such other matters as the Banks may reasonably request, in form and substance satisfactory to the Banks.

(iv) The following statements shall be true and correct on the Effective Date, and the Banks shall have received a certificate incorporating by reference the definitions of the capitalized terms defined in this Agreement, signed by an Authorized Representative of the City, dated the Effective Date, stating that:

(1) the representations and warranties of the City contained in each of the Program Documents and each certificate, letter, other writing or instrument delivered by the City to the Banks pursuant hereto or thereto are true and correct on and as of the Effective Date as though made on and as of such date; and

(2) no Default or Event of Default has occurred and is continuing or would result from the execution and delivery of this Agreement or the making of the Commitment; and

(3) the Program Documents have not been modified, amended or rescinded and are in full force and effect on and as of the Effective Date, except as certain amendments have been provided to the Banks.

(v) The Banks shall have received evidence in form and substance satisfactory to the Banks that each of the Rating Agencies has assigned a rating to the Commercial Paper Notes of no lower than P-1, F1+ or A-1+, respectively, and such ratings shall not have been downgraded, suspended or withdrawn.

(vi) The Banks shall have received a copy of the audited financial statements for the System for Fiscal Years ending June 30, 2007, 2008 and 2009, a copy of the City's investment policy in effect on the Effective Date and a copy of the most recent budget of the System.

(vii) All necessary action on the part of the City shall have been taken as required to assign and pledge the Revenues for the benefit of the Banks and the owners of the Commercial Paper Notes.

(viii) All other legal matters pertaining to the execution and delivery of each of the Program Documents, the issuance of the Commercial Paper Notes, and the adoption and implementation of the Senior Lien Resolution and Subordinate Resolution shall be reasonably satisfactory to the Banks and their counsel.

(ix) The Banks shall have received such other documents, certificates, opinions, approvals and filings with respect to the Commercial Paper Program and this Agreement as the Banks may reasonably request.

(b) Conditions Precedent to Each Advance. The obligation of each Bank to make an Advance on any date is subject to the conditions precedent that on the date of such Advance (i) the Bank shall have received a Request for Advance, (ii) no Termination Event shall have occurred and be continuing and (iii) a Notice of No Issuance has not been delivered in substantially the form set forth in Exhibit E. Unless the City shall have otherwise previously advised a Bank in writing, delivery to a Bank of a Request for Advance shall be deemed to constitute a representation and warranty by the City that on the date of such Advance each such condition is satisfied.

SECTION 2.4. Repayment of Advances. The City hereby agrees to repay the entire amount of each Advance to the applicable Bank on the date such Advance is made unless such Advance becomes a Revolving Loan pursuant to Section 3.1, in which case such Advance and interest thereon shall be repaid as a Revolving Loan in accordance with Section 3.1. The City shall be obligated to make all such payments to the Banks without notice of an Advance or demand for payment from any Bank. The City and the Banks agree that the repayment of each Advance on the date such Advance is made is intended to be a contemporaneous exchange for new value given to the City by the Banks.

SECTION 2.5. Fees.

(a) Commitment Fees. The City agrees to pay, or cause the Issuing and Paying Agent to pay to the Banks, an annual fee (the "Commitment Fee") quarterly in arrears on each March 31, June 30, September 30 and December 31 and on the Commitment Expiration Date, or such earlier date on which the Available Commitment may be terminated in accordance with the terms, based on the underlying ratings of Moody's, S&P and Fitch, respectively, as set forth below. If all three Rating Agencies are providing underlying ratings with respect to the System, the second highest rating shall be used to determine the Commitment Fee, otherwise the Commitment Fee shall be the lesser of the underlying ratings then in effect.

<u>LEVEL</u>	<u>MOODY'S RATING</u>	<u>S&amp;P RATING</u>	<u>FITCH RATING</u>	<u>COMMITMENT FEE (IN BASIS POINTS)</u>
Level 1:	Aa3 (or higher)	AA- (or higher)	AA- (or higher)	80
Level 2:	A1	A+	A+	90
Level 3:	A2	A	A	100
Level 4:	A3	A-	A-	110
Level 5:	Baa1	BBB+	BBB+	140
Level 6:	Baa2	BBB	BBB	170
Level 7:	Baa3	BBB-	BBB-	200

If any ratings are cancelled, withdrawn or suspended by any Rating Agency for any credit related reason, the City shall pay an additional one hundred (100) basis points per annum to the Banks in addition to the then applicable Commitment Fee. In addition, upon the occurrence and continuation of any Event of Default, the City shall pay an additional one hundred and fifty (150) basis points per annum to the Banks in addition to the then applicable Commitment Fee and any fee required to be paid pursuant

to the immediately prior sentence. In each case, the Commitment Fee shall be calculated on the basis of an actual 360 day year. Any change in the Commitment Fee resulting from a change in the rating shall be and become effective as of and on the date of the announcement of the change in the Rating. References to the ratings above are a reference to the rating category of the Rating Agencies as presently determined by the respective Rating Agency and in the event of adoption of any new or changed rating system by any Rating Agency, the Ratings from the applicable Rating Agency shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. All amounts paid pursuant to this Agreement shall be non-refundable and shall be paid in immediately available funds. On the Effective Date, the Commitment Fee is eighty (80) basis points.

If the Commitment is terminated or reduced to zero by the City within the first year after the closing date, the City shall pay all amounts due to the Banks hereunder to the date of such termination or reduction, plus an amount equal to the Commitment Fee that would have been earned between the termination date and the end of the first year and all other fees and expenses due to the Banks. If the Commitment is terminated, however, as a result of a downgrade of the Bank's short-term ratings below A-1 or P-1, the provisions of this paragraph shall not apply and the Commitment Fee shall only be calculated through such termination date.

(b) Advance Fee. The City hereby agrees to pay to each Bank a fee for each Advance made hereunder equal to \$250, such fee payable on December 31 of each year.

(c) Amendment, Waiver, Consent and Transfer Fee. Upon each amendment hereof, consent or waiver hereunder or under any Program Document, and upon each replacement of the Trustee, the City shall pay or cause to be paid a fee of not less than \$2,500 for each Bank plus attorney's fees, if any.

#### SECTION 2.6. Reduction and Termination.

(a) Each Available Commitment shall be reduced from time to time as requested by the City within five Business Days of the City's written notice to the applicable Bank requesting such reduction in the form of Exhibit G hereto; provided, that (i) each such reduction amount shall be in an amount equal to \$1,000,000 or an integral multiple thereof, (ii) such Available Commitment shall not be reduced to an amount less than the total of the then Outstanding Commercial Paper Notes and interest due thereon at maturity and (iii) any reduction in an Available Commitment shall not be effective until the Banks deliver to the Issuing and Paying Agent a notice in the form attached hereto as Exhibit G reflecting such reduction. No reduction in an Available Commitment shall result in CalSTRS having a percentage of the Commitment greater than fifty percent (50%).

(b) The City may at any time and at its sole option replace this Agreement and terminate the Commitment upon 15 days prior written notice to the Banks then providing the Commitment hereunder. As a condition to any such termination, the City shall pay or cause to be paid all amounts owed to the Banks hereunder an under the Bank Notes.

(c) The City may at any time and at its sole option replace one of the Banks without terminating this Agreement and the Commitment, so long as the Available Commitments of the remaining Banks will be unaffected and the remaining Banks have consented in writing to the new Bank prior to the effective date of such replacement.

SECTION 2.7. Extension of Commitment Expiration Date. The City may request an extension of the Commitment Expiration Date in writing in the form of Exhibit D hereto not more than 210 days prior to the then current Commitment Expiration Date and not less than 150 days prior to the then current Commitment Expiration Date. The Banks will make reasonable efforts to respond to such

request within 60 days after receipt of all information necessary, in the Banks' judgment, to permit the Banks to make an informed credit decision. If the Banks fail to definitively respond to such request within such 60-day period, the Banks shall be deemed to have refused to grant the extension requested. The Banks may, in their sole and absolute discretion, decide to accept or reject any such proposed extension and no extension shall become effective unless the Banks shall have consented thereto in writing in the form of Exhibit I hereto or otherwise. The Banks' consent, if granted, shall be conditioned upon the preparation, execution and delivery of documentation in form and substance satisfactory to the Banks.

### ARTICLE III

#### REVOLVING LOANS

SECTION 3.1. Making of Revolving Loans. If the Banks make an Advance and the conditions set forth in Section 3.2 are satisfied on the date such Advance is made, such Advance shall constitute a loan made by the Banks to the City on the date of such Advance (individually, a "Revolving Loan" and collectively, the "Revolving Loans"). Each Revolving Loan shall constitute a Subordinate Bond for purposes of the Subordinate Note Resolution.

SECTION 3.2. Conditions Precedent to Each Revolving Loan. No Advance shall become a Revolving Loan unless, on the date such Advance is made, no Termination Event shall have occurred and be continuing, a Notice of No Issuance shall not have been issued and the representations and warranties of the City in Sections 7.1(a), (b), (c), (d), (e), (f), (g), (h), (i) and (k) shall be true and correct as if made on such date. Unless the City shall have otherwise previously advised the Banks in writing, delivery to the Banks of a Request for Advance shall be deemed to constitute a representation and warranty by the City that on the date of such Advance such condition is satisfied.

SECTION 3.3. Revolving Loan Notes. Revolving Loans shall be evidenced by one promissory note of the City to each Bank in substantially the form set forth in Exhibit A hereto (the "Revolving Loan Note") to be issued on the Effective Date, payable to the respective Banks in a principal amount up to each Bank's Available Commitment on the Effective Date and otherwise duly completed. The City shall issue a Revolving Note to State Street in connection with the Series A Notes, a Revolving Note to CalSTRS in connection with the Series B Notes and a Revolving Note to Wells Fargo in connection with the Series C Notes.

All Revolving Loans made by the Banks and all payments and prepayments made on account of principal thereof shall be recorded by the applicable Bank on the schedule (or a continuation thereof) attached to the applicable Revolving Loan Note, it being understood, however, that failure by a Bank to make any such endorsement shall not affect the obligations of the City hereunder or under the applicable Revolving Loan Note in respect of unpaid principal and interest on any Revolving Loan.

SECTION 3.4. Repayments of Revolving Loans. The principal of each Revolving Loan shall be repaid in full on the earlier of the Revolving Loan Maturity Date or the Commitment Expiration Date; provided, that if the conditions to the making of a Term Loan set forth in Section 4.2 are satisfied on such Revolving Loan Expiration Date, the principal of the Revolving Loans due and payable on such date shall be paid from the proceeds of a Term Loan. The City may prepay any Revolving Loan, in whole or in part, without penalty on any Business Day and shall be required to prepay any Revolving Loan (or the related Term Loan as set forth in Article IV) with the proceeds of the issuance of any Commercial Paper Notes.

SECTION 3.5. Interest. Each Revolving Loan shall bear interest from the related Advance Date to the date the Banks are reimbursed therefor at a rate per annum equal to the Bank Rate per annum. Interest on each Revolving Loan shall be paid to the Banks monthly in arrears on the first Business Day of each month and on the Revolving Loan Maturity Date.

#### ARTICLE IV

##### THE TERM LOAN OPTION

SECTION 4.1. Term Loan Option. The City shall have the option to convert to a term loan (a "Term Loan") any principal amount owing for any Revolving Loan under this Agreement on the Revolving Loan Maturity Date therefor. Each Term Loan shall constitute a Subordinate Bond for purposes of the Subordinate Note Resolution.

SECTION 4.2. Conditions Precedent to Term Loans. The several obligations of the Banks to convert to Term Loans principal owed for Revolving Loans shall be subject to the fulfillment of each of the following conditions precedent on or before the Conversion Date, in a manner satisfactory to the applicable Bank:

(a) The applicable Bank shall have received a written request signed by an Authorized Representative of the City stating that the City thereby exercises its option hereunder to convert to a Term Loan the principal amount owing on a Revolving Loan at least five Business Days before the Revolving Loan Maturity Date.

(b) The applicable Bank shall have received a duly executed Term Loan Note substantially in the form of Exhibit B hereto and made a part hereof.

(c) The following statements shall be true and correct on the Conversion Date, and the Banks shall have received a certificate incorporating by reference the definitions of the capitalized terms defined in this Agreement, signed by an Authorized Representative of the City and dated the Conversion Date, stating that --

(i) the representations and warranties of the City contained in each of the Program Documents and each certificate, letter, other writing or instrument delivered by the City to the applicable Bank pursuant hereto or thereto are true and correct on and as of the Conversion Date as though made on and as of such date; and

(ii) no Default or Event of Default has occurred and is continuing or would result from converting the Revolving Loan to a Term Loan as requested.

SECTION 4.3. Term Loan Note. The principal amount of each of the Term Loans shall be evidenced by a single term loan note of the City to be issued to each Bank on the Effective Date, payable to the Banks pursuant to the terms hereunder (the "Term Loan Note"). All Term Loans made by the respective Banks and all payments and prepayments on the account of the principal and interest of each Term Loan shall be recorded by the applicable Bank on the schedule attached to the applicable Term Loan Note; provided, however, that the failure of any Bank to make any such endorsement or any error therein shall not affect the obligations of the City hereunder or under any Term Note in respect of unpaid principal and interest on such Term Loan.

SECTION 4.4. Repayment of Term Loans. The City agrees to pay the applicable Bank for each Term Loan made by such Bank, without demand, an amount equal to the amount of such Term Loan

with interest on the unpaid principal amount from and including the Conversion Date to but not including the date the Bank is reimbursed therefor at the Bank Rate per annum. Interest shall be paid to the Bank in arrears on each Payment Date, commencing with the first Payment Date following the Conversion Date and on the Term Loan Maturity Date. Principal of each Term Loan shall be paid in twelve equal quarterly installments following the Conversion Date for that Loan and on the Term Loan Maturity Date.

## ARTICLE V

### SECURITY AND PLEDGE

SECTION 5.1. Security and Pledge. To secure the payment of all Payment Obligations and the Bank Notes, the City hereby pledges, places a second lien upon and assigns to the Banks (i) the proceeds of the issue of subsequent Commercial Paper Notes; (ii) the proceeds of Advances; (iii) the Revenues; and (iv) all monies and securities held in the CP Debt Service Fund and the CP Construction Funds, except those amounts in the CP Debt Service Fund for payment of amounts due and payable on Commercial Paper Notes, but for which such Commercial Paper Notes have not yet been presented for payment; and (v) 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 all Senior Lien Bonds, whenever issued, including Senior Lien Bonds issued subsequent to the execution and delivery of this Agreement. 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 hereby. 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 the Payment Obligations, the Bank Notes and other Subordinate Bonds. This pledge of and lien upon the Revenues shall be for the equal and proportionate benefit and security of the Payment Obligations, the Bank Notes and other Subordinate Bonds issued under the terms of the 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. The pledge and lien hereby granted shall remain effective for so long as any Payment Obligations or Bank Notes remain unpaid.

## ARTICLE VI

### LIABILITY, INDEMNITY AND PAYMENT

SECTION 6.1. Liability of the City. The City and the Banks agree that the obligation of the City to pay the Commercial Paper Notes, the Payment Obligations and the Bank Notes are contractual obligations of the City payable solely from the Revenues, and from amounts in the SCM Fund, the CP Debt Service Fund and the CP Construction Funds into which the proceeds of the Commercial Paper Notes are deposited only on a subordinated basis as provided in Section 5.1 herein, shall not constitute a full faith and credit general obligation of the City and shall not be affected by, and the Banks shall not be responsible for, among other things, (i) the validity, genuineness or enforceability of this Agreement, the Bank Notes or documents, notices or endorsements relating thereto (even if this Agreement or any documents, notices endorsements relating thereto should in fact prove to be in any and all respects invalid, fraudulent or forged), (ii) any dispute between or among the City, the Issuing and Paying Agent or any owner of Commercial Paper Notes, or the existence of any claims or set-off whatsoever of the City against the Issuing and Paying Agent or any owner of Commercial Paper Notes, (iii) the use to which the amounts disbursed by the Banks may be put, or (iv) any other circumstances or happenings whatsoever, whether or not similar to any of the foregoing.



SECTION 6.2. Indemnification by the City.

(a) To the fullest extent permitted by law, the City agrees to indemnify and hold harmless the Agent, each Bank, the Participants and their respective officers, directors, employees, representatives and agents (collectively, the "Indemnified Parties" and, individually, an "Indemnified Party"), from and against any and all claims, damages, penalties, actions, judgments, suits, disbursements, losses, liabilities, costs or expenses whatsoever (including reasonable attorneys' fees) which any of them may incur (or which may be claimed against any of them by any Person) as a result of, or arising out of, or in any way related to, or by reason of or in connection with (1) the execution and delivery or transfer of, or payment or failure to pay under this Agreement or either Bank Note, (ii) the execution, delivery and sale of the Commercial Paper Notes, including without limitation, any of the foregoing resulting from any untrue statement or alleged untrue statement of any material fact (other than statements relating to the Banks supplied in writing by the Banks) contained or incorporated by reference in any Offering Memorandum or the omission or alleged omission to state in any Offering Memorandum a material fact necessary to make such statements, in the light of the circumstances under which they are or were made, not misleading, (iii) any breach by the City of any warranty, covenant, term or condition in, or the occurrence of any default under any of the Program Documents, together with all reasonable expenses resulting from the compromise or defense of any claims or liabilities arising as a result of any such breach or default, (iv) any action or proceeding relating to a court order, injunction or other process or decree restraining or seeking to restrain either Bank from paying any amount under this Agreement (other than actions or proceedings instituted by or on behalf of a Bank), or (v) any investigation, litigation or other proceeding (whether or not either Bank or any Participant is a party thereto) related to the entering into and/or each performance of any of the Program Document or the use of the proceeds of the Commercial Paper Notes or any Advance under this Agreement;

provided, that the City shall not be required to indemnify a Bank for any claims, damages, penalties, actions, judgments, suits, disbursements, losses, liabilities, costs or expenses to the extent, but only to the extent, caused by (i) the willful misconduct or gross negligence of such Bank in determining whether a Request for Advance presented hereunder complied with the terms hereof, (ii) such Bank's failure to pay under any requested Advance after the presentation to it by the Issuing and Paying Agent of a Request for Advance strictly complying with the terms and conditions hereof, or (iii) any untrue statement contained in information delivered in writing by such Bank expressly for use in any Offering Memorandum.

(b) The obligations of the City hereunder shall include, but not be limited to (i) the burden and expense of defending all claims, suits and administrative proceedings (with counsel chosen by the City and reasonably approved by the Indemnified Parties), even if such claims, suits or proceedings are groundless, false or fraudulent, (ii) conducting all negotiations of any description, and (iii) paying and discharging, when and as the same become due, any and all claims, damages, penalties, actions, judgments, suits, disbursements, losses, liabilities, costs or expenses due from or rendered against the Indemnified Parties. Each Indemnified Party shall retain the right to monitor the progress of any claims, suits and administrative proceedings defended by the City hereunder with counsel of such Indemnified Party's own choice, and the reasonable fees and disbursements of such counsel shall be paid by such Indemnified Party, provided that an Indemnified Party may elect to conduct its own defense through counsel of its own choice and at the expense of the City but only in the event that (y) such Indemnified Party reasonably determines in good faith that the conduct of its defense by the City could be materially prejudicial to such Indemnified Party's interests, and (z) prior to retaining its own counsel for such purpose, such Indemnified Party shall consult with the City and shall attempt in good faith to agree upon counsel to conduct the defense on behalf of both the City and such Indemnified Party.

SECTION 6.3. Increased Costs. If, after the Effective Date, any change in applicable law, treaty, regulation, guideline or directive or any new law, treaty, regulation, guideline or directive, or any

interpretation of any of the foregoing by any authority charged with the administration or interpretation thereof or any central bank or other fiscal, monetary or other authority having jurisdiction over any Bank or any Participant or the transactions contemplated by this Agreement (whether or not having the force of law) shall: (i) subject any Bank or any Participant to any tax, charge, fee, deduction or withholding of any kind with respect to this Agreement, the Commitment, the Bank Notes or any amount paid or to be paid by any Bank with respect to this Agreement or the Commitment or any Participant (other than any tax measured by or based upon the overall net income of any Bank or any Participant); (ii) impose, modify or deem applicable any reserve, premium, special deposit or similar requirements against any assets held by, deposits with or for the account of, or loans, lines of credit or commitments by, an office of any Bank or any Participant; (iii) change the basis of taxation of payments due any Bank or any Participant under this Agreement or the Bank Notes (other than a change in taxation of the overall net income of a Bank or a Participant); or (iv) impose upon any Bank or any Participant any other condition with respect to such amount paid or payable to or by any Bank or any Participant or with respect to this Agreement, the Commitment or the Bank Notes, and the result of any of the foregoing is to increase the cost to any Bank or any Participant of agreeing to issue, issuing, making any payment under or maintaining this Agreement, the Term Loans or the Revolving Loans, or to reduce the amount of any payment (whether of principal, interest or otherwise) receivable by any Bank or any Participant or to require any Bank or any Participant to make any payment on or calculated by reference to the gross amount of any sum received by it, in each case by an amount which such Bank or such Participant in its reasonable judgment deems material, then: (x) such Bank or such Participant shall, within 30 days of making a determination to impose increased costs as a result of the occurrence of any of the foregoing, notify the City of such determination in writing; (y) after giving notice of such determination, such Bank or such Participant shall also within 30 days after such determination deliver to the City a certificate stating the change which has occurred or the reserve requirements or other costs or conditions which have been imposed on such Bank or such Participant or the request, direction or requirement with which they have complied together with the date thereof, the amount of such increased cost, reduction or payment and the way in which such amount has been calculated, including a reasonably detailed calculation and such Bank's or such Participant's determination of such amounts, absent fraud or manifest error, shall be conclusive; and (z) the City shall pay to the account of such Bank or such participant, from time to time as specified by such Bank or such Participant but not later than 30 days after notice and demand to the City, such an amount or amounts as will compensate such Bank or such Participant for such additional cost, reduction or payment, together with interest on such amount from, but including, the day specified by such Bank or such Participant for payment at the Default Rate.

In addition to the foregoing, if after the date hereof any Bank or any Participant shall have determined that the adoption of any applicable law, rule or regulation regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any governmental authority, central bank or comparable agency charged with the interpretation or administration thereof, or compliance by any Bank or any Participant with any request or directive regarding capital adequacy (whether or not having the force of law) of any such authority, central bank or comparable agency, has or would have the effect of reducing the rate of return on the capital of any Bank or any Participant to a level below that which such Bank or such Participant could have achieved but for such adoption, change or compliance (taking into consideration the policies of such Bank or such Participant with respect to capital adequacy) by an amount deemed by such Bank or such Participant to be material, or affects or would affect the amount of capital required or expected to be maintained by any Bank or any Participant or any corporation controlling any Bank or any Participant by an amount deemed by such Bank or such Participant to be material, as a consequence of its obligations hereunder or with respect to either Bank Note, then the City shall be obligated to pay or cause to be paid to the account of such Bank or such Participant from time to time as specified by such Bank or such Participant, but not later than 30 days after notice and demand to the City, such additional amount or amounts as will compensate such Bank or such Participant for such reduction or capital increase with respect to any period for which such reduction

or capital increase was incurred, together with interest on such amounts from, but including, the day specified by such Bank or such Participant for such payment at the Default Rate. A certificate setting forth in reasonable detail such reduction in the rate of return on capital, or such capital increase, of a Bank or a Participant as a result of any event mentioned in this paragraph shall be submitted by such Bank or such Participant to the City and such certificate shall, in the absence of manifest error, be conclusive as to the amount thereof.

The protections of this Section shall be available to the Banks and the participants regardless of any possible contention of invalidity or inapplicability of the law, regulation or condition which has been imposed.

Notwithstanding anything in this Section to the contrary, if such costs are to be incurred on a continuing basis and any Bank or a Participant shall so notify the City in writing as to the amount thereof, such costs shall be paid by the City monthly in arrears. In addition, the amount payable under this Section by the City to any one Participant shall not exceed the amount payable to the Bank granting the participation, to such Participant pursuant to this Section (after taking into account such Participant's percentage participation in the Commitment).

SECTION 6.4. Calculation of Interest and Fees; Maximum Interest Rate; Default Rate.

(a) Interest and fees payable hereunder shall be calculated on the basis of a year of 360 days based on the actual number of days elapsed. Any change in the Prime Rate or the Federal Funds Rate or any change in the Base Rate resulting from a change in the Prime Rate or Federal Funds Rate shall become effective as of the opening of business on the day on which such change in the Prime Rate or Federal Funds Rate shall become effective.

(b) Any and all amounts remaining unpaid when due under this Agreement shall bear interest at the Default Rate until repaid and shall be payable upon demand. The maximum interest rate on amounts due to the Banks under this Agreement shall be equal to the maximum interest rate permitted by law.

(c) Interest not paid when due pursuant to Section 6.4(b) above, shall be added to principal, and such interest shall, in turn, bear interest at the Default Rate and shall be payable upon demand.

SECTION 6.5. Form and Method of Payments; Net Payments. All payments made to the Banks under this Agreement shall be made not later than 4:00 p.m. (New York City time) without setoff, counterclaim or other defense by wire transfer in lawful currency of the United States and in immediately available funds to the Banks by the wire instructions set forth in Section 11.3 (or at such other bank, address or account as the Banks may designate in writing from time to time to the City). Any payment received by the Banks later than 4:00 p.m. (New York City time) shall be deemed to be made on the next succeeding Business Day. Whenever any payment due under the terms of this Agreement is due on a day which is not a Business Day, such payment shall be due and payable on the next succeeding Business Day. All such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (but excluding any tax imposed on the overall net income of a Bank or a Participant pursuant to the laws of the jurisdiction (or any political subdivision or taxing authority thereof or therein) in which the principal office of such Bank or such Participant is located) and all interest, penalties or similar liabilities with respect thereto (collectively, "Taxes"); provided, however, that the City shall have no liability with respect to any Taxes which are imposed on such Bank or any Participant that is a foreign banking institution pursuant to the laws of the jurisdiction (or any political subdivision or taxing authority

thereof or therein) in which the principal office of such Bank or such Participant, as the case may be, is located, unless (i) such Bank or such Participant, as the case may be, is entitled to benefits of an income tax treaty with the United States that provides for an exemption from United States withholding tax on interest and other amounts payable to such Bank or such Participant, as the case may be, pursuant to the terms of any of the Program Documents, or (ii) all interest and other amounts payable to such Bank or such Participant, as the case may be, pursuant to the terms of any of the Program Documents will be effectively connected with the conduct by such Bank or such Participant, as the case may be, of a trade or business within the United States. If any Taxes are so levied or imposed, the City agrees to pay the full amount of such Taxes and such additional amounts as may be necessary so that every payment of all amounts due hereunder, after withholding or deduction for or on account of any Taxes, will not be less than the amount provided for in the Program Documents. The City will deliver to the Banks within 45 days after the date the payment of any Taxes is due pursuant to applicable law certified copies of tax receipts evidencing such payment by the City. To the extent permitted by law, the City will indemnify and hold harmless the Banks and each Participant, and reimburse the Banks and each Participant upon written request, for the amount of any Taxes so levied or imposed and paid by the Banks or such Participant.

SECTION 6.6. Liability of the Banks. None of the Banks nor any of their officers or directors shall be liable or responsible for (i) the use which may be made of any Advances or this Agreement or for any acts, omissions, errors, interruptions, delays in transmission, dispatch or delivery of any message or advice, however transmitted, of either Bank in connection with this Agreement or either Bank Note, (ii) any action, inaction or omission which may be taken by any Bank in connection with this Agreement or either Bank Note, (iii) the validity, sufficiency or genuineness of documents, or of any endorsements thereon, even if such documents should in fact prove to be in any or all respects invalid, insufficient, fraudulent or forged, (iv) payment by any Bank against presentation of documents which do not comply with the terms of this Agreement or a Request for Advance, including failure of any documents to bear any reference or adequate reference to this Agreement, or (v) any other circumstances whatsoever in making or failing to make payment under this Agreement or pursuant to a Request for Advance, except only that the City shall have a claim against a Bank for acts or events described in the immediately preceding clauses (i) through (v), and a Bank shall be liable to the City, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by it which the City proves were caused by (y) such Bank's willful misconduct or gross negligence in determining whether documents presented under this Agreement comply with the terms of this Agreement or (z) such Bank's failure to pay hereunder after the presentation to it of a Request for Advance strictly complying with the terms and conditions of this Agreement. The City further agrees that any action taken or omitted by a Bank under or in connection with this Agreement or the related draft or documents, if done without gross negligence, shall be effective against the City as to the rights, duties and obligations of the Banks and shall not place the Banks under any liability to the City. In furtherance and not in limitation of the foregoing, each Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary, provided, however, that if both Banks receive written notification from the City and the Issuing and Paying Agent that sufficiently conforming (in the opinion of each of the Banks) documents presented to the Banks are not to be honored, the Banks agree that they will not honor such documents, provided further, however, that the City hereby acknowledges that such dishonor by the Banks shall constitute a circumstance for which the Banks may seek reimbursement under Section 6.2.

## ARTICLE VII

### REPRESENTATIONS AND WARRANTIES

SECTION 7.1. Representations and Warranties of the City. To induce the Banks to enter into and perform this Agreement, the City represents and warrants as of the Effective Date, with respect to itself, this Agreement and certain matters as follows:

(a) Organization Existence. The City is duly organized and validly existing as a municipal corporation and a political subdivision of the State of California.

(b) Power and Authority. The City has and had at the time of adoption, execution, delivery, issuance, sale or performance full power, right and authority to (i) execute, deliver and perform its obligations under each of the Program Documents to which it is a party, and any and all instruments and documents required to be executed, adopted or delivered pursuant to or in connection herewith or therewith, (ii) adopt the Subordinate Resolution and Senior Lien Resolution, (iii) issue and sell the Commercial Paper Notes as provided in the Program Documents and make payment of principal and interest, if any, on the Commercial Paper Notes and to pay the Payment Obligations, including the Bank Notes, at the times and in the manner set forth herein, (iv) own and operate the System, and (v) perform each and all of the matters and things herein and therein provided for and the City has complied with the laws of the State of California in, all matters relating to such execution, delivery and performance.

(c) Due Authorization. Each of the Program Documents to which the City is a party have been duly authorized, executed, issued and delivered and constitute the legal, valid and binding obligations of the City enforceable in accordance with their terms. The Payment Obligations are payable from and secured by Revenues as set forth herein and in the Subordinate Resolution.

(d) Necessary Actions Taken. The City has taken all actions necessary to be taken by it (i) for the issuance and sale of the Commercial Paper Notes upon the terms set forth in the Program Documents, (ii) for the execution, adoption and delivery by the City of any and all such other instruments and the taking of all such other actions on the part of the City as may be necessary or appropriate for the effectuation and consummation of the transactions on the part of the City contemplated by the Program Documents or in connection herewith or therewith and (iii) to authorize or approve, as appropriate, the execution or adoption, issuance and delivery of, and the performance of its obligations under and the transactions contemplated by, each of the Program Documents to which it is a party and the payment of the Payment Obligations, including the Bank Notes, at the times and in the manner set forth herein.

(e) Binding Effect. The Subordinate Resolution and Senior Lien Resolution were duly adopted by the City and are in full force and effect. Each of the Program Documents to which the City is a party has been duly authorized, executed and delivered by the City and each constitutes a legal, valid and legally binding obligation of the City, which obligation is enforceable in accordance with its terms, and the payment of the Payment Obligations, including the Bank Notes, is and shall continue to be a contractual obligation of the City for which the Revenues are and shall continue to be pledged as provided in the Program Documents, except to the extent that enforceability may be limited by applicable bankruptcy, insolvency, debt adjustment, reorganization, moratorium or similar laws or equitable principles relating to or limiting creditors' rights generally or as to the availability of any particular remedy. There is no consent, approval, authorization or other order of, filing with, registration with, or certification by, any regulatory authority having jurisdiction over the City and no election or referendum of or by any person, organization or public body whatsoever required in connection with any of the foregoing actions or each of the performance by the City of its obligations under the Program Documents. There are no provisions of State of California law which would allow, as of the date hereof or any date

subsequent hereto, any public vote or referendum, the results of which could invalidate the Subordinate Resolution, Senior Lien Resolution or any other Program Document to which the City is a party or invalidate, limit or condition the obligation of the City to pay the Payment Obligations, including the Bank Notes, to the Banks or any other obligation or pledge undertaken hereunder or in connection with the transactions contemplated by the Program Documents.

(f) No Contravention. The execution and delivery of each of the Program Documents, the adoption of the Subordinate Resolution and Senior Lien Resolution, and compliance with the provisions hereof and thereof, do not and will not conflict with or result in a violation of the Constitution of the State of California or the laws of the State of California, including any debt limitations or other restrictions or conditions on the debt-issuing power of the City, and do not and will not conflict with or result in a violation of, or breach of, or constitute a default under, any law, judgment, order, decree or administrative regulation or any of the terms, conditions or provisions of the Charter or any ordinance, judgment, decree, contract, loan agreement, note, bond, resolution, indenture, mortgage, deed of trust or other agreement or instrument to which the City is a party or by which it or any property of the City is bound and do not and will not result in the imposition or creation of any lien, charge, or encumbrance upon or invalidate or adversely affect in any way the Revenues. The City has not received any notice, not subsequently withdrawn, given in accordance with the remedy provisions of any bond resolution or ordinance, trust indenture, guarantee or agreement or state law pertaining to bonds or notes, of any default or event of default of the City which has not been cured.

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

(h) Compliance; No Breach. The City is in compliance with the terms and conditions of each of the Program Documents to which it is a party, and no breach of the terms hereof or thereof has occurred and is continuing, and no Default or Event of Default has occurred and is continuing.

(i) No Default. No default by the City has occurred and is continuing in the payment of the principal of or premium, if any, or interest on any bond, note or other evidence of indebtedness issued by the City. No bankruptcy, insolvency or other similar proceedings pertaining to the City or any agency or instrumentality of the City are pending or contemplated.

(j) No Public Vote or Referendum. To the best knowledge of the City, there is no public vote or referendum pending, proposed or concluded, the results of which could in any way adversely affect the transactions contemplated by the Program Documents, or the validity or enforceability of the Program Documents.

(k) No Immunity. The City is not entitled to raise the defense of sovereign immunity in connection with any legal proceedings to enforce or collect upon this Agreement or the transactions contemplated thereby, including the payment of the Payment Obligations.

(l) Litigation. There is no action, suit, inquiry, investigation or proceeding at law or in equity pending, or to the best knowledge of the City, threatened, against or affecting the City or the System before any court, governmental agency, authority, arbitrator or administrative or governmental body which (i) could result in any material adverse change in the financial position of the System, (ii) which in any manner draws into question the validity or enforceability of any Program Document, the pledge of the Revenues or the priority of any lien in favor of the Banks, (iii) which in any way affects the existence, organization or powers of the City or any elected official thereof to execute and deliver any of the Program Documents or perform the obligations thereunder or contemplated thereby, (iv) affects the

title of any official of the City to such person's office, (v) seeks to restrain or enjoin the issuance, sale or delivery of the Commercial Paper Notes, or the collection or the pledge of the Revenues to pay principal or interest, if any, on the Commercial Paper Notes and the Payment Obligations at the times and in the manner set forth in the Program Documents, (vi) in any way contests or affects the validity or enforceability of any of the Program Documents, (vii) contests in any way the completeness or accuracy of the Offering Memorandum or the powers or authority of the City with respect to any of the Program Documents, or (viii) which could materially adversely affect the ability of the City to comply with its obligations under or in respect of any of the Program Documents or in connection with the transactions contemplated hereby or thereby.

(m) Offering Memorandum. The Offering Memorandum does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statement made therein, in the light of the circumstances under which they are or were made, not misleading; provided, however, that the City makes no representation as to information in the Offering Memorandum relating to the DTC Book-Entry System or to the Banks and provided by the Banks for inclusion in the Offering Memorandum.

(n) Disclosure. Neither the Program Documents nor any other document, certificate or statements (including the unaudited financial statements, budgets, projections and cash flows) of the City and the System furnished to the Banks by or on behalf of the City in connection with the transactions contemplated hereby, or thereby contains any untrue statement of any material fact or omits to state any material fact necessary so as to make the statements contained herein or therein, in light of the circumstances under which they were made, not misleading.

(o) Financial Information. The City has delivered to the Banks a copy of the audited financial statements for the City and the System for the fiscal year ended June 30, 2009. These together with related notes, fairly present the financial position and results of operation of the City and the System as of the date and for the periods therein set forth. All such financial statements have been prepared in accordance with generally accepted accounting principles for government entities consistently applied. There has been no material adverse change in the financial position, results of operations or projections of revenues of the City or the System since June 30, 2009. Except as otherwise disclosed in the Offering Memorandum, the City has no material contingent liabilities or other material contracts or commitments which are not reflected in such financial statements or in the notes thereto.

(p) Official Signatures. The Authorized Representative, on behalf of the City, has full power and authority to execute, deliver and perform under each of the Program Documents. Any agreement, certificate or request signed by or on behalf of any Authorized Representative of the City and delivered to a Dealer, the Issuing and Paying Agent or any of the Banks shall be deemed a representation and warranty by the City to the Banks as to the truth, accuracy and completeness of the statements made by the City therein.

(q) Incorporation of Representations and Warranties by Reference. The City hereby makes to the Banks the same representations and warranties made by the City in each Program Document, which representations and warranties, as well as the related defined terms contained therein, are hereby incorporated by reference for the benefit of the Banks with the same effect as if each and every such representation and warranty and defined term were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to any Program Document shall be effective to amend such representations and warranties and defined terms as incorporated by reference herein without the prior written consent of the Banks.

## ARTICLE VIII

### AFFIRMATIVE COVENANTS OF THE CITY

So long as the Commitment is outstanding and until all Payment Obligations and all Bank Notes shall have been paid in full, the City shall do the following:

SECTION 8.1. Maintenance of Existence. The City shall maintain its existence as a municipal corporation and political subdivision under the laws of the State of California.

SECTION 8.2. Reports, Certificates and Other Information. The City shall furnish or cause to be furnished to the Banks copies of:

(a) As soon as available, and in no event later than 240 days following the end of the applicable fiscal year, the annual audited financial statements for the City and the System, together with the opinion of the City's accountants and a certificate of an Authorized Representative of the City to the effect that no Default or Event of Default has occurred and is continuing;

(b) As soon as available, and in any event no later than 60 days following the end of the System's fiscal year, a balanced annual budget for the System and the annual appropriation resolution for the City and the System;

(c) Promptly upon request, a report in form and substance satisfactory to the Banks setting forth principal amounts for the Commercial Paper Notes during the quarter then ended;

(d) As soon as available, all notices, certificates, instruments, letters and written commitments in connection with the Commercial Paper Program provided to the Issuing and Paying Agent other than those notices, certificates, instruments, letters and written commitments that relate solely to the routine issuance and payment of the Commercial Paper Notes;

(e) As soon as available, any disclosure documents distributed in connection with any issue of future Senior Lien Bonds or Subordinated Bonds or any other obligations payable from and secured by Revenues;

(f) Promptly upon obtaining knowledge of any Default or Event of Default, or notice thereof, and within five days thereafter, a certificate signed by an Authorized Representative specifying in reasonable detail the nature and period of existence thereof and what action the City has taken or proposes to take with respect thereto;

(g) Promptly upon receipt or filing, copies of all pleadings, briefs, motions, orders and rulings generated by any participant in connection with any litigation which directly or indirectly involves the enforceability of the obligations of the City in connection with the Commercial Paper Program or the Program Documents;

(h) As soon as practicable, written notice to the Banks of all litigation served against the City and all proceedings before any court or governmental authority which, in each case, directly or indirectly relates to the enforceability of any of the Program Documents or could have a material adverse affect on the financial condition of the System or the Revenues;

(i) As soon as available, written notice to the Banks of all changes to the City's investment policy; and



(j) Such other information regarding the affairs and condition of the City or the System as the Banks may from time to time reasonably request.

SECTION 8.3. Maintenance of Books and Records. The City will keep proper books of record and account in which full, true and correct entries in accordance with the City's budget basis accounting principles and reporting practices will be made of all dealings or transactions in relation to its activities.

SECTION 8.4. Access to Books and Records. To the extent permitted by law, the City will permit (at the expense of the Banks) any Person designated by the Banks to visit any of the offices of the City to examine the books and financial records, including minutes of meetings of any relevant governmental committees or agencies, and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the City with its principal officials, all at such reasonable times and as often as the Banks may reasonably request. The Banks agree to maintain the confidentiality of all such books, records and information regarding the City; provided, however, that the Banks shall not be precluded from disclosing such information or the contents of such books and records to the Banks' auditors and to the extent required by statute, rule, regulation or judicial process or upon the lawful demand of any court or agency having jurisdiction over any Bank or to any Participant.

SECTION 8.5. Compliance with Documents. The City agrees that it will perform and comply with each and every covenant and agreement required to be performed or observed by it in each of the Program Documents and the Subordinate Resolution and Senior Lien Resolution, which provisions, as well as related defined terms contained therein, are hereby incorporated by reference herein with the same effect as if each and every such provision were set forth herein in its entirety all of which shall be deemed to be made for the benefit of the Banks and shall be enforceable against the City. To the extent that any such incorporated provision permits the City, the holders of one or more Commercial Paper Notes or any other party to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to the City, the holders of one or more Commercial Paper Notes or any other party, for purposes of this Agreement, such provision shall be complied with only if it is specifically waived by the Banks in writing and such document, opinion or other instrument and such event or condition shall be acceptable or satisfactory only if it is acceptable or satisfactory to the Banks which shall only be evidenced by the Banks' written approval of the same. No termination or amendment to such covenants and agreements or defined terms or release of the City with respect thereto made pursuant to the Program Documents, Subordinate Resolution or Senior Lien Resolution shall be effective to terminate or amend such covenants and agreements and defined terms or release of the City with respect thereto as incorporated by reference herein without the prior written consent of the Banks. Notwithstanding any termination or expiration of any such Program Document, Subordinate Resolution or Senior Lien Resolution, the City shall continue to observe the covenants therein contained for the benefit of the Banks until the termination of this Agreement. All such incorporated covenants shall be in addition to the express covenants contained herein and shall not be limited by the express covenants contained herein nor shall such incorporated covenants be a limitation on the express covenants contained herein.

SECTION 8.6. No Impairment. The City will neither take any action, nor cause or permit the Issuing and Paying Agent to take any action, under the Program Documents inconsistent with the rights of the Banks under this Agreement including, without limitation, the Payment Obligations and pledge of Revenues. The City will neither agree to any amendment, modification or supplement to any Program Document to which it is a party without the prior written consent of the Banks, nor shall the City waive or consent to any waiver of any condition under any Program Document.

SECTION 8.7. Further Assurances. From time to time hereafter, the City will execute and deliver such additional instruments, certificates or documents, and will take all such actions as the Banks

may reasonably request for the purposes of implementing or effectuating the provisions of the Program Documents or for the purpose of more fully perfecting or renewing the Banks' rights with respect to the rights, properties or assets subject to such documents (or with respect to any additions thereto or replacements or proceeds thereof or with respect to any other property or assets here after acquired by the City which may be deemed to be a part thereof). Upon the exercise by the Banks of any power, right, privilege or remedy pursuant to the Program Documents which requires any consent, approval, registration, qualification or authorization of any governmental authority or instrumentality, the City will, to the extent permitted by law, execute and deliver all necessary applications, certifications, instruments and other documents and papers that the Banks may be required to obtain for such governmental consent, approval, registration, qualification or authorization.

SECTION 8.8. Application of Commercial Paper Note Proceeds. The City will not take or omit to take any action, which action or omission will in any way result in the proceeds from the sale of the Commercial Paper Notes being applied in a manner other than as provided in the Subordinate Resolution.

SECTION 8.9. Application of Advances Proceeds. The City will not take or omit to take any action, which action or omission will in any way result in the proceeds of the Advances being applied for any purpose other than to pay principal and interest on Commercial Paper Notes on their maturity dates.

SECTION 8.10. Compliance with Law. The City shall comply with and observe the obligations and requirements set forth in the Constitution of the State of California and in all statutes and regulations binding upon it relating to the System and the Program Documents.

SECTION 8.11. Issuing and Paying Agent. The City will not (i) remove, or seek to remove, the Issuing and Paying Agent or (ii) appoint or consent to the appointment of any successor thereto, without the Banks' prior written consent thereto, which consent shall not be unreasonably withheld.

SECTION 8.12. Tax Status. The City will take no action which could reasonably be expected to result in interest with respect to the Commercial Paper Notes becoming included in gross income of the holders of Commercial Paper Notes for purposes of federal income taxation.

SECTION 8.13. References to the Banks. The City will not refer to the Banks in any official statement, offering memorandum, or private placement memorandum (other than a factual description of this Agreement) or make any changes in reference to the Banks in any Offering Memorandum or supplement thereto without the Banks' prior written consent thereto.

SECTION 8.14. Reserved.

SECTION 8.15. Investment Policy. The City shall comply with all of the provisions of the California Government Code regarding investments.

SECTION 8.16. Minimum Coverage Ratio.

(a) The City shall, at all times, establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System so that Revenues in each Fiscal Year, as defined in the Subordinate Resolution, 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 the Subordinate Resolution and of any supplemental resolution thereto 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 any such supplemental resolutions;

(3) all other payments to meet any other obligations of the City which are charges, liens or encumbrances upon, or payable from, the Revenues; and

(4) 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 shall establish, fix, prescribe and collect rates, fees and charges in connection with the use of the System so that during each Fiscal Year the Net Revenues are equal to at least 110% of the actual 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 due in such year.

SECTION 8.17. Other Agreements. While this Agreement remains in effect, if the City executes and delivers a final agreement (“Additional Agreement”) relating to the System with more restrictive covenants (the “More Restrictive Covenants”) than are provided to the Banks in this Agreement, then the City shall provide the Banks with a copy of such Additional Agreement and the More Restrictive Covenants shall be automatically deemed incorporated into this Agreement and the Banks shall have the benefit of the More Restrictive Covenants. The City shall promptly cooperate with the Banks to enter into an amendment of this Agreement to include such More Restrictive Covenants. As used in this provision, “More Restrictive Covenants” shall not include any term relating to pricing or fees, and shall not include any provision relating to an automatic Termination Event.

SECTION 8.18. Dealers. The City shall at all times cause a dealer listed on Schedule I hereto to be in-place with respect to the Commercial Paper Notes. Any dealers to be added to Schedule I shall be mutually acceptable to the City and the Banks. Each dealer agreement shall provide that (a) the dealer may not resign until a successor dealer has been appointed and accepted its appointment, (b) the dealer shall use its best efforts to remarket the Commercial Paper Notes and (c) the dealer shall remarket the Commercial Paper Notes at rates up to and including the maximum rate permitted by law with respect to the Commercial Paper Notes without regard to the rate paid to the Banks. If at any time a dealer shall fail to perform its duty or shall fail to remarket the Commercial Paper Notes for a period of 30 successive days, the City shall, at the direction of the Banks, appoint a successor dealer listed on Schedule I.

SECTION 8.19. Sovereign Immunity. The City agrees not to assert any defense of sovereign immunity, if available, in any proceeding initiated by the Banks to enforce any of the obligations of the City hereunder.

SECTION 8.20. Maintenance of Ratings. The City shall at all times maintain at least two underlying ratings with respect to the System from any of the Rating Agencies.

SECTION 8.21. Only Authorized Uses of the SCM Fund and Revenues by the City. The City covenants not to transfer, or allow the transfer, except as such transfer may be permitted, including by the Subordinate General Resolution, for temporary expenditures from the SCM Fund that are reconciled at the end of each Fiscal Year, of any Revenues, including monies in the SCM Fund (or monies that are or should be properly credited to the SCM Fund), to pay general operating expenses of the City or expenses

unrelated to the System without the Bank's prior written consent; provided, that only in accordance with the Subordinate General Resolution, the SCM Fund may reimburse the reasonable indirect expenses of the City related to services provided by the City to the System.

## ARTICLE IX

### NEGATIVE COVENANTS OF THE CITY

While the Line of Credit is outstanding and until all of the Payment Obligations shall have been paid in full, the City shall not do any of the following, without the prior written consent of the Banks:

SECTION 9.1. Changes in Obligations. The City will not repeal, modify, amend or supplement any Program Document, except that the City may supplement the Senior Lien Resolution and the Subordinate Resolution to provide for the issuance of Senior Lien Bonds and Subordinate Bonds in accordance with the terms thereof and hereof.

SECTION 9.2. Additional Debt. The City shall not issue or incur any obligation with a lien on Revenues having priority over or on a parity with the lien contemplated in Section 5.1 other than Senior Lien Bonds and Subordinate Bonds and will not issue additional Senior Lien Bonds or Subordinate Bonds (other than the Commercial Paper Notes payable from Advances under the Line of Credit) unless the City certifies to the Banks (by presentation of appropriate certified financial information) 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 Senior Lien Bonds, Subordinate Bonds were equal to or greater than 110% of the Maximum Annual Debt Service for all Senior Lien Bonds, Subordinate Bonds which would be Outstanding immediately after issuance of the proposed Senior Lien Bonds or Subordinate Bonds. The City may issue or incur any obligation with a lien on Revenue subordinate to that securing the Subordinate Bonds, including the Payment Obligations hereunder.

SECTION 9.3. Swap Termination Payments. The City shall not enter into any Swap Contract under which a termination payment would be required to be paid from Revenues on basis senior to or on a parity with the Subordinate Bonds or Bank Notes.

## ARTICLE X

### DEFAULTS AND REMEDIES

SECTION 10.1. Events Of Default. The occurrence and continuation of one or more of the following events shall constitute an Event of Default ("Event of Default"):

(a) The City fails to pay, or cause to be paid, when due (i) any principal and interest due hereunder, including under a Bank Note, or (ii) any other amounts due hereunder; or

(b) (i) The City fails to perform or observe any term, covenant or agreement contained in Section 8.2(g), (h) or (j), 8.11, 8.13, 9.1 or 9.2 or (ii) the City fails to perform or observe any term, covenant or agreement contained in this Agreement (other than those referred to in Section 10.1(a) and (b)(i)) and any such failure is irremediable or, if remediable, remains unremedied for 30 days after notice thereof to the City;

(c) (i) The City shall fail to make any payment in respect of any of its Senior Lien Bonds or Subordinate Bonds when due (whether by scheduled maturity, required prepayment, acceleration, demand

or otherwise) and such failure shall continue after the applicable grace period, if any, specified in the Senior Lien Resolution or the Subordinate Resolution or, if applicable, in any other resolution, agreement, contract, lease or other instrument relating to such Senior Lien Bond or Subordinate Bond or other debt or obligation; or (ii) an "Event of Default" as defined in the Senior Lien Resolution or the Subordinate Resolution or any other "event of default" under any other Program Document shall have occurred and be continuing; or

(d) The City has taken or permitted to be taken any action which would materially adversely affect the enforceability of this Agreement, either Bank Note, the Subordinate Resolution or Senior Lien Resolution against the City or the legal ability of the City to pay Payment Obligations, the Commercial, Paper Notes or any Senior Lien Bonds or Subordinate Bonds when due; or

(e) A court of competent jurisdiction shall enter a final, nonappealable order or judgment to the effect that any Senior Lien Bonds or Subordinate Bonds are illegal or unenforceable; or

(f) The issuance of any Senior Lien Bonds or Subordinate Bonds shall result in a violation by the City of any material law, rule or regulation, or any order of any court, governmental agency or regulatory body, or any indenture or loan or credit agreement (including this Agreement), or any other agreement or instrument, applicable to the City or to such issuance; or

(g) Any representation or warranty on the part of the City contained in any Program Document or in any certificate, letter or other writing or instrument furnished or delivered by the City to the Banks pursuant hereto or thereto or in connection herewith or therewith, shall at any time prove to have been incorrect in any material respect when made or when effective or when reaffirmed, as the case may be, whether by misstatement or omission; or

(h) (i) Any provision of this Agreement, either Bank Note, the Commercial Paper Notes, the Subordinate Resolution or the Senior Lien Resolution relating to or otherwise affecting the City's obligation to pay the principal of or interest on any Senior Lien Bonds or Subordinate Bonds or the pledge of Revenues, or (ii) any other provision of the Program Documents or the Senior Lien Resolution, shall at any time for any reason cease to be valid and binding on the City or shall be declared to be null and void by any court or governmental authority or agency having jurisdiction over the City, or the validity or the enforceability thereof shall be contested by the City, in a judicial or administrative proceeding; or

(i) The City fails to pay when due a final, unappealable judgment or order for the payment of money in excess of \$10,000,000 and for which insurance proceeds shall not be available shall be rendered against the City or the System that is payable from Revenues and such judgment or order shall continue unstayed, undischarged, unbonded or unsatisfied for a period of 90 days; or

(j) (i) The City imposes a debt moratorium, debt restructuring, debt adjustment or comparable restriction on repayment when due and payable of the principal of or interest on any Senior Lien Bond or Subordinate Bond, or (ii) under any existing or future law of any jurisdiction relating to bankruptcy, insolvency, reorganization or relief of debtors, the City seeks to have an order for relief entered with respect to it or the System or seeking to adjudicate it or the System insolvent or bankrupt or seeking reorganization, arrangement, adjustment, winding-up, liquidation, dissolution, composition or other relief with respect to it or the System or its debts or those of the System, or (iii) the City seeks appointment of a receiver, trustee, custodian or other similar official for itself or the System or for any substantial part of the City's property, or the City shall make a general assignment for the benefit of its creditors, or (iv) there shall be commenced against the City or the System any case, proceeding or other action of a nature referred to in clause (ii) and the same shall remain undismissed, or (v) there shall be

commenced against the City or the System any case, proceeding or other action seeking issuance of a warrant of attachment, execution, distraint or similar process against all or any substantial part of its property which results in the entry of an order for any such relief which shall not have been vacated, discharged, or stayed or bonded pending appeal, within six days from the entry thereof, or (vi) the City takes action in furtherance of, or indicating its consent to, approval of, or acquiescence in, any of the acts set forth in clause (i), (ii), (iii), (iv), (v) above, or (vii) the City or the System shall generally not, or shall be unable to, or shall admit in writing its inability to, pay its debts as they become due; or

(k) Any of the Rating Agencies suspends, withdraws or downgrades the Senior Lien Bond or Subordinate Bond ratings below investment grade.

#### SECTION 10.2. Rights and Remedies Upon Default.

(a) Automatic Termination Event. In the case of any Event of Default specified in clause (a)(i), (c)(i), (e), (f), (h)(i), (j) or (k) of Section 10.1 that has occurred (each such event a "Termination Event"), (i) the Commitment shall immediately terminate automatically and each Available Commitment shall be reduced to zero and (ii) all amounts due hereunder and under the Bank Notes shall immediately become due and payable; provided, that (i) the Event of Default specified with clause (a)(i) or (c)(i) of Section 10.1 shall constitute a Termination Event only if the unpaid principal or interest referred to in such clause has become due and payable other than by reason of acceleration of the maturity thereof. Upon such termination, the Banks shall send a notice thereof in the form of Exhibit F hereto to the City; provided, further, however, that failure to send or receive such notice shall not affect the termination of the Commitment as provided hereunder.

(b) All Events of Default. In the case of any Event of Default, including any Termination Event, that has occurred and is continuing, the Banks, in their discretion, may do any or all of the following:

(i) By notice to the City, declare all Advances, Term Loans, Revolving Loans, the Revolving Loan Note, the Term Loan Note and interest thereon, immediately due and payable; and/or

(ii) By notice to the City or the Issuing and Paying Agent in the form of Exhibit E hereto or otherwise prohibit the issuance of additional Commercial Paper Notes, and reduce the Available Commitments to the amount of the then Outstanding Commercial Paper Notes and interest payable thereon at maturity of such Commercial Paper Notes and/or terminate the Commitment as the then Outstanding Commercial Paper Notes are paid; and/or

(iii) Petition a court of competent jurisdiction to issue a mandamus order to the City to compel specific performance of the covenants of the City contained in any of the Program Documents; and/or

(iv) Provide written notice of the occurrence of an Event of Default to the City and the Issuing and Paying Agent and exercise any rights and remedies available to the Bank at law, equity hereunder or under any Program Document;

Except as expressly provided in this Section 10.2, procurement, demand, protest and all other notices of every kind are hereby expressly waived. Following receipt of the notice to the City or the Issuing and Paying Agent prohibiting the issuance of additional Commercial Paper Notes described in clause (b) above, the City shall not issue any additional Commercial Paper Notes. Any proceeding commenced against the City or the System described in Section 10.1(j)(iv) shall result immediately and automatically

without delivery of a Notice of No Issuance in the suspension of the Banks' obligation to advance any funds hereunder and the Banks shall be under no further obligation to advance any funds, including Advances, until such proceeding is resolved prior to the resolution of such matter granting the relief sought in such proceeding.

SECTION 10.3. Copies of Notices. Concurrently with its receipt of notice of termination of the Commitment pursuant to Section 10.2(a) or notice to the City or Issuing and Paying Agent prohibiting the issuance of additional Commercial Paper Notes described in Section 10.2(b), the City shall give a copy of such notice to the Issuing and Paying Agent and the Dealer. In addition, concurrently with giving such notice to the City, the Banks shall provide a copy thereof to the Issuing and Paying Agent and the Dealer at their respective addresses referred to in Section 11.3; provided, however, that the Banks shall not incur any liability as a result of its failure to provide a copy of such a notice in accordance with this sentence.

## ARTICLE XI

### MISCELLANEOUS

SECTION 11.1. Evidence of Debt. The Banks shall maintain in accordance with their usual practices an account or accounts evidencing the indebtedness resulting from each Advance, each Revolving Loan and each Term Loan made from time to time hereunder and the amounts of principal and interest payable and paid from time to time hereunder. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be conclusive evidence (absent manifest error) of the existence and amounts of the obligations therein recorded.

SECTION 11.2. Amendments, Etc. No amendment or waiver of any provision of this Agreement nor consent to any departure by the parties hereto shall in any event be effective unless the same shall be in writing and signed by such parties, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given. In no event shall any amendment result in CalSTRS having a percentage of the Commitment greater than fifty percent (50%).

SECTION 11.3. Addresses for Notices. Any notice required or permitted to be given under or in connection with this Agreement shall be in writing and shall be mailed by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid, or sent by telex, telegram, telecopy or other similar form of rapid transmission confirmed by mailing (by first-class mail, registered or certified, return receipt requested, or express mail, postage prepaid) written confirmation at substantially the same time as such rapid transmission, or personally delivered to an officer of the receiving party. All such communications shall be mailed, sent or delivered to the address or numbers set forth below, or as to each party at such other address or numbers as shall be designated by such party in a written notice to the other parties.

(i) If to the City:

City of Los Angeles  
Office of the City Administrative Officer  
City Hall East  
200 North Main Street, Room 1500  
Los Angeles, California 90012  
Attention: Debt Management Group  
Telephone: (213) 485-2881  
Facsimile: (213) 847-2203

(ii) If to the Issuing and Paying Agent:

U.S. Bank National Association  
100 Wall Street  
Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Administration  
Telephone: (212) 361-2535  
Facsimile: (212) 509-3384

(iii) If to CalSTRS:

Mailing Address:

State Street Financial Center  
Structured Products  
Box 5399  
Boston, MA 02206  
Attention: Jason Lirio (Primary)  
Telephone: (617) 664-0707  
Facsimile: (617) 310-5916  
Email: CalSTRSCEP@statestreet.com

Courier Service:

State Street Financial Center  
Structured Products  
One Lincoln Street, 5<sup>th</sup> Floor  
Boston, MA 02111  
Attention: Jason Lirio (Primary)  
Telephone: (617) 664-0707  
Facsimile: (617) 310-5916  
Email: CalSTRSCEP@statestreet.com

with a copy to:

California State Teachers' Retirement System  
Investment Office – Credit Enhancement Program  
100 Waterfront Place, MS 4  
West Sacramento, CA 95605-2807  
Attention: Jean Kushida Uda, Investment Officer  
Telephone: (916) 414-7590  
Facsimile: (916) 414-7580  
Email: jkushida@calstrs.com

Payment Instructions – Fees

State Street Bank and Trust Company, Boston, MA  
ABA Account Number: 011-000-028  
Account Number: 0033-379-9  
Name on Account: CalSTRS CEP Fee Receivable Account  
Reference: STRSD Los Angeles Wastewater  
Attention: Structured Products

Payment Instructions - Reimbursement of Draws

State Street Bank and Trust Company, Boston, MA  
ABA Account Number: 011-000-028  
Account Number: 0033-378-1  
Name on Account: CalSTRS CEP Draw Fee Account  
Reference: STRSD Los Angeles Wastewater  
Attention: Structured Products



(iv) If to State Street:

State Street Bank and Trust Company  
State Street Financial Center  
One Lincoln Street, SFC/5  
Boston, Massachusetts 02111-2900  
Attention: Erin Gibeault (Credit Contact)  
Telephone: (617) 664-4003  
Facsimile: (617) 946-0358

with a copy to:

State Street Bank and Trust Company  
State Street Financial Center  
One Lincoln Street, SFC/5  
Boston, Massachusetts 02111-2900  
Attention: Jackson Yee (Operations Contact)  
Telephone: (617) 664-3780  
Facsimile: (617) 310-5757

Payment Instructions – Fees

State Street Bank and Trust Company, Boston, MA  
ABA Account Number: 011-000-028  
Account Number: 4867-932-8  
Name on Account: Municipal Finance Fee Receivable Account  
Reference: City of Los Angeles Wastewater  
Attention: Structured Products

Payment Instructions -

State Street Bank and Trust Company, Boston, MA  
ABA Account Number: 011-000-028  
Account Number: 4867-933-6  
Name on Account: Municipal Finance Draw Clearing  
Reference: City of Los Angeles Wastewater  
Attention: Structured Products

(v) If to Wells Fargo:

Payment Instructions -

Wells Fargo Bank, N.A.  
ABA#: 121000248  
Address: San Francisco Loan Center  
Account: 0271250720  
Reference: City of Los Angeles Wastewater

Notices –

Wells Fargo Bank, N.A.

Attention: Relationship Manager  
707 Wilshire Boulevard, 11th Floor  
Telephone: (213) 614-4911  
Facsimile: (213) 614-3555

SECTION 11.4. Survival of this Agreement. All covenants, agreements, representations and warranties made in this Agreement shall survive the extension by the Banks of the Commitment and shall continue in full force and effect so long as the Commitment shall be unexpired or any sums drawn or due thereunder or any other obligations shall be outstanding and unpaid, regardless of any investigation made by any Person and so long as any amount payable hereunder remains unpaid. The agreement of the City to indemnify the Banks under Section 6.2 hereof shall continue in full force and effect notwithstanding a termination of the Commitment, or the fulfillment of all Payment Obligations. Whenever in this Agreement the Banks are referred to, such reference shall be deemed to include the successors and assigns of the Banks and all covenants, promises and agreements by or on behalf of the City which are contained in this Agreement shall inure to the benefit of the successors and assigns of the Banks. The rights and duties of the City may not be assigned or transferred without the prior written consent of the Banks, and all obligations of the City hereunder shall continue in full force and effect notwithstanding any assignment by the City of any of its rights or obligations under any of the Program Documents or any entering into, or consent by the City to, any supplement or amendment to, or termination of, any of the Program Documents.

SECTION 11.5. Costs, Expenses and Taxes. The City agrees (i) to pay on demand all reasonable costs and expenses (including fees and disbursements of the Banks' counsel) in connection with the preparation, execution, delivery, filing, enforcement and administration of any of the Program Documents and any other instruments or agreements which may be delivered pursuant to or in connection with any waiver or amendment of, or the giving of any consent under, any of the Program Documents and such other instruments or agreements provided that the fees of Banks' counsel in connection with the preparation, execution and delivery of this Agreement shall not exceed the amount set forth in the term sheet agreed to between the City and the Bank and (ii) to pay any and all stamp and other taxes and fees payable or determined to be payable in connection with the execution, delivery, filing and recording of any of the Program Documents and such other instruments and agrees to indemnify and hold the Banks harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such taxes and fees.

SECTION 11.6. Right of Setoff; Other Collateral.

(a) Upon the occurrence and during the continuation of an Event of Default, the Banks are hereby authorized at any time and from time to time without notice to the City (any such notice being expressly waived by the City), and to the fullest extent permitted by law, to setoff, to exercise any banker's lien or any right of attachment and to apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies at any time held and other indebtedness at any time owing by the Bank to or for the account of the City (irrespective of the currency in which such accounts, monies or indebtedness may be denominated and the Banks are authorized to convert such accounts, monies and indebtedness into dollars) against any and all of the obligations of the City, whether or not the Banks shall have made any demand hereunder or thereunder.

(b) The rights of the Banks under this Section are in addition to, in augmentation of, and do not derogate from or impair, other rights and remedies (including, without limitation, other rights of set-off) which the Banks may have. The Banks agree to promptly notify the City after any such set-off and application referred to in subsection (a) above, provided that failure to give such notice shall not affect the validity of such set-off and application.

SECTION 11.7. Severability. Any provision of this Agreement which is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or nonauthorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

SECTION 11.8. Governing Law; Waiver of Jury Trial. This Agreement shall be governed by, and construed and interpreted in accordance with the laws of the State of New York; provided, that the duties and obligations of the City under this Agreement shall be governed by and construed and interpreted in accordance with the laws of the State of California, without giving effect to conflict of law principles.

Each party to this Agreement, to the fullest extent permitted by law, hereby waives its respective right to a trial by jury in any legal proceeding arising out of or relating to this Agreement or the transactions contemplated hereby. The City warrants and represents that such waiver has been intentionally, knowingly and voluntarily made, following consultation with its legal counsel. If the waiver of jury trial as set forth in this Section shall be declared void or unenforceable, each of the City and the Bank agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure.

SECTION 11.9. Participations by the Banks. Any Bank may grant participations herein or in any of its rights and security hereunder, provided that any such participation shall grant to the City the right to continue dealing solely with the Banks. Any such participant is referred to in this Agreement as a "Participant" In connection with any proposed participation, the Banks may disclose to the proposed Participant any information that the City is required to deliver to the Banks pursuant to this Agreement. The City agrees that the provisions of this Agreement shall run to the benefit of each Participant and its participations or interests herein, and the Banks may enforce such provisions on behalf of any such Participant.

SECTION 11.10. Headings. Section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

SECTION 11.11. Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, taken together; shall constitute but one and the same Agreement.

SECTION 11.12. Certain Procurement Requirements. in its performance of this Agreement, (a) each Bank shall be subject to the provisions of Los Angeles Administrative Code Section 10.8.2 relating to non-discrimination in its employment practices, and (b) at such time a Bank becomes subject to the provisions of Los Angeles Administrative Code Section 10.10 and California Family Code Section 5230, such Bank agrees to comply with such laws.

SECTION 11.13. Patriot Act. The Banks hereby notify the City that pursuant to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Patriot Act"), it is required to obtain, verify and record information that includes the name and address of the City and other information that will allow the Banks to identify the City in accordance with the Patriot Act.

IN WITNESS WHEREOF, the parties have caused this Agreement to be duly executed and delivered by their respective officers thereunto duly authorized as of the date first above written.

Attest:

CITY OF LOS ANGELES, CALIFORNIA

JUNE LAGMAY,  
City Clerk

By \_\_\_\_\_  
City Clerk

By \_\_\_\_\_  
Assistant City Administrative Officer

Approved as to Form:

CARMEN A. TRUTANICH, City Attorney

By \_\_\_\_\_  
Assistant City Attorney

STATE STREET BANK AND TRUST COMPANY

By \_\_\_\_\_  
Name:  
Title:

CALIFORNIA STATE TEACHERS' RETIREMENT  
SYSTEM

By \_\_\_\_\_  
Name:  
Title:

WELLS FARGO BANK, NATIONAL  
ASSOCIATION

By \_\_\_\_\_  
Name:  
Title:

## SCHEDULE I

### SCHEDULE OF DEALERS

1. Backstrom Mc Carley Berry & Co., LLC (MBE)/(LBE)
2. Banc of America Securities LLC (LBE)
3. De La Rosa & Co., Inc. (MBE)/(LBE)
4. Goldman, Sachs & Co. (LBE)
5. Loop Capital Markets LLC (MBE)/(LBE)
6. RBC Captial Markets LLC (LBE)
7. JPMorgan Chase & Co. (LBE)
8. Citigroup Global Markets Inc. (LBE)

**EXHIBIT A**

**[FORM OF REVOLVING LOAN NOTE]**

**NOTE**

Dated \_\_\_\_\_, 2010

Los Angeles, California

For value received, the CITY OF LOS ANGELES (the "City") promises to pay to the order of \_\_\_\_\_ (the "Bank") at \_\_\_\_\_, the aggregate unpaid principal amount of Revolving Loans made by the Bank from time to time pursuant to the Line of Credit Agreement, dated as of July 1, 2010 (together with any amendments or supplements thereto, the "Agreement"), by and among the City, STATE STREET BANK AND TRUST COMPANY, a trust company organized as a state-chartered trust company under the laws of The Commonwealth of Massachusetts, WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, and CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM, a unit of the State of California, organized under the laws of the State of California, on the dates and in the amounts provided for in the Agreement.

The City promises to pay interest on the unpaid principal amount of the Revolving Loan on the dates and at the rates provided for in the Agreement. All payments of principal and interest shall be made to the Bank in lawful money of the United States of America in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Agreement.

This note is the Revolving Loan Note referred to in the Agreement and is entitled to the benefits thereof and of the Program Documents referred to therein. As provided in the Agreement, this Revolving Loan Note is subject to prepayment, in whole or in part. In case an Event of Default (as defined in the Agreement) shall occur and be continuing the principal of and accrued interest on this Revolving Loan Note may be declared due and payable in the manner and with the effect provided in the Agreement.

The Bank agrees, by acceptance of this Revolving Loan Note, that before disposing of this Revolving Loan Note it will make a notation on the schedule attached hereto of all Revolving Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid; provided, however, that the failure to make any such notation shall not limit or otherwise affect the obligation of the City hereunder with respect to payments of principal of and interest on this Revolving Loan Note.

The general fund of the City is not liable for the payment of principal of and interest on this Revolving Loan Note, nor is the credit or taxing power of the City pledged for the payment of principal of and interest on this Revolving Loan Note. The holder of this Revolving Loan Note shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property except the Revenues (as that term is defined in the Agreement). This Revolving Loan Note is payable solely from the Revenues, the Revenues held in the SCM Fund (as defined in the Agreement) including the earnings on such Revenues and from amounts in the SCM Fund, the CP Debt Service Fund and the CP Construction Funds into which the proceeds of the Commercial Paper Notes are deposited in accordance with the Subordinate Resolution, and this Revolving Loan Note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of the City. The holder hereof shall not have the right to demand payment of this obligation from any sources or properties of the City except the Revenues, the Revenues held in the SCM Fund including the earnings on such Revenues and from amounts in the SCM Fund, the CP Debt Service Fund and the CP Construction Funds into which the proceeds of the Commercial Paper Notes are deposited in accordance with the Subordinated Resolution.

THIS REVOLVING LOAN NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

CITY OF LOS ANGELES

Attest:

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**TRANSACTIONS**  
**ON**  
**REVOLVING LOAN NOTE**

Date	Amount of Loan Made	Amount of Principal Paid	Date to Which Interest Paid	Notation Made By
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**EXHIBIT B**

**[FORM OF TERM LOAN NOTE]**

**NOTE**

Dated \_\_\_\_\_, 2010

Los Angeles, California

For value received, the CITY OF LOS ANGELES (the "City") promises to pay to the order of \_\_\_\_\_ (the "Bank") at \_\_\_\_\_, the aggregate unpaid principal amount of Term Loans made by the Bank from time to time pursuant to the Line of Credit Agreement, dated as of July 1, 2010 (together with any amendments or supplements thereto, the "Agreement"), by and among the City, STATE STREET BANK AND TRUST COMPANY, a trust company organized as a state-chartered trust company under the laws of The Commonwealth of Massachusetts, WELLS FARGO BANK, NATIONAL ASSOCIATION, a national banking association, and CALIFORNIA STATE TEACHERS' RETIREMENT SYSTEM, a unit of the State of California on the dates and in the amounts provided for in the Agreement.

The City promises to pay interest on the unpaid principal amount of the Terra Loan on the dates and at the rates provided for in the Agreement. All payments of principal and interest shall be made to the Bank in lawful money of the United States of America in immediately available funds. All capitalized terms used herein and not otherwise defined herein shall have the meanings specified in the Agreement.

This note is the Term Loan Note referred to in the Agreement and is entitled to the benefits thereof and of the Program Documents referred to therein. As provided in the Agreement, this Term Loan Note is subject to prepayment, in whole or in part. In case an Event of Default (as defined in the Agreement) shall occur and be continuing the principal of and accrued interest on this Term Loan Note may be declared due and payable in the manner and with the effect provided in the Agreement.

The Agent agrees, by acceptance of this Term Loan Note, that before disposing of this Term Loan Note it will make a notation on the schedule attached hereto of all Term Loans evidenced hereby and all principal payments and prepayments made hereunder and of the date to which interest hereon has been paid; provided, however, that the failure to make any such notation shall not limit or otherwise affect the obligation of the City hereunder with respect to payments of principal of and interest on this Term Loan Note.

The general fund of the City is not liable for the payment of principal of and interest on this Term Loan Note, nor is the credit or taxing power of the City pledged for the payment of principal of and interest on this Term Loan Note. The holder of this Term Loan Note shall not compel the exercise of the taxing power by the City or the forfeiture of any of its property except the Revenues (as that term is defined in the Agreement). This Term Loan Note is payable solely from the Revenues, the Revenues held in the SCM Fund (as defined in the Agreement) including the earnings on such Revenues and from amounts in the SCM Fund, the CP Debt Service Fund and the CP Construction Funds into which the proceeds of the Commercial Paper Notes are deposited in accordance with the Subordinated Resolution, and this Term Loan Note does not constitute a legal or equitable pledge, charge, lien or encumbrance upon any other property of the City. The holder hereof shall not have the right to demand payment of this obligation from any sources or properties of the City except the Revenues, the Revenues held in the SCM Fund including the earnings on such Revenues and from amounts in the SCM Fund, the CP Debt Service Fund and the CP Construction Funds into which the proceeds of the Commercial Paper Notes are deposited in accordance with the Subordinated Resolution.

THIS TERM LOAN NOTE SHALL BE CONSTRUED IN ACCORDANCE WITH AND GOVERNED BY THE LAWS OF THE STATE OF CALIFORNIA.

CITY OF LOS ANGELES

Attest:

By: \_\_\_\_\_  
Name:  
Title:

By: \_\_\_\_\_  
Name:  
Title:

**TRANSACTIONS**  
**ON**  
**TERM LOAN NOTE**

Date	Amount of Loan Made	Amount of Principal Paid	Date to Which Interest Paid	Notation Made By
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**EXHIBIT C**

**[FORM OF REQUEST FOR ADVANCE]**

**REQUEST FOR ADVANCE AND REVOLVING LOAN**

[Bank Contact]

Ladies and Gentlemen:

The undersigned, U.S. Bank National Association, as Issuing and Paying Agent, refers to the Line of Credit Agreement dated as of July 1, 2010 (together with any amendments or supplements thereto, the "Agreement") by and among the City of Los Angeles (the "City"), the Banks who are signatories thereto (the terms defined therein being used herein as therein defined) and hereby requests, pursuant to Section 2.2 of the Agreement, that each Bank make an Advance under the Agreement in a principal amount equal to such Bank's Percentage Liability of such Advance, and in that connection sets forth below the following information relating to each such Advance (together, the "Proposed Advances"):

1. The aggregate amount of the Proposed Advances is \$\_\_\_\_\_; and
2. The aggregate amount of the Proposed Advances shall be used solely for the payment of the principal of Commercial Paper Notes due and payable on the date of this Request and for the payment of which neither proceeds of Commercial Paper Notes (as defined in the Agreement) nor amounts in the CP Debt Service Fund (as defined in the Agreement) are available.

The Proposed Advances shall be made by the Bank by wire transfer of immediately available funds to the undersigned in accordance with the instructions set forth below:

Very truly yours,

U.S. BANK NATIONAL ASSOCIATION,  
as Issuing and Paying Agent

By: \_\_\_\_\_  
Authorized Representative

**EXHIBIT D**

**[FORM OF REQUEST FOR EXTENSION]**

**REQUEST FOR EXTENSION**

[Date]

[Bank Contact]

Ladies and Gentlemen:

Reference is made to the Line of Credit Agreement dated as of July 1, 2010 (together with any amendments or supplements thereto, the "Agreement") by and among the undersigned, the City of Los Angeles (the "City"), the Banks who are signatories thereto. All terms defined in the Agreement are used herein as defined therein.

The City hereby requests, pursuant to Section 2.7 of the Agreement, that the Commitment Expiration Date with respect to the Available Commitments as of the date hereof be extended by one year to \_\_\_\_\_, \_\_\_\_\_. Pursuant to such Section 2.7, we have enclosed with this request the following information:

1. The outstanding principal amount of the Commercial Paper Notes;
2. A reasonably detailed description of any and all Defaults that have occurred and are continuing;
3. Confirmation that all representations and warranties of the City as set forth in Article VII of the Agreement are true and correct as though made on the date hereof and that no Default or Event of Default has occurred and is continuing on the date hereof; and
4. Any other pertinent information previously requested by the Banks.

The Bank is required to notify the City and the Issuing and Paying Agent of its decision with respect to this request within 30 days of the date of receipt hereof. If the Bank fails to notify the City and the issuing and Paying Agent of the Bank's decision within such 30-day period, the Bank shall be deemed to have rejected such request.

Very truly yours,

CITY OF LOS ANGELES

By \_\_\_\_\_  
Name:  
Title:

**EXHIBIT E**

**[FORM OF NOTICE OF NO ISSUANCE]**

**NOTICE OF NO ISSUANCE**

City of Los Angeles  
200 North Main Street  
Los Angeles, California 90012

Ladies and Gentlemen:

We refer to the Line of Credit Agreement dated as of July 1, 2010 (together with any amendments or supplements thereto, the "Agreement") by and among the undersigned, the City of Los Angeles (the "City") and the Banks who are signatories thereto. Any term below which is defined in the Agreement shall have the same meaning when used herein.

We hereby notify you that an Event of Default has occurred under Section \_\_\_\_ of the Agreement. As a result, unless and until you have been advised otherwise by us:

1. No additional Commercial Paper Notes may be issued pursuant to the terms of the Subordinate Resolution; and

2. The Available Commitments are reduced to \$\_\_\_\_\_ [an amount equal to the principal amount of the outstanding Commercial Paper Notes] as of the date of this notice. The Available Commitments will be further reduced on each day on which outstanding Commercial Paper Notes mature and are paid by the principal amount of such Commercial Paper Notes.

[3. All amounts due under the Agreement, the Revolving Loan Note and the Term Loan Note are immediately due and payable.]

IN WITNESS WHEREOF, we have executed and delivered this Notice as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Very truly yours,

\_\_\_\_\_

By \_\_\_\_\_  
[Insert name and title of  
authorized officer]

By \_\_\_\_\_  
[Insert name and title of  
authorized officer]

cc: U.S. Bank National Association  
as Issuing and Paying Agent  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Administration

[ADD CURRENT DEALERS]

Standard & Poor's Rating Services  
State and Local Government Group Surveillance  
55 Water Street  
Mail Drop 38-3-10  
New York, New York 10041-0003  
Facsimile: (212) 438-2156

**EXHIBIT F**

**[FORM OF NOTICE OF TERMINATION]**

**NOTICE OF TERMINATION**

City of Los Angeles  
200 North Main Street  
Los Angeles, California 90012

Ladies and Gentlemen:

We refer to the Line of Credit Agreement dated as of July 1, 2010 (together with any amendments or supplements thereto, the "Agreement") by and among the undersigned, the City of Los Angeles (the "City") and the Banks who are signatories thereto. Any term below which is defined in the Agreement shall have the same meaning when used herein.

We hereby notify you that an Event of Default has occurred under Section \_\_\_\_ of the Agreement, As a result, unless and until you have been advised otherwise by us:

1. No additional Commercial Paper Notes may be issued pursuant to the terms of the Subordinate Resolution;

2. Each Available Commitment is hereby reduced to \$0.00 and no further Advances will be made by the Banks; and

3. The Commitment is terminated and will no longer be reinstated.

[4. All amounts due under the Agreement, the Revolving Loan Note and the Term Loan Note are immediately due and payable.]

Upon receipt of this Notice of Termination, the City shall immediately instruct the Paying Agent to send notice of the City's receipt of this Notice of Termination to noteholders (which shall be DTC so long as the notes are held in book-entry-form). The Banks shall be under no obligation to ensure or determine whether the City has caused the Notice of Termination to be sent to noteholders, and the City's failure to cause such notice to be sent shall not constitute a default under the Agreement.



IN WITNESS WHEREOF, we have executed and delivered this Notice as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Very truly yours,

\_\_\_\_\_

By \_\_\_\_\_  
[Insert name and title of  
authorized officer]

By \_\_\_\_\_  
[Insert name and title of  
authorized officer]

cc: U.S. Bank National Association  
as Issuing and Paying Agent  
100 Wall Street, Suite 1600  
New York, New York 10005  
Attention: Corporate Trust Administration

[ADD DEALERS]

Standard & Poor's Rating Services  
State and Local Government Group Surveillance  
55 Water Street  
Mail Drop 38-3-10  
New York, New York 10041-0003  
Facsimile: (212) 438-2156

**EXHIBIT G**

**[FORM OF NOTICE OF TERMINATION OR REDUCTION]**

**NOTICE OF TERMINATION OR REDUCTION**

[Date]

[Bank Contact]

Ladies and Gentlemen:

Re: Line of Credit Agreement dated as of July 1, 2010

The City of Los Angeles (the "City"), through its undersigned duly authorized officer, hereby certifies to \_\_\_\_\_ (the "Bank"), with reference to the Line of Credit Agreement dated as of July 1, 2010 (together with any amendments or supplements thereto, the "Agreement") by and among the City of Los Angeles (the "City") and the Banks who are signatories thereto (the terms defined therein and not otherwise defined herein being used herein as therein defined):

[(1) The City hereby informs you that the Commitment is terminated in accordance with the Agreement.]

OR

[(1) (a) The City hereby informs you that the Commitment is reduced from [insert amount as of the date of Certificate] to [insert new amount], such reduction to be effective on \_\_\_\_\_.

(a) Upon the foregoing reductions, the amount of the Commitment will not be less than the sum of the principal amount of all outstanding Commercial Paper Notes.]

IN WITNESS WHEREOF, the City has executed and delivered this Notice this \_\_\_\_ day of \_\_\_\_\_, \_\_\_\_\_.

CITY OF LOS ANGELES

By \_\_\_\_\_  
Name:  
Title:

cc: Standard & Poor's Rating Services  
State and Local Government Group Surveillance  
55 Water Street  
Mail Drop 38-3-10  
New York, New York 10041-0003  
Facsimile: (212) 438-2156

**EXHIBIT H**

**[FORM OF REQUEST FOR REINSTATEMENT]**

**REQUEST FOR REINSTATEMENT**

[Bank Contact]

Ladies and Gentlemen:

The undersigned, a duly authorized officer of U.S. Bank National Association (the "Issuing and Paying Agent"), hereby certifies with respect to (i) that certain Line of Credit Agreement dated as of July 1, 2010 (together with any amendments or supplements thereto, the "Agreement") by and among the City of Los Angeles (the "City") and the Banks who are signatories thereto; (ii) those certain Commercial Paper Notes (as defined in the Agreement); and (iii) that certain Amended and Restated Issuing and Paying Agent Agreement (as defined in the Agreement) (any capitalized term used herein and not defined herein shall have its respective meaning as set forth in the Agreement):

1. The undersigned is the Issuing and Paying Agent under the Amended and Restated Issuing and Paying Agent Agreement.

2. We are delivering to the Dealer(s) on this date \$ \_\_\_\_\_ in aggregate principal amount of Commercial Paper Notes.

3. Upon issuance of the Commercial Paper Notes referenced in paragraph 2 above, the aggregate amount of Commercial Paper Notes Outstanding will be \$ \_\_\_\_\_.

4. We are holding for the account of the Banks, or will be holding upon receipt of payment for the Commercial Paper Notes referenced in paragraph 2 above, for delivery to the Bank in accordance with the Amended and Restated Issuing and Paying Agent Agreement and the Issuance Request of the City the amount of \$ \_\_\_\_\_.

5. The Banks are requested to reinstate the Line of Credit by an amount equal to [the amount specified in paragraph 4].

U.S. BANK NATIONAL ASSOCIATION,  
as Issuing and Paying Agent

By: \_\_\_\_\_  
Authorized Representative

**EXHIBIT I**

**[FORM OF NOTICE OF EXTENSION]**

**NOTICE OF EXTENSION**

[Date]

City of Los Angeles  
200 North Main Street  
Los Angeles, California 90012

Ladies and Gentlemen:

We hereby notify you, on behalf of the Banks, that, pursuant to Section 2.7 of the Line of Credit Agreement, dated as of July 1, 2010, by and among the undersigned, the City of Los Angeles, and the Banks who are signatories thereto, the Commitment Expiration Date with respect to the Commitment as of the date hereof shall be extended one year, effected \_\_\_\_\_, \_\_\_\_ (the "Effective Date"). Your acknowledgment hereof shall be deemed to be your representation and warranty that all your representations and warranties contained in Article VII of the Agreement are true and correct and will be true and correct as of the Effective Date and that no Default or Event of Default has occurred and is continuing.

Very truly yours,

\_\_\_\_\_

By \_\_\_\_\_  
[Insert name and title of  
authorized officer]

By \_\_\_\_\_  
[Insert name and title of  
authorized officer]

Acknowledged as of \_\_\_\_\_, \_\_\_\_ by

CITY OF LOS ANGELES

By: \_\_\_\_\_  
Title: \_\_\_\_\_

## ATTACHMENT B

### Resolution

RESOLUTION OF THE COUNCIL OF THE CITY OF LOS ANGELES APPROVING THE EXECUTION OF A NEW CREDIT FACILITY AND THE EXTENSION OF AN EXISTING CREDIT FACILITY FOR THE 2008 WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS, VARIABLE RATE REFUNDING AND CERTAIN OTHER MATTERS

WHEREAS, the City of Los Angeles (the "City") is a municipal corporation 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 (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 a wastewater system that includes sewers, pipes, buildings, systems, plants, works, equipment, improvements and other facilities and undertakings of the City relating to the collection, transportation, treatment and disposal of sewage and wastewater, industrial wastewater and filtration/inflows incidental thereto (such system with all future additions, extensions and improvements thereto, the "System"); and

WHEREAS, the City has previously issued \$444,600,000 of its wastewater system subordinated revenue bonds and designated the "Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-A" (the "Series 2008-A Subordinate Bonds"), "Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-B" (the "Series 2008-B Subordinate Bonds"), "Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-C" (the "Series 2008-C Subordinate Bonds"), "Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-D" (the "Series 2008-D Subordinate Bonds"), "Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-E" (the "Series 2008-E Subordinate Bonds"), "Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-F-1" (the "Series 2008-F-1 Subordinate Bonds"), "Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-F-2" (the "Series 2008-F-2 Subordinate Bonds"), "Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-G" (the "Series 2008-G Subordinate Bonds") and "Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-H" (the "Series 2008-H Subordinate Bonds" and together with the Series 2008-A Subordinate Bonds, the Series 2008-B Subordinate Bonds, the Series 2008-C Subordinate Bonds, Series 2008-D Subordinate Bonds, Series 2008-E Subordinate Bonds, Series 2008-F-1 Subordinate Bonds, the Series 2008-F-2 Subordinate Bonds and the Series 2008-G Subordinate Bonds, the "Series 2008 Subordinate Bonds"); and

WHEREAS, payment of principal, purchase price and mandatory sinking fund redemption price of and interest on the Series 2008-A Subordinate Bonds, the Series 2008-B Subordinate Bonds, the Series 2008-C Subordinate Bonds, the Series 2008-D Subordinate Bonds and the Series 2008-E Subordinate Bonds is currently supported by irrevocable direct-pay letters of credit (collectively, the "ScotiaBank Credit Facilities") issued by The Bank of Nova Scotia, acting through its New York Agency ("ScotiaBank"), which expires on August 1, 2010.

WHEREAS, payment of principal, purchase price and mandatory sinking fund redemption price of and interest on the Series 2008-F-1 Subordinate Bonds, Series 2008-F-2 Subordinate Bonds, the Series 2008-G Subordinate Bonds and the Series 2008-H Subordinate

Bonds is currently supported by separate irrevocable direct-pay letters of credit (collectively, the "Bank of America Credit Facilities") issued by Bank of America, N.A., which expire on August 1, 2010;

WHEREAS, the City has determined to be in its best interest to replace the ScotiaBank Credit Facilities with irrevocable direct-pay letters of credit issued by JPMorgan Chase Bank, N.A., and to extend the term of the Bank of America Credit Facilities; and

WHEREAS, the City proposes to circulate for approval of Bondholders and Insurers a form of Supplemental Resolution attached hereto as Attachment 1 which this Council intends to adopt in substantially such form when all required consents have been obtained;

NOW, THEREFORE, be it resolved by the Council as follows:

Section 1. Approval of Reimbursement Agreements. The form of the First Amendment to the Reimbursement Agreement with Bank of America N.A., and the form of the Reimbursement Agreement with JPMorgan Chase Bank, N.A., with an attached form of direct pay letter of credit, in substantially the forms before this Council ("collectively the "Reimbursement Agreements") are hereby approved. The City Administrative Officer and each Assistant City Administrative Officer (each an "Authorized City Representative") is hereby authorized to execute and enter into the Reimbursement Agreements with such changes as said Authorized City Representative, upon the advice of counsel, deems necessary and appropriate. The signature of any Authorized City Representative shall be sufficient to bind the City and cause each Reimbursement Agreements to be a valid and binding obligations of the City.

Any Authorized City Representative is further authorized to execute and deliver one or more amendments to the Reimbursement Agreements for the purpose of extending the scheduled expiration date thereof for any duration of time deemed necessary, advisable or prudent thereby and modifying such other terms as may be necessary or appropriate by the executing officer, provided that no such amendment shall require the payment of an annual commitment fee in excess of 1.25% (based on the then current ratings of the Series 2008 Subordinate Bonds) of the amount permitted to be drawn thereunder without the approval of this Council. In the event the ratings of JPMorgan Chase Bank, N.A., or Bank of America N.A. are downgraded such that it adversely affects the remarketing of the Series 2008 Subordinate Bonds, any Authorized City Representative is authorized to execute and enter into a new reimbursement agreement in substantially the form of the Reimbursement Agreement provided no such reimbursement agreement shall require the payment of an annual commitment fee in excess of 1.25%. The signature of any Authorized City Representative shall be sufficient to bind the City and cause such amendments to be a valid and binding obligations of the City.

Section 2. Appointment of Remarketing Agents. In order to assure the continued remarketing of the Series 2008 Subordinate Bonds at the lowest practical costs to the City and otherwise in the best interest of the City, any Authorized City Representative is authorized to appoint, from time to time, one or more remarketing agents for one or more series of the Series 2008 Subordinate Bonds, so long as the new Remarketing Agent is on the City's approved list of underwriters, as the same may be changed from time to time.

Section 3. Supplement to Official Statement. The form of the Supplement to Official Statement relating to the Series 2008 Subordinate Bonds (the "Official Statement Supplement"), submitted to this meeting is hereby approved, with such changes as may be approved by the Authorized City Representatives. Said Authorized City Representatives are also hereby authorized and directed to cause the printing and delivery of the Official Statement Supplement and the distribution of the Official Statement Supplement is hereby approved.

Section 4. Additional Actions. All actions heretofore taken by any officers, employees, agents or directors of the City, with respect to the negotiation, execution and delivery of the Reimbursement Agreements, or in connection with any amendment thereto, or in connection with respect to the remarketing of the Series 2008 Subordinate Bonds, including (without limitation) the execution of a new remarketing agreement (substantially in form of the previously approved form), and the making of any filings with the Municipal Securities Rulemaking Board, are hereby approved, confirmed and ratified; and the officers of the City and their authorized representatives, and each of the foregoing acting alone is, hereby authorized and directed, for and in the name and on behalf of the City, to do any and all things and to take any and all actions, including distributing notices and soliciting consents related to the proposed Supplemental Resolution, and to execute and deliver such documents, agreements and certificates, which they, or any of them, may deem necessary or advisable to effectuate the purposes of this Resolution.

Section 5. Attestation by the City Clerk. The City Clerk is hereby authorized and directed to attest the signature of any Authorized City Officer, as may be required or appropriate in connection with the execution and delivery of the Reimbursement Agreements or related documents.

I hereby certify that the foregoing resolution was adopted by the Council of the City of Los Angeles, California, at a meeting thereof duly held on the 18th day of June, 2010.

JUNE LAGMAY  
CITY CLERK

By: \_\_\_\_\_  
Deputy City Clerk

Approved as to form:

CARMEN A. TRUTANICH  
CITY ATTORNEY

By: \_\_\_\_\_  
Assistant City Attorney



ATTACHMENT B  
EXHIBIT A

Supplemental Resolution

THE COUNCIL OF THE CITY OF LOS ANGELES

[ ] SUPPLEMENTAL RESOLUTION

Adopted by the Council of the City

\_\_\_\_\_, 2010

SUPPLEMENTING THE

WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION

Which Was

Adopted by the Council of the City

March 26, 1991

[ ] SUPPLEMENTAL RESOLUTION

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(This table of contents is not part of the [ ] 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 [ ] Supplemental Resolution.)

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[ ] SUPPLEMENTAL RESOLUTION

Providing for

Amendments relating to Section 1.01 and Section 6.03 of the  
Wastewater System Subordinate Revenue Bonds General Resolution

WHEREAS, the Council (the "Council") of the City of Los Angeles (the "City"), by resolution adopted 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, Section 54300 et seq. of the California Government Code for the purpose of financing a portion of a major wastewater system improvement program; and

WHEREAS, the Council on November 10, 1987 adopted a resolution designated as the "WASTEWATER SYSTEM REVENUE BONDS GENERAL RESOLUTION," (as amended and supplemented from time to time, 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 (as defined in the General Resolution and sometimes referred to herein as the "Senior Lien Bonds") issued thereunder; and

WHEREAS, the Council on March 26, 1991 adopted a resolution designated as the "WASTEWATER SYSTEM SUBORDINATE REVENUE BONDS GENERAL RESOLUTION" (as amended and supplemented from time to time, 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, 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, provided that certain conditions set forth in Section 11.03 of the Subordinate General Resolution have been satisfied, and the City has been advised by bond counsel that the proposed terms of this [ ] Supplemental Resolution (this "[ ] Supplemental Resolution") may adversely affect the interests of the Bondholders thus requiring the majority consent of the Bondholders of all Series, as well as the consent of any bond insurers; and

WHEREAS, this [ ] Supplemental Resolution will become effective when all conditions of Article XI have been satisfied as evidenced by the delivery of the approving opinion of Bond Counsel pursuant to Section 11.03(d) 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 [\_\_\_\_\_] 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 and shall be hereby added to Section 1.01 of the Subordinate General Resolution:

#### “Build America Bonds”

The term “Build America Bonds” means 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 of the Subordinate Bonds.

#### “Direct Subsidy Bonds”

The term “Direct Subsidy Bonds” includes Build America Bonds and Recovery Zone Economic Develop Bonds”

#### “Recovery Zone Economic Development Bonds”

The term “Recovery Zone Economic Development Bonds” means 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 of the Subordinate Bonds.

#### “Refundable Credits”

The term “Refundable Credits” means (a) with respect to a Series of Subordinate Bonds issued as Build America Bonds under Section 54AA of the Code or a Series of Subordinate Bonds issued as Recovery Zone Economic Development bonds under Section 1400U-2 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 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.

(b) The definition of "Maximum Annual Debt Service" in Section 1.01 of the Subordinate General Resolution is hereby amended as follows by adding the following paragraph (vii) to the end of the definition of such term:

(vii) For the purpose of calculating Maximum Annual Debt Service, in determining the amount of interest coming due during any twelve-month period ending June 30 on any Series of 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).

## ARTICLE II

### RATE COVENANT

Section 2.01. Amendment Relating to Section 6.03 of the Subordinate General Resolution. The following sentence is hereby added to the end of Section 6.03 of the Subordinate General Resolution: For the purpose of calculating actual debt service becoming 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 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).

## ARTICLE III

### MISCELLANEOUS

Section 3.01. 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 General Resolution and the Subordinate General Resolution shall have the same meanings in this [ ] Supplemental Resolution as in the General Resolution and the Subordinate General Resolution. Except as otherwise provided in any Supplemental Resolution hereafter adopted, all terms which are defined in this [ ] Supplemental Resolution, unless the context otherwise requires, shall have the same meanings in such Supplemental Resolution as in this [ ] Supplemental Resolution.

Section 3.02. Article and Section References. Except as otherwise indicated, references to Articles and Sections are to Articles and Sections of this [ ] Supplemental Resolution. Supplemental Resolution a Contract. This [ ] Supplemental Resolution, 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 Bondholders. Severability. If any provision of this [ ] Supplemental Resolution shall be determined to be unenforceable, that shall not affect any other provision of this [ ] Supplemental

Resolution. Nothing herein shall preclude one or more of the provisions of this [ ] Supplemental Resolution, with the approval required by the Subordinate General Resolution, from becoming effective prior to the effective date of any other provision. The City shall promptly inform the Paying Agent and Bondholders in the event that consent has been secured for one or more of the provisions of this [ ] Supplemental Resolution.

Section 3.05. Governing Law. This [ ] Supplemental Resolution shall be governed by and construed in accordance with the laws of the State.

Section 3.06. Captions. The captions in this [ ] Supplemental Resolution are for convenience only and do not define or limit the scope or intent of any provisions or Sections of this [ ] Supplemental Resolution.

Section 3.07. Effective Date. This [ ] Supplemental Resolution, or any portion hereof, shall take effect on the date on which the written consent of the Owners of a majority in aggregate amount of the Subordinate Bonds then Outstanding and of each Credit Provider have been filed with the Paying Agent, and the other requirements contained in Article XI of the Subordinate General Resolution have been satisfied.

PASSED AND ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2010, by the following vote:

ATTACHMENT B  
EXHIBIT B

Official Statement Supplement Number 1



**OFFICIAL STATEMENT SUPPLEMENT NO. 1**

[DAC Logo]  
**OFFICIAL STATEMENT SUPPLEMENT NO. 1, DATED JUNE 1, 2010**

NOT A NEW ISSUE

**RATINGS:**

See inside cover page and "Ratings" herein



**\$442,980,000**  
**(Outstanding Principal Amount)**  
**CITY OF LOS ANGELES**  
**Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding**

<b>\$84,140,000</b> Series 2008-A	<b>\$69,300,000</b> Series 2008-B	<b>\$49,505,000</b> Series 2008-C	<b>\$31,685,000</b> Series 2008-D
<b>\$10,065,000</b> Series 2008-E	<b>\$68,510,000</b> Series 2008-F-1	<b>\$57,115,000</b> Series 2008-F-2	<b>\$36,330,000</b> Series 2008-G
			<b>\$36,330,000</b> Series 2008-H

**Dated: Date of Original Delivery**  
**(April 28, 2008)**

**Due: June 1, as shown on the inside cover**

This Official Statement Supplement No. 1 (this "Supplement") sets forth certain information supplementary to that information contained in the Official Statement dated April 28, 2008 (the "Original Official Statement"), relating to the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding, Series 2008 in the various series identified above (the "Series 2008 Subordinate Bonds" and each a "Series"). The 2008 Subordinate Bonds were issued pursuant to the Charter of the City of Los Angeles, California Government Code, Sections 53570 *et seq.*, and the Wastewater System Subordinate Revenue Bonds General Resolution, adopted by the Council of the City on March 26, 1991 (the "Subordinate General Resolution"), as amended and supplemented. The Series 2008 Subordinate Bonds have such other terms as are provided in the Paying Agent Agreement, dated as of May 1, 2008, by and between the City and U.S. Bank National Association, as paying agent, all as described in the Original Official Statement.

The proceeds of the Series 2008 Subordinate Bonds were used to refund a portion of the City's Outstanding Wastewater System Subordinate Revenue Bonds, and to pay certain costs of issuing the Series 2008 Subordinate Bonds.

Information with respect to the Series 2008 Subordinate Bonds is contained in the Original Official Statement, as supplemented by this Supplement. This Supplement should be read together with the Original Official Statement (a copy of which is attached hereto as Appendix A and incorporated herein by reference). To the extent that the information in this Supplement conflicts with the information in the Original Official Statement, this Supplement shall govern. No attempt has been made to update the Original Official Statement except as specifically set forth in this Supplement. Unless otherwise defined in this Supplement, all terms used herein shall have the same meanings as those terms in the Original Official Statement.

The Series 2008 Subordinate Bonds are currently in a Weekly Mode.

Payment of principal, purchase price and mandatory sinking fund redemption price of and interest on the Series 2008-A Subordinate Bonds, the Series 2008-B Subordinate Bonds, the Series 2008-C Subordinate Bonds, the Series 2008-D Subordinate Bonds and the Series 2008-E Subordinate Bonds is currently supported by separate irrevocable direct-pay letters of credit (collectively, the "ScotiaBank Credit Facilities") issued by The Bank of Nova Scotia, acting through its New York Agency. The Scotia Bank Credit Facilities expire on August 1, 2010. From and after August 1, 2010, the ScotiaBank Credit Facilities will be replaced by irrevocable direct pay letters of credit (collectively, the "JPMorgan Credit Facilities") issued by JPMorganChase Bank, N.A., which will expire on July \_\_, 2012, as described herein. The foregoing Series 2008 Subordinate Bonds will be subject to mandatory tender on August 1, 2010.

Payment of principal, purchase price and mandatory sinking fund redemption price of and interest on the Series 2008-F-1 Subordinate Bonds, the Series 2008-F-2 Subordinate Bonds, the Series 2008-G Subordinate Bonds and the Series 2008-H Subordinate Bonds is supported by separate irrevocable direct-pay letters of credit (collectively, the "Bank of America Credit Facilities" and together with the JPMorgan Credit Facilities, the "New Credit Facilities") issued by Bank of America, N.A. Effective August 1, 2010, the expiration date of the Bank of America Credit Facilities will be extended to July \_\_, 2012, as described herein. The foregoing Series 2008 Subordinate Bonds will be subject to mandatory tender on August 1, 2010.

[JPMorganChase Logo]

[Bank of America Logo]

Certain legal matters in connection with the delivery of the New Credit Facilities will be passed upon for the City by Sidley Austin LLP, San Francisco, California, Bond Counsel. Certain legal matters for the City will be passed upon by Carmen Trutanich, City Attorney. Certain legal matters will be passed upon for JPMorgan Chase Bank, N.A. and for Bank of America, N.A. by their counsel, Fulbright & Jaworski L.L.P., Los Angeles, California.

<b>JPMorgan</b> Series 2008-A Subordinate Bonds Remarketing Agent	<b>Barclays Capital</b> Series 2008-B Subordinate Bonds Remarketing Agent	<b>De La Rosa &amp; Co.</b> Series 2008-C Subordinate Bonds Remarketing Agent	<b>Stone &amp; Youngberg LLC</b> Series 2008-D Subordinate Bonds Remarketing Agent
<b>Backstrom McCarley Berry &amp; Co.</b> Series 2008-E Subordinate Bonds Remarketing Agent	<b>BofA Merrill Lynch</b> Series 2008-F Subordinate Bonds Remarketing Agent	<b>Loop Capital Markets, LLC</b> Series 2008-G Subordinate Bonds Remarketing Agent	<b>Jackson Securities, LLC</b> Series 2008-H Subordinate Bonds Remarketing Agent

Dated: June \_\_, 2010

**\$442,980,000**  
**(Outstanding Principal Amount)**  
**CITY OF LOS ANGELES**  
**Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding**

**Base CUSIP<sup>†</sup>: 544652**

<u>Series</u>	<u>Maturity (June 1)</u>	<u>CUSIP<sup>†</sup></u>	<u>Original Principal Amount</u>	<u>Outstanding Principal Amount</u>	<u>Underwriter and Remarketing Agent</u>	<u>Credit Facility Provider</u>	<u>Ratings<sup>*</sup></u>	<u>Ratings (Underlying)<sup>†</sup></u>
2008-A	2028	2P4	\$84,730,000	\$84,140,000	J.P. Morgan Securities Inc.	JPMorgan Chase Bank, N.A.	Aa1/VMIG1; AA-/A-1+;	A1; AA-; AA-
2008-B	2028	2Q2	\$69,780,000	\$69,300,000	Barclays Capital	JPMorgan Chase Bank, N.A.	Aa1/VMIG1; AA-/A-1+;	A1; AA-; AA-
2008-C	2028	2R0	\$49,840,000	\$49,505,000	De La Rosa & Co.	JPMorgan Chase Bank, N.A.	Aa1/VMIG1; AA-/A-1+;	A1; AA-; AA-
2008-D	2028	2S8	\$31,900,000	\$31,685,000	Stone & Youngberg LLC	JPMorgan Chase Bank, N.A.	Aa1/VMIG1; AA-/A-1+;	A1; AA-; AA-
2008-E	2028	2T6	\$10,065,000	\$10,065,000	Backstrom McCarley Berry & Co.	JPMorgan Chase Bank, N.A.	Aa1/VMIG1; AA-/A-1+;	A1; AA-; AA-
2008-F-1	2028	2U3	\$68,510,000	\$68,510,000	Banc of America Securities LLC	Bank of America	Aaa/VMIG1, AA+/A-1+;	A1; AA-; AA-
2008-F-2	2032	2V1	\$57,115,000	\$57,115,000	Banc of America Securities LLC	Bank of America	Aaa/VMIG1, AA+/A-1+;	A1; AA-; AA-
2008-G	2032	2W9	\$36,330,000	\$36,330,000	Loop Capital Markets, LLC	Bank of America	Aaa/VMIG1, AA+/A-1+;	A1; AA-; AA-
2008-H	2032	2X7	\$36,330,000	\$36,330,000	Jackson Securities, LLC	Bank of America	Aaa/VMIG1, AA+/A-1+;	A1; AA-; AA-

<sup>\*</sup> Ratings of Moody's Investors Service, Inc., Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc., and Fitch Ratings, respectively.  
<sup>†</sup> Copyright 2008, American Bankers Association. CUSIP data is provided by Standard & Poor's CUSIP Service Bureau, a Division of the McGraw-Hill Companies, Inc., and is set forth herein for convenience of reference only. The City, the Remarketing Agents and the Credit Facility Providers do not assume responsibility for the accuracy of such numbers.

[Discuss]

**CITY OF LOS ANGELES**

---

***Mayor***

Antonio R. Villaraigosa

***City Council***

Ed P. Reyes (District 1)  
Paul Krekorian (District 2)  
Dennis P. Zine (District 3)  
Tom LaBonge (District 4)  
Paul Koretz (District 5)

Tony Cárdenas (District 6)  
Richard Alarcón (District 7)  
Bernard C. Parks (District 8)  
Jan Perry (District 9)  
Herb J. Wesson, Jr. (District 10)

Bill Rosendahl (District 11)  
Greig Smith (District 12)  
Eric Garcetti (District 13)  
José Huizar (District 14)  
Janice Hahn (District 15)

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***City Officials***

Carmen A. Trutanich, *City Attorney*  
Wendy Greuel, *City Controller*  
Miguel A. Santana, *City Administrative Officer*  
June Lagmay, *City Clerk*  
Joya C. De Foor, *City Treasurer*

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***Board of Public Works***

Andrea A. Alarcón, Vice President  
Paula A. Daniels, Commissioner  
Cynthia M. Ruiz, President  
Steven T. Nutter, Commissioner  
Valerie Lynne Shaw, Commissioner

*Bureau of Engineering*

Gary Lee Moore, P.E.  
City Engineer

*Bureau of Sanitation*

Enrique C. Zaldivar  
Director

*Office of Accounting*

Victoria A. Santiago  
Director

---

***Special Services***

**ISSUER**

City Administrative Officer of the City of Los Angeles  
Debt Management Group  
Los Angeles, California

**BOND COUNSEL**

Sidley Austin LLP  
San Francisco, California

**FISCAL AGENT**

Treasurer of the City of Los Angeles  
Los Angeles, California

**PAYING AGENT**

U.S. Bank National Association  
Los Angeles, California

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OFFICIAL STATEMENT SUPPLEMENT NO. 1, DATED JUNE \_\_, 2010 RELATING TO

**\$442,980,000**  
**(Outstanding Principal Amount)**  
**CITY OF LOS ANGELES**

**Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding**

<b>\$84,140,000</b> Series 2008-A	<b>\$69,300,000</b> Series 2008-B	<b>\$49,505,000</b> Series 2008-C	<b>\$31,685,000</b> Series 2008-D
<b>\$10,065,000</b> Series 2008-E	<b>\$68,510,000</b> Series 2008-F-1	<b>\$57,115,000</b> Series 2008-F-2	<b>\$36,330,000</b> Series 2008-G
			<b>\$36,330,000</b> Series 2008-H

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**INTRODUCTION**

The purpose of this Official Statement Supplement No. 1 (this "Supplement") is to supplement the Official Statement dated April 28, 2008 (the "Original Official Statement"), relating to the City of Los Angeles Wastewater System Subordinate Revenue Bonds, Variable Rate Refunding, Series 2008 in the various series identified above (the "Series 2008 Subordinate Bonds" and each a "Series") in the original aggregate principal amount of \$444,600,000. The Series 2008 Subordinate Bonds are currently outstanding in the aggregate principal amount of \$442,980,000. All amounts shown in this Supplement reflect the current outstanding principal amount of such bonds. This Supplement provides information concerning the substitution, as of August 1, 2010, of separate irrevocable direct pay letters of credit issued by JPMorgan Chase Bank, N.A. (the "JPMorgan Chase Credit Facilities") to provide for the payment of principal, purchase price and mandatory sinking fund redemption price of and interest on the Series 2008-A Subordinate Bonds, the Series 2008-B Subordinate Bonds, the Series 2008-C Subordinate Bonds, the Series 2008-D Subordinate Bonds and the Series 2008-E Subordinate Bonds (collectively, the "Series 2008-ABCD&E Subordinate Bonds"). The new JPMorgan Chase Credit Facilities will expire on July \_\_, 2012. The Series 2008-ABCD&E Subordinate Bonds are currently secured by direct pay letters of credit issued The Bank of Nova Scotia, acting through its New York Agency (the "ScotiaBank Credit Facilities"), which expire on August 1, 2010.

This Supplement also provides information concerning the extension of separate irrevocable direct pay letters of credit issued by Bank of America, N.A., (the "Bank of America Credit Facilities" and together with the JPMorgan Chase Credit Facilities, the "New Credit Facilities" and each a "Credit Facility") through July \_\_, 2012. The Bank of America Credit Facilities support payment of principal, purchase price and mandatory sinking fund redemption price of and interest on the Series 2008-F-1 Subordinate Bonds, the Series 2008-F-2 Subordinate Bonds, the Series 2008-G Subordinate Bonds and the Series 2008-H Subordinate Bonds (collectively, the "Series 2008 FG&H Subordinate Bonds").

This Supplement also provides information about JPMorgan Chase Bank, N.A. ("JPMorgan") and Bank of America N.A. ("Bank of America" and together with JPMorgan, the "Credit Facility Providers" or, individually, a "Credit Facility Provider"), which has been provided by the respective banks. See "JPMorgan Chase Bank, N.A." and "Bank of America N.A." below.

Information with respect to the Series 2008 Subordinate Bonds is contained in the Original Official Statement, as supplemented by this Supplement. This Supplement should be read together with the Original Official Statement (a copy of which is attached hereto as Appendix A and incorporated herein by reference). To the extent that the information in this Supplement conflicts with the information in the Original Official Statement, this Supplement shall govern. No attempt has been made to update the

Original Official Statement except as specifically set forth in this Supplement. Unless otherwise defined in this Supplement, all terms used herein shall have the same meanings as those terms in the Original Official Statement.

The Series 2008 Subordinate Bonds are currently in a Weekly Mode.

Payment of principal, purchase price and mandatory sinking fund redemption price of and interest on the Series 2008 Subordinate Bonds is currently supported by the ScotiaBank Credit Facilities issued by The Bank of Nova Scotia, acting through its New York Agency ("ScotiaBank"). The Scotia Bank Credit Facilities expire on August 1, 2010. From and after August 1, 2010, the ScotiaBank Credit Facilities will be replaced by the JPMorgan Credit Facilities, which will expire on July \_\_, 2012, as described herein. The Series 2008 ABCD&E Subordinate Bonds will be subject to mandatory tender on August 1, 2010.

Payment of principal, purchase price and mandatory sinking fund redemption price of and interest on each Series of the Series 2008-FG&H Subordinate Bonds is supported by the Bank of America Credit Facilities issued by Bank of America. Effective August 1, 2010, the expiration date of the Bank of America Credit Facilities will be extended to July \_\_, 2012, as described herein. The Series 2008 FG&H Subordinate Bonds will be subject to mandatory tender on August 1, 2010.

The City expects to issue additional Senior Lien Bonds and Subordinate Bonds in August 2010 in the aggregate principal amount of \$\_\_\_\_\_ to refund all or a portion of its outstanding commercial paper notes, outstanding Senior Lien Bonds and outstanding Subordinate Bonds and to finance certain improvements to the System. No assurances can be given that such bonds will be issued for such purposes.

## **THE NEW CREDIT FACILITIES**

**POTENTIAL PURCHASERS OF THE SERIES 2008 SUBORDINATE BONDS SHOULD MAKE ANY DECISION WITH RESPECT TO THE PURCHASE, HOLDING OR TENDER OF SUCH SERIES 2008 SUBORDINATE BONDS BASED SOLELY UPON THE CREDIT OF THE CREDIT FACILITY PROVIDERS OR ANY ALTERNATE CREDIT FACILITY PROVIDER AND NOT THE CITY OR THE SYSTEM. CERTAIN INFORMATION INCLUDED IN THIS SUPPLEMENT WITH RESPECT TO THE CITY OR THE SYSTEM IS FOR INFORMATIONAL PURPOSES ONLY.**

### **Substitution of the JPMorgan Credit Facilities**

Payment of principal, purchase price and mandatory sinking fund redemption price of and interest on each Series of the Series 2008-ABCD&E Subordinate Bonds is currently supported by the ScotiaBank Credit Facilities. The Scotia Bank Credit Facilities expire on August 1, 2010. From and after August 1, 2010, the ScotiaBank Credit Facilities will be replaced by the JPMorgan Credit Facilities issued by JPMorgan pursuant to a Reimbursement Agreement, dated as of July 1, 2010 by and between the City and JPMorgan. The Reimbursement Agreement will be substantially in the form of the Reimbursement Agreement entered into with ScotiaBank, which is described in the Original Official Statement under the caption "THE CREDIT FACILITIES AND REIMBURSEMENT AGREEMENTS."

Each of the JPMorgan Credit Facilities will be effective on August 1, 2010, and will expire on July \_\_, 2012. Each of such JPMorgan Credit Facilities will be issued in an amount equal to the aggregate principal amount of the outstanding Series 2008-ABCD&E Subordinate Bonds, plus 34 days' interest at a rate of 12% per annum. The JPMorgan Credit Facilities will be in substantially identical form to the ScotiaBank Credit Facilities, which are described in the Original Official Statement under the caption "THE CREDIT FACILITIES AND REIMBURSEMENT AGREEMENTS."

## **Extension of the Bank of America Credit Facilities**

Payment of principal, purchase price and mandatory sinking fund redemption price of and interest on each Series of the Series 2008-FG&H Subordinate Bonds is supported by the Bank of America Credit Facilities issued by Bank of America. Effective August 1, 2010, the expiration date of the Bank of America Credit Facilities will be extended to July \_\_, 2012. The terms of the Bank of America Credit Facilities and the related Reimbursement Agreement will otherwise remain unchanged from the original document as described in the Original Official Statement under the caption "THE CREDIT FACILITIES AND REIMBURSEMENT AGREEMENTS," (other than, in the case of the Reimbursement Agreement, provisions relating to the compensation paid to Bank of America and certain other changes which are not material to Bondholders).

## **INFORMATION CONCERNING THE CREDIT FACILITY PROVIDERS**

*The information under this caption has been furnished by JPMorgan and Bank of America, respectively, and no representation is made by the City or the Remarketing Agents as to the accuracy or completeness of such information. No representation is made by the City or the Remarketing Agents as to its accuracy or completeness or the adequacy of such information and no representation is made by the City or the Remarketing Agents as to the absence of material adverse changes in such information subsequent to the date hereof, or that the information given below or incorporated herein by reference is correct as of any time subsequent to its date.*

### **JPMorgan Chase Bank, National Association**

JPMorgan Chase Bank, National Association ("JPMorgan") is a wholly owned bank subsidiary of JPMorgan Chase & Co., a Delaware corporation whose principal office is located in New York, New York. JPMorgan offers a wide range of banking services to its customers, both domestically and internationally. It is chartered and its business is subject to examination and regulation by the Office of the Comptroller of the Currency.

As of March 31, 2010, JPMorgan Chase Bank, National Association, had total assets of \$1,674.5 billion, total net loans of \$543.5 billion, total deposits of \$1,020.6 billion, and total stockholder's equity of \$127.5 billion. These figures are extracted from JPMorgan's unaudited Consolidated Reports of Condition and Income (the "Call Report") as of March 31, 2010, prepared in accordance with regulatory instructions that do not in all cases follow U.S. generally accepted accounting principles, which are filed with the Federal Deposit Insurance Corporation. The Call Report, including any update to the above quarterly figures, can be found at [www.fdic.gov](http://www.fdic.gov).

Additional information, including the most recent annual report on Form 10-K for the year ended December 31, 2009, of JPMorgan Chase & Co., the 2009 Annual Report of JPMorgan Chase & Co., and additional annual, quarterly and current reports filed with or furnished to the Securities and Exchange Commission (the "SEC") by JPMorgan Chase & Co., as they become available, may be obtained without charge by each person to whom this Supplement is delivered upon the written request of any such person to the Office of the Secretary, JPMorgan Chase & Co., 270 Park Avenue, New York, New York 10017 or at the SEC's website at [www.sec.gov](http://www.sec.gov).

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The information contained in this Supplement relates to and has been obtained from JPMorgan. The delivery of this Supplement shall not create any implication that there has been no change in the



affairs of the JPMorgan since the date hereof, or that the information contained or referred to in this Supplement is correct as of any time subsequent to its date.

Bank of America N.A. [to come]

## TENDER AND PURCHASE OF THE SERIES 2008 SUBORDINATE BONDS

### Purchase of Series 2008 Subordinate Bonds

**General.** The Series 2008 Subordinate Bonds are subject to purchase upon tender by the owners thereof and subject to mandatory purchase pursuant to the terms of the Paying Agent Agreement and as described herein. The purchase price of tendered Series 2008 Subordinate Bonds while bearing interest during the Daily Mode, the Weekly Mode, the Short-Term Mode and the Long Mode is payable from the proceeds of remarketing of the Series 2008 Subordinate Bonds and, to the extent remarketing proceeds are insufficient or not available therefor, from amounts available under the applicable Credit Facility and thereafter from such applicable Alternate Credit Facilities as may be obtained by the City to provide for payment of the purchase price of the applicable Series of Series 2008 Subordinate Bonds. See “— Notice of Series 2008 Subordinate Bonds Delivered for Purchase; Purchase of Series 2008 Subordinate Bonds” herein.

**Optional Tender During Daily Rate Period.** During any Daily Rate Period, any Series 2008 Subordinate Bond of a Series (other than a Provider Bond) will be purchased from its holder at the option of the holder on any Business Day that the applicable Credit Facility is in effect at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase will be an Interest Accrual Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Paying Agent at its Corporate Trust Office and to the Remarketing Agent by no later than 10:00 a.m., New York time, on such Business Day, of an irrevocable written notice (or a telephonic notice confirmed by a written notice) which states the principal amount of such Series 2008 Subordinate Bond of such Series and acknowledges that the Series 2008 Subordinate Bond of such Series will be purchased on such date.

**Optional Tender During Weekly Rate Period.** During any Weekly Rate Period, any Series 2008 Subordinate Bond of a Series (other than a Provider Bond) will be purchased from its holder at the option of the holder on any Business Day that the applicable Credit Facility is in effect at a purchase price equal to the principal amount thereof plus accrued interest, if any, from and including the Interest Accrual Date immediately preceding the date of purchase through and including the day immediately preceding the date of purchase, unless the date of purchase will be an Interest Accrual Date, in which case at a purchase price equal to the principal amount thereof, payable in immediately available funds, upon delivery to the Paying Agent at its Corporate Trust Office of an irrevocable written notice which states the principal amount of such Series 2008 Subordinate Bond of such Series and the date on which the same will be purchased, which date will be a Business Day not prior to the seventh day next succeeding the date of the delivery of such notice to the Paying Agent. Any notice delivered to the Paying Agent after 4:00 p.m., New York time, will be deemed to have been received on the next succeeding Business Day.

**Mandatory Tender for Purchase upon Termination, Expiration or Replacement of the Credit Facilities.** Each Series 2008 Subordinate Bond of a Series that is subject to purchase under a Credit Facility will be subject to mandatory tender for purchase and will be purchased or deemed purchased as provided in the Paying Agent Agreement (1) on the fifth (5th) day prior to the scheduled expiration or termination of such Credit Facility, (ii) on the date such Credit Facility is replaced with an Alternate

Credit Facility and (iii) on the date set forth in a notice from the applicable Credit Facility Provider to the Paying Agent (which date will be not less than five days after receipt of such notice by the Paying Agent) that an "Event of Default" has occurred under the applicable Credit Facility and directing the Paying Agent to cause a mandatory tender for purchase of such Series 2008 Subordinate Bonds on a date no later than the Business Day preceding the expiration of the Credit Facility caused by such Event of Default.

#### **Notice Requirements Relating to Tender or Purchase**

*Notice of Mandatory Tender for Purchase.* In connection with any mandatory tender for purchase of Series 2008 Subordinate Bonds of a Series in accordance with the Paying Agent Agreement, the Paying Agent will give notice of a mandatory tender for purchase as a part of the notice given pursuant to the Paying Agent Agreement. Each other notice of mandatory tender for purchase will state (A) in the case of a mandatory tender for purchase as described in the Paying Agent Agreement the type of Interest Rate Period to commence on such Mandatory Purchase Date, as applicable; (B) that the purchase price of any Series 2008 Subordinate Bond of such Series so subject to mandatory purchase will be payable only upon surrender of such Series 2008 Subordinate Bond of such Series to the Paying Agent at its Corporate Trust Office for delivery of such Series 2008 Subordinate Bonds of such Series, accompanied by an instrument of transfer thereof, in form satisfactory to the Paying Agent, executed in blank by the holder thereof or his duly authorized attorney-in-fact, with such signature guaranteed by an eligible guarantor institution; (C) that, provided that moneys sufficient to effect such purchase have been provided through the remarketing of such Series 2008 Subordinate Bonds of such Series by the applicable Remarketing Agent or through the applicable Credit Facility, all Series 2008 Subordinate Bonds of such Series so subject to mandatory tender for purchase will be purchased on the Mandatory Purchase Date, and that if any Owner of a Series 2008 Subordinate Bond of such Series subject to mandatory tender for purchase will not surrender such Series 2008 Subordinate Bond of such Series to the Paying Agent for purchase on such Mandatory Purchase Date, and moneys sufficient to pay the purchase price thereof are on deposit with the Paying Agent, then such Series 2008 Subordinate Bond of such Series will be deemed to be an "Undelivered Bond," and that no interest will accrue thereon on and after such Mandatory Purchase Date and that the holder thereof will have no rights under the Resolution, including the Tenth Supplemental Resolution, other than to receive payment of the purchase price thereof; and (D) if moneys sufficient to pay the purchase price of such Series 2008 Subordinate Bonds of such Series have not been provided to the Paying Agent either through the remarketing of such Series 2008 Subordinate Bonds of such Series or from the applicable Credit Facility, that such Series 2008 Subordinate Bonds of such Series will not be purchased or deemed purchased and will continue to bear interest as if such failed purchase will not have occurred.

In connection with any mandatory tender for purchase of any Series 2008 Subordinate Bonds of a Series on the day next succeeding the last day of each Bond Interest Term, no notice will be required.

For payment of the purchase price of any Series 2008 Subordinate Bond of a Series required to be purchased pursuant to the Paying Agent Agreement on the date specified, such Series 2008 Subordinate Bond of such Series must be delivered, at or prior to 12:00 noon (or 11:00 a.m. in the case of any Series 2008 Subordinate Bond of such Series in a Daily Rate Period), New York time, on the purchase date, to the Paying Agent at its Corporate Trust Office for delivery of Series 2008 Subordinate Bonds of such Series accompanied by an instrument of transfer thereof, in form satisfactory to the Paying Agent, executed in blank by the holder thereof or his duly authorized attorney-in-fact, with such signature guaranteed by an eligible guarantor institution. If any such Series 2008 Subordinate Bond of such Series is delivered after 12:00 noon (or 11:00 a.m. in the case of any Series 2008 Subordinate Bond of such Series in a Daily Rate Period), New York time, on the purchase date, payment of the purchase price of such Series 2008 Subordinate Bond of such series need not be made until the Business Day following the date of delivery of such Series 2008 Subordinate Bond of such Series but such Series 2008 Subordinate

Bond of such Series will nonetheless be deemed to have been purchased on the date specified in such notice and no interest will accrue thereon from and after such date.

**Notice of Owner's Election to Tender Series 2008 Subordinate Bonds Deemed to be Irrevocable; Undelivered Bonds**

The giving of notice to tender by an Owner of a Series 2008 Subordinate Bond of a Series as provided in the Paying Agent Agreement will constitute the irrevocable tender for purchase of each such Series 2008 Subordinate Bond of such Series with respect to which such notice will have been given, regardless of whether such Series 2008 Subordinate Bond of such Series is delivered to the Paying Agent for purchase on the relevant purchase date as provided in the Paying Agent Agreement, provided that moneys sufficient to pay the purchase price of such Series 2008 Subordinate Bonds of such Series are on deposit with the Paying Agent for such purpose. The Paying Agent may refuse to accept delivery of any Series 2008 Subordinate Bonds of a Series for which a proper instrument of transfer has not been provided; such refusal, however, will not affect the validity of the purchase of such Series 2008 Subordinate Bond of such Series as herein described. If any holder of a Series 2008 Subordinate Bond who will have given notice of tender of purchase pursuant to the Paying Agent Agreement will fail to deliver such Series 2008 Subordinate Bond of such Series to the Paying Agent at the place and on the applicable date and at the time specified, or will fail to deliver such Series 2008 Subordinate Bond of such Series, properly endorsed, and moneys sufficient to pay the purchase price thereof are on deposit with the Paying Agent for such purpose, such Series 2008 Subordinate Bond of such Series will constitute an Undelivered Bond. If funds in the amount of the purchase price of the Undelivered Bonds (including the Undelivered Bonds referred to in "— Notice of Mandatory Tender for Purchase" above) are available for payment to the holder thereof on the date and at the time specified, from and after the date and time of that required delivery, (1) each Undelivered Bond will be deemed to be purchased and will no longer be deemed to be Outstanding under the Paying Agent Agreement; (2) interest will no longer accrue thereon; and (3) funds in the amount of the purchase price of each such Undelivered Bond will be held by the Paying Agent for the benefit of the holder thereof (provided that the holder will have no right to any investment proceeds derived from such funds), to be paid on delivery (and proper endorsement) of such Undelivered Bond to the Paying Agent at its Corporate Trust Office for delivery of Series 2008 Subordinate Bonds. Any funds held by the Paying Agent as described in clause (3) of the preceding sentence will be held uninvested and not commingled.

***Notice of Series 2008 Subordinate Bonds Delivered for Purchase; Purchase of Series 2008 Subordinate Bonds.*** Series 2008 Subordinate Bonds of a Series required to be purchased in accordance with the Paying Agent Agreement will be purchased from the Owners thereof on the date and at the purchase price at which such Series 2008 Subordinate Bonds of such Series are required to be purchased. Funds for the payment of such purchase price will be derived from the following sources in the following order of priority: (i) proceeds of the sale of such Series 2008 Subordinate Bonds remarketed to any person (other than the City) pursuant to the Paying Agent Agreement and paid to the Paying Agent by the applicable Remarketing Agent for deposit into the applicable Remarketing Proceeds Account of the Purchase Fund; and (ii) moneys furnished to the Paying Agent for deposit into the applicable Purchase Account of the Purchase Fund representing moneys received from the applicable Credit Facility Provider pursuant to the applicable Credit Facility.

The City will not have any obligation to pay the purchase price of Series 2008 Subordinate Bonds of a Series required to be purchased pursuant to the Paying Agent Agreement if the moneys from the sources described in clauses (i) and (ii) above are insufficient to provide for such payment. In the event moneys on deposit with the Paying Agent are insufficient to pay the purchase price of the Series 2008 Subordinate Bonds of a Series to be purchased pursuant to the Paying Agent Agreement, the Paying Agent will determine the Series 2008 Subordinate Bonds of such Series tendered for purchase with

respect to which such insufficiency exists by lot from those Series 2008 Subordinate Bonds of such Series tendered for purchase and will return such Series 2008 Subordinate Bonds to the Owners thereof together with notice of such insufficiency and the Owners thereof will thereafter have the right to again tender such Series 2008 Subordinate Bonds of such Series for purchase to the extent provided by the Paying Agent Agreement, and no such insufficiency will constitute an Event of Default.

If any Series 2008 Subordinate Bonds of a Series purchased as described under this caption will not be presented to the Paying Agent, the Paying Agent will segregate and hold the moneys for the purchase price of such Series 2008 Subordinate Bonds of such Series in trust for the benefit of the former Owners of such Series 2008 Subordinate Bonds of such Series, who will, except as provided in the following sentence, thereafter be restricted exclusively to such moneys for the satisfaction of any claim for the purchase price of such Series 2008 Subordinate Bonds of such Series, and such Series 2008 Subordinate Bonds of such Series will no longer be deemed Outstanding. Any moneys which the Paying Agent will segregate and hold in trust for the payment of the purchase price of any Series 2008 Subordinate Bond of such Series and remaining unclaimed for two years after the date of purchase will be paid to the City. After the payment of such unclaimed moneys to the City, the former Owner of such Series 2008 Subordinate Bond of such Series will look only to the City for the payment thereof, and the City will not be liable for any interest thereon and will not be regarded as a trustee of such moneys.

#### **Remarketing of the Series 2008 Subordinate Bonds**

Upon notice of the tender for purchase of the Series 2008 Subordinate Bonds of a Series, the applicable Remarketing Agent will offer sale and use its best efforts to sell such Series 2008 Subordinate Bonds of such Series, any such sale to be made on the date of such purchase in accordance with the Paying Agent Agreement at the minimum interest rate available in the marketplace at a purchase price of par plus accrued interest thereon; provided, however, that the applicable Remarketing Agent will not remarket any Series 2008 Subordinate Bonds of such Series unless a Credit Facility is then in effect with respect to such Series 2008 Subordinate Bonds or unless such Series 2008 Subordinate Bonds of such Series are being remarketed at the Fixed Interest Rate on the Fixed Rate Date. Each of the Remarketing Agents agrees that it will not sell any Series 2008 Subordinate Bonds purchased pursuant to the Paying Agent Agreement to the City, or to any person who controls, is controlled by, or is under common control with, the City. In addition, the City agrees that it will not tender any Series 2008 Subordinate Bonds for purchase under a Credit Facility.

#### **Demand for Purchase of the Series 2008 Subordinate Bonds under the Credit Facilities**

The Paying Agent is directed under the Paying Agent Agreement to notify the applicable Credit Facility Provider on the purchase date as to the aggregate purchase price of tendered Series 2008 Subordinate Bonds of each Series required to be purchased by such Credit Facility Provider and to make a demand for purchase of such Series 2008 Subordinate Bonds of such Series under the applicable Credit Facility in accordance with the terms of the applicable Credit Facility, such that the Paying Agent will have amounts sufficient to pay the purchase price plus accrued interest, if any, of the Series 2008 Subordinate Bonds of such Series tendered. Upon the receipt of amounts under the applicable Credit Facility, the Paying Agent will deposit such purchase price in the applicable Purchase Account of the Purchase Fund. In determining the amount of any such purchase price then due, the Paying Agent will not take into consideration any purchase price due on any Series 2008 Subordinate Bonds of a Series registered in the name of the City or any affiliate of the City to the extent identified to the Paying Agent and no demand for purchase under the applicable Credit Facility will be made to pay the purchase price of any Series 2008 Subordinate Bonds of a Series registered in the name of the City or any affiliate of the City to the extent identified to the Paying Agent. By 3:00 p.m., New York time, the Paying Agent will purchase the tendered Series 2008 Subordinate Bonds of such Series, and immediately remit to the

applicable Credit Facility Provider such funds in the applicable Purchase Account which were not used to purchase the Series 2008 Subordinate Bonds of such Series tendered.

## TAX MATTERS

In connection with the original issuance of the Series 2008 Subordinate Bonds, Sidley Austin LLP, delivered their opinion that, based on existing statutes, regulations, rulings and judicial decisions and assuming compliance with certain covenants in the documents pertaining to the Series 2008 Subordinate Bonds and requirements of the Internal Revenue Code of 1986, as amended (the "Code"), regarding the use, expenditure and investment of proceeds of the Series 2008 Subordinate Bonds and the timely payment of certain investment earnings to the United States, interest on the Series 2008 Subordinate Bonds was excludable from the gross income of the owners of the Series 2008 Subordinate Bonds for federal income tax purposes.

Sidley Austin LLP further opined that interest on the Series 2008 Subordinate Bonds was not treated as an item of tax preference in calculating the federal alternative minimum taxable income of individuals and corporations, although they observed that interest on the Series 2008 Subordinate Bonds was included as an adjustment in the calculation of federal corporate alternative minimum taxable income.

The Original Official Statement states:

"Certain requirements and procedures contained or referred to in the in the documents pertaining to the Series 2008 Subordinate Bonds may be changed, and certain actions may be taken, under the circumstances and subject to the terms and conditions set forth in such documents, upon the advice or with the approving opinion of counsel nationally recognized in the area of tax-exempt obligations. Bond Counsel expresses no opinion as to the exclusion of interest on the Series 2008 Subordinate Bonds from gross income for federal income tax purposes on and after the date on which any such change occurs or action is taken upon the advice or approval of counsel other than ourselves."

The form of the opinion of Sidley Austin LLP delivered on May 1, 2008 is included herein as Appendix D to Appendix A hereto.

On the date of delivery of the New Credit Facilities, Sidley Austin LLP, Bond Counsel to the City, will deliver an opinion to the effect that the substitution of the New Credit Facilities is permitted under the Subordinate General Resolution, and will not, in and of itself, result in the inclusion of interest on the Series 2008 Subordinate Bonds in gross income for federal income tax purposes. Sidley Austin LLP has not made any investigation as to any matters affecting the exclusion from gross income of interest on the Series 2008 Subordinate Bonds since the date of issuance of the Series 2008 Subordinate Bonds, and, accordingly, Sidley Austin LLP expresses no opinion as to the exclusion from gross income of interest on the Series 2008 Subordinate Bonds for federal income tax purposes. Further, any such investigation, were it to have occurred, may have revealed facts or circumstances that might otherwise affect the exclusion from gross income for federal income tax purposes of the interest on the Series 2008 Subordinate Bonds. Sidley Austin LLP assumes no obligation to inform you of any change to the law or any official interpretation of the law affecting the opinion expressed herein occurring after the date of this letter. A complete copy of the proposed form of the opinion of Sidley Austin LLP is included as Appendix B hereto.

## NO CONTINUING DISCLOSURE

The Series 2008 Subordinate Bonds are initially exempt from the rules of the U.S. Securities and Exchange Commission relating to continuing disclosure of annual financial information and certain material events. In connection with the issuance of prior issues of wastewater system subordinate revenue bonds, the City covenanted to provide, or cause to be provided, to each Repository for purposes of Rule 15c2-12 certain annual financial information and operating data relating to the System and, in a timely manner, notice of certain material events. Bondholders may obtain from the Repositories such information provided by the City. The City has complied in all material respects with its previous undertakings under Rule 15c2-12 for the past five years.

#### **RATINGS [need to confirm and update]**

[Moody's Investors Service, Inc. ("Moody's"), Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and Fitch Ratings ("Fitch") have assigned ratings of "Aa1/VMIG1", "AA-/A-1+" and "\_\_\_", respectively, to the Series 2008-ABCD&E Subordinate Bonds, based on the understanding that the JPMorgan Chase Bank Credit Facilities supporting the timely payment of principal and purchase price of and interest on such Series of Series 2008 Subordinate Bonds will be issued by JPMorgan on or about July \_\_, 2010. Moody's, S&P and Fitch have assigned ratings of "Aaa/VMIG1", "AA+/A-1+" and "\_\_\_", respectively, to the Series 2008-FG&H Subordinate Bonds, with the understanding that the Bank of America Credit Facility supporting the timely payment of principal and purchase price of and interest on such Series of Series 2008 Subordinate Bonds will be extended by Bank of America concurrently with the issuance thereof. Moody's, S&P and Fitch have assigned underlying ratings of "A1", "AA-" and "AA-", respectively, to the Series 2008 Subordinate Bonds. Such ratings reflect only the views of such organizations and any desired explanation of the significance of such ratings should be obtained from the rating agency furnishing the same, at the following addresses: Moody's Investors Service, Inc., 7 World Trade Center, 250 Greenwich Street, New York, New York 10007-2796; Standard & Poor's, 55 Water Street, New York, New York 10041; and Fitch Ratings, One State Street Plaza, New York, New York 10004. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance such ratings will continue for any given period of time or that such ratings will not be revised downward or withdrawn entirely by the rating agencies, if in the judgment of such rating agencies, circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Series 2008 Subordinate Bonds.]

#### **REMARKETING AGENTS**

The current Remarketing Agents for each Series of 2008 Subordinate Bonds are shown on the cover of this Supplement.

Banc of America Securities LLC and Merrill Lynch, Pierce, Fenner & Smith Incorporated are both wholly owned, indirect subsidiaries of Bank of America N.A.

#### **INFORMATION CONCERNING SALES OF ADJUSTABLE RATE BONDS BY REMARKETING AGENTS**

The information contained under this heading "Information Concerning Sales of Adjustable Rate Bonds by Remarketing Agents" has been provided by the Remarketing Agents for use in this Supplement. The City does not accept any responsibility for the accuracy or completeness of the following information, except to the extent such information describes express provisions of the Paying Agent Agreement.

## **The Remarketing Agents are Paid by the City**

The Remarketing Agents' responsibilities include determining the interest rate from time to time and remarketing Series 2008 Subordinate Bonds that are optionally or mandatorily tendered to it by the beneficial owners thereof (subject, in each case, to the terms of the respective Remarketing Agreements), as further described in this Supplement and the Original Official Statement. The Remarketing Agents are appointed by the City and are paid by the City for their services. As a result, the interests of the Remarketing Agents may differ from those of beneficial owners and potential purchasers of Series 2008 Subordinate Bonds.

## **Determination of Interest Rates by the Remarketing Agents**

On each rate determination date for the Series 2008 Subordinate Bonds, the Remarketing Agents are required to determine the interest rate that will be effective with respect to the respective Series of Series 2008 Subordinate Bonds on the applicable effective date. That rate is required by the Paying Agent Agreement to be, based on the judgment of the Remarketing Agent, the minimum interest rate which, if borne by such Series of the Series 2008 Subordinate Bonds, would enable the Remarketing Agent to sell such Series of the Series 2008 Subordinate Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof, all determined in accordance with certain guides set forth in the Paying Agent Agreement. For example, while the Series 2008 Subordinate Bonds are in a Weekly Mode, the Remarketing Agent will determine by Wednesday (the "Rate Determination Date" for Series 2008 Subordinate Bonds in a Weekly Mode) the interest rate that will be effective on the next succeeding Thursday (the "Effective Date" for Series 2008 Subordinate Bonds in a Weekly Mode) and ending on the next succeeding Wednesday, subject to certain exceptions. If the Series 2008 Subordinate Bonds are converted to a Daily Rate Period, the Rate Determination Date and the Effective Date will be the same.

## **Tenders to the Payment Agent**

As described under Appendix E — "Book-entry Only System" of the Original Official Statement, while the Series 2008 Subordinate Bonds are in book entry form, a beneficial owner may give notice to elect to tender its Series 2008 Subordinate Bonds, through its Participant, to the respective Remarketing Agent and the Payment Agent, and may effect delivery of such Series 2008 Subordinate Bonds by causing the Participant to transfer the Participant's interest in the Series 2008 Subordinate Bonds, on DTC's records, to the Payment Agent. The requirement for physical delivery of Series 2008 Subordinate Bonds in connection with an optional tender or a mandatory tender may be deemed satisfied when the ownership rights in the Series 2008 Subordinate Bonds are transferred by Participants on DTC's records and followed by a book entry credit of tendered Series 2008 Subordinate Bonds to the Payment Agent's DTC account. Tendering Bondholders will receive par, plus accrued interest, if any, after the required number of days' notice have elapsed. Tendering Bondholders will be paid with the proceeds of the remarketing of the Series 2008 Subordinate Bonds and, to the extent those proceeds are insufficient, from the proceeds of draws on the applicable Credit Facility by the Paying Agent.

## **The Remarketing Agents Have Routinely Purchased Variable Rate Demand Bonds for their Own Accounts**

Each Remarketing Agent acts as remarketing agent for a variety of variable rate demand obligations issued by many issuers and, in its sole discretion, has routinely purchased such obligations for its own account. Each Remarketing Agent is permitted, but not obligated, to purchase tendered Series 2008 Subordinate Bonds of the Series for which it serves as remarketing agent for its own account and, in its sole discretion, may acquire such tendered Series 2008 Subordinate Bonds in order to achieve a

successful remarketing of such Series 2008 Subordinate Bonds (*i.e.*, because there otherwise are not enough buyers to purchase such Series 2008 Subordinate Bonds) or for other reasons. However, the Remarketing Agent is not obligated to purchase Series 2008 Subordinate Bonds of the Series for which it serves as remarketing agent, and may cease doing so at any time without notice, in which case it may be necessary for the Paying Agent to draw on the applicable Credit Facility to pay tendering Bondholders.

The Remarketing Agent may also make a secondary market in the Series 2008 Subordinate Bonds of the Series for which it serves as remarketing agent by routinely purchasing and selling such Series 2008 Subordinate Bonds other than in connection with an optional or mandatory tender and remarketing. Such purchases and sales must be at fair market value, which may be at, above, or below par. No notice period is required for such purchases. However, Remarketing Agents are not required to make a secondary market in the Series 2008 Subordinate Bonds of the Series for which they serve as Remarketing Agent. Thus, investors who purchase such Series 2008 Subordinate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008 Subordinate Bonds other than by tendering the Series 2008 Subordinate Bonds in accordance with the tender process.

The Remarketing Agent may also sell any Series 2008 Subordinate Bonds it has purchased to one or more affiliated investment vehicles for collective ownership or enter into derivative arrangements with affiliates or others in order to reduce its exposure to such Series 2008 Subordinate Bonds. The purchase of Series 2008 Subordinate Bonds by the Remarketing Agent may create the appearance that there is greater third party demand for such Series 2008 Subordinate Bonds in the market than is actually the case. The practices described above also may result in fewer Series 2008 Subordinate Bonds being tendered in a remarketing.

#### **Series 2008 Subordinate Bonds May be Offered at Prices Other Than Par**

Pursuant to each Remarketing Agreement, on each Rate Determination Date, the Remarketing Agents are required to determine the applicable interest rate that will be effective with respect to the Series 2008 Subordinate Bonds on the Effective Date. That rate is required by the Paying Agent Agreement to be, based on the judgment of the Remarketing Agent, the minimum interest rate which, if borne by such Series of the Series 2008 Subordinate Bonds, would enable the Remarketing Agent to sell such Series of the Series 2008 Subordinate Bonds on such date of determination at a price (without regarding accrued interest) equal to the principal amount thereof, all determined in accordance with certain guides set forth in the Paying Agent Agreement. The interest rate will reflect, among other factors, the level of market demand for such Series 2008 Subordinate Bonds (including whether the applicable Remarketing Agent is willing to purchase applicable Series of Series 2008 Subordinate Bonds for its own account). There may or may not be Series 2008 Subordinate Bonds of a Series tendered and remarketed on an Effective Date, and the Remarketing Agent may or may not be able to remarket any Series 2008 Subordinate Bonds of a Series tendered for purchase on such date at par. The Remarketing Agents are not obligated to advise purchasers in a remarketing if it does not have third-party buyers for all of the Series 2008 Subordinate Bonds of a Series at the remarketing price. In the event the Remarketing Agent owns such Series 2008 Subordinate Bonds for its own account, in its sole discretion, it may sell such Series 2008 Subordinate Bonds at fair market value, which may be at prices above or below par.

#### **The Ability to Sell the Series 2008 Subordinate Bonds Other Than through Tender Process May Be Limited**

The Remarketing Agent may buy and sell Series 2008 Subordinate Bonds of the Series which it serves as Remarketing Agent other than through the tender process. However, it is not obligated to do so and may cease doing so at any time without notice and may require holders that wish to tender their Series 2008 Subordinate Bonds to do so through the Paying Agent with appropriate notice. Thus,



investors who purchase the Series 2008 Subordinate Bonds, whether in a remarketing or otherwise, should not assume that they will be able to sell their Series 2008 Subordinate Bonds other than by tendering the Series 2008 Subordinate Bonds in accordance with the tender process.

#### **Removal or Resignation of Remarketing Agent**

Under certain circumstances the Remarketing Agent may be removed or have the ability to resign or cease its remarketing efforts, without a successor having been named, subject to the terms of the Remarketing Agreement. In the event there is no Remarketing Agent for the applicable Series of Series 2008 Subordinate Bonds, Bondholders who elect to tender must tender their Series 2008 Subordinate Bonds to the Paying Agent, as described under "Tender and Purchase of the Series 2008 Subordinate Bonds" herein. In that event, the Series 2008 Subordinate Bonds in the Daily Rate Period or Weekly Rate Period will bear interest at the rate set therefor based on the Securities Industry and Financial Markets Association Municipal Swap Index or on 70% of the interest rate on 30-day high grade unsecured commercial paper notes sold through dealers by major corporations as reported in *The Wall Street Journal* or *The Bond Buyer*, as described under "Description of the Series 2008 Subordinate Bonds — Interest Rate Provisions — Determination of Daily Rate" or "Description of the Series 2008 Subordinate Bonds — Interest Rate Provisions — Determination of Daily Rate — Determination of Daily Rate", as applicable. Also, remarketings of such Series 2008 Subordinate Bonds will cease until a successor Remarketing Agent has been appointed and tendering Bondholders will be paid from draws on the applicable Credit Facility.

#### **RECENT INFORMATION CONCERNING THE SEWER CONSTRUCTION AND MAINTENANCE FUND**

The Series 2008 Subordinate Bonds are secured by a pledge of all revenues in the City's Sewer Construction and Maintenance Fund and revenues otherwise attribute to the System, all as described in the Subordinate General Resolution. The System's operations and finances are described in the City's Comprehensive Annual Financial Report ("CAFR") for the fiscal year ended June 30, 2009, which is available at <http://www.dacbond.com>. The City's CAFR is not incorporated by reference into this Supplement.

#### **MISCELLANEOUS**

This Supplement is not to be construed as a contract or agreement between the City and the purchasers or holders of any of the Series 2008 Subordinate Bonds. Any statements made in this Supplement involving matters of opinion, whether or not expressly so stated, are intended merely as an opinion and not as representations of fact. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Supplement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the City or the Credit Facility Providers since the date hereof.

This Official Statement has been duly approved, executed and delivered by the City.

CITY OF LOS ANGELES

By: /s/ Miguel A. Santana  
City Administrative Officer

**APPENDIX A**

**COPY OF OFFICIAL STATEMENT, DATED APRIL 28, 2008**

**APPENDIX B**  
**FORM OF OPINION OF BOND COUNSEL**

ATTACHMENT B  
EXHIBIT C

First Amendment to Reimbursement Agreement

FIRST AMENDMENT TO REIMBURSEMENT AGREEMENT

Dated June \_\_, 2010

Between

CITY OF LOS ANGELES

and

BANK OF AMERICA, N.A.

---

Relating to

City of Los Angeles

Wastewater System Subordinate Revenue Bonds

Variable Rate Refunding

\$68,510,000 Series 2008-F-1

\$57,115,000 Series 2008-F-2

\$36,330,000 Series 2008-G

\$36,330,000 Series 2008-H

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This FIRST AMENDMENT TO REIMBURSEMENT AGREEMENT, dated June \_\_, 2010 (as the same may be amended, modified, supplemented and restated from time to time, this "First Amendment"), is entered into between CITY OF LOS ANGELES, a municipal corporation and chartered city of the State of California (the "City"), and BANK OF AMERICA, N.A., a national banking association (the "Bank").

W I T N E S S E T H:

WHEREAS, the City requested the Bank to issue irrevocable direct-pay letters of credit to provide credit and liquidity support for certain limited recourse revenue bonds to be issued by the City; and

WHEREAS, the Bank issued such letters of credit upon the terms and conditions set forth in the Reimbursement Agreement, dated as of April 1, 2008 (the "Reimbursement Agreement"), by and between the City and the Bank; and

WHEREAS, the City and the Bank desire to amend the Reimbursement Agreement for the purposes set forth herein;

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual premises contained herein and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the City and the Bank agree as follows:

ARTICLE I  
AMENDMENTS

Section 1.1 Amendment to Section 1.1. Section 1.1 of the Reimbursement Agreement is hereby amended and restated with respect to the following definitions:

"Bank Rate" means for any day a fluctuating rate per annum equal to the higher of (i) the Bank of America's Prime Rate plus 1.5%, (ii) the Federal Funds Rate plus 3.0% and (iii) 7.5%, in each case in effect on such day.

"Debt" means for any Person (without duplication) (i) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (ii) all obligations of such Person for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iii) all obligations secured by any Lien upon property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (iv) all obligations of such Person as lessee under any lease of property which in accordance with generally accepted accounting principles would be required to be capitalized on the balance sheet of such Person, (v) all obligations of such Person on or with respect to letters of credit, banker's acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money, (vi) certificates of participation evidencing an undivided ownership interest in payments made by such Person (A) as lessee under any lease of property which in accordance with generally accepted accounting

principles would be required to be capitalized on the balance sheet of such Person, (B) as purchaser under an installment sale agreement or (C) otherwise as an obligor in connection therewith, (vii) all Debt of any other Person of the kind referred to in clauses (i) through (vi) above which is guaranteed (regardless of form) directly or indirectly in any manner by such Person, and (viii) all payment obligations of such Person, in addition to any obligations set forth in clauses (i) through (vi) above, arising under any Swap Contract.

“Liquidity Rate” means, with respect to any Liquidity Advance, (i) on any day prior to the date that is 91 days from and including the date such Liquidity Advance was made, a fluctuating rate of interest equal to the Bank Rate and (ii) on any day on or after the date that is 91 days from and including the date such Liquidity Advance was made, a fluctuating rate of interest equal to the Term Loan Rate; provided, that at no time shall the Liquidity Rate be less than the rate of interest on the 2008 Bonds.

“Term Loan Rate” means, with respect to any Term Loan, a fluctuating rate of interest equal to the Bank Rate plus 1.0%.

Section 1.2 Amendment to Section 1.1. Section 1.1 of the Reimbursement Agreement is hereby amended to add the following definitions:

“Investment Grade” means a rating of “Baa3” (or its equivalent) or better by Moody’s and “BBB- ” (or its equivalent) or better by Fitch or S&P.

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

Section 1.3 Amendment to Section 3.2. Section 3.2 of the Reimbursement Agreement is hereby amended and restated in its entirety as follows:

“The City agrees to pay, or cause the Paying Agent so to pay, from amounts paid by the City to the Paying Agent for such purpose, to the Bank a non-refundable letter of credit fee in an amount equal to the rate per annum associated with the Rating, as specified below (the “Commitment Fee Rate”) in consideration of the Bank’s undertakings under the Agreement on the average daily Stated Amount of the Letter of Credit (the “Commitment Fee”) as follows:

<u>LEVEL</u>	<u>MOODY’S RATING</u>	<u>S&amp;P RATING</u>	<u>FITCH RATING</u>	<u>COMMITMENT FEE (IN BASIS POINTS)</u>
Level 1:	Aa3 (or above)	AA- (or above)	AA- (or above)	85
Level 2:	A1	A+	A+	95
Level 3:	A2	A	A	115
Level 4:	A3	A-	A-	135
Level 5:	Baa1	BBB+	BBB+	175
Level 6:	Baa2	BBB	BBB	205
Level 7:	Baa3 (or below)	BBB- (or below)	BBB- (or below)	235

An additional 150 basis points shall be added to the Commitment Fee if any Rating is cancelled, withdrawn, suspended or otherwise unavailable from any Rating Agency for any credit related reason. In addition, on the occurrence and during the continuance of an Event of Default the Commitment Fee shall be increased by an additional 150 basis points from the Commitment Fee then in effect on the date of the occurrence of such event.

The term “Rating” as used above shall mean the second lowest unenhanced long-term rating assigned to any long-term Debt of the City that is payable from Revenues and on a parity with, or senior to, the 2008 Bonds (without giving effect to any bond insurance or any other form of credit enhancement) assigned by any of Moody’s, S&P or Fitch; provided, that there are ratings from each of Moody’s, S&P and Fitch, otherwise the lowest unenhanced rating shall apply. Any change in the Commitment Fee resulting from a change in the Rating shall be and become effective as of and on the date of the announcement of the change in the Rating. Any change in the Commitment Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to the Ratings above are a reference to the rating category of the Rating Agencies as presently determined by the respective Rating Agency and in the event of adoption of any new or changed rating system by any such Rating Agency, the Ratings from the applicable Rating Agency shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. As of the Date of Issuance the Commitment Fee Rate is 85 basis points.



The Commitment Fee shall accrue from and including the Date of Issuance to and including the Termination Date. The Commitment Fee shall be payable in arrears on the first Payment Date that occurs after the Date of Issuance, each Payment Date thereafter and the Termination Date. The Commitment Fee shall be calculated on the basis of a year consisting of 360 days and actual number of days elapsed. All amounts paid pursuant to this Agreement and the Agreement shall be non-refundable and shall be paid in immediately available funds.

The City hereby agrees to pay to the Bank a termination fee if the Letter of Credit is terminated prior to the second anniversary of the Date of Issuance. The City shall pay a termination fee (the "Termination Fee") in an amount equal to the product of (x) the Commitment Fee Rate in effect on the date of termination, (y) the Stated Amount on the date of termination and (z) a fraction, the numerator of which is equal to the number of days from and including the date of termination to and including the second anniversary of the Date of Issuance and the denominator of which is 360, unless the rating assigned to the Bank's senior unsecured short-term obligations is withdrawn, suspended or reduced below "P-1" (or its equivalent) by Moody's or "A-1" (or its equivalent) by S&P in which case the Termination Fee shall only be calculated and payable through the date of such termination. The Termination Fee, all accrued Commitment Fees, all Liquidity Advances and Term Loans, all accrued interest thereon and all other amounts owing to the Bank hereunder shall be payable on the effective date of such termination. Notwithstanding the foregoing and anything set forth herein to the contrary, the City agrees not to permanently reduce the Stated Amount prior to the second anniversary of the Date of Issuance, without the payment by the City to the Bank of a reduction fee in connection with each and every permanent reduction of the Stated Amount as set forth herein in an amount equal to the product of (A) the Commitment Fee Rate in effect on the date of such reduction, (B) the difference between the Stated Amount prior to such reduction and the Stated Amount after such reduction, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such reduction to and including the second anniversary of the Date of Issuance, and the denominator of which is 360."

Section 1.4 Amendment to Section 6.8. Section 6.8 of the Reimbursement Agreement is hereby amended and restated in its entirety as follows:

"Section 6.8 Paying Agent and Remarketing Agent. The City will not dismiss, replace or permit the resignation of the Paying Agent or any Remarketing Agent unless it has appointed a new paying agent or remarketing agent, as applicable, that is mutually acceptable to the City and the Bank and the new paying agent or remarketing agent, as applicable, shall have accepted such appointment."

Section 1.5 Additional Covenants. Article VI of the Reimbursement Agreement is hereby amended by adding Sections 6.20, 6.21 and 6.22 as follows:

“Section 6.20 Pricing Parity. If the City shall enter into any credit agreement, liquidity agreement or any other agreement or instrument (or any amendment, supplement or modification thereto) with another bank or provider of credit enhancement and/or liquidity in support of the 2008 Bonds within three months of the effective date of the First Amendment to Reimbursement Agreement, dated as of May 1, 2010 (the “First Amendment”), by and between the City and the Bank and which includes pricing that exceeds or is more favorable than that provided for herein on and after the effective date of the First Amendment, including, but not limited to any increases in such pricing, the pricing terms provided herein shall be deemed amended to incorporate the pricing that exceeds or is more favorable than that provided herein, including, but not limited to, any increases in such pricing.”

“Section 6.21 More Favorable Provisions in Other Agreements. If the City, directly or indirectly, enters into or otherwise consents to any credit agreement, liquidity agreement or any other agreement or instrument (or any amendment, supplement or modification thereto) with respect to the 2008 Bonds that gives the bank or provider under such agreement or instrument the benefit of any more favorable restrictive covenants or events of default or greater rights and/or remedies in such agreement (or any amendment, supplement or other modification thereto) than the Bank receives hereunder, such more favorable restrictive covenants and/or events of default and/or greater rights and/or remedies shall automatically be deemed to be incorporated herein.”

“Section 6.22 Bank Bond Rating. If at any time any Bond becomes a Bank Bond, the City will, at the request of the Bank, immediately use its best efforts to obtain a rating applicable to such Bank Bond of no less than Investment Grade from at least one Rating Agency.”

Section 1.6 Amendment to Section 7.1(k). Section 7.1(k) of the Reimbursement Agreement is hereby amended and restated in its entirety as follows:

“(j) A final, unappealable judgment or order for the payment of money in excess of \$10,000,000 and for which insurance proceeds shall not be available shall be rendered against the City or the System that is payable from Revenues and such judgment or order shall continue unstayed, undischarged, unbonded or unsatisfied for a period of 90 days; or”

ARTICLE II  
MISCELLANEOUS

Section 2.1 Governing Law; Venue. This First Amendment shall be governed by the law and venue provisions set forth in Section 8.3 of the Reimbursement Agreement.

Section 2.2 Severability of Provisions. Any provision of this First Amendment that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 2.3 Execution in Counterparts. This First Amendment may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute one and the same agreement.

Section 2.4 Headings. Article and Section headings in this First Amendment are included herein for convenience of reference only and shall not constitute a part of this First Amendment for any other purpose.

IN WITNESS WHEREOF, each party hereto has caused this First Amendment to be duly executed and delivered by its respective officer thereunto duly authorized as of the date first written above.

Attest:  
JUNE LAGMAY, CITY CLERK

CITY OF LOS ANGELES

By: \_\_\_\_\_

By: \_\_\_\_\_

Title: \_\_\_\_\_

Title: \_\_\_\_\_

Approved as to form:  
CARMEN A. TRUTANICH  
CITY ATTORNEY

By: \_\_\_\_\_  
Assistant City Attorney

BANK OF AMERICA, N.A.

By: \_\_\_\_\_

Title: \_\_\_\_\_

ATTACHMENT B  
EXHIBIT D

Reimbursement Agreement

REIMBURSEMENT AGREEMENT

Dated as of July 1, 2010

Between

CITY OF LOS ANGELES

and

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

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Relating to  
City of Los Angeles  
Wastewater System Subordinate Revenue Bonds  
Variable Rate Refunding  
\$84,730,000 Series 2008-A  
\$69,780,000 Series 2008-B  
\$49,840,000 Series 2008-C  
\$31,900,000 Series 2008-D  
\$10,065,000 Series 2008-E

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SCHEDULE I		

This REIMBURSEMENT AGREEMENT, dated as of July 1, 2010 (as the same may be amended, modified, supplemented and restated from time to time, this "Agreement"), is entered into between CITY OF LOS ANGELES, a municipal corporation and chartered city of the State of California (the "City"), and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (the "Bank").

WITNESSETH:

WHEREAS, the City has determined to provide an Alternate Credit Facility in connection with the 2008 Bonds (as defined herein);

WHEREAS, the City has requested the Bank to issue irrevocable direct-pay letters of credit as an Alternate Credit Facility to provide credit and liquidity support for the 2008 Bonds while they bear interest at Weekly Rates; and

WHEREAS, the Bank is willing to issue such a letters of credit upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the foregoing recitals, the mutual promises contained herein and other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, and in order to induce the Bank to issue the Letters of Credit defined below, the City and the Bank hereby agree as follows:

ARTICLE I DEFINITIONS

Section 1.1 Definitions. The following terms shall have the following meanings as used herein:

"Affiliate" means, as to any Person, any other Person directly or indirectly controlling, controlled by, or under direct or indirect common control with, such Person. A Person shall be deemed to be "controlled by" any other Person if such other Person possesses, directly or indirectly, power (a) to vote 10% or more of the securities (on a fully diluted basis) having ordinary voting power for the election of directors or managing general partners; or (b) to direct or cause the direction of the management and policies of such Person whether by contract or otherwise.

"Alternate Credit Facility" has the meaning set forth in the Paying Agent Agreement.

"Assignee" has the meaning set forth in Section 8.5(b).

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

"Authorized Denomination" means any denomination of the 2008 Bonds authorized pursuant to the Paying Agent Agreement.

“Bank” has the meaning set forth in the initial paragraph.

“Bank Bonds” means Provider Bonds as such term is defined in the Paying Agent Agreement.

“Bank Rate” means for any day a fluctuating rate per annum equal to the highest of (i) the Prime Rate plus 1.5%, (ii) the Federal Funds Rate plus 3.0% and (iii) 7.5%, in each case in effect on such day.

“Bank-Related Persons” means the Bank, its Affiliates and the officers, directors, employees, agents and attorneys-in-fact of the Bank and Affiliates.

“Business Day” has the meaning set forth in the Paying Agent Agreement. The Bank initially designates Los Angeles as the city in which drawings under each Letter of Credit are to be made.

“Charter” means the charter of the City as in effect on the date hereof.

“City” has the meaning set forth in the initial paragraph.

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

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

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

“Code” means the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder.

“Commitment Fee” has the meaning set forth in the Fee Letter Agreement.

“Commitment Fee Rate” has the meaning set forth in the Fee Letter Agreement.

“Custody Agreement” means the Custody Agreement of even date herewith among the Bank, the City and U.S. Bank National Association, in its capacity as custodian, the form of which is attached hereto as Exhibit B.

“Date of Issuance” means the date on which the Letter of Credit is issued by the Bank and delivered to the Paying Agent.

“Debt” means for any Person (without duplication) (i) all indebtedness created, assumed or incurred in any manner by such Person representing money borrowed (including by the issuance of debt securities), (ii) all obligations of such Person for the deferred purchase price of property or services (other than trade accounts payable arising in the ordinary course of business), (iii) all obligations secured by any Lien upon property of such Person, whether or not such Person has assumed or become liable for the payment of such indebtedness, (iv) all obligations of such Person as lessee under any lease of property which in accordance with

generally accepted accounting principles would be required to be capitalized on the balance sheet of such Person, (v) all obligations of such Person on or with respect to letters of credit, banker's acceptances and other evidences of indebtedness representing extensions of credit whether or not representing obligations for borrowed money, (vi) certificates of participation evidencing an undivided ownership interest in payments made by such Person (A) as lessee under any lease of property which in accordance with generally accepted accounting principles would be required to be capitalized on the balance sheet of such Person, (B) as purchaser under an installment sale agreement or (C) otherwise as an obligor in connection therewith, (vii) all Debt of any other Person of the kind referred to in clauses (i) through (vi) above which is guaranteed (regardless of form) directly or indirectly in any manner by such Person, and (viii) all payment obligations of such Person, in addition to any obligations set forth in clauses (i) through (vi) above, arising under any Swap Contract.

"Default" means any condition or event which with the giving of notice or lapse of time or both could reasonably be expected to, unless cured or waived, become an Event of Default.

"Default Rate" means, as of any date of determination, a rate per annum equal to the Bank Rate in effect on such date plus 3% per annum.

"Dollars" and the sign "\$" means lawful money of the United States of America.

"Drawing" means, with respect to a Letter of Credit, a drawing made or permitted to be made pursuant to the terms of such Letter of Credit.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended, or any successor statute thereto.

"Event of Default" has the meaning set forth in Section 7.1.

"Excess Interest" has the meaning set forth in Section 3.4(c).

"Federal Funds Rate" means, for any day, the rate per annum equal to the weighted average of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers on such day, as published by the Federal Reserve Bank on the Business Day next succeeding such day; provided that (i) if such day is not a Business Day, the Federal Funds Rate for such day shall be such rate on such transactions on the next preceding Business Day as so published on the next succeeding Business Day, and (ii) if no such rate is so published on such next succeeding Business Day, the Federal Funds Rate for such day shall be the average rate (rounded upward, if necessary, to a whole multiple of 1/100 of 1%) charged to the Bank on such day on such transactions as determined by the Bank.

"Fee Letter Agreement" shall mean the Fee Letter Agreement, by and between the City and the Bank of even date herewith.

"Fiscal Agent" has the meaning set forth in the Paying Agent Agreement.

"Fiscal Year" has the meaning set forth in the Subordinate General Resolution.

“Fitch” means Fitch, Inc. and its successors, and if such Person shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any nationally recognized securities rating agency designated by the City that is acceptable to the Bank in its sole discretion.

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

“Governmental Authority” means any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing.

“Incorporated Provisions” has the meaning set forth in Section 6.6 of this Agreement.

“Letter of Credit” means the 2008A Letter of Credit, 2008B Letter of Credit, 2008C Letter of Credit, 2008D Letter of Credit, and 2008E Letter of Credit, as applicable.

“Liquidity Advance” and “Liquidity Advances” have the meanings set forth in Section 2.4(a).

“Liquidity Advance Maturity Date” has the meaning set forth in Section 2.4(a).

“Liquidity Drawing” means a Drawing made under a Letter of Credit for the purpose of purchasing 2008 Bonds secured by such Letter of Credit tendered for purchase pursuant to Section 5.01 of the Paying Agent Agreement and not remarketed.

“Liquidity Rate” means, with respect to any Liquidity Advance, (i) on any day prior to the date that is 91 days from and including the date such Liquidity Advance was made, a fluctuating rate of interest equal to the Bank Rate and (ii) on any day on or after the date that is 91 days from and including the date such Liquidity Advance was made, a fluctuating rate of interest equal to the Term Loan Rate; provided, that at no time shall the Liquidity Rate be less than the rate of interest on the 2008 Bonds; provided further, that upon and during the continuation of any Event of Default the Liquidity Rate shall be the Default Rate.

“Liquidity Term Loan” has the meaning set forth in Section 2.4(b).

“Lien” means, with respect to any property, tangible or intangible, real or personal, any mortgage, lien, pledge, charge, security interest or other encumbrance of any kind in respect of such property.

“LOC Period” means, with respect to a Letter of Credit, the period commencing on the Date of Issuance thereof and ending on the Termination Date of such Letter of Credit.

“LOC Termination Term Loan” has the meaning set forth in Section 2.4(b).

“Material Debt” has the meaning set forth in Section 7.1(d).

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

“Moody’s” means Moody’s Investors Service and its successors, and if such Person shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any nationally recognized securities rating agency designated by the City that is acceptable to the Bank in its sole discretion.

“Notice of Extension” has the meaning set forth in Section 2.3.

“Obligations” shall mean the City’s obligation to reimburse all Drawings, to repay all Liquidity Advances and Term Loans, to pay debt service on the Bank Bonds, to pay the principal, interest, fees, expenses, costs and other amounts owed to the Bank, the Parent or any Participant pursuant to the terms of this Agreement, any Related Document or any other document, instrument or agreement entered into by the City with or in favor of the Bank in connection herewith or therewith, together with all covenants and duties owing by the City to the Bank of any kind or description, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

“Official Statement” means the Official Statement for the 2008 Bonds, dated April 28, 2008, together with all amendments and supplements thereto.

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

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

“Parent” means any Person controlling the Bank.

“Participant” has the meaning assigned to it in Section 8.5(b).

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

“Paying Agent Agreement” means the Paying Agent Agreement, dated as of May 1, 2008, by and between the City and the Paying Agent, pertaining to the 2008 Bonds.

“Payment Date” means April 1, July 1, October 1, and January 1 of each year, commencing on \_\_\_\_\_ 1, 2010.

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

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

“Prime Rate” means the rate of interest publicly announced from time to time by the Bank as its prime rate. It is a rate set by the Bank based upon various factors including the Bank’s costs and desired return, general economic conditions and other factors, and is used as a reference point for pricing some loans, which may be priced at, above, or below such announced rate. Any change in the Prime Rate announced by the Bank shall take effect at the opening of business on the day specified in the public announcement of such change.

“Purchase Agreement” means the Bond Purchase Agreement or Bond Purchase Agreements, relating to the purchase the 2008 Bonds.

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

“Related Documents” means the Subordinate General Resolution, the Senior Lien Resolution, the Paying Agent Agreement, the 2008 Bonds, each Remarketing Agreement, the Purchase Agreement, the Custody Agreement, Fee Letter Agreement and the Official Statement.

“Remarketing Agent” each Person appointed by the City in accordance with the Tenth Supplemental Resolution with the consent of the Bank as a remarketing agent for the 2008 Bonds. The current Remarketing Agent for the 2008-A Bonds is JPMorgan Securities Inc., the current Remarketing Agent for the 2008-B Bonds is Barclays Capital, the current Remarketing Agent for the 2008-C Bonds is E.J. De La Rosa & Co., Inc., the current Remarketing Agent for the 2008-D Bonds is Stone & Youngberg LLC and the current Remarketing Agent for the 2008-E Bonds is Backstrom McCarley Berry & Co., LLC.

“Remarketing Agreement” means, as of any date of determination, each remarketing agreement between the City and a Remarketing Agent relating to the 2008 Bonds.

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

“S&P” means Standard & Poor’s Ratings Group, a division of The McGraw-Hill Companies, Inc. and its successors, and if such division 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 that is acceptable to the Bank in its sole discretion.

“Stated Expiration Date” of a Letter of Credit has the meaning set forth in such Letter of Credit.

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

“Subordinate General Resolution” means the Wastewater System Subordinate Revenue Bonds General Resolution, adopted March 26, 1991, as amended and supplemented from time to time, including as supplemented by the Tenth Supplemental Resolution.

“Swap Contract” means (a) any and all rate swap transactions, basis swaps, credit derivative transactions, forward rate transactions, commodity swaps, commodity options, forward commodity contracts, equity or equity index swaps or options, bond or bond price or

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

"System" has the meaning set forth in the Subordinate General Resolution.

"Taxes" has the meaning set forth in Section 3.5(b).

"Tenth Supplemental Resolution" has the meaning set forth in the Paying Agent Agreement.

"Term Loan" and "Term Loans" have the meanings set forth in Section 2.4(b).

"Term Loan Payment Date" has the meaning set forth in Section 2.4(b).

"Term Loan Rate" means, with respect to any Term Loan, a fluctuating rate of interest equal to the Bank Rate plus 1.0% per annum; provided, that upon and during the continuation of any Event of Default the Term Loan Rate shall be the Default Rate.

"Termination Date" has the meaning set forth in the Letter of Credit.

"Termination Drawing" means a Drawing made under the Letter of Credit for the purpose of purchasing 2008 Bonds tendered or deemed tendered for purchase pursuant to Section 5.01 of the Paying Agent Agreement and not remarketed.

"Trust Assets" has the meaning set forth in Section 2.8.

"Underlying Provisions" has the meaning set forth in Section 6.6.

"Weekly Rate" has the meaning set forth in the Paying Agent Agreement.

"2008 Bonds" means, individually, the 2008A Bonds, the 2008B Bonds, the 2008C Bonds, the 2008D Bonds, or the 2008E Bonds, as the case may be, and, collectively, the 2008A Bonds, the 2008B Bonds, the 2008C Bonds, the 2008D Bonds, and the 2008E Bonds.

"2008A Bonds" means the City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-A, initially issued in an aggregate principal amount of \$84,730,000.



“2008A Letter of Credit” means an irrevocable direct-pay letter of credit in the form of Exhibit A-1 hereto, with blanks appropriately completed, executed and issued by the Bank in favor of the Paying Agent for the benefit of the Owners of the 2008A Bonds.

“2008B Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-B, initially issued in an aggregate principal amount of \$69,780,000.

“2008B Letter of Credit” means an irrevocable direct-pay letter of credit in the form of Exhibit A-2 hereto, with blanks appropriately completed, executed and issued by the Bank in favor of the Paying Agent for the benefit of the Owners of the 2008B Bonds.

“2008C Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-C, initially issued in an aggregate principal amount of \$49,840,000.

“2008C Letter of Credit” means an irrevocable direct-pay letter of credit in the form of Exhibit A-3 hereto, with blanks appropriately completed, executed and issued by the Bank in favor of the Paying Agent for the benefit of the Owners of the 2008C Bonds.

“2008D Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-D, initially issued in an aggregate principal amount of \$31,900,000.

“2008D Letter of Credit” means an irrevocable direct-pay letter of credit in the form of Exhibit A-4 hereto, with blanks appropriately completed, executed and issued by the Bank in favor of the Paying Agent for the benefit of the Owners of the 2008D Bonds.

“2008E Bonds” means the City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-E, initially issued in an aggregate principal amount of 10,065,000.

“2008E Letter of Credit” means an irrevocable direct-pay letter of credit in the form of Exhibit A-5 hereto, with blanks appropriately completed, executed and issued by the Bank in favor of the Paying Agent for the benefit of the Owners of the 2008E Bonds.

Section 1.2 Incorporation of Certain Definitions by Reference. Each capitalized term used herein and not otherwise defined herein shall have the meaning provided therefor in the Subordinate General Resolution or the Paying Agent Agreement.

Section 1.3 Accounting Terms and Determinations. All accounting terms not specifically defined herein shall be construed in accordance with generally accepted accounting principles.

Section 1.4 Interpretation. The following rules shall apply to the construction of this Agreement unless the context requires otherwise: (a) the singular includes the plural, and the plural the singular; (b) words importing any gender include the other gender and the neuter gender; (c) references to statutes are to be construed as including all statutory provisions

consolidating, and all regulations promulgated pursuant to, such statutes; (d) references to "writing" include printing, photocopy, typing, lithography and other means of reproducing words in a tangible visible form; (e) the words "including", "includes" and "include" shall be deemed to be followed by the words "without limitation"; (f) references to the introductory paragraph, recitals, articles, sections (or clauses or subdivisions of sections), exhibits, appendices, annexes or schedules are to those of this Agreement unless otherwise indicated; (g) references to agreements and other contractual instruments shall be deemed to include all subsequent amendments and other modifications to such instruments, but only to the extent that such amendments and other modifications are permitted or not prohibited by the terms of this Agreement; (h) article and section headings in this Agreement are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose; and (i) unless otherwise indicated, references to Persons include their respective permitted successors and assigns.

## ARTICLE II LETTER OF CREDIT; REIMBURSEMENT; LIQUIDITY ADVANCES; TERM LOANS

Section 2.1 Application for Letter of Credit, Liquidity Advances and Term Loans.  
The City hereby applies to the Bank for, and authorizes and instructs the Bank to issue for the City's account, the Letter of Credit, and to make Liquidity Advances and Term Loans. The Bank agrees that it will pay all Drawings under the Letter of Credit from its own funds.

Section 2.2 Conditions Precedent to Issuance of the Letter of Credit. Upon satisfaction of each and every condition listed below, the Bank hereby agrees to issue the Letter of Credit:

(a) Receipt by the Bank, on or prior to the Date of Issuance, of those portions of the Charter, together with all amendments thereto, that relate to the System;

(b) Receipt by the Bank, on or prior to the Date of Issuance, of a copy of the resolution of the City authorizing the execution, delivery and performance of this Agreement, certified by an appropriate official of the City, which certification shall include a statement to the effect that such resolution is in full force and effect on the Date of Issuance and has not been amended;

(c) Receipt by the Bank, on or prior to the Date of Issuance, of a certificate of the City certifying the names and true signatures of the officials of the City authorized to sign this Agreement and the other documents to be delivered by the City hereunder;

(d) To the extent not included in (b) above, receipt by the Bank, on or prior to the Date of Issuance, of originals (or copies certified to be true copies by an appropriate official of the City) of all governmental and regulatory approvals necessary for the City to enter into this Agreement and the City Related Documents and to perform its obligations as contemplated hereby and thereby, and of all other documents evidencing any other necessary City action;

(e) An executed copy of this Agreement, an executed copy (or a copy certified to be an accurate and complete copy by an appropriate official of the City) of each Related Document and a copy of the Official Statement and all supplements thereto shall have been delivered by the City to the Bank;

(f) The following statements shall be true and correct on the Date of Issuance, and the Bank shall have received a certificate signed by the Authorized City Representative, dated the Date of Issuance, stating that:

(i) the representations and warranties of the City contained in this Agreement and the City Related Documents and each certificate furnished or delivered by the City to the Bank pursuant hereto or thereto are true and correct on and as of the Date of Issuance as though made on and as of such date;

(ii) no "default" or "event of default" under any City Related Document and no Default or Event of Default has occurred and is continuing or would result from the issuance of the Letter of Credit or the making of any Liquidity Advance or Term Loan;

(iii) the 2008 Bonds have been assigned a long-term/short-term rating of "AA-/A-1+" by S&P, "Aa3/VMIG1" by Moody's or "AA-/F1+" by Fitch or any of the foregoing; and

(iv) there has been no material adverse change in the business, financial position or results of operation of the System since June 30, 2009;

(g) Receipt by the Bank of a copy of the most recent annual budget adopted by the City relating to the System and the audited financial report for the System for the Fiscal Year ended June 30, 2009;

(h) Receipt by the Bank of all amounts due to it or its counsel on or before the Date of Issuance pursuant to the Fee Letter Agreement;

(i) Receipt by the Bank of executed copies of each other agreement, document, instrument, certificate or opinion required to be delivered by any Person pursuant to the Purchase Agreement, each of which shall be in form and substance satisfactory to the Bank and, in the case of each such opinion, a letter addressed to the Bank from the counsel rendering such opinion stating that the Bank is entitled to rely upon such opinion as if such opinion were addressed to it;

(j) Receipt by the Bank, on or prior to the Date of Issuance, of such other documents, instruments, approvals (and, if requested by the Bank, certified duplicates of executed copies thereof) or opinions as the Bank may reasonably request; and

(k) Receipt by the Bank of evidence that a CUSIP number has been assigned to the Bank Bonds.

Section 2.3 Request to Extend LOC Period. At any time other than during the 180-day period prior to the then current Stated Expiration Date of a Letter of Credit, the City may, by written notice to the Bank, request that the Stated Expiration Date of such Letter of Credit be extended to a date no later than the second anniversary of the then current Stated Expiration Date. Following its receipt of such a request, the Bank, in its sole and absolute discretion (and after such due diligence (if any) as the Bank shall undertake), shall notify the City and the Paying Agent of its decision with respect to such request within 60 days of such receipt, together with any conditions thereto (including, without limitation, change in pricing), it being understood and agreed that the failure of the Bank to notify the City of any decision within such 60-day period shall be deemed to be a rejection of such request and the Bank shall not incur any liability or responsibility whatsoever to any Person by reason of its failure so to notify the City or as a result of its rejection of such request. If the Bank, in its sole discretion, elects to extend the Stated Expiration Date then in effect, the Bank shall deliver to the City and the Paying Agent a notice of extension in the form of Annex E to the Letter of Credit (each, a "Notice of Extension") designating the date to which the Stated Expiration Date is being extended. Such extension of the Stated Expiration Date shall be effective, after receipt of such notice, on the Business Day following the date of delivery of such Notice of Extension, and thereafter all references in this Agreement to the Stated Expiration Date shall be deemed to be references to the date designated as such in the most recent Notice of Extension delivered to the Paying Agent. Any date to which the Stated Expiration Date has been extended in accordance with this Section 2.3 may be extended in like manner.

Section 2.4 Liquidity Advances; Term Loans.

(a) Unless the commitment of the Bank to make Liquidity Advances hereunder shall have terminated in accordance with Section 7.2(b)(i), if the Bank shall honor payment of a Liquidity Drawing and such payment is not reimbursed by 12:30 p.m. (Los Angeles time) on the day such payment is made and the conditions of Section 2.4(c) are satisfied on such day, such payment shall constitute, and the Bank shall be deemed to have extended, a Liquidity Advance to the City on such day and in the amount of such Liquidity Drawing (each such Liquidity Advance, a "Liquidity Advance" and, collectively, the "Liquidity Advances"). Subject to Section 7.2(b)(ii), each Liquidity Advance made by the Bank to the City shall mature and the outstanding principal amount of such Liquidity Advance shall be due and payable on the first to occur of (the "Liquidity Advance Maturity Date") (i) the date on which any 2008 Bonds purchased with the proceeds of a Liquidity Drawing are redeemed, prepaid or cancelled pursuant to the Paying Agent Agreement; (ii) the date on which any 2008 Bonds purchased with proceeds of a Liquidity Drawing are remarketed pursuant to the Paying Agent Agreement; (iii) the date on which the Letter of Credit securing such 2008 Bonds is replaced by a substitute letter of credit pursuant to the terms of the Paying Agent Agreement; (iv) the Termination Date of the Letter of Credit securing such 2008 Bonds; and (v) the one hundred and eightieth (180th) day following the date of the Liquidity Drawing that gave rise to such Liquidity Advance. Interest shall accrue on each Liquidity Advance from the date of incurrence thereof to and including the date such Liquidity Advance is paid in full. Subject to Section 3.4(a), interest shall accrue during the period from the date a Liquidity Advance is made to and including the Liquidity Advance Maturity Date for such Liquidity Advance at a rate per annum equal to the

Liquidity Rate. Accrued interest on each Liquidity Advance shall be payable in arrears on the first Business Day of each calendar month, the Liquidity Advance Maturity Date for such Liquidity Advance and, thereafter, on demand. In the event that the principal of, and interest on, any outstanding Liquidity Advance is not paid when due, the City shall pay interest on the principal amount of such Liquidity Advance and the amount of the unpaid interest, if any, on demand, at the Default Rate. Interest shall be calculated on the basis of a year consisting of 365 days and actual days elapsed.

(b) Unless (i) the commitment of the Bank to make Term Loans hereunder has terminated in accordance with Section 7.2(b)(i), or (ii) the City has given the Bank at least one Business Day's prior notice that it intends to pay a Liquidity Advance in full on the Liquidity Advance Maturity Date therefor, if the conditions of Section 2.4(c) are satisfied on the Liquidity Advance Maturity Date for a Liquidity Advance, the unpaid principal amount of such Liquidity Advance shall be converted into, and the Bank shall be deemed to have extended to the City, a term loan (each, a "Liquidity Term Loan"). Unless (x) the commitment of the Bank to make Term Loans hereunder has terminated in accordance with Section 7.2(b)(i) or (y) the City has given the Bank at least one Business Day's prior notice that it intends to reimburse in full the amount of the Termination Drawing on the date the Bank honors payment thereof, if the conditions of Section 2.4(c) are satisfied at the time at which the Bank honors payment of the Termination Drawing, the City's obligation to reimburse the Bank in the amount of such Drawing shall be deemed satisfied and the Bank shall be deemed to have extended a term loan to the City in the amount of such Drawing at the time the Bank honors payment of such Drawing (such term loan, the "LOC Termination Term Loan"; the LOC Termination Term Loan and each Liquidity Term Loan are hereinafter referred to individually as a "Term Loan" and collectively as the "Term Loans"). Subject to Section 7.2(b) (ii), payment of the principal of each Term Loan shall be made in six (6) equal semiannual installments, commencing on the date which is 180 days from the day on which such Term Loan was extended; provided, that no Term Loan shall extend beyond the date that is the third anniversary of the earlier of (i) the Termination Date and (ii) the Liquidity Advance Maturity Date. Each date on which the principal amount of any Term Loan is due is hereinafter referred to as a "Term Loan Payment Date." Interest shall accrue on each Term Loan from the date of incurrence thereof to and including the date such Term Loan is paid in full. Subject to Section 3.4(a), interest shall accrue on each Term Loan from the date a Term Loan is made to and including the last Term Loan Payment Date for such Term Loan at a rate per annum equal to the Term Loan Rate. Accrued interest on each Term Loan shall be payable in arrears on the first Business Day of each calendar month, each Term Loan Payment Date, on each date of prepayment and, following the last Term Loan Payment Date, on demand. In the event that the principal of, and interest on, any outstanding Term Loan is not paid when due, the City shall pay interest on the principal amount of such Term Loan and the amount of the unpaid interest, if any, on demand, at the Default Rate. Interest shall be calculated on the basis of a year consisting of 365 days and actual days elapsed.

(c) (i) An unreimbursed Liquidity Drawing shall be deemed paid and become a Liquidity Advance on the day such Liquidity Drawing is made; (ii) an unpaid Liquidity Advance shall be deemed paid and become a Liquidity Term Loan on the

Liquidity Advance Maturity Date for such Liquidity Advance and (iii) if the Termination Drawing is honored and not reimbursed, the Termination Drawing shall be deemed paid and become the LOC Termination Term Loan on the day such Termination Drawing is made, in each case if the following statements shall be true and correct on such day: (A) the representations and warranties contained in Article V are correct on and as of the date of such Liquidity Advance as though made on and as of such date and (B) no event has occurred and is continuing, or would result from the making (or deemed making) of such Liquidity Advance, Liquidity Term Loan or LOC Termination Term Loan, as the case may be, which constitutes an Event of Default or a Default. Unless the City shall have previously advised the Bank in writing that one or more of the above statements are no longer true, the City shall be deemed to have represented and warranted on the date of each Liquidity Advance, each Liquidity Term Loan and the LOC Termination Term Loan, as the case may be, that the above statements are true and correct.

Section 2.5 Prepayments.

(a) The City may, on any Business Day, upon at least two Business Days' notice to the Bank, prepay the outstanding amount of any Liquidity Advance or Term Loan, in whole or in part in amounts aggregating \$100,000 or any multiple of \$5,000 in excess thereof, with accrued interest to the date of such prepayment on the amount prepaid. In the event the City partially prepays a Term Loan, such prepayment shall be applied to remaining principal payments in reverse chronological order.

(b) Upon the remarketing of Bank Bonds, the City shall cause the Paying Agent to deliver to the Bank all proceeds thereof. If the Bank receives proceeds from the remarketing of Bank Bonds accompanied by a certificate completed and signed by the Paying Agent in the form of Annex I to the applicable Letter of Credit, the Bank shall (i) apply such proceeds (with interest being paid before principal) to the payment of the principal of, and interest on, the Liquidity Advance or Liquidity Term Loan resulting from the Liquidity Drawing the proceeds of which were used to purchase such Bank Bonds and (ii) reinstate the Letter of Credit in accordance with its terms.

Section 2.6 Reimbursement of Drawings. Except as otherwise provided in Section 2.4, the City shall pay the Bank as reimbursement for each Drawing honored by the Bank a sum equal to the full amount of such Drawing no later than 1:00 p.m. (Los Angeles time) on the date such Drawing is honored.

Section 2.7 Evidence of Debt. The Bank shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the City resulting from each Drawing made from time to time under a Letter of Credit, the making of Liquidity Advances, the making of Term Loans and the amounts of principal and interest payable and paid from time to time hereunder. Such account or accounts shall be made available to the City during regular business hours upon the reasonable request of the City to the Bank. In any legal action or proceeding in respect of this Agreement, the entries made in such account or accounts shall be conclusive evidence (absent manifest error) of the existence and amounts of the obligations of the City therein recorded.

Section 2.8 Security. In order to secure the timely payment of all Obligations (including, without limitation, the payment of the principal of, interest on and redemption price of Bank Bonds) and to secure the performance and observance of all of the covenants, agreements and conditions contained in this Agreement and the Related Documents to which the Bank or any Affiliate thereof is a party, the City hereby irrevocably grants a lien on and a security interest in, and pledges, the Revenues and the other funds, assets and security described in the Subordinate General Resolution ("Trust Assets") to the Bank (for the benefit of the Bank and any Affiliate of the Bank to whom any Obligation is at any time owed), which lien on, security interest in and pledge of the Revenues and Trust Assets is on a parity with the pledge of Revenues and Trust Assets set forth in the Subordinate General Resolution. This lien on and security interest in and pledge of the Revenues and Trust Assets shall constitute a valid pledge of and charge and lien upon the Revenues, shall immediately attach and be effective, binding, and enforceable against the City, its successors, purchasers of any of the Revenues and Trust Assets, creditors, and all others asserting rights therein to the extent set forth in, and in accordance with, the Subordinate General Resolution, irrespective of whether those parties have notice of the lien on, security interest in and pledge of the Revenues and Trust Assets and without the need for any physical delivery, recordation, filing or further act.

Section 2.9 Limited Recourse Obligations. The Obligations (including the payment of the principal of, interest on and redemption price of Bank Bonds) shall not be payable from any income, receipts or revenues of the City other than Revenues and Trust Assets, nor shall the Obligations (other than the payment of the principal of, interest on and redemption price of Bank Bonds) constitute a legal or equitable pledge, charge, lien, or encumbrance upon any of the property or upon any of the income, receipts, or revenues of the City, except Revenues and Trust Assets.

Section 2.10 Bank Bonds. The 2008 Bonds held by the Bank as a result of a Liquidity Drawing or the Termination Drawing shall constitute Bank Bonds and shall, from the date such Bonds are held by the Bank as Bank Bonds, bear interest at the rate and have other characteristics of 2008 Bonds set forth in the Paying Agent Agreement. While holding Bank Bonds, the Bank shall be entitled to and, where necessary, shall be deemed assigned all rights and privileges accorded Owners, except to the extent such rights and privileges conflict with this Agreement, in which case the terms of this Agreement shall prevail and govern. The Bank shall be recognized by the City, the Fiscal Agent and the Paying Agent as the true and lawful holder of such Bank Bonds, free from any claims, liens, security interests, equitable interests and other interests of the City, except as such interests might exist under the terms of the Bank Bonds with respect to all Owners. Bank Bonds shall be held by the Paying Agent, as custodian, pursuant to the terms of the Custody Agreement.

### ARTICLE III PAYMENT TERMS

Section 3.1 Fee Letter Agreement. The City hereby agrees to pay and perform its obligations provided for in the Fee Letter Agreement, including the payment of all fees and expenses provided for therein. The fees and expense provisions set forth in the Fee Letter Agreement are incorporated herein by reference thereto as if fully set forth herein.

Section 3.2 Reserved.

Section 3.3 Increased Costs and Reduced Return.

(a) If the Bank shall have determined that, after the date hereof, the adoption of any applicable law, rule, regulation, accounting principle or guideline regarding capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, comparable agency or accounting body charged with the interpretation or administration thereof, including, without limitation, any Superintendent or Commissioner of Banking, the Board of Governors of the Federal Reserve Bank or the Federal Deposit Insurance Corporation, or compliance by the Bank with any request or directive regarding capital adequacy (whether or not having the force of law) of any such Governmental Authority, central bank, comparable agency or accounting body, has or would have the effect of reducing the rate of return on the capital of the Bank (or its Parent) relating to the Bank's obligations hereunder or under the Letter of Credit to a level below that which the Bank (or its Parent) would have achieved but for such adoption, change or compliance (taking into consideration the Bank's policies with respect to capital adequacy), then from time to time, within 30 days after written demand by the Bank, the City shall pay to the Bank (or its Parent), such additional amount or amounts as will compensate the Bank (or its Parent) for such reduction in the rate of return on the capital of the Bank (or its Parent) relating to the Bank's obligations hereunder or under the Letter of Credit. The agreements in this subsection shall survive the termination of the Letter of Credit and repayment of all of the Obligations.

(b) If, after the date hereof, the adoption of any applicable law, rule, regulation, accounting principle or guideline, or any change therein, or any change in the interpretation or administration thereof by any Governmental Authority, central bank, comparable agency or accounting body charged with the interpretation or administration thereof or compliance by the Bank with any request or directive (whether or not having the force of law) of any such Governmental Authority, central bank, comparable agency or accounting body:

(i) Shall subject the Bank to any tax, duty, assessment or other charge with respect to the Letter of Credit or the commitment of the Bank to make Liquidity Advances and/or Term Loans, or shall change the basis of taxation of payments to the Bank of reimbursements of Drawings and payments of Liquidity Advances and/or Term Loans or in respect of any other amounts due under this Agreement (except for changes in the rate of tax on the overall net income of the Bank); or

(ii) Shall impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, the Bank or shall impose on the Bank or on the United States market for letters of credit any other condition affecting its obligation to issue or maintain the Letter of Credit or the Bank's commitment to make Liquidity Advances and/or Term Loans or in respect of Liquidity Advances and/or Term Loans made by the Bank;



and the result of any of the foregoing is to increase the cost to the Bank of making or maintaining the Letter of Credit or the Bank's commitment to make Liquidity Advances and/or Term Loans or Liquidity Advances or Term Loans made by the Bank or to reduce the amount of any sum received or receivable by the Bank under this Agreement or the Letter of Credit, within 30 days after written demand by the Bank, the City agrees to pay or cause to be paid to the Bank such additional amount or amounts as will compensate the Bank for such increased cost or reduction. The agreements in this subsection shall survive the termination of the Letter of Credit and repayment of all of the Obligations.

(c) The Bank and each Participant (if any) will promptly notify the City in writing of any event of which it has knowledge, occurring after the date hereof, which will entitle the Bank or such Participant to compensation pursuant to this Section. The failure of the Bank or such Participant to so notify the City shall in no manner release the City from its obligations under this Section 3.3. Each demand for compensation pursuant to this Section 3.3 shall be accompanied by a certificate of the Bank or such Participant in reasonable detail setting forth the computation of such compensation (including the reason therefor), which certificate shall be conclusive, absent manifest error, as against all other Persons, including the City. In determining any compensation pursuant to this Section, the Bank or such Participant may use reasonable averaging and attribution methods, reasonable estimates, assumptions, allocations and the like that the Bank or such Participant in good faith determines to be appropriate.

(d) The City shall have the right to cause the Trustee to notify the Bank in the form of Annex G to the Letter of Credit and cause the Letter of Credit to terminate if the Bank notifies the City under Section 3.3(c) that it has knowledge, occurring after the date hereof, which will entitle the Bank or a Participant to compensation pursuant to this Section 3.3. In such circumstance, no termination fee (in addition to any Commitment Fee then due) shall be payable by the City to the Bank.

Section 3.4 Overdue Payments; Default Pricing; Excess Interest.

(a) Overdue principal and overdue interest in respect of each Drawing, each Liquidity Advance, each Term Loan and any other overdue amount payable by the City hereunder shall bear interest at a per annum rate equal to the Default Rate. Upon the occurrence and during the continuation of an Event of Default, each Drawing, each Liquidity Advance, each Term Loan and other any other amount payable by the City hereunder shall bear interest at a rate per annum equal to the Default Rate. Interest shall be calculated on the basis of a year consisting of 365 days and actual days elapsed.

(b) Interest not paid when due pursuant to Section 3.4(a) above, shall, to the extent permitted by law, be compounded on a monthly basis and added to principal.

(c) If the rate of interest payable hereunder shall exceed the Maximum Interest Rate for any period for which interest is payable, then (i) interest at the Maximum Interest Rate shall be due and payable with respect to such interest period and (ii) interest at the rate equal to the difference between (A) the rate of interest calculated in

accordance with the terms hereof and (B) the Maximum Interest Rate (the "Excess Interest"), shall be deferred until such date as the rate of interest calculated in accordance with the terms hereof ceases to exceed the Maximum Interest Rate, at which time the City shall pay to the Bank, with respect to amounts then payable to the Bank that are required to accrue interest hereunder, such portion of the deferred Excess Interest as will cause the rate of interest then paid to the Bank to equal the Maximum Interest Rate, which payments of deferred Excess Interest shall continue to apply to such unpaid amounts hereunder until all deferred Excess Interest is fully paid to the Bank. Upon the termination of the Letter of Credit and this Agreement, in consideration for the limitation of the rate of interest otherwise payable hereunder, the City shall pay to the Bank a fee equal to the amount of all unpaid deferred Excess Interest.

Section 3.5 Payments.

(a) Method and Place of Payment. Except as otherwise specifically provided herein, all amounts payable under this Agreement shall be made to the Bank not later than 1:00 p.m. Los Angeles time on the date when due and shall be made in Dollars in immediately available funds. Whenever any payment to be made hereunder shall be stated to be due on a day which is not a Business Day, the due date thereof shall be extended to the next succeeding Business Day and, with respect to payments of principal, interest shall be payable at the applicable rate during such extension. Amounts received later than 1:00 p.m. Los Angeles time on a Business Day but before the Bank's close of business on such Business Day shall be deemed received on or before 1:00 p.m. Los Angeles time on the next Business Day.

(b) Net Payments. All payments made by the City hereunder shall be made without setoff, counterclaim or other defense. All such payments will be made free and clear of, and without deduction or withholding for, any present or future taxes, levies, imposts, duties, fees, assessments or other charges of whatever nature now or hereafter imposed by any jurisdiction or by any political subdivision or taxing authority thereof or therein (but excluding, except as provided below, any tax imposed on or measured by the overall net income of the Bank pursuant to the laws of the jurisdiction (or any political subdivision or taxing authority thereof or therein) under which the Bank is organized) and all interest, penalties or similar liabilities with respect thereto (collectively, "Taxes"). If the City shall be required by any law, rule or regulation to deduct any Taxes from or in respect of any sum payable under this Agreement or any Related Document to the Bank, (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section), the Bank receives an amount equal to the sum it would have received had no such deductions been made, (ii) the City shall make such deductions, (iii) the City shall pay the full amount deducted to the relevant taxation authority or other authority in accordance with applicable laws, rules and regulations and (iv) within 45 days after the date of such payment, the City shall furnish to the Bank the original or a certified copy of a receipt evidencing payment thereof. The City will to the maximum extent permitted by applicable law indemnify and hold harmless the Bank, and reimburse the Bank upon its written request, for the amount of any Taxes so levied or imposed and paid by the Bank. The agreements in this subsection shall survive the termination of the Letter of Credit and repayment of all of the Obligations.

## ARTICLE IV NATURE OF OBLIGATIONS; INDEMNITY

Section 4.1 Obligations of the City. The obligations of the City under this Agreement shall be primary, absolute, independent, unconditional and irrevocable and shall be performed strictly in accordance with the terms of this Agreement, including without limitation the following circumstances:

(a) Any lack of validity or enforceability of the Letter of Credit, the Related Documents or any other agreement or instrument relating to any of the above;

(b) Any amendment or waiver of, or any consent to or departure from, any provision of any of the Related Documents, except for any waiver or consent granted by the Bank;

(c) The existence of any claim, setoff, defense or other rights that the City may have at any time against the Paying Agent, any beneficiary or transferee of the Letter of Credit (or any Person for whom the Paying Agent, any such beneficiary or any such transferee may be acting), the Bank or any other Person, whether in connection with this Agreement, the Related Documents or any unrelated transaction;

(d) Any breach of contract or other dispute between the City and the Paying Agent, any beneficiary or transferee of the Letter of Credit (or any Person for whom the Paying Agent, any such beneficiary or any such transferee may be acting), any Owner, the Bank or any other Person;

(e) Any demand, statement or any other document presented under the Letter of Credit or hereunder proving to have been forged, fraudulent, invalid or insufficient in any respect or any statement therein being untrue or inaccurate in any respect whatsoever;

(f) Payment by the Bank under the Letter of Credit against presentation of a draft or certificate which does not comply strictly with the terms of the Letter of Credit;

(g) Any non-application or misapplication by the Paying Agent, any paying agent or the Paying Agent or otherwise of the proceeds of any Drawing; or

(h) The failure by the Bank to honor any Drawing under the Letter of Credit or to make any payment demanded under the Letter of Credit on the grounds that the demand for such payment does not conform strictly to the terms and conditions of the Letter of Credit.

Section 4.2 Indemnification.

(a) To the maximum extent permitted by applicable law, the City agrees to indemnify, save and hold harmless each Bank-Related Person from and against: (i) any and all claims, demands, actions or causes of action that (x) are asserted against any Bank-Related Person by any Person relating directly or indirectly to a claim, demand, action or cause of action

that such Person asserts or may assert against the City or any of its elected officials, officers or employees, the System or any plant, property or equipment of the System; and/or (y) may at any time (including at any time following repayment of the Obligations) be asserted or imposed against any Bank-Related Person arising out of or relating to this Agreement or any Related Agreement, the use or contemplated use of the proceeds of any Drawing, any Liquidity Advance or any Term Loan, or the relationship of City and the Bank under this Agreement or any Related Document; (ii) any investigative, administrative or judicial proceeding by any Governmental Authority arising out of or related to a claim, demand, action or cause of action described in subsection (i) above; and (iii) any and all liabilities (including liabilities under indemnities), losses, costs or expenses (including attorney costs) that any Bank-Related Person suffers or incurs as a result of the assertion of any foregoing claim, demand, action, cause of action or proceeding, or as a result of the preparation of any defense in connection with any foregoing claim, demand, action, cause of action or proceeding, in all cases, and whether or not a Bank-Related Person is a party to such claim, demand, action, cause of action or proceeding; provided that no Bank-Related Person shall be entitled to indemnification for any claim caused by its own gross negligence or willful misconduct or for any loss asserted against it by another Bank-Related Person. The agreements in this subsection shall survive the termination of the Letter of Credit and repayment of all of the Obligations.

(b) To the maximum extent permitted by applicable law, the City shall also indemnify and hold harmless the Bank from any transfer taxes, documentary taxes, assessments or charges made by any Governmental Authority by reason of the execution and delivery of this Agreement and the Related Documents or the issuance of the Letter of Credit. The agreements in this subsection shall survive the termination of the Letter of Credit and repayment of all of the Obligations.

#### Section 4.3 Obligations and Liability of the Bank.

(a) Except as provided in this Agreement, the Bank shall not be obligated to issue any further credits, to cure any defaults under any Related Document or otherwise, or in any other manner to extend any financial consideration or accommodation to the City.

(b) The Bank shall not be deemed to have waived or released any of its rights or remedies (whether specified in or arising under this Agreement or otherwise available to it by law or agreement) unless the Bank shall have signed a written waiver or release. Delay or failure to act on the Bank's part shall not constitute a waiver of or otherwise preclude enforcement of any of their rights and remedies. All of the Bank's rights and remedies shall be cumulative and may be exercised separately or concurrently. The Bank need not resort to any particular right or remedy before exercising or enforcing any other, and the Bank's resort to any right or remedy shall not preclude the exercise or enforcement of any other right or remedy.

(c) The City assumes all risks of the acts or omissions of the Paying Agent, any transferee of the Letter of Credit, the Remarketing Agent, the Fiscal Agent or any paying agent for the 2008 Bonds with respect to its use of the Letter of Credit and the application of proceeds drawn thereunder; provided, that this assumption with respect to the Bank is not intended to, and shall not, preclude the City's pursuing such rights and remedies as it may have against the Paying Agent, such transferee, the Remarketing Agent or any such paying agent at

law or under any other agreement. Neither the Bank nor any of its officers, directors, employees or agents shall be liable or responsible for:

(i) The use that may be made of the Letter of Credit or for any acts or omissions of the Paying Agent or any transferee of the Letter of Credit in connection therewith;

(ii) The form, validity, sufficiency, accuracy or genuineness of documents, or of any endorsements thereon, even if such documents should prove to be in any or all respects invalid, insufficient, inaccurate, fraudulent or forged, so long as the Bank was not grossly negligent or guilty of willful misconduct as determined by a court of competent jurisdiction;

(iii) Payment by the Bank against presentation of documents that do not comply strictly with the terms of the Letter of Credit, including failure of any documents to bear any reference or adequate reference to such Letter of Credit;

(iv) The validity or sufficiency of any instrument transferring or assigning or purporting to transfer or assign the Letter of Credit or the rights or benefits thereunder or proceeds thereof, in whole or in part, which may prove to be invalid or ineffective for any reason;

(v) Errors, omissions, interruptions or delays in transmission or delivery of any messages by telex, mail, cable, telegraph, facsimile or otherwise, whether or not they have been in cipher, including any Drawings under the Letter of Credit;

(vi) Errors in interpretation of technical terms; or

(vii) Any consequences arising from causes beyond the control of the Bank, including, without limitation, any Government Acts;

provided that, notwithstanding anything in the preceding clauses (i) through (vii) to the contrary, the City shall have a claim against the Bank, and the Bank shall be liable to the City, to the extent, but only to the extent, of any direct, as opposed to consequential, damages suffered by the City that the City proves were caused by (A) the Bank's failure to pay under the Letter of Credit after the presentation to it by the Paying Agent of a sight draft and certificate strictly complying with the terms and conditions of such Letter of Credit or (B) the Bank's willful misconduct or gross negligence relating to a payment under the Letter of Credit as determined by a court of competent jurisdiction.

In furtherance and not in limitation of the foregoing, the Bank may accept documents that appear on their face to be in order, without responsibility for further investigation, regardless of any notice or information to the contrary.

## ARTICLE V REPRESENTATIONS AND WARRANTIES OF THE CITY

The City represents and warrants as of the date hereof as follows:

Section 5.1 Existence and Power. The City is a municipal corporation and chartered city duly organized and existing under and by virtue of the laws of the State of California and the Charter, and is possessed of full powers to own and lease (as lessor and lessee) real and personal property, to own and operate the System, to conduct its other business as presently conducted and to enter into contracts such as this Agreement and the City Related Documents, which powers have been validly exercised in connection with the transactions effected by this Agreement and the City Related Documents.

Section 5.2 Authorization; Contravention; Approvals. The execution, delivery and performance by the City of this Agreement and the City Related Documents and the other documents contemplated hereby and thereby are within the powers of City, have been duly authorized by all necessary actions and (i) do not contravene the Charter or the City Administrative Code or any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease, instrument or other contractual restriction binding on or affecting the City and (ii) except as provided in or contemplated by this Agreement and the Related Documents, do not result in or require the creation of any Lien, security interest or other charge or encumbrance upon or with respect to any asset of the City. The City is not in violation of or in default in any respect under any law, rule, regulation, order, writ, judgment, injunction, decree, determination or award or any indenture, agreement, lease, instrument or other contractual restriction or the City Related Documents. No Default or Event of Default has occurred and is continuing. All orders, consents and other authorizations or approvals of all Governmental Authorities and all other Persons have been obtained (and no additional authorization, approval or other action by, and no notice to or filing or registration with, any Governmental Authority is required to be made or obtained by the City) for the due execution, delivery and performance by the City of this Agreement and the City Related Documents.

Section 5.3 Enforceability. This Agreement and the City Related Documents, and other documents contemplated hereby and thereby to which the City is a party or by which it is bound are legally valid and binding obligations of the City enforceable against the City in accordance with their respective terms, except as such enforceability may be limited by bankruptcy, insolvency, reorganization or similar laws affecting creditors' rights generally and by general principles of equity.

Section 5.4 Litigation. Except as disclosed in the Official Statement, as supplemented, there are no actions, suits, proceedings, inquiries or investigations, at law or in equity, before any court, Governmental Authority or arbitrator pending or, to the best knowledge of the City, threatened, against or directly involving the City (including, without limitation, the ability of the City to establish and collect rates for use of the System), affecting the existence of the City, the title of any officials to their respective offices, the System or affecting or seeking to prohibit, restrain or enjoin the execution or delivery of this Agreement or any Related Document, or in any way contesting or affecting the validity or enforceability of the 2008 Bonds, this Agreement, any Related Document or contesting the tax-exempt status of the 2008 Bonds, or

contesting in any way the completeness or accuracy of the Official Statement or any supplements or amendments thereto, or contesting the powers of the City or any authority for the issuance of the 2008 Bonds, the execution and delivery of this Agreement or the City Related Documents, nor, to the best, knowledge of the City, is there any basis therefor, which, if determined adversely to the City (i) would adversely affect the validity or enforceability of, or the authority or ability of the City to perform its obligations under, this Agreement or any City Related Documents, (ii) would, in the reasonable opinion of the City, have a material adverse effect on the business, financial position or results of operations of the System or Revenues or (iii) would adversely affect the exclusion of interest on the 2008 Bonds from gross income for Federal income tax purposes or the exemption of such interest from State of California personal income taxes.

Section 5.5 Financial Information.

(a) The audited financial statements of the System for the Fiscal Year ended June 30, 2009 provided to the Bank, true and correct copies thereof and fairly present, in conformity with generally accepted accounting principles, the financial position of the System and its results of operations and changes in financial position at the dates and for the periods indicated.

(b) Since June 30, 2009, there has been no material adverse change in the business, financial position or results of operations of the System.

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

Section 5.6 Disclosure. No written information furnished by the City to the Bank in connection with this Agreement (except information which has been superseded by subsequent information provided by the City) includes any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made in such information and all other written information delivered by the City, when taken together and in light of the circumstances in which they were made, not misleading in any material respect. Except for information contained in the Official Statement under the subcaptions "Letter of Credit", "Reimbursement Agreement" and "The Bank", as to which no representation is made, the Official Statement is, and any supplement or amendment to either shall be, accurate in all material respects for the purpose for which its use is, was or shall be, authorized; and except for information contained in the Official Statement under the previously mentioned captions, as to which no representation is made, the Official Statement does not, and any such supplement or amendment will not, contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements made therein, in the light of the circumstances under which they are or were made, not misleading.

Section 5.7 Environmental Matters. The City has not received notice to the effect that the operations of the System are not in compliance with any of the requirements of applicable federal, state or local environmental, health and safety statutes and regulations or are the subject of any governmental investigation evaluating whether any remedial action is needed to respond to a release of any toxic or hazardous waste or substance into the environment, in each case which non-compliance or remedial action could have a material adverse effect on the assets, financial condition, properties, business or operations of the System or the City's ability to perform its obligations under the City Related Documents.

Section 5.8 Plans. The City currently has a Plan which is in compliance in all respects with the requirements of the applicable laws of the State of California, including without limitation the obligation to pay contributions on behalf of its employees in accordance therewith, and the City has no Plan which is subject to the requirements of ERISA. No condition exists or event or transaction has occurred with respect to any Plan which could reasonably be expected to result in the incurrence by the City of any material liability, fine or penalty.

Section 5.9 Use of 2008 Bonds Proceeds. The proceeds of the 2008 Bonds will be expended in the manner set forth in the Tenth Supplemental Resolution.

Section 5.10 Regulations U and X. The City is not engaged in the business of extending credit for the purpose of purchasing or carrying margin stock (within the meaning of Regulation U or X issued by the Board of Governors of the Federal Reserve System); and no proceeds of any 2008 Bonds will be used to extend credit to others for the purpose of purchasing or carrying any margin stock.

Section 5.11 Tax-Exempt Status. The City has not taken any action or omitted to take any action, and knows of no action taken or omitted to be taken by any other Person, which action, if taken or omitted, would adversely affect the exclusion of interest on the 2008 Bonds from gross income for Federal income tax purposes or the exemption of such interest from State of California personal income taxes.

Section 5.12 Subordinate Bonds; Security. The City hereby designates the Obligations as Subordinate Bonds. The Subordinate General Resolution creates a valid security interest in the funds and accounts created under the Subordinate General Resolution and the moneys, including, without limitation, the Revenues on deposit therein, as security for the punctual payment of the interest and principal due with respect to the 2008 Bonds and all Subordinate Debt (including the Obligations). All action necessary to create a lien in the priority set forth in the Subordinate General Resolution on such funds and accounts and on moneys on deposit therein, including the Revenues, have been duly and validly taken. The City's obligation to pay the Obligations is *par passu* with its obligation to pay the 2008 Bonds and all other Subordinate Bonds.

Section 5.13 Constitutional Matters. To the best knowledge of the City, there is no amendment, or proposed amendment certified for placement on a statewide ballot, to the Constitution of the State of California or any published administrative interpretation of the Constitution of the State of California or any State of California law, or any legislation which has passed either house of the State legislature or is under consideration by any conference or similar



committee, or any published judicial decision interpreting any of the foregoing, the effect of which could reasonably be expected to have material adverse effect on the assets, financial condition, business or operations of the City, on the City's ability to pay in full in a timely fashion the Revenues or the obligations of the City under this Agreement or any Related Document to which it is a party.

Section 5.14 No Sovereign Immunity. The City is not entitled to claim the defense of sovereign immunity in any action, suit or proceeding arising under or relating to this Agreement or any City Related Document (a) for monetary damages or (b) for the execution or enforcement of any judgment (subject to applicable bankruptcy or insolvency laws or limitations on legal remedies against public agencies in the State of California), nor may there be attributed to the City any such immunity (whether or not claimed).

Section 5.15 Incorporation of Representations and Warranties by Reference. The City hereby makes every representation and warranty made by it in any City Related Document, which representations and warranties, as well as the defined terms contained therein that are necessary for a correct interpretation thereof, are incorporated herein by this reference with the same effect as if each and every such provision and defined term were set forth herein in its entirety. No amendment to such representations and warranties or defined terms made pursuant to any such City Related Document and no termination or replacement of any such City Related Document shall be effective to amend, terminate or replace such representations and warranties or defined terms as incorporated by reference therein without the prior written consent of the Bank.

## ARTICLE VI COVENANTS

Until each Letter of Credit has terminated on accordance with its terms and all Obligations of the City shall have been paid and performed in full, unless the Bank shall otherwise consent in writing, the City agrees that:

Section 6.1 Reports and Other Information. The City will furnish, or cause to be furnished, at the City's expense to the Bank:

(a) As soon as possible and in any event within 5 Business Days after the occurrence of any Event of Default, a statement of the Authorized City Representative setting forth details of such Event of Default and the action that the City proposes to take with respect thereto;

(b) As soon as available and in any event within 210 days after the end of each Fiscal Year of the City, a copy of the comprehensive annual financial report of the City for such year, including a balance sheet of the System as of the end of such Fiscal Year and the related statements of revenues, expenses and changes in fund balances and statement of cash flows, all in reasonable detail and reported on by a firm of nationally recognized independent certified public accountants, and the report of such firm of independent certified public accountants shall state, without qualification, that such financial statements present fairly the financial position of the System as of the end of such Fiscal Year, the results of operations, the changes in fund balances and cash

flows of the System for such Fiscal Year then ended in conformity with generally accepted accounting principles;

(c) Simultaneously with the delivery of each set of financial statements referred to in clause (b) above, a certificate of an Authorized City Representative stating whether there exists on the date of such certificate any Event of Default or Default and, if any Event of Default or Default then exists, setting forth the details thereof and the action that the City is taking or proposes to take with respect thereto;

(d) As soon as practicable and in any event within ten (10) Business Days after the City obtains actual knowledge of: (i) any litigation, arbitration or governmental proceeding pending against the City in respect of the System which (A) if determined adversely to the City could reasonable be expected to result in uninsured damages chargeable to the System in excess of \$10,000,000 and (B) the City has determined, based upon the advise of counsel (which may be the City Attorney or attorneys supervised by the City Attorney), has merit; (ii) any litigation, arbitration or governmental proceeding pending against the City or the System that challenges the City's ability to perform its obligations under this Agreement and/or the City Related Documents; (iii) a change or amendment to the Charter or the City Administrative Code, which change or amendment is materially adverse to the City's ability to perform its obligations under this Agreement and/or the City Related Documents; (iv) any other event or condition causing a material adverse change in the City's ability to perform its obligations under this Agreement and/or the City Related Documents; or (v) the destruction of or any material damage to the System that is not fully covered by casualty insurance, in each case a statement of the Authorized City Representative of the City setting forth details describing the same and the steps being taken with thereto;

(e) As soon as practicable and in any event within sixty (60) days following its adoption by the City Council, a copy of each annual budget for the System;

(f) Promptly following its receipt thereof, a copy of any non-routine notice, certification, demand or other non-routine writing or communication from the Paying Agent, the Paying Agent or the Remarketing Agent under or in connection with the 2008 Bonds or any of the Related Documents;

(g) As soon as practicable, any disclosure documents publicly distributed in connection with any issue of Subordinate Bonds pursuant to the Subordinate General Resolution;

(h) As soon as practicable, notice of any change in, or the withdrawal of, any Rating;

(i) From time to time, such additional information (including, without limitation, management letters) regarding the financial position, results of operations, business or prospects of the City as the Bank may reasonably request; and

(j) As soon as available, and in any event within 45 days after the close of each fiscal quarter of each fiscal year, the unaudited financial statements of the System certified by the chief financial officer of the System or their designee covering the operations of the System for such fiscal quarter and containing unaudited balance sheets, statements of operations, changes in financial position of the System for such fiscal quarter.

Section 6.2 Books and Records; Inspections. The City will keep proper books of record and account with respect to the System and Revenues in which full and correct entries shall be made of assets and liabilities, financial transactions and business of the System in conformity with generally accepted accounting principles. The City will upon reasonable notice permit any Person designated by the Bank in writing to visit any of the properties of the City, including the properties comprising the System, and to examine the books and financial records of the City relating to the System and make copies thereof or extracts therefrom, and to discuss the affairs, finances and accounts of the City relating to the System with the principal officers of the City all at such reasonable times and as often as the Bank may reasonably request.

Section 6.3 Maintain Existence. The City will preserve and maintain its existence, rights and franchises as a municipal corporation duly organized and existing under the Constitution and laws of the State of California and will not merge or combine with any other Person.

Section 6.4 Compliance with Laws. The City will comply with the requirements of all laws, rules, regulations and orders of any Governmental Authority having jurisdiction over the City and/or the System, noncompliance with which would materially adversely affect the ability of the City to perform its obligations under this Agreement and the City Related Documents.

Section 6.5 Compliance with Agreements. The City will observe and perform all of its obligations under this Agreement and the City Related Documents.

Section 6.6 Incorporation of Covenants by Reference. The City, by this reference, hereby incorporates into this Agreement those covenants and agreements made by it in the City Related Documents and listed in Schedule 6.6, as such covenants and agreements exist on the date hereof, as if such covenants and agreements were set forth herein in their entirety together with all defined terms and interpretative provisions necessary for a complete understanding thereof (such enumerated covenants, agreements and defined and interpretative terms, the "Underlying Provisions"; the Underlying Provisions as so incorporated, the "Incorporated Provisions"). The Incorporated Provisions shall be deemed to be made for the benefit of the Bank and shall be enforceable against the City by the Bank. To the extent that any Underlying Provision permits any Person to waive compliance with such provision or requires that a document, opinion or other instrument or any event or condition be acceptable or satisfactory to any Person, the corresponding Incorporated Provision shall require that such waiver be acceptable to the Bank and that such document, opinion or other instrument or any event or condition be acceptable or satisfactory to the Bank. No termination or amendment or modification of any of the Underlying Provisions shall be effective to terminate or amend or modify the Incorporated Provisions without the prior written consent of the Bank. The Incorporated Provisions shall be in addition to the express covenants contained herein and shall

not be limited by the express covenants contained herein nor shall the Incorporated Provisions be a limitation on the express covenants contained herein. In the event of a conflict between the covenants and agreements set forth in this Article VI (other than the Incorporated Provisions) and the Incorporated Provisions, the covenants and agreements set forth in the other provisions of Article VI shall prevail. Notwithstanding anything to the contrary contained in this Section 6.6, any Incorporated Provisions that require the Bank to provide consent for the issuance of additional Subordinate Bonds shall be waived so long as all other conditions in the Related Documents necessary for the issuance of Additional Bonds have been satisfied in full.

Section 6.7 City Related Documents. The City will not amend, supplement or otherwise modify, or agree to the amendment, modification or termination of, any of the City Related Documents if such action could reasonably be expected to materially adversely affect the City's ability to perform its obligations under this Agreement and the City Related Documents or materially adversely affect the business, financial position or results of operations of the City or adversely affect the rights, interest, security or remedies of the Bank.

Section 6.8 Paying Agent and Remarketing Agent. The City will not dismiss, replace or permit the resignation of the Paying Agent or any Remarketing Agent unless it has appointed a new paying agent or remarketing agent, as applicable, that is mutually acceptable to the City and the Bank and the new paying agent or remarketing agent, as applicable, shall have accepted such appointment.

Section 6.9 Alternate Credit Facility. The City agrees that any termination of the Letter of Credit as a result of the provision of any Alternate Credit Facility pursuant to the provisions of the Paying Agent Agreement will require, as a condition thereto, that the City or the issuer of the Alternate Credit Facility will provide funds on the date of such termination or provision, which funds will be sufficient to pay in full at the time of termination of such Letter of Credit all Obligations due to the Bank hereunder.

Section 6.10 Best Efforts. In the event the City does not request an extension of the LOC Period of a Letter of Credit or the Bank denies or fails to respond to a request to extend the LOC Period of a Letter of Credit, the City shall use its best efforts to secure a Alternate Credit Facility for the 2008 Bonds secured by such Letter of Credit, convert the 2008 Bonds secured by such Letter of Credit to one or modes of interest that do not require a credit facility, prepay the 2008 Bonds secured by such Letter of Credit or defease the 2008 Bonds secured by such Letter of Credit, in any case prior to the expiration of such Letter of Credit.

Section 6.11 Return of Letter of Credit. The City shall, upon the occurrence of the Termination Date, cause the Paying Agent to surrender forthwith the Letter of Credit to the Bank for cancellation.

Section 6.12 Official Statement. The City shall not change any reference to the Bank in the Official Statement without the Bank's prior written consent thereto.

Section 6.13 Optional Redemption. The City shall not seek or request an optional redemption of 2008 Bonds unless the City has on hand immediately available funds sufficient to

reimburse the Bank for any Drawing made (or proposed to be made) under the Letter of Credit securing such 2008 Bonds in order to pay the redemption price of such 2008 Bonds.

Section 6.14 Use of Proceeds. The City will use the proceeds of the 2008 Bonds solely as provided for in the Tenth Supplemental Resolution.

Section 6.15 Ranking of Obligations. The City shall not take any action that would result in the Obligations not ranking at least *pari passu* in right of payment and security from Revenues with the 2008 Bonds and other Subordinate Bonds.

Section 6.16 Sovereign Immunity. The City agrees to be sued on its contractual obligations, including this Agreement and the Letter of Credit, and all contractual claims with respect hereto, and to the fullest extent permitted by applicable law hereby covenants to irrevocably waive immunity on the grounds of sovereignty or other similar grounds from (i) suit, (ii) the jurisdiction of any state or federal court located in the State of California, (iii) relief by way of injunction, order for specific performance or for recovery of property consisting of monetary assets, cash or cash equivalent-type assets (whether before or after judgment, in aid of execution, or otherwise), and (iv) execution or enforcement of any judgment to which it or its revenues or monetary assets, cash or cash equivalent-type assets might otherwise be entitled in any suit, action or proceedings relating to this Agreement in any state or federal court located in the State of California and no such immunity (whether or not claimed) may be attributed to the City or the Revenues (nor shall such attribution be claimed by the City). The foregoing covenant shall not apply to any claim being made on or relief or execution being granted against any revenues or assets of the City (other than the Revenues and amounts owed to the Bank hereunder) or to any tort claims.

Section 6.17 Maintenance of Tax-Exempt Status of the 2008 Bonds. The City will not take any action or omit to take any action which, if taken or omitted, would adversely affect the exclusion of interest on the 2008 Bonds from gross income for purposes of federal income taxation or the exemption of such interest from State of California personal income taxes.

Section 6.18 Plans. The City will (i) remain at all times in compliance with any applicable law (including any legally available grace periods) with respect to any Plan, and (ii) maintain each Plan as to which it may have any liability in compliance in all material respects with the provisions of applicable law, the failure to comply with which could subject the City to any tax or penalty which tax or penalty, taken together, with all other taxes and penalties which could be assessed against the City by reason of all other non-compliances, would have a material adverse affect on the business, financial position or results of operations of the City.

Section 6.19 Bank Bond Ratings. At any time Bank Bonds are outstanding, upon the request of the Bank, the City shall, at its own expense, (i) within three (3) Business Days following receipt of such request, apply for a rating from at least one Rating Agency to be assigned to such Bank Bonds (and their related CUSIP number) and (ii) use its best efforts to obtain from at least one Rating Agency within ten (10) calendar days following receipt of such request, an investment grade rating specifically assigned to such Bank Bonds (and their related CUSIP number).

Section 6.20 Further Assurances. The City agrees to do such further acts and things and to execute and deliver to the Bank such additional assignments, agreements, powers and instruments as the Bank may reasonably require or reasonably deem advisable to carry into effect the purposes of this Agreement or to better assure and confirm to the Bank its rights, powers and remedies hereunder and under the City Related Documents.

## ARTICLE VII DEFAULTS AND REMEDIES

Section 7.1 Events of Default. The occurrence and continuation of one or more of the following events shall constitute an event of default hereunder ("Event of Default"):

(a) The City shall fail to pay when due (i) the amount of any Drawing; (ii) the principal of any Liquidity Advance or any Term Loan; (iii) the interest on any Liquidity Advance or any Term Loan, and such default shall continue unremedied for 2 Business Days, or (iv) any other amount payable hereunder, and such default shall continue unremedied for 5 days; or

(b) The City shall (i) default in the due performance or observance by it of any Incorporated Provision or any term, covenant or agreement contained in Sections 6.1(a), 6.3, 6.6, 6.7, 6.8, 6.9, 6.13, 6.14, 6.15 or 6.17; (ii) default in the due performance or observance by it of any other term, covenant or agreement contained in Sections 6.1(b), 6.1(c), 6.1(d), 6.1(e), 6.1(f), 6.1(g), 6.1(h), 6.1(i) or 6.1(j) and such default shall continue unremedied for a period of 5 days; or (iii) default in the due performance or observance by it of any other term, covenant or agreement hereunder (other than those referred to in Section 7.1(a), 7.1(b)(i) and 7.1(b)(ii)) and such default shall continue unremedied for a period of 30 days after written notice to the City by the Bank; or

(c) Any representation, warranty, certification or statement made or deemed made by the City in this Agreement, any City Related Document or in any certificate, financial statement or other document delivered to the Bank pursuant to this Agreement shall prove when made or deemed made, in the reasonable judgment of the Bank, to have been inaccurate and misleading in any material respect; or

(d) The City shall (i) default in any payment of any Debt payable from Revenues which, individually or in the aggregate, exceeds \$10,000,000 ("Material Debt") beyond the period of grace (not to exceed 30 days), if any, provided in the instrument or agreement under which such Material Debt was created, or (ii) default in the observance or performance of any agreement or condition relating to any Material Debt contained in any instrument or agreement evidencing, securing or relating thereto, or any other event shall occur or condition exist, the effect of which default or other event or condition is to cause, or to permit the holder or holders of any Material Debt (or a Paying Agent or agent on behalf of such holder or holders) to cause, with the giving of notice if required, such Material Debt to become due prior to its stated maturity; or (iii) any Material Debt shall be declared to be due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof; or

(e) The City shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a Paying Agent, receiver, liquidator, custodian or other similar official of itself or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or other proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall fail generally, or in the reasonable judgment of the Bank be unable, to pay its debts as they become due, or shall take any action to authorize any of the foregoing; or

(f) An involuntary case or other proceeding shall be commenced against the City seeking liquidation, reorganization or other relief with respect to it or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a Paying Agent, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such case or proceeding is not controverted within 30 days and dismissed within 60 days; or an order for relief shall be entered against the City under the federal bankruptcy laws as now or hereafter in effect; or

(g) A court of competent jurisdiction shall enter a final and non-appealable judgment, order or decree declaring any obligation of the City contained in this Agreement or any City Related Document to be invalid, not binding or unenforceable against the City; or

(h) A moratorium shall have been declared or announced by a Governmental Authority (whether or not in writing) with respect to any Debt of the City; or

(i) Dissolution or termination of the existence of the City; or

(j) A final, unappealable judgment or order for the payment of money in excess of \$10,000,000 and for which insurance proceeds shall not be available shall be rendered against the City or the System that is payable from Revenues and such judgment or order shall continue unstayed, undischarged, unbonded or unsatisfied for a period of 90 days; or

(k) Any of the funds or accounts established pursuant to the Subordinate General Resolution or any funds or accounts on deposit, or otherwise to the credit of, such funds or accounts shall become subject to any stay, writ, judgment, warrant of attachment, execution or similar process by any of the creditors of the City and such stay, writ, judgment, warrant of attachment, execution or similar process shall not be released, vacated or stayed within fifteen (15) days after its issue or levy; or

(l) Any pledge or security interest created by this Agreement or any Related Document to secure any amount due by the City under this Agreement or with

respect to the 2008 Bonds shall fail to be fully enforceable with the priority required hereunder or thereunder; or

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

(n) (i) The withdrawal or suspension for credit-related reasons by any Rating Agency that is at the time rating any long-term unenhanced Debt of the City payable from Revenues that is senior in right of payment to, or on a parity with, the 2008 Bonds of its long-term rating with respect to such Debt; or (ii) the downgrade by any such Rating Agency of its long-term rating with respect to any such Debt to a level below "BBB-" (or its equivalent) in the case of Fitch, "BBB-" (or its equivalent) in the case of S&P or "Baa3" (or its equivalent) in the case of Moody's; or

(o) There shall have been rendered a determination that interest on any of the 2008 Bonds is includable in the gross income of the Owners thereof for Federal income tax purposes, as a result of the entry of any decree or judgment by a court of competent jurisdiction, or the taking of any official action by the Internal Revenue Service, whether or not such decree, judgment or action is appealable or deemed to be final under applicable procedural law, or delivery to the City, the Bank and the Paying Agent of an opinion of nationally recognized bond counsel selected by the Bank and reasonably acceptable to the City and the Paying Agent to the effect that the interest borne by the 2008 Bonds is includable in the gross income of the recipients thereof generally for Federal income tax purposes; or

(p) An "event of default" (or similar event) shall have occurred under any of the Related Documents.

Section 7.2 Rights and Remedies Upon Default.

Upon the occurrence of an Event of Default hereunder the Bank, in its sole discretion, may do any, none or all of the following:

(a) Deliver a written notice to the Paying Agent requiring the Paying Agent to (i) cause a mandatory purchase of all Outstanding 2008 Bonds pursuant to Section 5.01 of the Paying Agent Agreement and (ii) submit a final Drawing under the Letter of Credit securing such 2008 Bonds to pay the purchase price of such 2008 Bonds upon their mandatory purchase; or

(b) The Bank may by written notice to the City take any or all of the following actions, without prejudice to the rights of the Bank to enforce its claims against the City (provided, that, if an Event of Default specified in Section 7.1(f) or 7.1(g) shall occur, the result which would occur upon the giving of written notice by the Bank to the City as specified in clauses (i) and (ii) below shall occur automatically without the giving of any such notice): (i) declare the commitment of the Bank to make Liquidity Advances and Term Loans terminated, whereupon such commitment shall forthwith terminate



immediately; and (ii) declare the principal of and any accrued interest in respect of all Liquidity Advances, all Term Loans and all other Obligations (other than the payment of the principal of and interest on Bank Bonds) owing hereunder to be, whereupon the same shall become, forthwith due and payable without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the City;

(c) The Bank may, but shall not be obligated to, take such action as may be necessary to cure such Event of Default on behalf of and for the account of the City; or

(d) Exercise any rights and remedies available to the Bank at law, equity or under any Related Document.

## ARTICLE VIII MISCELLANEOUS

### Section 8.1 Right of Setoff; Other Collateral.

(a) Upon the occurrence and during the continuation of an Event of Default, the Bank is hereby authorized at any time and from time to time without notice to the City (any such notice being expressly waived by the City), and to the fullest extent permitted by law, to setoff, to exercise any banker's lien or any right of attachment and to apply any and all balances, credits, deposits (general or special, time or demand, provisional or final), accounts or monies at any time held and other debt at any time owing by the Bank to or for the account of the City (irrespective of the currency in which such accounts, monies or debt may be denominated and the Bank is authorized to convert such accounts, monies and debt into United States dollars) against any and all of the Obligations of the City, whether or not the Bank shall have made any demand hereunder or thereunder.

(b) The rights of the Bank under this Section are in addition to, in augmentation of, and do not derogate from or impair, other rights and remedies (including, without limitation, other rights of setoff) that the Bank may have. The Bank agrees to promptly notify the City in writing after any such setoff and application referred to in subsection (a) above, provided that failure to give such notice shall not affect the validity of such setoff and application.

### Section 8.2 Notices.

(a) Except as otherwise expressly provided herein, all notices and other communications provided for hereunder shall be in writing, mailed by registered or certified mail, with return receipt requested, delivered by a nationally recognized overnight courier, telecopied, faxed, or hand delivered. All such notices and other communications shall be effective (i) if given by mail, 3 days after the date of deposit in the mails, postage prepaid, addressed as specified in this Section, (ii) if given by facsimile, when sent to the facsimile number set forth below (or such other number as may be provided to each of the other parties listed in this Section in writing) and when confirmed by telephone or (iii) if given by other means, when delivered to the address specified herein:

If to the City, to it at:

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

If to the Paying Agent, to it at:

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

If to the Remarketing Agents, to them at:

2008A Bonds

JPMorgan Securities Inc.  
270 Park Avenue, 6th Floor  
New York, New York 10017  
Attention: Short-term Municipal Desk  
Telephone: (212) 834-7187  
Facsimile: (212) 834-6737

2008B Bonds

Barclay's Capital  
745 Seventh Ave., 7th Floor  
New York, New York 10019-6801  
Attention: Municipal Short-Term Desk  
Telephone: (212) 528-1011  
Facsimile: (646) 758-1870

2008C Bonds

E.J. De La Rosa & Co., Inc.

Attention:  
Telephone:  
Facsimile:

2008D Bonds

Stone & Youngberg LLC  
One Ferry Building, Suite 275  
San Francisco, CA 94111  
Attention: Parker Colvin  
Telephone: (415) 445-2352

2008E Bonds

Backstrom McCarley Berry & Co., LLC  
115 Sansome St., Mez. A  
San Francisco, CA 94104  
Attention: Vincent McCarley, Chief Executive Officer  
Telephone: (415) 392-5505  
Facsimile: (415) 392-5276  
E-mail: VMcCarley@bmcbbc.com

If to the Bank, to:

JPMorgan Chase Bank, National Association

If to the Bank with respect to Bond purchases:

JPMorgan Chase Bank, National Association

With a copy to:

If to the Bank with respect to all other matters:

JPMorgan Chase Bank, National Association

Wire instructions for the Bank with respect to payments:

or at such other address as shall be designated by such party in a written notice to the other party hereto.

(b) This Agreement and the Custody Agreement may be transmitted and/or signed by facsimile. The effectiveness of any such documents and signatures shall, subject to applicable law, have the same force and effect as manually signed originals and shall be binding on the City and the Bank.

(c) Electronic mail and hyperlinks to internet websites that do not require passwords may be used only to distribute routine notices, such as financial statements and other information, and to distribute documents for execution by the parties thereto, and may not be used for any other purpose unless delivery by such means is promptly followed by hand delivery, delivery by courier or delivery by facsimile.

Section 8.3 Governing Law; Venue.

(a) PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW (OR ANY SUCCESSOR STATUTE THERETO), THIS AGREEMENT SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; PROVIDED, HOWEVER, THE OBLIGATIONS OF THE CITY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES.

(b) Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining to this Agreement, the Letter of Credit, the Custody Agreement or any document related hereto or thereto shall be brought in the courts of the State of California located in the City of Los Angeles or of the Courts of the United States of America for the Central District of California and, by execution and delivery of this Agreement, the parties hereto consent to and hereby accept for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the maximum extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which they may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions. The provisions of this Section 8.3(b) shall not limit the right of the City to bring any such action or proceeding against the Bank in any jurisdiction where such action or proceeding is legally permissible. Each party irrevocably consents to the service of any and all process in any such suit, action or proceeding by mailing or delivering copies of such process to such party at its address provided in Section 8.2. Each party agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. All mailings under this Section 8.3 shall be by certified mail, return receipt requested.

(c) Nothing in this Section 8.3 shall affect the right of a party to serve legal process on the other party in any other manner permitted by law or affect the right

of a party to bring any suit, action or proceeding against the other party or its property in the courts of any other jurisdiction.

Section 8.4 Waiver of Jury Trial.

(a) TO THE FULL EXTENT PERMITTED BY LAW, THE CITY AND THE BANK EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY FOR ANY CLAIM OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS AGREEMENT, THE LETTER OF CREDIT, THE CUSTODY AGREEMENT ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. TO THE FULL EXTENT PERMITTED BY LAW, EACH OF THE CITY AND THE BANK FURTHER AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT JURY. WITHOUT LIMITING THE FOREGOING, TO THE EXTENT PERMITTED BY LAW, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS AGREEMENT, THE LETTER OF CREDIT, THE CUSTODY AGREEMENT ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS AGREEMENT AND ANY OTHER DOCUMENTS DELIVERED IN CONNECTION THEREWITH.

(b) If the waiver of jury trial as set forth in subsection (a) of this Section shall be declared void or unenforceable, each of the City and the Bank agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 *et seq.* of the California Code of Civil Procedure.

Section 8.5 Successors and Assigns.

(a) The provisions of this Agreement shall be binding upon and shall inure to the benefit of the City and the Bank and their respective successors and assigns, except that City may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the Bank. Except as provided subsections (b) and (c) below, the Bank may not assign or otherwise transfer any of its rights or obligations under this Agreement without the prior written consent of the City.

(b) The Bank may at any time assign to one or more banks or other institutions (each an "Assignee") all, or a proportionate part of all, of its rights (but not its obligations) under this Agreement, the Letter of Credit and the Custody Agreement. The Bank may at any time grant to one or more banks or other institutions (each a "Participant") participating interests in the Drawings under the Letter of Credit and the reimbursement obligations, Liquidity Advances and Term Loans arising therefrom. In

the event of any such grant by the Bank of a participating interest to a Participant, whether or not upon notice to the City, the Bank shall remain responsible for the performance of its obligations hereunder and under the Letter of Credit, and the City shall continue to deal solely and directly with the Bank in connection with the Bank's rights and obligations under this Agreement and the Letter of Credit. Any agreement pursuant to which the Bank may grant such a participating interest shall provide that the Bank shall retain the sole right and responsibility to enforce the obligations of the City hereunder and under the Related Documents, including, without limitation, the right to approve any amendment, modification or waiver of any provision of this Agreement or any Related Document; provided that such participation agreement may provide that, without first obtaining the consent of the Participant thereunder, the Bank will not agree to any modification, amendment or waiver of this Agreement or the Subordinate General Resolution which (i) increases or decreases the stated amount of the Letter of Credit in which such Participant holds a participation interest, (ii) reduces the principal of or interest on any unreimbursed Drawing or Liquidity Advance or Term Loan owing to the Bank in respect of the Letter of Credit in which such Participant holds a participation interest, (iii) postpones or changes the date fixed for any payment of principal of or interest on any unreimbursed Drawing or Liquidity Advance or Term Loan or fees owing to the Bank in respect of the Letter of Credit in which such Participant holds a participation interest, (iv) decreases the formula by which the fees for the Letter of Credit in which such Participant holds a participation interest are calculated or (v) releases the Lien of the Paying Agent over the Trust Estate. The City agrees that each Participant shall be entitled to the benefits of Sections 3.3, 3.5(b) and 4.2 hereof with respect to its participating interest, provided that no Participant or other transferee of any Bank's rights shall be entitled to receive any greater payment than the Bank would have been entitled to receive with respect to the rights participated or transferred.

(c) The Bank may at any time assign all or any portion of its rights under this Agreement and the Letter of Credit to a Federal Reserve Bank. No such assignment by the Bank shall release the Bank from its obligations hereunder or under the Letter of Credit.

Section 8.6 Severability of Provisions. Any provision of this Agreement that is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions hereof or affecting the validity or enforceability of such provision in any other jurisdiction.

Section 8.7 Amendments; Waivers. None of the provisions of this Agreement may be amended, changed, waived, discharged or terminated except by an instrument in writing signed and duly executed by the parties.

Section 8.8 Execution in Counterparts. This Agreement may be executed in any number of counterparts and by different parties hereto on separate counterparts, each of which counterparts, when so executed and delivered, shall be deemed to be an original and all of which counterparts, taken together, shall constitute one and the same Agreement. This Agreement constitutes the entire agreement and understanding between the parties hereto and supersedes any and all prior agreements and understandings, oral or written, relating to the subject matter hereof.

Section 8.9 Headings; Table of Contents. Article and Section headings in this Agreement and the Table of Contents are included herein for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

IN WITNESS WHEREOF, each party hereto has caused this Agreement to be duly executed and delivered by its respective officer thereunto duly authorized as of the date first written above.

Attest:

CITY OF LOS ANGELES

JUNE LAGMAY  
City Clerk

By \_\_\_\_\_  
Assistant City Administrative Officer

By \_\_\_\_\_  
City Clerk

Approved as to Form:

CARMEN A. TRUTANICH  
City Attorney

By \_\_\_\_\_  
Assistant City Attorney

JPMORGAN CHASE BANK, NATIONAL  
ASSOCIATION

By \_\_\_\_\_

Title: \_\_\_\_\_



EXHIBIT A-1

(See attached.)

EXHIBIT A-2

(See attached.)

EXHIBIT A-3

(See attached.)

EXHIBIT A-4

(See attached.)

EXHIBIT A-5

(See attached.)

EXHIBIT B

(See attached.)

## SCHEDULE I

### Subordinate General Resolution

Sections 1.01, 2.01 through 2.04, 3.01, 3.02, 3.09, 3.10, 3.11, 10.01 and 12.01 and Articles V, VI and IX.

### Tenth Supplemental Resolution

Sections 1.01, 2.01, 2.02, 3.01, 3.02, 3.03, 3.07, 4.01, 4.02, 4.03, 10.01, 10.02, 10.03, 10.04, 12.03 and Article VI.

### Paying Agent Agreement

Sections 1.01, 2.01, 2.03, 5.01, 7.03, 7.06, 12.02, and 12.03 and Articles VI and VIII.

### Remarketing Agreement

Sections 3, 4 and 12(c).

ATTACHMENT B  
EXHIBIT E

Fee Letter Agreement



FEE LETTER AGREEMENT

This Fee Letter Agreement, dated as of July 1, 2010 (this “*Fee Letter*”), by and between the CITY OF LOS ANGELES, a municipal corporation and chartered city of the State of California (the “*City*”) and JPMORGAN CHASE BANK, NATIONAL ASSOCIATION (the “*Bank*”) sets forth the agreement between the City and the Bank with respect to certain fees payable pursuant to the Reimbursement Agreement, dated as of July 1, 2010 (the “*Agreement*”), by and between the City and the Bank. Capitalized terms used and not otherwise defined herein shall have the meanings ascribed to such terms in the Agreement.

Section 1. Fees.

(a) Reserved.

(b) *Commitment Fee.* The City agrees to pay, or cause the Paying Agent so to pay, from amounts paid by the City to the Paying Agent for such purpose, to the Bank a non-refundable letter of credit fee in an amount equal to the rate per annum associated with the Rating, as specified below (the “*Commitment Fee Rate*”) in consideration of the Bank’s undertakings under the Agreement on the average daily Stated Amount of the Letter of Credit (the “*Commitment Fee*”) as follows:

<u>LEVEL</u>	<u>MOODY’S RATING</u>	<u>S&amp;P RATING</u>	<u>FITCH RATING</u>	<u>COMMITMENT FEE (IN BASIS POINTS)</u>
Level 1:	Aa3 (or above)	AA- (or above)	AA- (or above)	85
Level 2:	A1	A+	A+	95
Level 3:	A2	A	A	115
Level 4:	A3	A-	A-	135
Level 5:	Baa1	BBB+	BBB+	175
Level 6:	Baa2	BBB	BBB	205
Level 7:	Baa3 (or below)	BBB- (or below)	BBB- (or below)	235

An additional 150 basis points shall be added to the Commitment Fee if any Rating is cancelled, withdrawn, suspended or otherwise unavailable by any Rating Agency for any credit related reason. In addition, on the occurrence and during the continuation of an Event of Default the Commitment Fee shall be increased by an additional 150 basis points from the Commitment Fee then in effect on the date of the occurrence of such event.

The term “*Rating*” as used above shall mean the second lowest unenhanced long-term rating assigned to any long-term Debt of the City that is payable from Revenues and on a parity

with, or senior to, the 2008 Bonds (without giving effect to any bond insurance or any other form of credit enhancement) assigned by any of Moody's, S&P or Fitch; provided, that there are ratings from each of Moody's, S&P and Fitch, otherwise the lowest unenhanced rating shall apply. Any change in the Commitment Fee resulting from a change in the Rating shall be and become effective as of and on the date of the announcement of the change in the Rating. Any change in the Commitment Fee Rate resulting from a change in a Rating shall be and become effective as of and on the date of the announcement of the change in such Rating. References to the Ratings above are a reference to the rating category of the Rating Agencies as presently determined by the respective Rating Agency and in the event of adoption of any new or changed rating system by any such Rating Agency, the Ratings from the applicable Rating Agency shall be deemed to refer to the rating category under the new rating system which most closely approximates the applicable rating category as currently in effect. As of the Date of Issuance the Commitment Fee Rate is 85 basis points.

The Commitment Fee shall accrue from and including the Date of Issuance to and including the Termination Date. The Commitment Fee shall be payable in arrears on the first Payment Date that occurs after the Date of Issuance, each Payment Date thereafter and the Termination Date. The Commitment Fee shall be calculated on the basis of a year consisting of 360 days and actual number of days elapsed. All amounts paid pursuant to this Fee Letter and the Agreement shall be non-refundable and shall be paid in immediately available funds.

(c) *Draw Fee.* On the date of each Drawing, the City agrees to pay to the Bank a draw fee of \$250.00 for each draw under each Letter of Credit delivered by the Bank pursuant to the Agreement.

(d) *Amendment Fee.* The City agrees to pay to the Bank, on the date any amendment to this Fee Letter is entered into among the parties thereto a fee of \$2,500.00, plus reasonable expenses of the Bank, including the reasonable fees and expenses of any legal counsel retained by the Bank in connection therewith.

(e) *Termination Fee.*

(1) The City hereby agrees to pay to the Bank a termination fee if the Letter of Credit is terminated prior to the second anniversary of the Date of Issuance. The City shall pay a termination fee (the "Termination Fee") in an amount equal to the product of (x) the Commitment Fee Rate in effect on the date of termination, (y) the Stated Amount on the date of termination and (z) a fraction, the numerator of which is equal to the number of days from and including the date of termination to and including the second anniversary of the Date of Issuance and the denominator of which is 360, unless the rating assigned to the Bank's senior unsecured short-term obligations is withdrawn, suspended or reduced below "P-1" (or its equivalent) by Moody's or "A-1" (or its equivalent) by S&P in which case the Termination Fee shall only be calculated and payable through the date of such termination. The Termination Fee, all accrued Commitment Fees, all Liquidity Advances and Term Loans, all accrued interest thereon and all other amounts owing to the Bank hereunder shall be payable on the effective date of such termination.

(2) Notwithstanding the foregoing and anything set forth herein to the contrary, the City agrees not to permanently reduce the Stated Amount prior to the second anniversary of the Date of Issuance, without the payment by the City to the Bank of a reduction fee in connection with each and every permanent reduction of the Stated Amount as set forth herein in an amount equal to the product of (A) the Commitment Fee Rate in effect on the date of such reduction, (B) the difference between the Stated Amount prior to such reduction and the Stated Amount after such reduction, and (C) a fraction, the numerator of which is equal to the number of days from and including the date of such reduction to and including the second anniversary of the Date of Issuance, and the denominator of which is 360.

Section 2. Amendments. No amendment to this Fee Letter shall become effective without the prior written consent of the City and the Bank.

Section 3. Governing Law; Waiver of Trial by Jury. PURSUANT TO SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW (OR ANY SUCCESSOR STATUTE THERETO), THIS FEE LETTER SHALL BE DEEMED TO BE A CONTRACT UNDER, AND SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK AND APPLICABLE FEDERAL LAW; PROVIDED, HOWEVER, THE OBLIGATIONS OF THE CITY HEREUNDER SHALL BE GOVERNED BY, AND CONSTRUED AND INTERPRETED IN ACCORDANCE WITH THE LAWS OF THE STATE OF CALIFORNIA AND APPLICABLE FEDERAL LAW WITHOUT REGARD TO CHOICE OF LAW RULES.

Any and all disputes or legal actions or proceedings arising out of, under and/or pertaining to this Fee Letter or any document related hereto or thereto shall be brought in the courts of the State of California located in the City of Los Angeles or of the Courts of the United States of America for the Central District of California and, by execution and delivery of this Fee Letter, the parties hereto consent to and hereby accept for themselves and in respect of their property, generally and unconditionally, the jurisdiction of the aforesaid courts. To the maximum extent permitted by law, the parties hereto hereby irrevocably waive any objection, including, without limitation, any objection to the laying of venue or based on the grounds of forum non conveniens, which they may now or hereafter have to the bringing of any such action or proceeding in such respective jurisdictions. The provisions of this Section 3 shall not limit the right of the City to bring any such action or proceeding against the Bank in any jurisdiction where such action or proceeding is legally permissible. Each party irrevocably consents to the service of any and all process in any such suit, action or proceeding by mailing or delivering copies of such process to such party at its address provided in Section 8.2 of the Agreement. Each party agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. All mailings under this Section 3 shall be by certified mail, return receipt requested.

Nothing in this Section 3 shall affect the right of a party to serve legal process on the other party in any other manner permitted by law or affect the right of a party to bring any suit, action or proceeding against the other party or its property in the courts of any other jurisdiction.

TO THE FULL EXTENT PERMITTED BY LAW, THE CITY AND THE BANK EACH WAIVE THEIR RESPECTIVE RIGHTS TO A TRIAL BY JURY FOR ANY CLAIM

OR CAUSE OF ACTION BASED UPON OR ARISING OUT OF OR RELATED TO THIS FEE LETTER, ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH, OR THE TRANSACTIONS CONTEMPLATED HEREBY OR THEREBY. TO THE FULL EXTENT PERMITTED BY LAW, EACH OF THE CITY AND THE BANK FURTHER AGREES THAT ANY SUCH CLAIM OR CAUSE OF ACTION SHALL BE TRIED BY A COURT TRIAL WITHOUT JURY. WITHOUT LIMITING THE FOREGOING, TO THE EXTENT PERMITTED BY LAW, THE PARTIES FURTHER AGREE THAT THEIR RESPECTIVE RIGHT TO A TRIAL BY JURY IS WAIVED BY OPERATION OF THIS SECTION AS TO ANY ACTION, COUNTERCLAIM OR OTHER PROCEEDING WHICH SEEKS, IN WHOLE OR IN PART, TO CHALLENGE THE VALIDITY OR ENFORCEABILITY OF THIS FEE LETTER, ANY OTHER DOCUMENT DELIVERED IN CONNECTION HEREWITH OR THEREWITH OR ANY PROVISION HEREOF OR THEREOF. THIS WAIVER SHALL APPLY TO ANY SUBSEQUENT AMENDMENTS, RENEWALS, SUPPLEMENTS OR MODIFICATIONS TO THIS FEE LETTER AND ANY OTHER DOCUMENTS DELIVERED IN CONNECTION THEREWITH.

If the waiver of jury trial as set forth in the immediately preceding paragraph of this Section shall be declared void or unenforceable, each of the City and the Bank agrees to refer the dispute to a judicial referee in accordance with the provisions of Section 638 et seq. of the California Code of Civil Procedure.

Section 4. Counterparts. This Fee Letter may be executed in two or more counterparts, each of which shall constitute an original but both or all of which, when taken together, shall constitute but one instrument.

Section 5. Severability. Any provision of this Fee Letter that is prohibited, unenforceable or not authorized in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition, unenforceability or non-authorization without invalidating the remaining provisions hereof or affecting the validity, enforceability or legality of such provision in any other jurisdiction.

IN WITNESS WHEREOF, the parties hereto have caused this Fee Letter to be duly executed and delivered by their respective duly authorized representatives as of the day and year first above written.

JPMORGAN CHASE BANK, NATIONAL  
ASSOCIATION

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

CITY OF LOS ANGELES

By: \_\_\_\_\_  
Name: \_\_\_\_\_  
Title: \_\_\_\_\_

EXHIBIT A-1

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

\_\_\_\_\_, 2010  
U.S. \$ \_\_\_\_\_  
No. CPCS- \_\_\_\_\_

U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Services

Ladies and Gentlemen:

1. JPMorgan Chase Bank, National Association (the "Bank"), does hereby establish for the benefit of the Owners, at the request and for the account of the City of Los Angeles, a municipal corporation and chartered city duly organized and existing under the laws of the State of California (the "City"), in your favor, as paying agent (together with any successor paying agent designated in accordance with paragraph 14 hereof, the "Paying Agent") under Wastewater System Subordinate Revenue Bonds General Resolution adopted by the City Council on March 26, 1991, as amended and supplemented through and including the Tenth Supplemental Resolution, adopted by the City Council on April 25, 2008, and the Paying Agent Agreement, dated as of May 1, 2008, by and between the City and U.S. Bank National Association (collectively, the "Resolution"), pursuant to which \$[\_\_\_\_],000,000 aggregate principal amount of the City of Los Angeles Wastewater System Subordinate Revenue Bonds Variable Rate Refunding Series 2008-\_\_ (the "Bonds") were issued, our Irrevocable Direct-Pay Letter of Credit Number [CPCS-\_\_\_\_], in the amount described below.

2. This Letter of Credit shall be effective immediately and shall expire and terminate on the earliest of the following (the "Termination Date"): (a) July \_\_, 2012 or such later date or dates as we shall give you notice in the form of Annex E (the "Stated Expiration Date"); (b) the date on which we honor payment on a C Drawing (as defined in paragraph 4(c) below); (c) ten (10) days after your receipt of written notice from us directing you to purchase all outstanding Bonds and present your final drawing under this Letter of Credit as a result of the occurrence of an "Event of Default" under the Reimbursement Agreement, dated as of July 1, 2010, between the City and the Bank (such agreement as the same may be amended, modified, supplemented and restated from time to time, the "Reimbursement Agreement"; and such notice a "Default Notice"); or (d) the date on which this Letter of Credit is surrendered by you to the Bank accompanied by a certificate substantially in the form of Annex G signed by you.

3. We hereby irrevocably authorize you to draw on the Bank, in accordance with the terms and conditions hereof, an aggregate amount of \$[\_\_\_\_\_] (said amount being

referred to herein as the "Stated Amount") which may be drawn upon (a) in an amount not exceeding \$[ ] (the "Principal Portion") with respect to the payment of the unpaid principal amount of the Bonds and/or the principal component of the purchase price of the Bonds and (b) an amount not exceeding \$[ ] (the "Interest Portion") which may be drawn with respect to the payment of accrued interest on the Bonds and/or the interest component of the purchase price of the Bonds, which amount represents interest accruing during a period of \_\_\_ days on the principal amount of the Bonds (based on a 365-day year), at an interest rate of twelve percent (12%) per annum. No amount may be drawn under this Letter of Credit for the payment of principal of or interest on Bonds registered in the name of the City or the Bank. All drawings under this Letter of Credit will be paid with our own funds.

4. Funds under this Letter of Credit are only available to you against presentation of the following documents (the "Payment Documents") presented to the Bank as described below:

(a) A Drawing. If you are demanding funds for the payment of interest on the Bonds (other than the payment of interest in connection with your final drawing or the payment of interest in connection with a purchase of Bonds upon optional or mandatory tender) (an "A Drawing"), you must present a written certificate signed by you substantially in the form of Annex A hereto. You must comply with all of the instructions in brackets and fill in all of the blanks in preparing Annex A.

(b) B Drawing. If you are demanding funds for the payment of principal (including mandatory sinking account payment) of the Bonds (other than the payment of principal in connection with your final C Drawing or the payment of principal in connection with a purchase of Bonds upon optional or mandatory tender) (a "B Drawing"), you must present a written certificate signed by you substantially in the form of Annex B hereto. You must comply with all of the instructions in brackets and fill in all of the blanks in preparing Annex B.

(c) C Drawing. If you are demanding funds for (i) the payment of the purchase price of the Bonds upon mandatory tender by the registered holder thereof: (A) in connection with the substitution or replacement of this Letter of Credit; (B) your receipt of a Default Notice; (C) as a result of the conversion of the interest rate mode of the Bonds to a rate other than a weekly rate or a daily rate (the "Conversion Date"); or (D) as a result of the expiration of this Letter of Credit (in each case as indicated in your certificate in the form of Annex C delivered in connection with such purchase); or (ii) the final payment of principal of the Bonds at maturity after which payment no Bonds shall remain outstanding (the "C Drawing"), you must present a written certificate signed by you substantially in the form of Annex C hereto. You must comply with all of the instructions in brackets and fill in all of the blanks in preparing Annex C. Only one C Drawing may be presented for payment against this Letter of Credit. Upon presentation of a C Drawing, no certificate whatsoever (including any certificate in the form of Annex A, B or C) may be drawn and presented hereunder.

(d) D Drawing. If you are demanding funds for the payment of the purchase price of the Bonds upon optional tender by the registered holder thereof (a "D Drawing"), you must present a written certificate signed by you substantially in the form of Annex D

hereto. You must comply with all of the instructions in brackets and fill in all of the blanks in preparing Annex D.

5. All drawings shall be made by presentation of each Payment Document to JPMorgan Chase Bank, National Association by facsimile at facsimile number (312) 954-6163 or alternatively to (312) 954-3140, Attention: Standby Letter of Credit Unit, or any other facsimile number as may be designated by the Bank by written notice delivered to you, without further need of documentation, including the original of this Letter of Credit, it being understood that each Payment Document so submitted is to be the sole operative instrument of drawing. You shall use your best efforts to give telephonic notice of a drawing to the Bank at its Standby Letter of Credit Unit, (at: (312) 954-1922 or alternatively to (800) 634-1969, Option 1) on the Business Day preceding the day of such drawing (but such notice shall not be a condition to drawing hereunder and you shall have no liability for not doing so. The Available Amount (as hereinafter defined) of this Letter of Credit will be reduced automatically by the amount of any drawing hereunder; *provided, however*, that the amount of any Interest Drawing hereunder shall be automatically reinstated effective on the open of business on the fifth (5th) calendar day from the date such drawing is honored by us unless you shall have received written notice by telecopy or tested telex (or other electronic telecommunication) by 5:00 P.M., New York time, on the fourth (4th) calendar day after such date that the Bank has not been reimbursed in full for any such drawing or any other Event of Default or Event of Termination has occurred and as a consequence thereof the Letter of Credit will not be so reinstated and the Bank has directed the Trustee to cause a mandatory purchase of the Bonds pursuant to Section 7.2 of the Reimbursement Agreement.

6. After any drawing by the Paying Agent under this Letter of Credit in respect of a B Drawing, (a) the Principal Portion shall be automatically and permanently reduced by an amount equal to the amount so drawn with respect to the payment of principal of the Bonds and (b) the Interest Portion shall be automatically and permanently reduced by an amount determined in accordance with the following calculation (the "Interest Coverage Calculation"):

$$A = P \times 0.12 \times (\quad / 365);$$

where "A" is the reduction in the Interest Portion and "P" is the principal amount of Bonds that have been paid.

7. After any drawing by the Paying Agent under this Letter of Credit in respect of a C Drawing, the Stated Amount, the Principal Portion and the Interest Portion shall be automatically and permanently reduced to zero.

8. After any drawing by the Paying Agent under this Letter of Credit in respect of a D Drawing, (a) the Principal Portion shall be automatically reduced by the principal amount of Bonds to be purchased with the proceeds of such drawing and (b) the Interest Portion shall be automatically reduced by an amount determined in accordance with the Interest Coverage Calculation (where "P" is the principal amount of the Bonds to be purchased). In addition, prior to the Conversion Date, and so long as you have not received notice from us of a Default Notice, the Bank's obligation to honor drawings hereunder will be automatically reinstated upon receipt



by the Bank of (i) an executed certificate in the form of Annex I with blanks appropriately completed, and (ii) funds in the amount specified in such certificate.

9. If the Bank receives any Payment Documents, other than a D Drawing prior to 4:00 p.m. (New York time) on a Business Day on or prior to the Termination Date, payment shall be made to you in immediately available funds by 1:00 p.m. (New York time) on the following Business Day. If the Bank receives any Payment Documents, other than a D Drawing at or after 4:00 p.m. (New York time) on a Business Day on or prior to the Termination Date, payment shall be made to you in immediately available funds by 1:00 p.m. (New York time) on the second (2<sup>nd</sup>) succeeding Business Day. If the Bank receives a Payment Document in the form of Annex D in accordance with this Letter of Credit prior to 11:00 a.m. (New York time) on any Business Day on or prior to the Termination Date, payment shall be made to you in immediately available funds by 2:00 p.m. (New York time) on the same Business Day. If the Bank receives a Payment Document in the form of Annex D in accordance with the Letter of Credit after 11:00 a.m. (New York time) on any Business Day on or prior to the Termination Date, payment shall be made to you in immediately available funds by 2:00 p.m. (New York time) on the next Business Day after presentment.

10. Notwithstanding the times set forth paragraph 10 for payments by the Bank under this Letter of Credit, if any applicable law, rule or regulation, or any interpretation thereof by any nation or government, any state or other political subdivision thereof, any agency, authority, instrumentality, regulatory body, court, administrative tribunal or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government, and any corporation or other entity owned or controlled, through stock or capital ownership or otherwise, by any of the foregoing, any central bank or comparable agency, or any directive of any such authority, bank or agency, shall limit the ability of the Bank to make payments at such times, the Bank shall make payments when permissible.

11. As used herein, "Business Day" shall mean any day of the year other than (a) a Saturday, (b) a Sunday, (c) any day which shall be in New York, New York or the office at which drawings under this LOC are to be honored is located (initially Chicago, Illinois), a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close, and (d) any day which you shall advise us in writing is a legal holiday or a day on which banking institutions are authorized or required by law or other government action to close in the city in which your principal corporate trust office is located.

12. Communications with respect to this Letter of Credit shall be in writing and shall be addressed to us at c/o JPMorgan Chase Bank, National Association, 300 South Riverside Plaza, Mail Code IL1-0236, Chicago, Illinois 60606-0236, Attention: Standby Letter of Credit Unit, specifically referring to the number of this Letter of Credit. For telephone assistance, please contact the Standby Client Service Unit at (800) 634-1969, select Option 1, and have this Letter of Credit number available.

13. This Letter of Credit is transferable in whole only to your successor as Trustee. Any such transfer (including any successive transfer) shall be effected by the presentation to us of this Letter of Credit accompanied by a request designating your successor in the form of Exhibit H, attached hereto, with the signature of the appropriate officer signing on your behalf, authenticated by another one of your officers as well as an acknowledgement of the transferee signed by its officer on their behalf and authenticated by another one of its officers. Upon presentation and payment by the Applicant of \$3,000 representing transfer fees payable under the Reimbursement Agreement, we shall forthwith effect a transfer of this Letter of Credit to your designated transferee. Transfers to designated foreign nationals specially designated nationals are not permitted as being contrary to the U.S. Treasury Department or Foreign Assets Control Regulations. Upon our endorsement of such transfer, the transferee instead of the transferor shall, without necessity of further action, be entitled to all the benefits of and rights under this Letter of Credit in the transferor's place; *provided* that, in such case, any certificates of the Trustee to be provided hereunder shall be signed by one who states herein that he is a duly authorized officer or agent of the transferee.

14. Except as expressly stated herein, this Letter of Credit shall be governed by, and construed in accordance with, the terms of the International Standby Practices 1998, International Chamber of Commerce Publication No. 590 ("*ISP98*"), except for Rule 2.06(c) thereof, with regard to any amendment of this Letter of Credit for the purpose of extending the Stated Expiration Date and except for Rule 5.01(a) thereof, with regard to any notice of dishonor which shall be given to you in the manner set forth above. Except as to matters governed by the *ISP98*, this Letter of Credit shall be governed by and construed in accordance with Article 5 of the Uniform Commercial Code of the State of New York]

For all purposes of this Letter of Credit, the term "Banking Day" means any day other than a Saturday, Sunday or other day on which banks are authorized or required to be closed in the State of New York.

15. This Letter of Credit sets forth in full the terms of our undertaking, and such undertaking shall not in any way be modified or amended by reference to any other document whatsoever.

JPMORGAN CHASE BANK, NATIONAL ASSOCIATION

By: \_\_\_\_\_

Name:

Title:

[Date]

JPMorgan Chase Bank, National Association  
300 South Riverside Plaza  
Mail Code IL1-0236  
Chicago, Illinois 60606-0236  
Facsimile Number: (312) 954-6163  
Alternate Facsimile Number: (312) 954-3140  
Attention: Standby Letter of Credit Unit  
Re: Drawing for Interest

Ladies and Gentlemen:

We refer to Irrevocable Direct-Pay Letter of Credit Number [\_\_\_\_\_] of JPMorgan Chase Bank, National Association (the "Letter of Credit"). Any capitalized term below that is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of [insert name] as paying agent under the Resolution (the "Paying Agent" or "we"), hereby certifies to you that:

1. We are the Paying Agent under the Resolution for the holders of the Bonds.
2. We are making a drawing under the Letter of Credit in the amount of \$\_\_\_\_\_ with respect to the payment of interest on the Bonds due on an interest payment date as provided in the Resolution.
3. The amount of the draft accompanying this certificate does not exceed the amount of the Interest Portion available on the date hereof to be drawn under the Letter of Credit in respect of interest accrued on the Bonds. The amount of the drawing is equal to the amount required to be drawn by the Paying Agent pursuant to Section \_\_\_ of the Resolution.
4. The Letter of Credit has not terminated prior to the time of the delivery of this certificate and the accompanying draft.
5. This certificate is dated and is being presented to the Bank on the Business Day preceding the date on which interest on the Bonds is due and payable in accordance with the Resolution.
6. No amount of the draft accompanying this certificate is being drawn to pay interest on Bonds registered on the registration books of the Paying Agent in the name of the City or the Bank.

7. Please reinstate the Letter of Credit by the amount specified in paragraph 2 of this Certificate in accordance with the terms set forth in the Letter of Credit; following such reinstatement, the Stated Amount shall be the same as it was immediately prior to this Drawing.

8. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_ Attention: \_\_\_\_\_, Re: \_\_\_\_\_.

IN WITNESS WHEREOF, we have executed and delivered this certificate as Paying Agent as of the \_\_\_\_ day of, \_\_\_\_\_ 20\_\_.

Very truly yours,

[Insert name], as Paying Agent

By: \_\_\_\_\_  
Authorized Signatory

[Date]

JPMorgan Chase Bank, National Association  
300 South Riverside Plaza  
Mail Code IL1-0236  
Chicago, Illinois 60606-0236  
Facsimile Number: (312) 954-6163  
Alternate Facsimile Number: (312) 954-3140  
Attention: Standby Letter of Credit Unit

Re: Drawing for Principal and Purchase Price Upon Partial Conversion

Ladies and Gentlemen:

We refer to Irrevocable Direct-Pay Letter of Credit Number [\_\_\_\_\_] of JPMorgan Chase Bank, National Association (the "Letter of Credit"). Any capitalized term below that is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of [insert name] as paying agent under the Resolution (the "Paying Agent" or "we"), hereby certifies to you that:

1. We are the Paying Agent under the Resolution for the holders of the Bonds.
2. [Insert one of the following statements:]

[We are making a drawing in the amount of \$ \_\_\_\_\_ with respect to the payment on the Business Day following the date on which this certificate is being presented (the "Principal Payment Date") of the principal amount of Bonds. Such principal amount of Bonds has, or on the Principal Payment Date will, become due and payable in accordance with the terms and conditions of the Bonds, the Letter of Credit and the Resolution. Following the payment of the principal amount of such Bonds, \$ \_\_\_\_\_ aggregate principal amount of Bonds will remain outstanding.] [DO NOT USE THIS CERTIFICATION IF THE AMOUNT IN THE LAST SENTENCE IS OR WILL BE ZERO. IF THE AMOUNT IN THE LAST SENTENCE IS OR WILL BE ZERO YOU SHOULD USE A "C DRAWING".]

or

[We are making a drawing in the amount of \$ \_\_\_\_\_ with respect to the payment on the Business Day following the date on which this certificate is being presented (the "Redemption Date") of the principal amount of Bonds to be redeemed in accordance with the Resolution. Such principal amount of Bonds has, or on the Redemption Date will, become due and payable in accordance with the terms and conditions of the Bonds, the Letter of Credit and

the Resolution. Following the payment of the principal amount of such Bonds, \$ \_\_\_\_\_ aggregate principal amount of Bonds will remain outstanding.] [DO NOT USE THIS CERTIFICATION IF THE AMOUNT IN THE LAST SENTENCE IS OR WILL BE ZERO. IF THE AMOUNT IN THE LAST SENTENCE IS OR WILL BE ZERO YOU SHOULD USE A "C DRAWING".]

3. The amount of the draft accompanying this certificate does not exceed the Principal Portion available on the date hereof to be drawn under the Letter of Credit in respect of the principal of the Bonds. This amount was computed in accordance with the terms and conditions of the Bonds, the Letter of Credit and the Resolution.

4. The Letter of Credit has not terminated prior to the time of the delivery of this certificate and the accompanying draft.

5. This certificate is dated and is being presented to the Bank on the Business Day preceding the date on which the unpaid principal amount of the Bonds is due and payable in accordance with the Resolution.

6. No amount of the draft accompanying this certificate is being drawn to pay principal of Bonds registered on the registration books of the Paying Agent in the name of the City or the Bank.

7. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_  
Attention: \_\_\_\_\_, Re: \_\_\_\_\_  
\_\_\_\_\_.

IN WITNESS WHEREOF, we have executed and delivered this certificate as Paying Agent as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

Very truly yours,

[Insert name], as Paying Agent

By: \_\_\_\_\_  
Authorized Signatory



[Date]

JPMorgan Chase Bank, National Association  
300 South Riverside Plaza  
Mail Code IL1-0236  
Chicago, Illinois 60606-0236  
Facsimile Number: (312) 954-6163  
Alternate Facsimile Number: (312) 954-31

Re: Final Drawing and Termination

Ladies and Gentlemen:

We refer to Irrevocable Direct-Pay Letter of Credit Number [\_\_\_\_\_] of JPMorgan Chase Bank, National Association (the "Letter of Credit"). Any capitalized term below that is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of [insert name] as paying agent under the Resolution (the "Paying Agent" or "we"), hereby certifies to you that:

1. We are the Paying Agent under the Resolution for the holders of the Bonds.
2. We are making a drawing in the amount of \$\_\_\_\_\_, of which \$\_\_\_\_\_ shall be with respect to payment of the principal of the Bonds and \$\_\_\_\_\_ shall be with respect to payment of interest accrued on such Bonds.

3. [Insert statement (A), (B) or (C), as applicable:]

(A) We are making a final drawing as a result of a mandatory purchase of all outstanding Bonds as a result of [insert one of the following]:

[A conversion of the interest rate on all, but not less than all, outstanding Bonds to a rate other than a daily rate or a weekly rate. This drawing is being made as a result of a mandatory tender of Bonds by the registered holder thereof in accordance with the Resolution and the inability of the remarketing agent for the Bonds to remarket such Bonds.]

[The substitution or replacement of the Letter of Credit.]

[Our receipt from you of a Default Notice.]

[The expiration of the Letter of Credit in accordance with its terms.]

(B) We are making a final drawing with respect to the payment at maturity of all outstanding Bonds. All outstanding Bonds will mature on the Business Day following the date on which this certificate is being presented.

4. The amount of the draft accompanying this certificate does not exceed either the Principal Portion or the Interest Portion available on the date hereof to be drawn under the Letter of Credit in respect of the principal of or interest on the Bonds. This amount was computed in accordance with the terms and conditions of the Bonds, the Letter of Credit and the Resolution.

5. The Letter of Credit has not terminated prior to the time of the delivery of this certificate and the accompanying draft.

6. This certificate is dated and is being presented to the Bank on the Business Day preceding the date, or on the date, on which the Bonds are to be purchased in accordance with the Resolution.

7. No amount of the draft accompanying this certificate is being drawn to pay the principal of or interest on Bonds registered on the registration books of the Paying Agent in the name of the City or the Bank.

8. This drawing constitutes the final drawing available under the Letter of Credit, and upon payment of the draft accompanying this certificate, the Letter of Credit is hereby cancelled.

9. Payment by the Bank pursuant to this drawing shall be made to \_\_\_\_\_, ABA Number \_\_\_\_\_, Account Number \_\_\_\_\_

Attention: \_\_\_\_\_, Re: \_\_\_\_\_

\_\_\_\_\_

IN WITNESS WHEREOF, we have executed and delivered this certificate as Paying Agent as of the \_\_\_ day of \_\_\_\_\_, 20\_\_.

Very truly yours,

[Insert name], as Paying Agent

By: \_\_\_\_\_  
Authorized Signatory

[Date]

JPMorgan Chase Bank, National Association  
300 South Riverside Plaza  
Mail Code IL1-0236  
Chicago, Illinois 60606-0236  
Facsimile Number: (312) 954-6163  
Alternate Facsimile Number: (312) 954-31

Re: Optional Liquidity Drawing

Ladies and Gentlemen:

We refer to Irrevocable Direct-Pay Letter of Credit Number [\_\_\_\_\_] of JPMorgan Chase Bank, National Association (the "Letter of Credit"). Any capitalized term below that is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of [insert name] (the "Paying Agent" or "we"), hereby certifies to you that:

1. We are the Paying Agent under the Resolution for the holders of the Bonds.
2. We are making a drawing in the amount of \$\_\_\_\_\_, of which \$\_\_\_\_\_ shall be with respect to payment of the principal of the Bonds and \$\_\_\_\_\_ shall be with respect to payment of interest accrued on such Bonds. This drawing is being made as a result of an optional tender of Bonds by the registered holder thereof in accordance with the Resolution and the inability of the remarketing agent for the Bonds to remarket such Bonds.
3. The amount of the draft accompanying this certificate does not exceed the amount available on the date hereof to be drawn under the Letter of Credit. This amount was computed in accordance with the terms and conditions of the Bonds, the Letter of Credit and the Resolution.
4. The Letter of Credit has not terminated prior to the time of the delivery of this certificate and the accompanying draft.
5. This certificate is dated and is being presented to the Bank on the Business Day on which the Bonds are to be purchased in accordance with the Resolution.
6. No amount of the draft accompanying this certificate is being drawn to pay principal of or interest on Bonds registered on the registration books of the Paying Agent in the name of the City or the Bank.

7. Please pay the amount hereby demanded to our account: [insert payment instructions.]

IN WITNESS WHEREOF, we have executed and delivered this certificate as Paying Agent as of the \_\_\_ day of \_\_\_\_\_ 20\_\_.

Very truly yours,

[Insert name], as Paying Agent

By: \_\_\_\_\_  
Authorized Signatory

[Date]

U.S. Bank National Association  
633 West Fifth Street, 24th Floor  
Los Angeles, California 90071  
Attention: Corporate Trust Services

Re: Extension of Letter of Credit

Ladies and Gentlemen:

Reference is hereby made to that certain Irrevocable Transferrable Letter of Credit No. CPCS-\_\_\_\_\_ dated July \_\_, 2010 (the "*Letter of Credit*"), established by us in your favor as Beneficiary. We hereby notify you that, in accordance with the terms of the Letter of Credit and that certain Reimbursement Agreement dated as of July 1, 2010, between the City and us, the Stated Expiration Date (as defined in the Letter of Credit) has been extended to \_\_\_\_\_, \_\_\_\_\_.

This letter should be attached to the Letter of Credit and made a part thereof.

Very truly yours,

JPMorgan Chase Bank, National Association

By: \_\_\_\_\_  
Its

[Date]

JPMorgan Chase Bank, National Association  
300 South Riverside Plaza  
Mail Code IL1-0236  
Chicago, Illinois 60606-0236  
Facsimile Number: (312) 954-6163  
Alternate Facsimile Number: (312) 954-3140  
Attention: Standby Letter of Credit Unit

Re: Irrevocable Letter of Credit No. CPCS-\_\_\_\_\_ dated July \_\_, 2010

We, the undersigned "Transferor", hereby irrevocably transfer all of our rights to draw under the above referenced Letter of Credit ("Credit") in its entirety to:

NAME OF TRANSFEREE

\_\_\_\_\_  
(Print Name and complete address of the Transferee) "Transferee"

ADDRESS OF TRANSFEREE

\_\_\_\_\_  
CITY, STATE/COUNTRY ZIP  
\_\_\_\_\_

In accordance with ISP98, Rule 6, regarding transfer of drawing rights, all rights of the undersigned Transferor in such Credit are transferred to the Transferee, who shall have the sole rights as beneficiary thereof, including sole rights relating to any amendments whether increases or extensions or other amendments and whether now existing or hereafter made. All amendments are to be advised directly to the Transferee without necessity of any consent of or notice to the undersigned Transferor.

The original Credit, including amendments to this date, is attached and the undersigned Transferor requests that you endorse an acknowledgment of this transfer on the reverse thereof. The undersigned Transferor requests that you notify the Transferee of this Credit in such form and manner as you deem appropriate, and the terms and conditions of the Credit as transferred.

The undersigned Transferor acknowledges that you incur no obligation hereunder and that the transfer shall not be effective until you have expressly consented to effect the transfer by notice to the Transferee.

If you agree to these instructions, please advise the Transferee of the terms and conditions of this transferred Credit and these instructions.

Payment of transfer fee of U.S. \$3,000.00 is for the account of the District who agrees to pay you on demand any expense or cost you may incur in connection with the transfer. Receipt of such shall not constitute consent by you to effect the transfer.

Transferor represents and warrants that (a) the Transferee is the Transferor's successor trustee under the Indenture, (b) the enclosed Credit is original and complete, and (c) there is no outstanding demand or request for payment or transfer under the Credit affecting the rights to be transferred.

The Effective Date shall be the date hereafter on which Transferring Bank effects the requested transfer by acknowledging this request and giving notice thereof to Transferee.

WE WAIVE ANY RIGHT TO TRIAL BY JURY THAT WE MAY HAVE IN ANY ACTION OR PROCEEDING RELATING TO OR ARISING OUT OF THIS TRANSFER.

(Signature Page Follows)



This Request is made subject to ISP98 and is subject to and shall be governed by the laws of the State of New York, without regard to principles of conflict of laws.

Sincerely yours,

\_\_\_\_\_  
(Print Name of Transferor)  
\_\_\_\_\_  
(Transferor's Authorized Signature)  
\_\_\_\_\_  
(Print Authorized Signers Name and Title)  
\_\_\_\_\_  
(Telephone Number/Fax Number)

**SIGNATURE GUARANTEED**

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement. We attest that the individual, company or entity has been identified by us in compliance with USA PATRIOT Act procedures of our bank.

\_\_\_\_\_  
(Print Name of Bank)  
\_\_\_\_\_  
(Address of Bank)  
\_\_\_\_\_  
(City, State, Zip Code)  
\_\_\_\_\_  
(Print Name and Title of Authorized Signer)  
\_\_\_\_\_  
(Authorized Signature)  
\_\_\_\_\_  
(Telephone Number)  
\_\_\_\_\_  
(Date)

Acknowledged:

\_\_\_\_\_  
(Print Name of Transferee)  
\_\_\_\_\_  
(Transferee's Authorized Signature)  
\_\_\_\_\_  
(Print Authorized Signers Name and Title)  
\_\_\_\_\_  
(Telephone Number/Fax Number)

**SIGNATURE GUARANTEED**

Signature(s) with title(s) conform(s) with that/those on file with us for this individual, entity or company and signer(s) is/are authorized to execute this agreement. We attest that the individual, company or entity has been identified by us in compliance with USA PATRIOT Act procedures of our bank.

\_\_\_\_\_  
(Print Name of Bank)  
\_\_\_\_\_  
(Address of Bank)  
\_\_\_\_\_  
(City, State, Zip Code)  
\_\_\_\_\_  
(Print Name and Title of Authorized Signer)  
\_\_\_\_\_  
(Authorized Signature)  
\_\_\_\_\_  
(Telephone Number)  
\_\_\_\_\_  
(Date)

[Date]

JPMorgan Chase Bank, National Association  
300 South Riverside Plaza  
Mail Code IL1-0236  
Chicago, Illinois 60606-0236  
Facsimile Number: (312) 954-6163  
Alternate Facsimile Number: (312) 954-3140  
Attention: Standby Letter of Credit Unit  
Re: Surrender of Letter of Credit

Ladies and Gentlemen:

We refer to Irrevocable Direct-Pay Letter of Credit Number [CPCS-\_\_\_\_\_] of JPMorgan Chase Bank, National Association (the "Letter of Credit"). Any capitalized term in this Agreement that is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of [insert name] (the "Paying Agent" or "we"), hereby certifies to you that:

1. We are the Paying Agent under the Resolution for the holders of the Bonds.
2. We hereby surrender the attached Letter of Credit to you.
3. The Letter of Credit is hereby terminated in accordance with its terms.
4. No payment is demanded of you in connection with this surrender of the Letter of Credit.

IN WITNESS WHEREOF, we have executed and delivered this certificate as Paying Agent as of the \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_.

Very truly yours,

[Insert name], as Paying Agent

By: \_\_\_\_\_  
Authorized Signatory

Annex H to  
Letter of Credit

\_\_\_\_\_  
(Place)  
\_\_\_\_\_, 20\_\_

PAY TO \_\_\_\_\_, on \_\_\_\_\_, 20\_\_,  
(Name of Paying Agent)

U.S. \$ \_\_\_\_\_, ( \_\_\_\_\_ UNITED STATES DOLLARS). Drawn under  
Irrevocable Direct-Pay Letter of Credit Number [ \_\_\_\_\_ ] of JPMorgan Chase Bank, National  
Association

\_\_\_\_\_  
(Name of Paying Agent)

\_\_\_\_\_  
(Title)

[JP CONTACT]

[Date]

JPMorgan Chase Bank, National Association  
300 South Riverside Plaza  
Mail Code IL1-0236  
Chicago, Illinois 60606-0236  
Facsimile Number: (312) 954-6163  
Alternate Facsimile Number: (312) 954-3140  
Attention: Standby Letter of Credit Unit  
Re: Reinstatement of Letter of Credit

Ladies and Gentlemen:

We refer to Irrevocable Direct-Pay Letter of Credit Number [ ] of JPMorgan Chase Bank, National Association (the "Letter of Credit"). Any capitalized term below that is defined in the Letter of Credit shall have the same meaning when used herein. The undersigned, a duly authorized officer of [insert name] (the "Paying Agent" or "we"), hereby certifies to you that:

1. We are the Paying Agent under the Resolution for the holders of the Bonds.
2. The amount of \$\_\_\_\_\_ paid to you today by the City, the Paying Agent or by the paying agent appointed in accordance with the Resolution, on behalf of the City is a payment made to reimburse you for amounts drawn under the Letter of Credit by one or more D Drawings.
3. Of the amount referred to in paragraph 2, \$\_\_\_\_\_ represents the aggregate principal amount of Bonds resold on behalf of the City and is the amount by which the Principal Portion should be reinstated. After giving effect to this reinstatement, the Principal Portion should be \$\_\_\_\_\_.
4. The Interest Portion should be reinstated by \$\_\_\_\_\_, which represents the Interest Coverage Calculation for the amount specified in paragraph 3 above computed in accordance with the terms and conditions of the Letter of Credit. After giving effect to this reinstatement, the Interest Portion should be \$\_\_\_\_\_.
5. Upon your receipt of this certificate, please reinstate the Principal Portion by the amount set forth in paragraph 3 and please reinstate the Interest Portion by the amount set forth in paragraph 4.

IN WITNESS WHEREOF, we have executed and delivered this certificate as Paying Agent as of the \_\_\_ day of \_\_\_\_\_, 20\_\_.

Very truly yours,

[Insert name], as Paying Agent

By: \_\_\_\_\_  
Authorized Signatory