
MASTER OBLIGATION AGREEMENT

by and among

**COUNTY SANITATION DISTRICTS
OF LOS ANGELES COUNTY**

named herein

and

**ZIONS BANCORPORATION, NATIONAL ASSOCIATION,
AS MASTER TRUSTEE**

Dated as of April 1, 2022

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MASTER OBLIGATION AGREEMENT

THIS MASTER OBLIGATION AGREEMENT (this “Master Obligation Agreement”), dated as of April 1, 2022, is by and among COUNTY SANITATION DISTRICT NO. 1 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 2 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 3 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 5 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 8 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 15 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 16 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 17 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 18 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 19 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 21 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 22 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 23 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 28 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 29 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 34 OF LOS ANGELES COUNTY and SOUTH BAY CITIES SANITATION DISTRICT OF LOS ANGELES COUNTY (collectively, the “Districts”), each, a sanitation district organized and existing under the laws of the State of California, and ZIONS BANCORPORATION, NATIONAL ASSOCIATION, a national banking association organized and existing under the laws of the United States of America, as Master Trustee (the “Master Trustee”).

WITNESSETH:

WHEREAS, the Districts are authorized and deem it desirable to enter into this Master Obligation Agreement for the purpose of setting forth the terms and conditions for the incurrence by each District from time to time of obligations of such District to finance or refinance the acquisition, construction, equipping and improvement of such District’s sewerage system and other items with respect thereto that such District may lawfully finance or refinance;

WHEREAS, the Master Trustee has agreed to accept the trusts and duties of the Master Trustee set forth herein; and

WHEREAS, all acts, conditions and things required by law to exist, to have happened and to have been performed precedent to and in connection with the execution and delivery of this Master Obligation Agreement do exist, have happened and have been performed in regular and due time, form and manner as required by law, and the parties hereto are now duly authorized to execute and enter into this Master Obligation Agreement;

NOW, THEREFORE, THIS MASTER OBLIGATION AGREEMENT WITNESSETH, that in order to secure the payment of the obligations of a District subject to this Master Obligation Agreement at any time outstanding, to secure the performance and observance of all the covenants and conditions herein set forth with respect thereto, and to declare the terms and conditions upon and subject to which such obligations are to be incurred, and in consideration of the premises and of the mutual covenants herein contained, and for other valuable consideration, the receipt and sufficiency of which is hereby acknowledged, each District does hereby covenant

and agree with the Master Trustee, for the benefit of the respective obligees from time to time with respect to such obligations of such District, as follows:

ARTICLE I

DEFINITIONS; RULES OF CONSTRUCTION; EQUAL SECURITY

Section 1.01. Definitions. Unless the context otherwise requires, the terms defined in this Section shall for all purposes of this Master Obligation Agreement and of any certificate, opinion or other document herein mentioned, have the meanings defined herein.

“Accountant” means, with respect to a District, an independent certified public accountant or firm of such accountants selected by such District.

“Accrued Debt Service” means, for any period, with respect to any Outstanding Obligations, the amount of Debt Service on such Obligations accrued and to accrue during such period. For purposes of calculating such Debt Service (a) payments of interest due on any Interest Payment Date for any Obligations shall be deemed to accrue daily in equal amounts from and including the date of the immediately preceding Interest Payment Date for such Obligations to but not including the Interest Payment Date on which such interest is due or, with respect to the initial Interest Payment Date for any Obligations, from the date on which interest on such Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Obligations are incurred, (b) interest on any Variable Rate Obligations for any portion of such period for which the interest rate has not be set shall be calculated at the maximum rate of interest payable with respect to such Variable Rate Obligations pursuant to the Obligation Instrument pursuant to which such Variable Rate Obligations are incurred, and (c) payments of principal due on any Principal Payment Date for any Obligations shall be deemed to accrue daily in equal amounts from and including the date of the immediately preceding Principal Payment Date for such Obligations to but not including the Principal Payment Date on which such principal is due or, with respect to the initial Principal Payment Date for any Obligations, from the effective date of the Obligation Instrument pursuant to which such Obligations are incurred.

“Adjusted Net Revenues” means, with respect to a District, for any period (a) the Adjusted Revenues of such District for such period, less (b) the Operation and Maintenance Costs of such District for such period.

“Adjusted Revenues” means, with respect to a District, for any period, the Revenues of such District for such period, less (a) amounts, if any, transferred during such period from such District’s Operating Fund to its Rate Stabilization Fund, plus (b) the sum of (i) amounts, if any, transferred during such period from such District’s Rate Stabilization Fund to its Operating Fund, plus (ii) amounts, if any, transferred during such period from such District’s Capital Improvement Fund to its Senior Obligation Payment Fund pursuant to Section 3.05, plus (iii) amounts, if any, transferred during such period from such District’s Capital Improvement Fund to its Subordinate Obligation Payment Fund pursuant to Section 3.05; provided, however, that if, during such period, such District, or an Obligation Trustee on behalf of such District, received or is entitled to receive a Governmental Debt Service Subsidy with respect to Obligations of such District, and such Governmental Debt Service Subsidy would, but for this proviso, be included in Revenues, then the Revenues for such period shall be reduced by an amount equal to such Governmental Debt Service Subsidy in calculating Adjusted Revenues.

“Administrative Costs” means the ordinary and necessary administrative costs and incidental expenses related to this Master Obligation Agreement and the Obligations, including (a) fees and expenses of the Master Trustee (including fees and expenses of its counsel) and indemnification of the Master Trustee pursuant hereto, (b) fees and expenses of each Obligation Trustee (including fees and expenses of its counsel) and indemnification of such Obligation Trustee pursuant to the Obligation Instrument to which such Obligation Trustee is a party or pursuant to which it is engaged, (c) with respect to Obligations that are loan payments, installment payments, lease payments, rental payments or similar payments payable under and pursuant to a Contract, which Obligations are not Trustee Assigned Obligations, the fees and expenses of the Obligees with respect to such Contract (including fees and expenses of its counsel) and indemnification of such Obligees pursuant to the Obligation Instrument to which such Obligations are incurred, and (d) fees and expenses of a loan servicer or other Person performing similar services with respect to Obligations.

“Assumed Debt Service” means, with respect to a District, for any period the sum of (a) the interest on all of such District’s Obligations payable during such period, assuming that principal payments with respect to such Obligations are made on each Principal Payment Date for such Obligations in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments; provided, however, that if a different assumption with respect to such maturity, principal payment, amortization or similar schedule is set forth below, such assumption shall apply for purposes of determining such maturity, principal payment, amortization or similar schedule, and (b) the principal of such District’s Obligations payable during such period, assuming that payment of such principal is made on each Principal Payment Date for such Obligations in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments and, for such purpose, the scheduled payment at maturity, redemption payment or prepayment shall be deemed a principal payment; provided, however, that if a different assumption with respect to such maturity, principal payment, amortization or similar schedule is set forth below, such assumption shall apply for purposes of determining such maturity, principal payment, amortization or similar schedule. For purposes of calculating Assumed Debt Service, the following assumptions shall be used:

(i) in determining the interest on any Obligations due in each period, interest payable at a fixed rate shall be assumed to be made at such fixed rate and on the Interest Payment Dates for such Obligations;

(ii) if any Outstanding Obligations constitute Variable Rate Obligations, the interest rate on such Obligations shall be assumed to be 110% of the rate of interest on such Obligations on the date of calculation;

(iii) if Obligations proposed to be incurred will be Variable Rate Obligations, then such Obligations shall be assumed to bear interest (A) if such Obligations will be Tax-Exempt Obligations, at an interest rate equal to 100% of the Revenue Bond Index for the last week of the month preceding the date of sale of such Obligations, as published in *The Bond Buyer*, or if that index is no longer published, another comparable index selected by

such District, and (B) if such Obligations will not be Tax-Exempt Obligations, at an interest rate equal to the yield for outstanding United States Treasury bonds having an equivalent maturity as the Obligations proposed to be incurred, plus 50 basis points (0.50);

(iv) if any Outstanding Obligations constitute Balloon Obligations (and such Obligations do not constitute Short-Term Obligations that are Subordinate Obligations excluded from the calculation of Assumed Debt Service pursuant to paragraph (vi), below) or if Obligations proposed to be incurred would constitute Balloon Obligations (and such Obligations would not constitute Short-Term Obligations that are Subordinate Obligations excluded from the calculation of Assumed Debt Service pursuant to paragraph (vi), below), then such amounts as constitute Balloon Obligations shall be treated as if the principal amount of such Obligations were amortized from the date originally incurred in substantially equal installments of principal and interest over a term of 30 years; the interest rate used for such computation shall be (A) if such Obligations are or will be Tax-Exempt Obligations, at an interest rate equal to 100% of the Revenue Bond Index for the last week of the month preceding the date of sale of such Obligations, as published in *The Bond Buyer*, or if that index is no longer published, another comparable index selected by such District, and (B) if such Obligations are or will not be Tax-Exempt Obligations, at an interest rate equal to the yield for outstanding United States Treasury bonds having an equivalent maturity as the Obligations proposed to be incurred, plus 50 basis points (0.50).

(v) if any Outstanding Obligations constitute Credit Enhanced Obligations or if Obligations proposed to be incurred would constitute Credit Enhanced Obligations, then Assumed Debt Service on such Obligations shall not be based upon the terms of any Reimbursement Obligations to the Credit Support Provider providing the Credit Instrument securing the payment of Debt Service on such Obligations, except to the extent and for periods during which payments have been required to be made pursuant to the Credit Support Agreement with such Credit Support Provider due to the Credit Support Provider advancing or otherwise providing funds under such Credit Instrument and not being reimbursed therefor;

(vi) if any Outstanding Obligations constitute Short-Term Obligations that are Subordinate Obligations or if Obligations proposed to be incurred would constitute Short-Term Obligations that are Subordinate Obligations, and such Short-Term Obligations are or will be payable only out of Net Revenues of the Fiscal Year in which such Short-Term Obligations are incurred, then Debt Service on such Short-Term Obligations shall be disregarded and not included in calculating Assumed Debt Service for the purpose of calculating Assumed Subordinate Debt Service Coverage Ratio;

(vii) if a Qualified Swap Agreement has been entered into with respect to interest on any Outstanding Obligations of a District, the interest on such Obligations for each Fiscal Year or portion thereof during which such District and the Qualified Swap Counterparty that is party to such Qualified Swap Agreement are to exchange payments shall, for purposes of calculating Assumed Debt Service, be equal to the sum of (A) the amount of interest paid or to be paid by such District on such Obligations during the period for which Assumed Debt Service is being calculated, which interest, if such Obligations are Variable Rate Obligations, shall be calculated in accordance with paragraph (ii), above,

plus (B) the remainder (which may be a negative amount) of (I) the amount paid or to be paid under such Qualified Swap Agreement by such District to such Qualified Swap Counterparty during the period for which Assumed Debt Service is being calculated, minus (II) the amount paid or to be paid under such Qualified Swap Agreement by such Qualified Swap Counterparty to such District during the period for which Assumed Debt Service is being calculated, and, if the amount to be so paid by such Qualified Swap Counterparty is based on a variable rate of interest, such variable interest rate shall be deemed to be the rate calculated in accordance with paragraph (ii), above, for the Variable Rate Obligations of such District with respect to which such Qualified Swap Agreement has been entered into;

(viii) if a Qualified Swap Agreement has been entered into with respect to interest on Obligations of a District proposed to be incurred, the interest on such Obligations for each Fiscal Year or portion thereof during which such District and the Qualified Swap Counterparty that is party to such Qualified Swap Agreement are to exchange payments shall, for purposes of calculating Assumed Debt Service, be equal to the sum of (A) the amount of interest paid or to be paid by such District on such Obligations during the period for which Assumed Debt Service is being calculated, which interest, if such Obligations are Variable Rate Obligations, shall be calculated in accordance with paragraph (iii), above, plus (B) the remainder (which may be a negative amount) of (I) the amount paid or to be paid under such Qualified Swap Agreement by such District to such Qualified Swap Counterparty during the period for which Assumed Debt Service is being calculated, minus (II) the amount paid or to be paid under such Qualified Swap Agreement by such Qualified Swap Counterparty to such District during the period for which Assumed Debt Service is being calculated, and, if the amount to be so paid by such Qualified Swap Counterparty is based on a variable rate of interest, such variable interest rate shall be deemed to be the rate calculated in accordance with paragraph (iii), above, for the Variable Rate Obligations of such District with respect to which such Qualified Swap Agreement has been entered into;

(ix) if (A) amounts payable as interest on Obligations are, pursuant to the terms of such Obligations, scheduled to be advanced or drawn thereunder in some amount or for some period, then the interest payable with respect to such Obligations from such amounts or during such period, as applicable, shall be disregarded and not included in calculating Assumed Debt Service, or (B) amounts constituting capitalized interest have been deposited with an Obligee for Obligations, then the interest payable with respect to such Obligations from such amounts shall be disregarded and not included in calculating Assumed Debt Service;

(x) if, during such period, such District, or an Obligation Trustee on behalf of such District, is entitled to receive a Governmental Debt Service Subsidy with respect to Obligations of such District, then Debt Service on such Obligations for such period shall be reduced by an amount equal to such Governmental Debt Service Subsidy in calculating Assumed Debt Service;

(xi) if monies or Defeasance Securities, or both, have been deposited by a District into a separate fund or account held by such District or by a fiduciary to be used to pay Debt Service on specified Obligations, and such Obligations are, as a consequence thereof, discharged, or no longer Outstanding, pursuant to the terms of the Obligation

Instrument pursuant to which such Obligations are incurred, then the Debt Service to be paid from such monies or Defeasance Securities, or both, or from the earnings on such Defeasance Securities, shall be disregarded and not included in calculating Assumed Debt Service;

(xii) the amount on deposit in a Debt Service Reserve Fund established for Obligations shall, on any date of calculation of Assumed Debt Service for such Obligations, be deducted from the amount of principal due at the final maturity of such Obligations and in each preceding year until such amount is exhausted;

(xiii) with respect to Obligations of such District (A) that are Trustee Assigned Obligations, and (B) that are not comprised of separate payments of interest and principal, for purposes of calculating Assumed Debt Service, interest payments and principal payments (whether at maturity or by mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments) with respect to the Trusteed Issuer Obligations with respect to such Trustee Assigned Obligations shall be deemed to be interest payments and principal payments with respect to such Obligations; and

(xiv) with respect to Obligations of such District incurred pursuant to an Obligation Instrument entered into by such District and the California State Water Resources Control Board, if such Obligation Instrument provides that a fee or charge in lieu of some or all of the interest that would otherwise be payable pursuant to such Obligations or Obligation Instrument may be made payable thereunder by the California State Water Resources Control Board, any such fee or charge in lieu of such interest shall for purposes hereof be deemed to be interest on such Obligations, but not in an amount greater than the amount of such interest that would otherwise be payable pursuant to such Obligations or Obligation Instrument.

“Assumed Maximum Annual Debt Service” means, at any point in time, with respect to Obligations to be Outstanding immediately after the incurrence of the Obligations in connection with the incurrence of which Assumed Maximum Annual Debt Service is being determined, the maximum amount of Assumed Debt Service on such Obligations in the then current or any future Fiscal Year.

“Assumed Senior Debt Service Coverage Ratio” means, with respect to a District, for the purpose of demonstrating compliance with the requirements for such District to incur Obligations that are Senior Obligations, for any period, the ratio of (a) Net Revenues for such period, to (b) Assumed Maximum Annual Debt Service on all Senior Obligations of such District to be Outstanding immediately after the incurrence of such Obligations.

“Assumed Subordinate Debt Service Coverage Ratio” means, with respect to a District, for the purpose of demonstrating compliance with the requirements for such District to incur Additional Obligations that are Subordinate Obligations, for any period, the ratio of (a) Net Subordinate Revenues for such period, to (b) Assumed Maximum Annual Debt Service on all Subordinate Obligations of such District to be Outstanding immediately after the incurrence of such Obligations.

“Authorized Representative” means, with respect to a District, the Chief Engineer and General Manager of such District (or his or her designee), the Assistant Chief Engineer and Assistant General Manager of such District (or his or her designee) or the Chief Accountant of such District (or his or her designee).

“Balloon Obligations” means Obligations 50% or more of the principal of which matures or is payable on the same date and which is not required by the instrument pursuant to which such Obligations are incurred to be amortized by payment or redemption prior to such date.

“Bond Counsel” means a firm of attorneys that are nationally recognized as experts in the area of municipal finance.

“Bonds” means, with respect to a District, its Senior Bonds and Subordinate Bonds.

“Business Day” means a day that is not (a) a Saturday, Sunday or legal holiday in the State, (b) a day on which banking institutions in the State are required or authorized by law, including executive order, to close, or (c) a day on which the New York Stock Exchange is closed.

“Capital Improvement Fund” means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

“City of Los Angeles Agreements” means the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 4, the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 5, the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 9, the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 16, and the Wastewater Services Agreement, effective February 24, 1999, between the City of Los Angeles and District No. 27, as such agreements were originally executed and as the same were heretofore or may hereafter be from time to time amended, supplemented or otherwise modified, and any agreement superseding or replacing any of such agreements.

“Code” means the Internal Revenue Code of 1986, as amended, including, when appropriate, the statutory predecessor of the Code, all applicable regulations under that Code and the statutory predecessor of the Code, whether proposed, temporary or final, and any official rulings and judicial determinations under the foregoing.

“Connection Fees” means, with respect to a District, connection and other similar fees imposed by such District for the privilege of connecting any parcel within the boundaries of such District directly or indirectly to the Sewerage System of such District, or for increasing the strength and/or quantity of wastewater attributable to a connected parcel within such District.

“Consultant’s Report” means a written report signed by an Independent Consultant, which report shall include:

- (a) a statement that the Independent Consultant making or giving such report has read the pertinent provisions of this Master Obligation Agreement to which such report relates;

(b) a brief statement as to the nature and scope of the examination or investigation upon which the report is based; and

(c) a statement that, in the opinion of such Independent Consultant, sufficient examination or investigation was made as is necessary to enable such Independent Consultant to express an informed opinion with respect to the subject matter referred to in the report.

“Contracts” means, with respect to a District, its Senior Contracts and Subordinate Contracts.

“Credit Enhanced Obligations” means, with respect to a District, Obligations of such District, the Debt Service payments on which are secured, directly or indirectly, by a Credit Support Instrument.

“Credit Support Agreement” means, with respect to a Credit Support Instrument securing payment of Debt Service on Obligations of a District, the agreement or agreements, which may be the Credit Support Instrument itself, between such District and the Credit Support Provider that issued such Credit Support Instrument, providing for the reimbursement to such Credit Support Provider for draws under, or amounts advanced or otherwise made available pursuant to, such Credit Support Instrument.

“Credit Support Instrument” means a policy of insurance, letter of credit, standby purchase agreement, revolving credit agreement or other credit facility or arrangement pursuant to which a Credit Support Provider provides credit or liquidity support with respect to the payment of Debt Service on Obligations of a District; provided, however, that the term “Credit Support Instrument” does not include any Reserve Guaranty.

“Credit Support Provider” means (a) with respect to Credit Enhanced Obligations that are Senior Obligations, a municipal bond insurance company, bank or other financial institution (i) the senior long-term obligations of which are rated “Aa” or “AA,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (ii) that is the issuer of a Credit Support Instrument with respect to such Credit Enhanced Obligations, and (b) with respect to Credit Enhanced Obligations that are Subordinate Obligations, a municipal bond insurance company, bank or other financial institution (i) the senior long-term obligations of which are rated “A,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (ii) that is the issuer of a Credit Support Instrument with respect to such Credit Enhanced Obligations.

“Debt Service” means, with respect to a District, for any period the sum of (a) the interest on all of such District’s Obligations payable during such period, assuming that principal payments with respect to such Obligations are made on each Principal Payment Date for such Obligations in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments; provided, however, that if a different assumption with respect to such maturity, principal payment, amortization or similar schedule is set forth below,

such assumption shall apply for purposes of determining such maturity, principal payment, amortization or similar schedule, and (b) the principal of such District's Obligations payable during such period, assuming that payment of such principal is made on each Principal Payment Date for such Obligations in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments and, for such purpose, the scheduled payment at maturity, redemption payment or prepayment shall be deemed a principal payment; provided, however, that (i) if (A) amounts payable as interest on Obligations are, pursuant to the terms of such Obligations, scheduled to be advanced or drawn thereunder in some amount or for some period, then the interest payable with respect to such Obligations from such amounts or during such period, as applicable, shall be disregarded and not included in calculating Debt Service, or (B) amounts constituting capitalized interest have been deposited with an Oblige for Obligations, then the interest payable with respect to such Obligations from such amounts shall be disregarded and not included in calculating Debt Service, (ii) if, during such period, such District, or an Obligation Trustee on behalf of such District, receives or is entitled to receive a Governmental Debt Service Subsidy with respect to Obligations of such District, then Debt Service on such Obligations for such period shall be reduced by an amount equal to such Governmental Debt Service Subsidy in calculating Debt Service, (iii) if monies or Defeasance Securities, or both, have been deposited by a District into a separate fund or account held by such District or by a fiduciary to be used to pay Debt Service on specified Obligations, and such Obligations are, as a consequence thereof, discharged, or no longer Outstanding, pursuant to the terms of the Obligation Instrument pursuant to which such Obligations are incurred, then the Debt Service to be paid from such monies or Defeasance Securities, or both, or from the earnings on such Defeasance Securities, shall be disregarded and not included in calculating Debt Service, (iv) interest income received on investment of monies in a Debt Service Reserve Fund and transferred to a debt service or similar fund for such Obligations or otherwise made available to pay Debt Service in such period shall, for the purpose of calculating Debt Service, offset interest payments and principal payments with respect to such Obligations required to be made in such period, (v) the amount on deposit in a Debt Service Reserve Fund established for Obligations shall, on any date of calculation of Debt Service for such Obligations, be deducted from the amount of principal due at the final maturity of such Obligations and in each preceding year until such amount is exhausted, (vi) with respect to Obligations of such District (A) that are Trustee Assigned Obligations, and (B) that are not comprised of separate payments of interest and principal, for purposes of calculating Debt Service, interest payments and principal payments (whether at maturity or by mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments) with respect to the Trustee Issuer Obligations with respect to such Trustee Assigned Obligations shall be deemed to be interest payments and principal payments with respect to such Obligations, and (vii) with respect to Obligations of such District incurred pursuant to an Obligation Instrument entered into by such District and the California State Water Resources Control Board, if such Obligation Instrument provides that a fee or charge in lieu of some or all of the interest that would otherwise be payable pursuant to such Obligations or Obligation Instrument may be made payable thereunder by the California State Water Resources Control Board, any such fee or charge in lieu of such interest shall for purposes hereof be deemed to be interest on such Obligations, but not in an amount greater than the amount of such interest that would otherwise be payable pursuant to such Obligations or Obligation Instrument.

“Debt Service Reserve Fund” means, with respect to any Obligations, any debt service reserve fund or account established to secure the payment of Debt Service on such Obligations.

“Defeasance Securities” means (a) non-callable direct obligations of the United States of America (“United States Treasury Obligations”), (b) evidences of ownership of proportionate interests in future interest and principal payments on United States Treasury Obligations held by a bank or trust company as custodian, under which the owner of the investment is the real party in interest and has the right to proceed directly and individually against the obligor and the underlying United States Treasury Obligations are not available to any person claiming through the custodian or to whom the custodian may be obligated, and (c) any other securities eligible for “AAA” defeasance under the then existing criteria of S&P.

“District No. 1” means County Sanitation District No. 1 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 2” means County Sanitation District No. 2 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 3” means County Sanitation District No. 3 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 4” means County Sanitation District No. 4 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 5” means County Sanitation District No. 5 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 8” means County Sanitation District No. 8 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 9” means County Sanitation District No. 9 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 14” means County Sanitation District No. 14 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 15” means County Sanitation District No. 15 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 16” means County Sanitation District No. 16 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 17” means County Sanitation District No. 17 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 18” means County Sanitation District No. 18 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto

“District No. 19” means County Sanitation. District No. 19 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 20” means County Sanitation. District No. 20 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 21” means County Sanitation District No. 21 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 22” means County Sanitation District No. 22 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 23” means County Sanitation District No. 23 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 27” means County Sanitation District No. 27 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 28” means County Sanitation District No. 28 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 29” means County Sanitation District No. 29 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“District No. 34” means County Sanitation District No. 34 of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“Districts” means District No. 1, District No. 2, District No. 3, District No. 5, District No. 8, District No. 15, District No. 16, District No. 17, District No. 18, District No. 19, District No. 21, District No. 22, District No. 23, District No. 28, District No. 29, District No. 34, SBC Sanitation District and each other Los Angeles County Sanitation District that becomes a party to this Master Obligation Agreement pursuant to, and in accordance with the provisions of, Article IX.

“Event of Bankruptcy” means, with respect to a District (a) that an involuntary proceeding is commenced or an involuntary petition is filed seeking (i) liquidation, reorganization or other relief in respect of such District or its debts, or of a substantial part of the assets thereof, under any Insolvency Laws, or (ii) the appointment of a receiver, trustee, liquidator, custodian, conservator or similar official for such District or for a substantial part of the assets thereof and, in any case referred to in the foregoing subclauses (i) and (ii), such proceeding or petition shall continue undismissed for 60 days or an order or decree approving or ordering any of the foregoing is entered, or (b) such District (i) applies for or consents to the appointment of a receiver, trustee, liquidator, custodian, conservator or similar official therefor or for a substantial part of the assets thereof, (ii) generally is not paying its debts as they become due, unless such debts are the subject of a bona fide dispute, (iii) makes a general assignment for the benefit of creditors, (iv) consents to the institution of, or fails to contest in a timely and appropriate manner, any proceeding or petition with respect to it described in clause (a) of this definition, (v) commences a voluntary proceeding under any Insolvency Law, or files a voluntary petition seeking liquidation, reorganization, an arrangement with creditors or an order for relief, in each case under any Insolvency Law, (vi) files an answer admitting the material allegations of a petition filed against it in any proceeding referred to in the foregoing clause (a) subclauses (i) through (iv), inclusive, of this clause (b), or (vii) takes any action for the purpose of effecting any of the foregoing.

“Event of Default” means an event described in Section 6.01.

“Excess Reimbursement Obligations” means, with respect to a District, for any period, with respect to Reimbursement Obligations of such District required, pursuant to the Credit Support Agreement under which such Reimbursement Obligations arose, to be reimbursed or repaid during such period, that portion of such Reimbursement Obligations that is in excess of the Primary Reimbursement Obligations with respect thereto for such period, including interest on such Reimbursement Obligations.

“Fiscal Year” means, with respect to a District, the period beginning on July 1 of each year and ending on the next succeeding June 30, or any other twelve-month period selected and designated as the official Fiscal Year of such District.

“Fitch” means Fitch Ratings, Inc., its successors and assigns, and, if Fitch Ratings, Inc., shall for any reason no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other Nationally Recognized Rating Agency designated by the Districts, with respect to the Obligations of which a rating by Fitch pertains.

“Generally Accepted Accounting Principles” means those principles of accounting set forth in pronouncements of the Governmental Accounting Standards Board and any successor thereto, pronouncements of the Financial Accounting Standards Board and any successor thereto

or pronouncements of the American Institute of Certified Public Accountants, as such principles are from time to time supplemented, amended or otherwise modified.

“Governmental Debt Service Subsidy” means, with respect to Obligations of a District, any subsidy, reimbursement or other payment from a governmental entity, including the federal government of the United States of America, in connection with, or related to, payments of Debt Service such Obligations.

“Independent Consultant” means a financial consultant, engineer or accountant, or firm of such financial consultants, engineers or accountants, that is generally recognized within its profession for work of the character required and that:

- (a) is in fact independent and not under the domination of any District;
 - (b) does not have any substantial interest, direct or indirect, with any District;
- and
- (c) is not connected with any District as a member, officer or employee thereof, but who may be regularly retained to make annual or other reports thereto.

“Insolvency Laws” means the United States Bankruptcy Code, 11 U.S.C. § 101 et seq., as from time to time amended and in effect, and any state bankruptcy, insolvency, receivership, conservatorship or similar law now or hereafter in effect.

“Interest Payment Dates” means, with respect to any Obligations, (a) if such Obligations are comprised of separate payments of interest and principal, the dates on which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, interest on such Obligations is scheduled to be paid, and (b) if such Obligations are not comprised of separate payments of interest and principal, the terms “Interest Payment Date” and “Interest Payment Dates,” when used with reference to multiple separate Obligations in a context that would include such Obligations that are not comprised of separate payments of interest and principal, such reference shall, for purposes hereof, be deemed not to be applicable to such Obligations that are not comprised of separate payments of interest and principal.

“Joinder Agreement” means the agreement among the Districts and an additional Los Angeles County Sanitation District entered into pursuant to Article IX, pursuant to which such Los Angeles County Sanitation District is added as a party to this Master Obligation Agreement.

“Joint Administration Agreement” means (a) the Amended Joint Administration Agreement, effective September 10, 2014, by and among the Districts, District No. 4, District No. 9, District No. 14, District No. 20, District No. 27, NR Sanitation District and SCV Sanitation District, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof, and (b) if (i) such Amended Joint Administration Agreement, effective September 10, 2014, has been superseded, replaced or otherwise terminated and is no longer in effect, and (ii) there is in effect a joint administration agreement, joint powers agreement or other agreement, howsoever denominated, among the Los Angeles County Sanitation Districts, governing substantially similar substantive matters with respect to the administration of the Los Angeles County Sanitation Districts as such Amended

Joint Administration Agreement, effective September 10, 2014, such joint administration agreement, joint powers agreement or other agreement among the Los Angeles County Sanitation Districts, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

“Joint Outfall Agreement” means (a) the Joint Outfall Agreement, effective July 1, 2020, among the Joint Outfall Districts, (b) when such Joint Outfall Agreement, effective July 1, 2020, is, on July 1, 2022, superseded by the Joint Outfall Agreement, effective July 1, 2022, among the Joint Outfall Districts, such Joint Outfall Agreement, effective July 1, 2022, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof, and (c) if (i) such Joint Outfall Agreement, effective July 1, 2022, has been superseded, replaced or otherwise terminated and is no longer in effect, and (ii) there is in effect a joint outfall agreement, joint powers agreement or other agreement, howsoever denominated, among the Joint Outfall Districts, governing substantially similar substantive matters with respect to the ownership and operation of the Joint Outfall System as such Joint Outfall Agreement, effective July 1, 2022, such joint outfall agreement, joint powers agreement or other agreement among the Joint Outfall Districts, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms thereof.

“Joint Outfall Districts” means District No. 1, District No. 2, District No. 3, District No. 5, District No. 8, District No. 15, District No. 16, District No. 17, District No. 18, District No. 19, District No. 21, District No. 22, District No. 23, District No. 28, District No. 29, District No. 34, SBC Sanitation District and any other Los Angeles County Sanitation District that joins as a party to the Joint Outfall Agreement.

“Joint Outfall System” has the meaning ascribed to such term in the Joint Outfall Agreement.

“Local Agency Issuer” means a county, city, town, township, district, authority, agency, public corporation or other governmental entity of any state of the United States, or other political subdivision thereof, established under and pursuant to the laws of such state.

“Los Angeles County Sanitation Districts” means District No. 1, District No. 2, District No. 3, District No. 4, District No. 5, District No. 8, District No. 9, District No. 14, District No. 15, District No. 16, District No. 17, District No. 18, District No. 19, District No. 20, District No. 21, District No. 22, District No. 23, District No. 27, District No. 28, District No. 29, District No. 34, NR Sanitation District, SBC Sanitation District, SCV Sanitation District and any other county sanitation district established within the boundaries of the County of Los Angeles, California after the date of this Master Obligation Agreement, which county sanitation district is, pursuant to the Joint Administration Agreement, administered by District No. 2.

“Master Obligation Agreement” means this Master Obligation Agreement, dated as of April 1, 2022, by and among the Districts and Zions Bancorporation, National Association, as Master Trustee, as originally executed and as it may from time to time be amended, supplemented or otherwise modified in accordance with the terms hereof.

“Master Trustee” means Zions Bancorporation, National Association, as master trustee under this Master Obligation Agreement, or any successor thereto as Master Trustee hereunder substituted in its place as provided herein.

“Maximum Reserve Requirement” means, with respect to any Obligations for which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, a Debt Service Reserve Fund is required to be established, as of the date of any calculation, the least of (a) “10% of the proceeds of the issue,” within the meaning of Section 148 of the Code, (b) maximum annual Debt Service on such Obligations, and (c) 125% of average annual Debt Service on such Obligations.

“Moody’s” means Moody’s Investors Service, Inc., its successors and assigns, and, if Moody’s Investors Service, Inc., shall for any reason no longer perform the functions of a securities rating agency, “Moody’s” shall be deemed to refer to any other Nationally Recognized Rating Agency designated by the Districts, with respect to the Obligations of which a rating by Moody’s pertains.

“Nationally Recognized Rating Agency” means Moody’s, S&P and Fitch, and any other credit rating agency registered with the Securities and Exchange Commission as a nationally recognized statistical rating organization (NRSRO).

“Net Payment” means, with respect to a District and a Qualified Swap Agreement to which such District is a party, the amount of the scheduled payment payable by such District on each scheduled payment date under such Qualified Swap Agreement, net of the amount of the scheduled payment payable by the Qualified Swap Counterparty under such Qualified Swap Agreement on such scheduled payment date.

“Net Proceeds” means, when used with respect to any insurance, self-insurance or condemnation award, the proceeds from such award remaining after payment of all expenses (including attorneys’ fees) incurred in the collection of such proceeds.

“Net Revenues” means, with respect to a District, for any period (a) the Revenues of such District for such period, less (b) the Operation and Maintenance Costs of such District for such period.

“Net Subordinate Revenues” means, with respect to a District, for any period (a) the Net Revenues of such District for such period, less (b) the amount of the deposits, transfers and payments required by paragraphs (i) through (vii) of Section 3.03(c) to be made in such period.

“NR Sanitation District” means Newhall Ranch Sanitation District of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“Obligation Acceleration Event” means, with respect to any Obligations, that, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, such Obligations have, as a consequence of an Obligation Default Event with respect to such Obligations, been declared to be immediately due and payable.

“Obligation Default Event” means, with respect to any Obligations, an “event of default” thereunder or under the Obligation Instrument pursuant to which such Obligations are incurred, as defined, specified or otherwise described in such Obligations or such Obligation Instrument or, if “event of default” is not defined, specified or otherwise described in such Obligations or such Obligation Instrument, the substantively similar event or occurrence, howsoever denominated, defined, specified or otherwise described in or applicable to such Obligations or such Obligation Instrument.

“Obligation Instrument” means the Contract, indenture, fiscal agent agreement, trust agreement, or similar instrument, agreement or contract, howsoever denominated, pursuant to which Obligations are issued or incurred.

“Obligation Trustee” means, with respect to any Obligations (a) if such Obligations are not Trustee Assigned Obligations, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the Obligee or Obligees with respect to such Obligations, and (b) if such Obligations are Trustee Assigned Obligations, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the Trustee Assigned Obligations Obligee or Trustee Assigned Obligations Obligees with respect to such Trustee Assigned Obligations.

“Obligations” means, with respect to a District, its Senior Obligations and Subordinate Obligations.

“Obligee” means, with respect to any Obligations (a) if such Obligations are loan payments, installment payments, lease payments, rental payments or similar payments payable under and pursuant to a Contract, and (i) such Obligations are not Trustee Assigned Obligations, the Person or Persons to whom such payments under such Contract are payable, or (ii) such Obligations are Trustee Assigned Obligations, the Trustee Issuer Obligation Obligee with respect to such Trustee Assigned Obligations or, if the context so requires, the Obligation Trustee for such Trustee Assigned Obligations, and (b) if such Obligations are Bonds, the owners of such Bonds, determined in accordance with the Obligation Instrument pursuant to which such Bonds are issued or, if the context so requires, the Obligation Trustee for such Bonds; provided, however, that if Obligations or the Obligation Instrument pursuant to which such Obligations are incurred provide (i) that a Credit Support Provider or a Reserve Guaranty Provider with respect thereto is, for the purposes specified therein, deemed to be the Obligee with respect to such Obligations, or (ii) that, in lieu of the nominal Obligee with respect to such Obligations, a Credit Support Provider or a Reserve Guaranty Provider with respect thereto is entitled to exercise certain rights thereunder or under the Obligation Instrument pursuant to which such Obligations are incurred, such Credit Support Provider or Reserve Guaranty Provider shall, for such purposes or with respect to the exercise of such rights, be deemed to be the Obligee with respect to such Obligations.

“Operating Fund” means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

“Operation and Maintenance Costs” means, with respect to a District, for any period (a) the reasonable and necessary costs expended or incurred by such District for maintaining and operating its Sewerage System, calculated in accordance with Generally Accepted Accounting Principles, including the reasonable expenses of management and repair and other expenses

necessary to maintain and preserve its Sewerage System in good repair and working order, and including salaries and wages of employees, payments to its employee retirement systems (to the extent paid from Revenues of such District), overhead, insurance, taxes if any, fees of auditors, accountants, attorneys or engineers and insurance premiums, and (b) Administrative Costs and scheduled periodic fees, but not Debt Service, Reimbursement Obligations or reimbursements payable pursuant to any Reserve Guaranty, payable to an Obligees pursuant to an Obligation Instrument to which such District is a party in consideration of such Obligees's making, or standing ready to make, advances or draws thereunder available to such District pursuant to the provisions of such Obligation Instrument or, with respect to an Obligees that is a Credit Support Provider, such Obligees's standing ready to provide moneys necessary for payment to the Owners of the Credit Enhanced Obligations, the Debt Service payments on which are secured by a Credit Support Instrument between such District and such Credit Support Provider, but excluding in all cases (i) depreciation, replacement and obsolescence charges or reserves therefor, (ii) amortization of intangibles or other bookkeeping entries of a similar nature, (iii) costs of capital additions, replacements, betterments, extensions or improvements to its Sewerage System that, under Generally Accepted Accounting Principles, are chargeable to a capital account or to a reserve for depreciation, and (iv) charges for the payment of any Debt Service on Obligations of such District.

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

“Opinion of Counsel” means a written opinion of a reputable and qualified firm of attorneys.

“Outstanding” means, as of any particular time (a) with reference to Contracts, any of such Contracts (i) that, as of such time, has not expired, terminated or been discharged by its terms or by mutual agreement of the parties thereto, and (ii) as of such time, all or any part of the Obligations payable pursuant thereto have not, in accordance with the provisions thereof, been paid or deemed to be paid or otherwise been discharged, defeased or extinguished, and (b) with reference to Bonds, any of such Bonds defined, specified, prescribed, determined or deemed, as of such time, to be Outstanding pursuant to the provisions of the Obligation Instrument pursuant to which such Bonds are issued.

“Permitted Investments” means, with respect to a District:

(a) United States Treasury notes, bonds, bills or certificates of indebtedness, or obligations of, or obligations guaranteed directly or indirectly by, the United States of America or securities or other instruments evidencing ownership interests in such obligations or in specified portions of the interest on or principal of such obligations;

(b) Obligations issued by the Federal Home Loan Bank Board, Federal Home Loan Mortgage Corporation or the Tennessee Valley Authority, or (ii) obligations, participations or other instruments of or issued by, or fully guaranteed as to interest and principal, the Federal National Mortgage Association (excluding stripped mortgage backed securities which are valued at greater than par on the unpaid principal), or (iii) guaranteed portions of Small Business Administration notes, or (iv) obligations, participations or other instruments of or issued by a federal agency or a United States of America government-sponsored enterprise;

(c) Commercial paper at the time of investment of “prime” quality of the highest ranking or of the highest letter and numerical rating as provided by Moody’s and S&P, which commercial paper is limited to issuing authorities that are organized and operating within the United States of America and that have total assets in excess of \$500,000,000 and that have an “A” or higher rating for the issuer’s unsecured debentures, other than commercial paper, as provided by Moody’s and S&P; provided that purchases of eligible commercial paper may not exceed 180 days maturity nor represent more than 10% of the outstanding commercial paper of an issuing authority;

(d) Certificates of deposit, whether negotiable or non-negotiable, issued by a state or national bank (including the Master Trustee, its parent and their affiliates) or a state or federal savings and loan association, provided that such certificates of deposit shall be either (i) continuously and fully insured by the Federal Deposit Insurance Corporation, or (ii) have maturities of not more than 365 days and issued by any state or national bank or a state or federal savings and loan association, the short term obligations of which are rated in the highest short term letter and numerical rating category by Moody’s and S&P;

(e) Bills of exchange or time drafts drawn on and accepted by a commercial bank, otherwise known as bankers’ acceptances, which are eligible for purchase by the Federal Reserve System. Purchases of banker’s acceptances may not exceed 270 days maturity;

(g) Certificates, notes, warrants, bonds or other evidence of indebtedness of the State of California or of any political subdivision or public agency thereof which are in the highest short-term rating category or within one of the three highest long term rating categories of Moody’s and S&P (excluding securities that do not have a fixed par value and/or whose terms do not promise a fixed dollar amount at maturity or call date);

(h) For amounts less than \$10,000: interest-bearing demand or time deposits (including certificates of deposit) in a nationally or state-chartered bank, or state or federal savings and loan association in the State of California, fully insured by the Federal Deposit Insurance Corporation, including the Master Trustee, its parent and their affiliates;

(i) Investments in taxable money market funds or portfolios restricted to obligations maturing in one year or less and which funds or portfolios are rated in either of the two highest rating categories by Moody’s or S&P, or have or are portfolios guaranteed as to payment of principal and interest by the full faith and credit of the United States of America including funds for which the Master Trustee, its parent holding company, if any, or any affiliates or subsidiaries of the Master Trustee or such holding company provide investment advisory or other management services;

(j) Guaranteed investment contracts or funding agreements with insurance companies, rated “Aa” and “AA” as to claims paying ability by Moody’s and S&P, respectively, such agreements with securities dealers, commercial banks or insurance companies, the long term unsecured obligations of which are rated within one of the three highest long term rating categories of Moody’s and S&P, or such agreements the obligations of such securities dealers, commercial banks or insurance companies under which are guaranteed by a Person the long term unsecured

obligations of which are rated within one of the three highest long term rating categories of Moody's and S&P;

(k) Investment agreements with a domestic or foreign bank or corporation (other than a life or property casualty insurance company) the long-term debt of which, or, in the case of a guaranteed corporation the long-term debt, or, in the case of a monoline financial guaranty insurance company, claims paying ability, of the guarantor is rated at least "Aa3" by Moody's and "AA-" by S&P; provided, that, by the terms of the investment agreement:

(i) the invested funds are available for withdrawal without penalty or premium, at any time upon not more than seven days' prior notice;

(ii) the investment agreement shall state that it is the unconditional and general obligation of, and is not subordinated to any other obligation of, the provider thereof or, if the provider is a bank, the agreement or the opinion of counsel shall state that the obligation of the provider to make payments thereunder ranks *pari passu* with the obligations of the provider to its other depositors and its other unsecured and unsubordinated creditors;

(iii) such District receive the opinion of domestic counsel that such investment agreement is legal, valid and binding and enforceable against the provider in accordance with its terms and of foreign counsel (if applicable);

(iv) the investment agreement shall provide that if during its term (i) the provider's rating by either Moody's or S&P falls below "Aa3" or "AA-," respectively, the provider shall, at its option, within 10 days of receipt of publication of such downgrade, either (A) collateralize the investment agreement by delivering or transferring in accordance with applicable state and federal laws (other than by means of entries on the provider's books) to the a holder of the collateral, collateral free and clear of any third-party liens or claims the market value of which collateral is maintained at levels and upon such conditions as would be acceptable to Moody's and S&P to maintain an "A" rating in an "A" rated structured financing (with a market value approach); or (B) repay the principal of and accrued but unpaid interest, on the investment, and (ii) the provider's rating by either Moody's or S&P is withdrawn or suspended or falls below "A3" or "A-," respectively, the provider must, at the direction of such District, within 10 days of receipt of such direction, repay the principal of and accrued but unpaid interest on the investment, in either case with no penalty or premium to or upon the order of such District;

(v) the investment agreement shall state, and an opinion of counsel shall be rendered, in the event collateral is required to be pledged by the provider under the terms of the investment agreement, at the time such collateral is delivered, that the holder of collateral has a perfected first priority security interest in the collateral, any substituted collateral and all proceeds thereof (in the case of bearer securities, this means the holder of collateral is in possession); and

(vi) the investment agreement shall provide that if during its term (i) the provider shall default in its payment obligations, the provider's obligations under the investment agreement shall, at the direction of such District, be accelerated and amounts

invested and accrued but unpaid interest thereon shall be repaid to or upon the order of such District, and (ii) the provider shall become insolvent, not pay its debts as they become due, be declared or petition to be declared bankrupt, etc., the provider's obligations shall automatically be accelerated and amounts invested and accrued but unpaid interest thereon shall be repaid to or upon the order of such District;

(n) Any other investments permitted by Section 53600, *et seq.*, of the California Government Code, as amended.

“Person” means an individual, corporation, limited liability company, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Primary Reimbursement Obligations” means, with respect to a District, for any period, with respect to Reimbursement Obligations of such District required, pursuant to the Credit Support Agreement under which such Reimbursement Obligations arose, to be reimbursed or repaid during such period, that portion of such Reimbursement Obligations that is not in excess of the regularly scheduled Debt Service on the Obligations of such District with respect to which such Reimbursement Obligations arose, assuming, for such purpose, that such Obligations bear interest during such period at the interest rate specified in, or determined pursuant to, such Credit Support Agreement.

“Principal Payment Dates” means, with respect to any Obligations (a) if such Obligations are comprised of separate payments of interest and principal, the dates on which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, principal of such Obligations is scheduled to be paid in accordance with the maturity, principal payment, amortization or similar schedule for such Obligations, including mandatory redemptions or prepayments that are, or are equivalent to, sinking fund redemptions or prepayments, and (b) if such Obligations are not comprised of separate payments of interest and principal, the dates on which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, the loan payments, installment payments, lease payments, rental payments or similar payments are payable by such District under and pursuant to such Obligation Instrument.

“Project” means, with respect to a District (a) capital additions, replacements, betterments, extensions or improvements to the Sewerage System of such District, (b) working capital of such District, (c) unfunded accrued actuarial liability of such District, and (d) any other capital item or expense that may lawfully be financed or refinanced by such District, the costs of which are, or are to be, financed or refinanced by Obligations of such District.

“Qualified Swap Agreement” means, with respect to a District, a Swap Agreement to which such District and a Qualified Swap Counterparty are parties, entered into with respect to Obligations of such District.

“Qualified Swap Counterparty” means a counterparty to a Swap Agreement that (a) if such Swap Agreement is entered into with respect to Senior Obligations of a District (i) is a Person that is a bank or other financial institution, (ii) the senior long-term obligations of which, or the obligations of which are guaranteed by a bank or other financial institution, the long-term

obligations of which, are rated “Aa” or “AA,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (iii) the payment obligations of such Person under such Swap Agreement, or the payment obligations of such guarantor of the payment obligations of such Person under such Swap Agreement, are on a parity with the long-term senior debt obligations of such Person or guarantor, as applicable, or (b) if such Swap Agreement is entered into with respect to Subordinate Obligation of a District (i) is a Person that is a bank or other financial institution, (ii) the senior long-term obligations of which, or the obligations of which are guaranteed by a bank or other financial institution, the long-term obligations of which, are rated “A,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (iii) the payment obligations of such Person under such Swap Agreement, or the payment obligations of such guarantor of the payment obligations of such Person under such Swap Agreement, are on a parity with the long-term senior debt obligations of such Person or guarantor, as applicable.

“Rate Stabilization Fund” means, with respect to a District, if such District has established a fund by that name pursuant to Section 3.02, such fund.

“Reimbursement Obligations” means, with respect to a District, for any period, the obligation of such District to reimburse or repay during such period, pursuant to the terms of Credit Support Agreement between such District and a Credit Support Provider entered into with respect to Credit Enhanced Obligations of such District, amounts advanced by such Credit Support Provider under the Credit Support Instrument issued pursuant to such Credit Support Agreement.

“Reserve Guaranty” means (a) with respect to any Senior Obligations (i) a policy of municipal bond insurance or surety bond issued by a municipal bond insurer or a letter of credit issued by a bank or other financial institution, which policy, surety or letter of credit is provided in order to satisfy all or a portion of the Reserve Requirement for such Senior Obligations, provided that (A) if such Reserve Guaranty is a policy of municipal bond insurance or surety bond, at the time of issuance of such policy or surety the obligations insured by the insurer issuing such policy or surety are rated “Aa” or “AA,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (B) if such Reserve Guaranty is a letter of credit, at the time of issuance of such letter of credit, the long-term obligations of the bank or other financial institution issuing such letter of credit are rated “Aa” or “AA,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (b) with respect to any Subordinate Obligations (i) a policy of municipal bond insurance or surety bond issued by a municipal bond insurer or a letter of credit issued by a bank or other financial institution, which policy, surety or letter of credit is provided in order to satisfy all or a portion of the Reserve Requirement for such Subordinate Obligations, provided that (A) if such Reserve Guaranty is a policy of municipal bond insurance or surety bond, at the time of issuance of such policy or surety the obligations insured by the insurer issuing such policy or surety are rated “A,” or the equivalent thereof, or better by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier, and (B) if such Reserve Guaranty is a letter of credit, at the time of issuance of such letter of credit, the long-term obligations of the bank or other financial institution issuing such letter of credit are rated “A,” or the equivalent thereof, or better

by a Nationally Recognized Rating Agency, such ratings to be determined without regard to any subcategory or modifier.

“Reserve Guaranty Agreement” means, with respect to a Reserve Guaranty provided in order to satisfy all or a portion of the Reserve Requirement for Obligations of a District, the agreement or agreements, which may be the Reserve Guaranty itself, between such District and the Reserve Guaranty Provider that issues such Reserve Guaranty providing for the reimbursement to such Reserve Guaranty Provider for draws under, or amounts advanced or otherwise made available pursuant to, such Reserve Guaranty.

“Reserve Guaranty Provider” means, with respect to any Obligations, the municipal bond insurer, bank or other financial institution that is the issuer of a Reserve Guaranty provided in order to satisfy all or a portion of the Reserve Requirement for such Obligations.

“Reserve Requirement” means, with respect to any Obligations for which, pursuant to the Obligation Instrument pursuant to which such Obligations are incurred, a Debt Service Reserve Fund is required to be established, the amount specified in such Obligation Instrument as the amount required to be maintained on deposit in such Debt Service Reserve Fund, which amount shall not exceed the Maximum Reserve Requirement.

“Revenues” means, with respect to a District, for any period, all income and revenue received by such District from the operation or ownership of such District’s Sewerage System, determined in accordance with Generally Accepted Accounting Principles, including all rates and charges received by such District for the services of its Sewerage System, investment income (to the extent generally available to pay costs with respect to its Sewerage System) and all other money howsoever derived by such District from the operation or ownership of its Sewerage System or arising from its Sewerage System, including the ad valorem property taxes received by such District during such period pursuant to Article XIII A of the Constitution of the State of California and Section 95 et seq. of the California Revenue and Taxation Code, but excluding (a) payments received under Qualified Swap Agreements, (b) refundable deposits made to establish credit, (c) advances or contributions in aid of construction, and (d) ad valorem property taxes levied to pay any voter approved general obligation indebtedness of such District.

“S&P” means S&P Global Ratings, a business unit of Standard and Poor’s Financial Services, LLC, its successors and assigns, and, if S&P Global Ratings 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 Rating Agency designated by the Districts, with respect to the Obligations of which a rating by S&P pertains.

“SBC Sanitation District” means South Bay Cities Sanitation District of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“SCV Sanitation District” means Santa Clarita Valley Sanitation District of Los Angeles County, a county sanitation district organized and existing under and by virtue of the laws of the State, and any successor thereto.

“Senior Bonds” means, with respect to a District, all bonds and notes, including bond anticipation notes and commercial paper notes, and other substantively similar evidences of indebtedness of such District, howsoever denominated (a) issued in accordance with and subject to the provisions of Section 4.01, (b) designated as Senior Obligations in the Obligation Instrument pursuant to which such bonds, notes or evidences of indebtedness are issued, and (c) authorized, executed, issued and delivered under and pursuant to applicable law; provided, however, that the term “Senior Bonds” does not include (i) any promissory note executed and delivered by such District that evidences such District’s obligations under a Contract, or (ii) any voter approved general obligation indebtedness of such District.

“Senior Contracts” means, with respect to a District, all Credit Support Agreements, Qualified Swap Agreements, loan agreements, credit agreements, credit facilities, lines of credit, installment purchase agreements, installment sales agreements, financing leases or other substantively similar agreements or contracts of such District, howsoever denominated, including any promissory note executed and delivered by such District that evidences such District’s obligations under any such loan agreement, credit agreement, credit facility, line of credit or other such agreement or contract of such District substantively similar thereto (i) each of which is entered into in accordance with and subject to the provisions of Section 4.01, (ii) the Obligations with respect to each of which are designated, in such Credit Support Agreement, Qualified Swap Agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, lease or similar agreement or contract, as applicable, as Senior Obligations, and (iii) each of which is authorized, executed and delivered under and pursuant to applicable law.

“Senior Debt Service Coverage Ratio” means, with respect to a District, for any Fiscal Year, the ratio of (a) Adjusted Net Revenues for such period, to (b) Debt Service on the Outstanding Senior Obligations of such District for such Fiscal Year.

“Senior Obligation Instruments” means, with respect to a District (a) the Senior Contracts of such District or, if the context so requires, the instrument, agreement or contract pursuant to which interests in the Obligations under any such Senior Contract are created, and (b) the indenture, trust agreement, fiscal agent agreement or similar instrument, agreement or contract, howsoever denominated, pursuant to which Senior Bonds of such District are issued.

“Senior Obligation Payment Fund” means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

“Senior Obligations” means, with respect to a District (a) the loan payments, installment payments, lease payments, rental payments or similar payments of interest and principal or, if there are no separate payments of interest and principal, the loan payments, installment payments, lease payments, rental payments or similar payments payable by such District under and pursuant to Senior Contracts of such District, (b) Senior Bonds of such District and the interest and principal payments payable by such District under and pursuant to such Senior Bonds, (c) Reimbursement Obligations of such District payable by such District under and pursuant to Credit Support Agreements of such District entered into with respect to Credit Enhanced Obligations of such District that are Senior Obligations, and (d) Net Payments, but not Termination Payments, payable

by such District under and pursuant to Qualified Swap Agreements of such District entered into with respect to Senior Obligations of such District.

“Sewage Unit” means, for any period, the anticipated average daily quantity of sewage (wastewater) flow and strength from a typical single-family home measured in terms of flow, chemical oxygen demand and suspended solids, as more particularly defined and established in the Joint Outfall Agreement.

“Sewerage System” means, with respect to a District, the whole and each and every part of the wastewater collection, conveyance, treatment, disposal and administrative facilities of such District, including such District’s ownership interest, if any, pursuant to the Joint Administration Agreement, such District’s ownership interest, if any, pursuant to the Joint Outfall Agreement, such District’s ownership interest, if any, pursuant to a City of Los Angeles Agreement, all real and personal property, or any interest therein, constituting a part thereof and all additions, improvements, betterments and extensions thereto whether presently existing or hereafter acquired, constructed or installed.

“Shared Project” means, collectively, the Projects of Districts that are members of a Shared Project Group, the costs of which are, or are to be, financed or refinanced by Shared Project Obligations with respect to which such Districts are the Shared Project Group; provided, however, that if such Shared Project is a Supported Project, such Shared Project shall consist only of capital additions, replacements, betterments, extensions or improvements to the Sewerage Systems of the Districts that are members of such Shared Project Group.

“Shared Project Group” means, with respect to any Shared Project Obligations, the Districts that are party to the Obligation Instrument pursuant to which such Shared Project Obligations are incurred.

“Shared Project Obligations” means Obligations incurred pursuant to an Obligation Instrument pursuant to which Obligations of two or more Districts are incurred for the purpose of financing or refinancing a Shared Project.

“Shared Project Percentage” means, with respect to a Shared Project and a District that is a member of the Shared Project Group with respect to the Shared Project Obligations by which such Shared Project is financed or refinanced, the percentage, specified in decimal form, of the costs of such Shared Project for which such District is to be responsible, which Shared Project Percentage with respect to such District shall be set forth in the Obligation Instrument pursuant to which such Shared Project Obligations are incurred; provided, however, that (a) if such Shared Project Group consists of all of, and only, the Districts that are Joint Outfall Districts, and (b) if so specified in the Obligation Instrument pursuant to which such Shared Project Obligations are incurred, the Shared Project Percentage of each such Joint Outfall District, for any period, shall be equal to the percentage, specified in decimal form, of the quotient of (i) the number of Sewage Units attributable to such Joint Outfall District for such period, divided by (ii) the aggregate number of Sewage Units attributable to all of the Joint Outfall Districts for such period (which methodology for determining such Shared Project Percentage conforms to the methodology by which costs of the Joint Outfall System are allocated among the Joint Outfall Districts pursuant to the Joint Outfall Agreement), and (c) there may be excluded from the references in this proviso to

“Joint Outfall District” and “Joint Outfall Districts” (other than the reference to “Joint Outfall Districts” within the parenthetical in clause (b), above) any Joint Outfall District, the Sewerage System of which is not in active operation on the date that the Obligation Instrument pursuant to which such Shared Project Obligations are incurred is entered into.

“**Short-Term Obligations**” means, with respect to a District, Obligations of such District having an original maturity of less than or equal to one year and that are not renewable at the option of such District for a term greater than one year beyond the date of original incurrence.

“**State**” means the State of California.

“**Subordinate Bonds**” means, with respect to a District, all bonds and notes, including bond anticipation notes and commercial paper notes, and other substantively similar evidences of indebtedness of such District, howsoever denominated (a) issued in accordance with and subject to the provisions of Section 4.02, (b) designated as Subordinate Obligations in the Obligation Instrument pursuant to which such bonds, notes or evidences of indebtedness are issued, and (c) authorized, executed, issued and delivered under and pursuant to applicable law; provided, however, that the term “Subordinate Bonds” does not include (i) any promissory note executed and delivered by such District that evidences such District’s obligations under a Contract, or (ii) any voter approved general obligation indebtedness of such District.

“**Subordinate Contracts**” means, with respect to a District, all Credit Support Agreements, Qualified Swap Agreements, loan agreements, credit agreements, credit facilities, lines of credit, installment purchase agreements, installment sales agreements, financing leases or other substantively similar agreements or contracts of such District, howsoever denominated, including any promissory note executed and delivered by such District that evidences such District’s obligations under any such loan agreement, credit agreement, credit facility, line of credit or other such agreement or contract of such District substantively similar thereto (a) each of which is entered into in accordance with and subject to the provisions of Section 4.02, (b) the Obligations with respect to each of which are designated, in such Credit Support Agreement, Qualified Swap Agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, lease or similar agreement or contract, as applicable, as Subordinate Obligations, and (c) each of which is authorized, executed and delivered under and pursuant to applicable law.

“**Subordinate Obligation Instruments**” means, with respect to a District (a) the Subordinate Contracts of such District or, if the context so requires, the instrument, agreement or contract pursuant to which interests in the Obligations under any such Subordinate Contract are created, and (b) the indenture, trust agreement, fiscal agent agreement or similar instrument, agreement or contract, howsoever denominated, pursuant to which Subordinate Bonds of such District are issued.

“**Subordinate Obligation Payment Fund**” means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

“**Subordinate Obligations**” means, with respect to a District (a) the loan payments, installment payments, lease payments, rental payments or similar payments of interest and

principal or, if there are no separate payments of interest and principal, the loan payments, installment payments, lease payments, rental payments or similar payments payable by such District under and pursuant to Subordinate Contracts of such District, (b) Subordinate Bonds of such District and the interest and principal payments payable by such District under and pursuant to such Subordinate Bonds, (c) Reimbursement Obligations of such District payable by such District under and pursuant to Credit Support Agreements of such District entered into with respect to Credit Enhanced Obligations of such District that are Subordinate Obligations, and (d) Net Payments, but not Termination Payments, payable by such District under and pursuant to Qualified Swap Agreements of such District entered into with respect to Subordinate Obligations of such District.

“Support Group” means, with respect to any Supported Obligations, the Districts that are party to the Obligation Instrument pursuant to which such Supported Obligations are incurred.

“Support Payments” means (a) with respect to any Supported Obligations that are Senior Obligations, the payments that each District that is a member of the Support Group with respect to such Supported Obligations is required, pursuant to the provisions of Section 3.04(a), to make to any other District that is a member of such Support Group (being a Supported District) in any month in which such Supported District has, in accordance with Section 3.04(a), notified each other District that is a member of such Support Group (i) that such Supported District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (ii) of the amount of such Supported Obligations Deficit Amount, and (b) with respect to any Supported Obligations that are Subordinate Obligations, the payments that each District that is a member of the Support Group with respect to such Supported Obligations is required, pursuant to the provisions of Section 3.04(b), to make to any other District that is a member of such Support Group (being a Supported District) in any month in which such Supported District has, in accordance with Section 3.04(b), notified each other District that is a member of such Support Group (i) that such Supported District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (ii) of the amount of such Supported Obligations Deficit Amount.

“Supported District” means (a) with respect to Supported Obligations that are Senior Obligations, a District (i) that is a member of a Support Group with respect to such Supported Obligations, (ii) that has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (iii) that has, in accordance with Section 3.04(a), notified each other District that is a member of such Support Group (A) that such District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in such month, and (B) of the amount of such Supported Obligations Deficit Amount, and (b) with respect to Supported Obligations that are Subordinate Obligations, a District (i) that is a member of a Support Group with respect to such Supported Obligations, (ii) that has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (iii) that has, in accordance with Section 3.04(b), notified each other District that is a member of such Support Group (A) that such District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in such month, and (B) of the amount of such Supported Obligations Deficit Amount.

“Supported Obligations” means, with respect to any Obligations (a) if such Obligations are Senior Obligations (i) such Senior Obligations are Shared Project Obligations, and (ii) pursuant to the provisions of Section 3.04(a), each District party to the Obligation Instrument pursuant to which such Shared Project Obligations are incurred agrees to make Support Payments to each other District party thereto, if and as required pursuant to the provisions of said Section, and (b) if such Obligations are Subordinate Obligations (i) such Subordinate Obligations are Shared Project Obligations, and (ii) pursuant to the provisions of Section 3.04(b), each District party to the Obligation Instrument pursuant to which such Shared Project Obligations are incurred agrees to make Support Payments to each other District party thereto, if and as required pursuant to the provisions of said Section.

“Supported Obligations Deficit Amount” means (a) with respect to any Supported Obligations of a District that are Senior Obligations, for any month, the remainder of (i) the Supported Obligations Transfer Amount for such month in respect of such Supported Obligations, minus (ii) the amount of Net Revenues that such District will have available to transfer to such District’s Senior Obligation Payment Fund in respect of such Supported Obligations in accordance with paragraph (i) of Section 3.03(c); provided, however, that such Supported Obligations Deficit Amount shall not be less than zero, and (b) with respect to any Supported Obligations of a District that are Subordinate Obligations, for any month, the remainder of (i) the Supported Obligations Transfer Amount for such month in respect of such Supported Obligations, minus (ii) the amount of Net Revenues that such District will have available to transfer to such District’s Subordinate Obligation Payment Fund in respect of such Supported Obligations in accordance with paragraph (vii) of Section 3.03(c); provided, however, that such Supported Obligations Deficit Amount shall not be less than zero.

“Supported Obligations Transfer Amount” means (a) with respect to any Supported Obligations of a District that are Senior Obligations, for any month, the amount of Net Revenues of such District required, pursuant to paragraph (i) of Section 3.03(c), to be transferred by such District from its Operating Fund to its Senior Obligation Payment Fund in respect of such Supported Obligations, and (b) with respect to any Supported Obligations of a District that are Subordinate Obligations, for any month, the amount of Net Revenues of such District required, pursuant to paragraph (vii) of Section 3.03(c), to be transferred by such District from its Operating Fund to its Subordinate Obligation Payment Fund in respect of such Supported Obligations.

“Supported Project” means a Shared Project that is financed or refinanced by Supported Obligations.

“Supporting Districts” means (a) with respect to Supported Obligations that are Senior Obligations, the Districts (i) that are members of the Support Group with respect to such Supported Obligations, (ii) that have, in accordance with Section 3.04(a), been notified by another District that is a member of such Support Group (A) that such notifying District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in the then current month, and (B) of the amount of such Supported Obligations Deficit Amount, and (b) with respect to Supported Obligations that are Subordinate Obligations, the Districts (i) that are members of a Support Group with respect to such Supported Obligations, (ii) that have, in accordance with Section 3.04(b), been notified by another District that is a member of such Support Group (A) that such notifying District has determined that it will have a Supported Obligations

Deficit Amount in respect of such Supported Obligations in the then current month, and (B) of the amount of such Supported Obligations Deficit Amount.

“Surplus Fund” means, with respect to a District, the fund by that name established by such District pursuant to Section 3.02.

“Swap Agreement” means, with respect to a District (a) an interest rate swap agreement, currency swap agreement, forward payment conversion agreement, futures contract or arrangement entered into by such District with respect to any Obligations of such District providing for payment based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, (b) an agreement, contract or arrangement entered into by such District with respect to any Obligations of such District to exchange cash flows or a series of payments, (c) an agreement, contract or arrangement entered into by such District with respect to any Obligations of such District, including interest rate floors or caps, options, rates or calls, to hedge payment, currency, rate, spread, or similar exposure, or (d) a similar agreement, contract or arrangement entered into by such District with respect to any Obligations of such District for similar hedging purposes.

“Tax-Exempt” means, with respect to any Obligations, that interest on such Obligations is excluded from gross income of the owners thereof for federal income tax purposes, whether or not such interest is includable as an item of tax preference or otherwise includable directly or indirectly for purposes of calculating other tax liabilities, including any alternative minimum tax, under the Code.

“Termination Payment” means, with respect to a District and a Qualified Swap Agreement to which such District is a party, the amount payable by such District as a result of the termination of such Qualified Swap Agreement prior to its scheduled expiration or termination date.

“Trustee Assigned Obligations” means Obligations that (a) are transferred or assigned, or substantially all of the material rights in and to which are transferred or assigned, to an Obligation Trustee, and (b) pursuant to the Trusteed Obligation Instrument to which such Obligation Trustee is a party, or under and pursuant to which such Obligation Trustee is acting as trustee (i) are applied to the payment of debt service on Trusteed Issuer Obligations, or (ii) interests in which, or evidences of such interest, are issued, executed and delivered or otherwise created pursuant to such Trusteed Obligation Instrument.

“Trustee Assigned Obligations Obligee” means, with respect to Trustee Assigned Obligations, the owners of the Trusteed Issuer Obligations with respect to such Trustee Assigned Obligations, determined in accordance with the Trusteed Obligation Instrument pursuant to which such Trusteed Issuer Obligations are issued, executed and delivered or otherwise created.

“Trusteed Issuer Obligations” means, with respect to Trustee Assigned Obligations (a) the bonds and notes, including bond anticipation notes and commercial paper notes, and other substantively similar evidences of indebtedness issued or executed and delivered by a Local Agency Issuer, or another Person other than a District, the debt service on which is payable from such Trustee Assigned Obligations, and (b) the certificates of participation, receipts or other

evidences of interest issued, executed and delivered or otherwise created pursuant to a Trustee Obligation Instrument evidencing interests in such Trustee Assigned Obligations.

“Trusteed Obligation Instrument” means the indenture, fiscal agent agreement, trust agreement or similar instrument, agreement or contract, howsoever denominated, pursuant to which Trusteed Issuer Obligations are issued, executed and delivered or otherwise created.

“Variable Rate Obligations” means any portion of any Obligations the interest rate on which is not established at the time of incurrence of such Obligations and has not, at some subsequent date, been established at a rate that is not subject to fluctuation or subsequent adjustment.

“Written Certificate” and **“Written Request”** mean (a) with respect to a District, a written certificate or written request, respectively, signed in the name of such District by an Authorized Representative of such District, and (b) with respect to the Districts, a written certificate or written request, respectively, signed in the name of District No. 2 by an Authorized Representative of District No. 2. Any such certificate or request may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument.

Section 1.02. Rules of Construction. (a) The terms defined herein expressed in the singular shall, unless the context otherwise indicates, include the plural and vice versa.

(b) The use herein of the masculine, feminine or neuter gender is for convenience only and shall be deemed and construed to include correlative words of the masculine, feminine or neuter gender, as appropriate.

(c) References herein to a document shall include all amendments, supplements or other modifications to such document, and any replacements, substitutions or novation of, that document.

(d) Any term defined herein by reference to another document shall continue to have the meaning ascribed thereto whether, or not such other document remains in effect.

(e) The use herein of the words “including” and “includes,” and words of similar import, shall be deemed to be followed by the phrase “without limitation.”

(f) Headings of Articles and Sections herein and the table of contents hereof are solely for convenience of reference, do not constitute a part hereof and shall not affect the meaning, construction or effect hereof.

(g) All references herein to designated “Articles,” “Sections,” “Exhibits,” “subsections,” “paragraphs,” “clauses,” and other subdivisions are to the designated Articles, Sections, Exhibits, subsections, paragraphs, clauses, and other subdivisions of this Master Obligation Agreement.

(h) The words “hereof” (except when preceded by a specific Section or Article reference), “herein,” “hereby,” “hereunder,” “hereinabove,” “hereinafter,” and other equivalent

words and phrases used herein refer to this Master Obligation Agreement and not solely to the particular portion hereof in which any such word is used.

(i) The term “incur,” with respect to any Obligations, shall, as is appropriate in the context, mean the incurrence, the issuance, the creation the entering into an agreement or contract for or with respect to and any other act pursuant to or as a result of which a Person may become obligated with respect to, bound by or subject to the provisions of any Obligations.

Section 1.03. Equal Security. In consideration of entering into Obligation Instruments with, or purchasing the Obligations of, a District, this Master Obligation Agreement shall be deemed to be and shall constitute a contract among such District, the Master Trustee and the Obligees with respect to the Obligations of such District then Outstanding to secure the payment of such Obligations, subject to the agreements, conditions, covenants and provisions contained herein; and all agreements and covenants set forth herein to be performed by or on behalf of such District shall be for the equal and proportionate benefit, protection and security of all Obligees with respect to the Obligations of such District without distinction, preference or priority as to security or otherwise of any such Obligations over any other of such Obligations by reason of the date thereof or the time of authorization, execution, issuance or delivery thereof or for any cause whatsoever, except as expressly provided herein or therein.

ARTICLE II

REPRESENTATIONS OF THE DISTRICTS

Section 2.01. Representations of the Districts. Each District makes the following representations:

(a) such District is a county sanitation district organized and existing under the laws of the State;

(b) such District has full legal right, power and authority to enter into this Master Obligation Agreement and carry out its obligations hereunder and to carry out and consummate all transactions contemplated by this Master Obligation Agreement, and such District has complied with the provisions of applicable law in all matters relating to such transactions;

(c) by proper action, such District has duly authorized the execution, delivery and due performance of this Master Obligation Agreement;

(d) this Master Obligation Agreement has been duly executed and delivered by such District and constitutes the legal, valid and binding agreement of such District enforceable in accordance with its terms, except as the enforcement thereof may be limited by bankruptcy, insolvency, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles and to the exercise of judicial discretion in appropriate cases;

(e) no consent or approval of any trustee or holder of any indebtedness of such District or any guarantor of indebtedness of, or credit provider of such District, and no consent, permission, authorization, order or license of, or filing or registration with, any governmental authority was or is necessary in connection with the execution and delivery of this Master Obligation Agreement by such District, the consummation of any transaction herein contemplated or the fulfillment of or compliance with the terms and conditions hereof, except as have been obtained or made and as are in full force and effect;

(f) the execution and delivery of this Master Obligation Agreement and the consummation of the transactions herein contemplated will not violate, in a manner that would materially adversely affect such District's ability to perform its obligations hereunder, any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which such District is now a party or by which it or any of its properties or assets is bound, or be in conflict with, result in a breach of or constitute a default, with due notice or the passage of time or both, under any such indenture, agreement or other instrument, which conflict, breach or default would materially adversely affect such District's ability to perform its obligations hereunder, or result in the creation or imposition of any prohibited lien, charge or encumbrance of any nature whatsoever upon any of the properties or assets of such District, which lien, charge or encumbrance would materially adversely affect such District's ability to perform its obligations hereunder; and

(g) there is no action, suit, proceeding, inquiry or investigation, before or by any court or federal, state, municipal or other governmental authority, pending, or to the knowledge of such District, after reasonable investigation, threatened, against or affecting such District or the assets, properties or operations of such District that, if determined adversely to such District or its interests, would have a material adverse effect upon the consummation of the transactions contemplated by, or the validity of, this Master Obligation Agreement, or upon the financial condition, assets, properties or operations of such District, and such District is not in default (and no event has occurred and is continuing that with the giving of notice or the passage of time or both would constitute a default) with respect to any judgment, order or decree of any court or any order, regulation or demand of any federal, state, municipal or other governmental authority, which default might have consequences that would materially and adversely affect the consummation of the transactions contemplated by this Master Obligation Agreement, or the financial condition, assets, properties or operations of such District.

ARTICLE III

PLEDGES; SPECIAL OBLIGATIONS; FUNDS AND ACCOUNTS

Section 3.01. Pledges; Special Obligations. (a) Subject only to the provisions of this Master Obligation Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, each District, in order to secure the payment of its Senior Obligations and the performance and observance of all of the covenants and agreements of such District contained herein and in the Obligation Instruments pursuant to which such Senior Obligations are incurred, hereby grants a lien on and a security interest in, and pledges to and for the benefit of the Obligees with respect to its Senior Obligations, all of its Revenues and any other amounts held in its Operating Fund and Senior Obligation Payment Fund (but not any such Revenues or other amounts held in its Subordinate Obligation Payment Fund, Rate Stabilization Fund or Surplus Fund). Said pledge of each District shall constitute a first lien on and security interest in such assets of such District, which shall immediately attach to such assets and be effective, binding and enforceable against such District, its successors, purchasers of any of such assets, creditors and all others asserting rights therein, to the extent set forth in, and in accordance with, this Master Obligation Agreement, irrespective of whether such parties have notice of the lien on, security interest in and pledge of such assets and without the need for any physical delivery, recordation, filing or further act.

(b) A District may, in connection with the incurrence of Subordinate Obligations of such District, subject only to the provisions of this Master Obligation Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, in order to secure the payment of its Subordinate Obligations and the performance and observance of all of the covenants and agreements of such District contained herein and in the Obligation Instruments pursuant to which such Subordinate Obligations are incurred, grant a lien on and a security interest in, and pledge to and for the benefit of the Obligees with respect to such Subordinate Obligations, its Revenues and any other amounts held in its Operating Fund and Subordinate Obligation Payment Fund (but not any such Revenues or other amounts held in its Senior Obligation Payment Fund, Rate Stabilization Fund or Surplus Fund); provided, however, that such lien, security interest and pledge shall be subordinate and junior in all respects to the lien on, security interest in and pledge of all of the Revenues of such District and any other amounts held in its Operating Fund securing the payment of such District's Senior Obligations made and created by such District pursuant to subsection (a) of this Section.

(c) The Senior Obligations of a District are special, limited obligations of such District payable, in the manner provided herein, solely from such District's Net Revenues and the other assets pledged to the payment thereof hereunder, and do not constitute a debt of such District or the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction. The Subordinate Obligations of a District are special, limited obligations of such District payable, in the manner provided herein, solely from such District's Net Revenues and the other assets pledged to the payment thereof hereunder remaining after payment therefrom of such District's Senior Obligations, and do not constitute a debt of such District or the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limit or restriction. Neither the faith and credit nor the taxing power of a District or the State or any political subdivision thereof is pledged to the payment of such District's Obligations.

Section 3.02. Establishment of Funds. (a) Subject to the provisions of subsection (b) of this Section, each District shall establish and maintain within its treasury, so long as any of its Obligations remain Outstanding, the following funds:

- (i) Operating Fund;
- (ii) Senior Obligation Payment Fund;
- (iii) Subordinate Obligation Payment Fund;
- (iv) Rate Stabilization Fund;
- (v) Surplus Fund; and
- (vi) Capital Improvement Fund.

(b) Notwithstanding the provisions of subsection (a) of this Section, a District need not establish a Subordinate Obligation Payment Fund unless and until it has incurred Subordinate Obligations, and a District need only establish a Rate Stabilization Fund if and when it deems the establishment of such fund to be necessary or appropriate for the management of its financial affairs.

(c) Each District may establish such additional funds and accounts within its treasury as it deems necessary or appropriate for the management of its financial affairs.

Section 3.03. Allocation of Revenues. (a) Each District, in order to carry out and effectuate such District's pledge contained in Section 3.01, shall deposit in its Operating Fund all of such District's Revenues as and when received.

(b) Each District shall pay from such District's Operating Fund all of its Operation and Maintenance Costs as and when the same shall be due and payable.

(c) Each District, after having paid, or having made provision for the payment of, such District's Operation and Maintenance Costs, shall, on the last Business Day of each month, set aside and deposit, transfer or pay, as the case may be, legally available Net Revenues from its Operating Fund in the amounts set forth below in the following order of priority (including curing any existing deficiency in deposit, transfers or payments required on any prior date), the requirements of each deposit, transfer or payment of each priority to be fully satisfied, leaving no deficiencies, prior to any deposit, transfer or payment later in priority:

- (i) *First*, deposit in its Senior Obligation Payment Fund, an amount that, together with other amounts on deposit therein, is at least equal to the sum of (A) Accrued Debt Service on each of the Outstanding Senior Obligations of such District, calculated (I) with respect to the interest on each of such Senior Obligations (aa) if the next occurring Interest Payment Date for such Senior Obligations is not in the immediately following month, for the period from and including the immediately preceding Interest Payment Date for such Senior Obligations or, if the initial Interest Payment Date for such Senior Obligations has not yet occurred, from the date on which interest on such Senior

Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Senior Obligations are incurred, to and including the last day of the then current month, and (bb) if the next occurring Interest Payment Date for such Senior Obligations is in the immediately following month, for the period from and including the immediately preceding Interest Payment Date for such Senior Obligations or, if the initial Interest Payment Date for such Senior Obligations has not yet occurred, from the date on which interest on such Senior Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Senior Obligations are incurred, to but not including such Interest Payment Date, and (II) with respect to the principal of each of such Senior Obligations (aa) if the next occurring Principal Payment Date for such Senior Obligations is not in the immediately following month, for the period from and including the immediately preceding Principal Payment Date for such Senior Obligations or, if the initial Principal Payment Date for such Senior Obligations has not yet occurred, from the effective date of the Obligation Instrument pursuant to which such Senior Obligations are incurred, to and including the last day of the then current month, and (bb) if the next occurring Principal Payment Date for such Senior Obligations is in the immediately following month, for the period from and including the immediately preceding Principal Payment Date for such Senior Obligations or, if the initial Principal Payment Date for such Senior Obligations has not yet occurred, from the effective date of the Obligation Instrument pursuant to which such Senior Obligations are incurred, to but not including such Principal Payment Date, plus (B) to the extent not included in such Accrued Debt Service on Senior Obligations representing or securing Primary Reimbursement Obligations of such District to a Credit Support Provider providing a Credit Support Instrument for Senior Obligations of such District, the accrued amount of each of such Primary Reimbursement Obligations, if any, payable by such District to such Credit Support Provider, assuming, for such purpose, that such Primary Reimbursement Obligations accrue daily in equal amounts from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, the date such Primary Reimbursement Obligations became obligations of such District, to but not including the next succeeding payment date with respect to such Primary Reimbursement Obligations, which payment dates shall be determined as provided in the Credit Support Agreement pursuant to which such Credit Support Instrument was issued, calculated (I) if the next occurring payment date with respect to such Primary Reimbursement Obligations is not in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, from the date such Primary Reimbursement Obligations became obligations of such District, to and including the last day of the then current month, and (II) if the next occurring payment date with respect to such Primary Reimbursement Obligations is in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, from the date such Primary Reimbursement Obligations became obligations of such District, to but not including such payment date, plus (C) the accrued amount of the Net Payment, if any, payable by such District to each Qualified

Swap Counterparty providing a Qualified Swap Agreement with respect to Senior Obligations of such District, assuming, for such purpose, that such Net Payment accrues daily in equal amounts from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to but not including the next succeeding payment date with respect to such Net Payment, which payment dates shall be determined as provided in such Qualified Swap Agreement, calculated (I) if the next occurring payment date with respect to such Net Payment is not in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to and including the last day of the then current month, and (II) if the next occurring payment date with respect to such Net Payment is in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to but not including such payment date; provided, however, that (I) with respect to any such Senior Obligations that are Shared Project Obligations (aa) for purposes of determining the amount to be deposited pursuant to clause (A), above, the Accrued Debt Service referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the amount of such Accrued Debt Service, (bb) for purposes of determining the amount to be deposited pursuant to clause (B), above, the accrued amount of the Primary Reimbursement Obligations referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the accrued amount of such Primary Reimbursement Obligations, and (cc) for purposes of determining the amount to be deposited pursuant to clause (C), above, the accrued amount of the Net Payment referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the accrued amount of such Net Payment, (II) if the amount in such District's Operating Fund is not sufficient to make the deposit for all of such Senior Obligations as specified in this paragraph (i), the amount deposited for each such Senior Obligation shall be made, as nearly as practicable, pro rata, based on the respective amounts with respect to such Senior Obligations, the deposit of which is required pursuant to this paragraph (i), and (III) no such deposit need be made by such District if the amounts on deposit in such District's Senior Obligation Payment Fund are at least equal to the amounts required to be on deposit therein on such date pursuant to this paragraph (i);

(ii) *Second*, if such District is a member of one or more Support Groups with respect to Supported Obligations that are Senior Obligations and such District is, pursuant to Section 3.04(a), required on such date to make Support Payments to one or more Supported Districts with respect to any of such Support Groups, transfer to each such Supported District to which a Support Payment is due an amount equal to such Support Payment; provided, however, that, in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective amounts of the Support Payments required to be made on such date;

(iii) *Third*, if such District has incurred one or more Senior Obligations for which a Debt Service Reserve Fund has been established, and the amount on deposit in any of such Debt Service Reserve Funds, including the amount available to be drawn on any Reserve Guaranty on deposit therein, is less than the Reserve Requirement for such Senior Obligations, such District shall (A) with respect to (I) each such Debt Service Reserve Fund, the deficiency in which is the result of a withdrawal therefrom of monies, excluding monies derived from a draw on a Reserve Guaranty on deposit therein, to pay Debt Service on such Senior Obligations, transfer to the Obligee of such Senior Obligations, or the designee of such Obligee, with which such Debt Service Reserve Fund has been established, for deposit in such Debt Service Reserve Fund, an amount equal to one-twelfth of the amount of such monies so withdrawn, and (II) each such Debt Service Reserve Fund, the deficiency in which is the result of a withdrawal therefrom of monies derived from a draw on a Reserve Guaranty on deposit therein to pay Debt Service on such Senior Obligations, pay to the Reserve Guaranty Provider that issued such Reserve Guaranty, in reimbursement thereof, one-twelfth of the amount so drawn on such Reserve Guaranty; provided, however, that (aa) with respect to any such Senior Obligations that are Shared Project Obligations (AA) for purposes of determining the amount to be deposited pursuant to clause (I), above, such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) one-twelfth of the amount of such monies so withdrawn from such Debt Service Reserve Fund, and (BB) for purposes of determining the amount to be paid pursuant to clause (II), above, such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) one-twelfth of the amount so drawn on such Reserve Guaranty, and (bb) in the event that such District has insufficient Net Revenues to make all of such transfers and payments, then said transfers and payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligations, transfers or payments with respect to the Debt Service Reserve Funds established therefor are required, pursuant to this clause (A), to be made on such date and, after having made all transfers and payments required pursuant to this clause (A), shall (B) with respect to each such Debt Service Reserve Fund, the deficiency in which is the result of a reduction in the market value of the Permitted Investments on deposit therein, transfer to the Obligee of such Senior Obligations, or the designee of such Obligee, with which such Debt Service Reserve Fund has been established, for deposit in such Debt Service Reserve Fund, an amount equal to the amount of such reduction in the market value of such Permitted Investments; provided, however, that (aa) with respect to any such Senior Obligations that are Shared Project Obligations (AA) for purposes of determining the amount to be transferred pursuant to this clause (B), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the amount of such reduction in the market value of such Permitted Investments, and (bb) in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligations, transfers with respect to the Debt Service Reserve Funds established therefor are required, pursuant to this clause (B), to be made on such date;

(iv) *Fourth*, pay to each Credit Support Provider providing a Credit Support Instrument for Senior Obligations of such District, the Excess Reimbursement Obligations,

if any, payable by such District to such Credit Support Provider as of the last day of such month in accordance with the Credit Support Agreement pursuant to which such Credit Support Instrument is provided; provided, however, that (A) with respect to any such Senior Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (iv), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the amount of such Excess Reimbursement Obligations, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective Excess Reimbursement Obligations, the payment of which is required, pursuant to this paragraph (iv), to be made on such date;

(v) *Fifth*, pay to each Reserve Guaranty Provider providing a Reserve Guaranty for Senior Obligations of such District, the interest payable with respect to any draw on such Reserve Guaranty, payable by such District to such Reserve Guaranty Provider as of the last day of such month in accordance with the Reserve Guaranty Agreement pursuant to which such Reserve Guaranty is provided; provided, however, that (A) with respect to any such Senior Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (v), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the balance of such amount so payable, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective amounts, the payment of which is required, pursuant to this paragraph (v), to be made on such date;

(vi) *Sixth*, pay to each Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Senior Obligations of such District, any Termination Payment with respect to such Qualified Swap Agreement, payable by such District to such Qualified Swap Counterparty as of the last day of such month in accordance with such Qualified Swap Agreement; provided, however, that (A) with respect to any such Senior Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (vi), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the balance of such amount so payable, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective amounts, the payment of which is required, pursuant to this paragraph (vi), to be made on such date;

(vii) *Seventh*, if such District has, in accordance with Section 3.04(a), received one or more Support Payments with respect to Supported Obligations that are Senior Obligations from one or more Supporting Districts, transfer to each such Supporting District, in repayment of each Support Payment made by such Supporting District, the amount, if any, of such Support Payment that has not, as of such date, been repaid in full; provided, however, that, in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro

rata, based on the respective amounts of the Support Payments required to be repaid on such date;

(viii) *Eighth*, deposit in its Subordinate Obligation Payment Fund, an amount that, together with other amounts on deposit therein, is at least equal to the sum of (A) Accrued Debt Service on each of the Outstanding Subordinate Obligations of such District, calculated (I) with respect to the interest on each of such Subordinate Obligations (aa) if the next occurring Interest Payment Date for such Subordinate Obligations is not in the immediately following month, for the period from and including the immediately preceding Interest Payment Date for such Subordinate Obligations or, if the initial Interest Payment Date for such Subordinate Obligations has not yet occurred, from the date on which interest on such Subordinate Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, to and including the last day of the then current month, and (bb) if the next occurring Interest Payment Date for such Subordinate Obligations is in the immediately following month, for the period from and including the immediately preceding Interest Payment Date for such Subordinate Obligations or, if the initial Interest Payment Date for such Subordinate Obligations has not yet occurred, from the date on which interest on such Subordinate Obligations begins to accrue pursuant to the terms of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, to but not including such Interest Payment Date, and (II) with respect to the principal of each of such Subordinate Obligations (aa) if the next occurring Principal Payment Date for such Subordinate Obligations is not in the immediately following month, for the period from and including the immediately preceding Principal Payment Date for such Subordinate Obligations or, if the initial Principal Payment Date for such Subordinate Obligations has not yet occurred, from the effective date of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, to and including the last day of the then current month, and (bb) if the next occurring Principal Payment Date for such Subordinate Obligations is in the immediately following month, for the period from and including the immediately preceding Principal Payment Date for such Subordinate Obligations or, if the initial Principal Payment Date for such Subordinate Obligations has not yet occurred, from the effective date of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, to but not including such Principal Payment Date, plus (B) to the extent not included in such Accrued Debt Service on Subordinate Obligations representing or securing Primary Reimbursement Obligations of such District to a Credit Support Provider providing a Credit Support Instrument for Subordinate Obligations of such District, the accrued amount of each of such Primary Reimbursement Obligations, if any, payable by such District to such Credit Support Provider, assuming, for such purpose, that such Primary Reimbursement Obligations accrue daily in equal amounts from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, the date such Primary Reimbursement Obligations became obligations of such District, to but not including the next succeeding payment date with respect to such Primary Reimbursement Obligations, which payment dates shall be determined as provided in the Credit Support Agreement pursuant to which such Credit Support Instrument was issued, calculated (I) if the next occurring payment date with respect to such Primary Reimbursement Obligations is not in the immediately following

month, for the period from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, from the date such Primary Reimbursement Obligations became obligations of such District, to and including the last day of the then current month, and (II) if the next occurring payment date with respect to such Primary Reimbursement Obligations is in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Primary Reimbursement Obligations or, with respect to the initial payment date with respect to such Primary Reimbursement Obligations, from the date such Primary Reimbursement Obligations became obligations of such District, to but not including such payment date, plus (C) the accrued amount of the Net Payment, if any, payable by such District to each Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Subordinate Obligations of such District, assuming, for such purpose, that such Net Payment accrues daily in equal amounts from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to but not including the next succeeding payment date with respect to such Net Payment, which payment dates shall be determined as provided in such Qualified Swap Agreement, calculated (I) if the next occurring payment date with respect to such Net Payment is not in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to and including the last day of the then current month, and (II) if the next occurring payment date with respect to such Net Payment is in the immediately following month, for the period from and including the immediately preceding payment date with respect to such Net Payment or, with respect to the initial payment date with respect to such Net Payment, the effective date of such Qualified Swap Agreement, to but not including such payment date; provided, however, that (I) with respect to any such Subordinate Obligations that are Shared Project Obligations (aa) for purposes of determining the amount to be deposited pursuant to clause (A), above, the Accrued Debt Service referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the amount of such Accrued Debt Service, (bb) for purposes of determining the amount to be deposited pursuant to clause (B), above, the accrued amount of the Primary Reimbursement Obligations referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the accrued amount of such Primary Reimbursement Obligations, and (cc) for purposes of determining the amount to be deposited pursuant to clause (C), above, the accrued amount of the Net Payment referred to in such clause shall be an amount equal to the product of (AA) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (BB) the accrued amount of such Net Payment, (II) if the amount in such District's Operating Fund is not sufficient to make the deposit for all of such Subordinate Obligations as specified in this paragraph (viii), the amount deposited for each such Subordinate Obligation shall be made, as nearly as practicable, pro rata, based on the respective amounts with respect to such Subordinate Obligations, the deposit of which is required pursuant to this paragraph (viii), and (III) no

such deposit need be made by such District if the amounts on deposit in such District's Subordinate Obligation Payment Fund are at least equal to the amounts required to be on deposit therein on such date pursuant to this paragraph (viii);

(ix) *Ninth*, if such District is a member of one or more Support Groups with respect to Supported Obligations that are Subordinate Obligations and such District is, pursuant to Section 3.04(b), required on such date to make Support Payments to one or more Supported Districts with respect to any of such Support Groups, transfer to each such Supported District to which a Support Payment is due an amount equal to such Support Payment; provided, however, that, in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective amounts of the Support Payments required to be made on such date;

(x) *Tenth*, if such District has incurred one or more Subordinate Obligations for which a Debt Service Reserve Fund has been established, and the amount on deposit in any of such Debt Service Reserve Funds, including the amount available to be drawn on any Reserve Guaranty on deposit therein, is less than the Reserve Requirement for such Subordinate Obligations, such District shall (A) with respect to (I) each such Debt Service Reserve Fund, the deficiency in which is the result of a withdrawal therefrom of monies, excluding monies derived from a draw on a Reserve Guaranty on deposit therein, to pay Debt Service on such Subordinate Obligations, transfer to the Obligee of such Subordinate Obligations, or the designee of such Obligee, with which such Debt Service Reserve Fund has been established, for deposit in such Debt Service Reserve Fund, an amount equal to one-twelfth of the amount of such monies so withdrawn, and (II) each such Debt Service Reserve Fund, the deficiency in which is the result of a withdrawal therefrom of monies derived from a draw on a Reserve Guaranty on deposit therein to pay Debt Service on such Subordinate Obligations, pay to the Reserve Guaranty Provider that issued such Reserve Guaranty, in reimbursement thereof, one-twelfth of the amount so drawn on such Reserve Guaranty; provided, however, that (aa) with respect to any such Subordinate Obligations that are Shared Project Obligations (AA) for purposes of determining the amount to be deposited pursuant to clause (I), above, such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) one-twelfth of the amount of such monies so withdrawn from such Debt Service Reserve Fund, and (BB) for purposes of determining the amount to be paid pursuant to clause (II), above, such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) one-twelfth of the amount so drawn on such Reserve Guaranty, and (bb) in the event that such District has insufficient Net Revenues to make all of such transfers and payments, then said transfers and payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Obligations, transfers or payments with respect to the Debt Service Reserve Funds established therefor are required, pursuant to this clause (A), to be made on such date and, after having made all transfers and payments required pursuant to this clause (A), shall (B) with respect to each such Debt Service Reserve Fund, the deficiency in which is the result of a reduction in the market value of the Permitted Investments on deposit therein, transfer to the Obligee of such Subordinate Obligations, or the designee of such Obligee, with which such Debt Service Reserve Fund

has been established, for deposit in such Debt Service Reserve Fund, an amount equal to the amount of such reduction in the market value of such Permitted Investments; provided, however, that (aa) with respect to any such Subordinate Obligations that are Shared Project Obligations (AA) for purposes of determining the amount to be transferred pursuant to this clause (B), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the amount of such reduction in the market value of such Permitted Investments, and (bb) in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Obligations, transfers with respect to the Debt Service Reserve Funds established therefor are required, pursuant to this clause (B), to be made on such date;

(xi) *Eleventh*, pay to each Credit Support Provider providing a Credit Support Instrument for Subordinate Obligations of such District, the Excess Reimbursement Obligations, if any, payable by such District to such Credit Support Provider as of the last day of such month in accordance with the Credit Support Agreement pursuant to which such Credit Support Instrument is provided; provided, however, that (A) with respect to any such Subordinate Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (xi), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the amount of such Excess Reimbursement Obligations, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective Excess Reimbursement Obligations, the payment of which is required, pursuant to this paragraph (xi), to be made on such date;

(xii) *Twelfth*, pay to each Reserve Guaranty Provider providing a Reserve Guaranty for Subordinate Obligations of such District, the interest payable with respect to any draw on such Reserve Guaranty, payable by such District to such Reserve Guaranty Provider as of the last day of such month in accordance with the Reserve Guaranty Agreement pursuant to which such Reserve Guaranty is provided; provided, however, that (A) with respect to any such Subordinate Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (xii), such amount shall be equal to the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the balance of such amount so payable, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective amounts, the payment of which is required, pursuant to this paragraph (xii), to be made on such date;

(xiii) *Thirteenth*, pay to each Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Subordinate Obligations of such District, any Termination Payment with respect to such Qualified Swap Agreement, payable by such District to such Qualified Swap Counterparty as of the last day of such month in accordance with such Qualified Swap Agreement; provided, however, that (A) with respect to any such Subordinate Obligations that are Shared Project Obligations, for purposes of determining the amount to be to be paid pursuant to this paragraph (xiii), such amount shall be equal to

the product of (x) such District's Shared Project Percentage with respect to such Shared Project Obligations, times (y) the balance of such amount so payable, and (B) in the event that such District has insufficient Net Revenues to make all of such payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective amounts, the payment of which is required, pursuant to this paragraph (xiii), to be made on such date;

(xiv) *Fourteenth*, if such District has, in accordance with Section 3.04(b), received one or more Support Payments with respect to Supported Obligations that are Subordinate Obligations from one or more Supporting Districts, transfer to each such Supporting District, in repayment of each Support Payment made by such Supporting District, the amount, if any, of such Support Payment that has not, as of such date, been repaid in full; provided, however, that, in the event that such District has insufficient Net Revenues to make all of such transfers, then said transfers shall be made, as nearly as practicable, pro rata, based on the respective amounts of the Support Payments required to be repaid on such date;

(xv) *Fifteenth*, such District may transfer all or a portion of the Net Revenues remaining in its Operating Fund to its Rate Stabilization Fund; provided, however, that the amount so transferred shall not be greater than (A) if the date of such transfer is during the period from and including December 1 in one year through and including March 31 of the following year, the remainder of (I) the sum of (x) the amount on deposit in such Operating Fund on the date of such transfer, plus (y) the amount of rates and charges for the services of such District's Sewerage System reasonably expected by such District to be received by such District from the date of such transfer through and including such March 31, including, for the purpose of determining the amount of such rates and charges expected to be so received, only those rates and charges that are not entered on the County assessment roll and billed and collected with general property taxes, minus (II) the sum of (x) the amount reasonably expected by such District to be required to pay its Operation and Maintenance Costs from the date of such transfer through and including such March 31, plus (y) the amount reasonably expected by such District to be required to make all of the deposits, transfers and payments required to be made by such District pursuant to paragraphs (i) through (xiv) of Section 3.03(c) from the date of such transfer through and including such March 31, and (B) if the date of such transfer is during the period from and including April 1 in a year through and including November 30 of such year, the remainder of (I) the sum of (x) the amount on deposit in such Operating Fund on the date of such transfer, plus (y) the amount of rates and charges for the services of such District's Sewerage System reasonably expected by such District to be received by such District from the date of such transfer through and including such November 30, including, for the purpose of determining the amount of such rates and charges expected to be so received, only those rates and charges that are not entered on the County assessment roll and billed and collected with general property taxes, minus (II) the sum of (x) the amount reasonably expected by such District to be required to pay its Operation and Maintenance Costs from the date of such transfer through and including such November 30, plus (y) the amount reasonably expected by such District to be required to make all of the deposits, transfers and payments required to be made by such District pursuant to paragraphs (i) through (xiv)

of Section 3.03(c) from the date of such transfer through and including such November 30; and

(xvi) *Sixteenth*, such District may transfer all or a portion of the Net Revenues remaining in its Operating Fund to its Surplus Fund; provided, however, that the amount so transferred shall not be greater than (A) if the date of such transfer is during the period from and including December 1 in one year through and including March 31 of the following year, the remainder of (I) the sum of (x) the amount on deposit in such Operating Fund on the date of such transfer, plus (y) the amount of rates and charges for the services of such District's Sewerage System reasonably expected by such District to be received by such District from the date of such transfer through and including such March 31, including, for the purpose of determining the amount of such rates and charges expected to be so received, only those rates and charges that are not entered on the County assessment roll and billed and collected with general property taxes, minus (II) the sum of (x) the amount reasonably expected by such District to be required to pay its Operation and Maintenance Costs from the date of such transfer through and including such March 31, plus (y) the amount reasonably expected by such District to be required to make all of the deposits, transfers and payments required to be made by such District pursuant to paragraphs (i) through (xiv) of Section 3.03(c) from the date of such transfer through and including such March 31, and (B) if the date of such transfer is during the period from and including April 1 in a year through and including November 30 of such year, the remainder of (I) the sum of (x) the amount on deposit in such Operating Fund on the date of such transfer, plus (y) the amount of rates and charges for the services of such District's Sewerage System reasonably expected by such District to be received by such District from the date of such transfer through and including such November 30, including, for the purpose of determining the amount of such rates and charges expected to be so received, only those rates and charges that are not entered on the County assessment roll and billed and collected with general property taxes, minus (II) the sum of (x) the amount reasonably expected by such District to be required to pay its Operation and Maintenance Costs from the date of such transfer through and including such November 30, plus (y) the amount reasonably expected by such District to be required to make all of the deposits, transfers and payments required to be made by such District pursuant to paragraphs (i) through (xiv) of Section 3.03(c) from the date of such transfer through and including such November 30.

(d) Each District shall maintain a written record available, at reasonable times and upon reasonable notice, for inspection by (i) under all circumstances, the Master Trustee, and (ii) during the continuance of any Event of Default, any Obligee of (A) the amount of Accrued Debt Service constituting accrued interest on or with respect to each of the Senior Obligations of such District that is on deposit in such District's Senior Obligation Payment Fund as of the last day of each month, (B) the amount of Accrued Debt Service constituting accrued principal of or with respect to each of the Senior Obligations of such District that is on deposit in such District's Senior Obligation Payment Fund as of the last day of each month, (C) the accrued amount of each of the Primary Reimbursement Obligations of such District payable to a Credit Support Provider providing a Credit Support Instrument for Senior Obligations of such District that is on deposit in such District's Senior Obligation Payment Fund as of the last day of each month, (D) the accrued amount of each Net Payment payable by such District payable to a Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Senior Obligations of such District that is

on deposit in such District's Senior Obligation Payment Fund as of the last day of each month, (E) the amount of Accrued Debt Service constituting accrued interest on or with respect to each of the Subordinate Obligations of such District that is on deposit in such District's Subordinate Obligation Payment Fund as of the last day of each month, (F) the amount of Accrued Debt Service constituting accrued principal of or with respect to each of the Subordinate Obligations of such District that is on deposit in such District's Subordinate Obligation Payment Fund as of the last day of each month, (G) the accrued amount of each of the Primary Reimbursement Obligations of such District payable to a Credit Support Provider providing a Credit Support Instrument for Subordinate Obligations of such District that is on deposit in such District's Subordinate Obligation Payment Fund as of the last day of each month, and (H) the accrued amount of each Net Payment payable by such District payable to a Qualified Swap Counterparty providing a Qualified Swap Agreement with respect to Subordinate Obligations of such District that is on deposit in such District's Subordinate Obligation Payment Fund as of the last day of each month.

Section 3.04. Support Payments. (a) If, in any month, a District that is a member of a Support Group for Supported Obligations that are Senior Obligations determines that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations, such District (being the Supported District), shall, as soon as possible, but in any event no later than the fifth Business Day immediately preceding the last day of such month, notify each other District that is a member of such Support Group (being the Supporting Districts) (i) that such Supported District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in such month, and (ii) of such Supported Obligations Deficit Amount. Each such Supporting District so notified of such Supported Obligations Deficit Amount shall be obligated to make a Support Payment in respect thereof, which Support Payment shall be equal to the lesser of (i) an amount equal to the product of (A) such Supported Obligations Deficit Amount, times (B) a fraction, the numerator of which is the Shared Project Percentage of such Supporting District with respect to such Supported Obligations, and the denominator of which is the sum of the Shared Project Percentages of all Supporting Districts with respect to such Supported Obligations, and (ii) an amount equal to 20% of the Supported Obligations Transfer Amount of such Supporting District for such month in respect of such Supported Obligations. Each of such Supporting Districts so notified in such month shall, in accordance with paragraph (ii) of Section 3.03(c), on the last Business Day of such month, transfer from its Operating Fund to such Supported District an amount equal to such Supporting District's Support Payment for such month in respect of such Supported Obligations, or such other amount as is required to be so transferred pursuant to said paragraph. Upon receipt of any of such Support Payments, such Supported District shall immediately transfer such Support Payment to such Supported District's Senior Obligation Payment Fund. Such Supported District shall, as and when such amount becomes available therefor pursuant to paragraph (vii) of Section 3.03(c), transfer to each such Supporting District, an amount equal to such Support Payment made by such Supporting District, or such other amount as is required to be so transferred pursuant to said paragraph. The transfer by a Supporting District to a Supported District of a Support Payment in accordance with the provisions hereof shall be deemed to be a purchase by such Supporting District of a proportionate interest in such Supported District's interest the Supported Project financed or refinanced by the Supported Obligations with respect to which such Support Payment is made, and the repayment by such Supported District to such Supporting District of such Support Payment in accordance with the provisions hereof shall be deemed to be a repurchase of such proportionate interest by such Supported District.

(b) If, in any month, a District that is a member of a Support Group for Supported Obligations that are Subordinate Obligations determines that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations, such District (being the Supported District), shall, as soon as possible, but in any event no later than the fifth Business Day immediately preceding the last day of such month, notify each other District that is a member of such Support Group (being the Supporting Districts) (i) that such Supported District has determined that it will have a Supported Obligations Deficit Amount in respect of such Supported Obligations in such month, and (ii) of such Supported Obligations Deficit Amount. Each such Supporting District so notified of such Supported Obligations Deficit Amount shall be obligated to make a Support Payment in respect thereof, which Support Payment shall be equal to the lesser of (i) an amount equal to the product of (A) such Supported Obligations Deficit Amount, times (B) a fraction, the numerator of which is the Shared Project Percentage of such Supporting District with respect to such Supported Obligations, and the denominator of which is the sum of the Shared Project Percentages of all Supporting Districts with respect to such Supported Obligations, and (ii) an amount equal to 20% of the Supported Obligations Transfer Amount of such Supporting District for such month in respect of such Supported Obligations. Each of such Supporting Districts so notified in such month shall, in accordance with paragraph (ix) of Section 3.03(c), on the last Business Day of such month, transfer from its Operating Fund to such Supported District an amount equal to such Supporting District's Support Payment for such month in respect of such Supported Obligations, or such other amount as is required to be so transferred pursuant to said paragraph. Upon receipt of any of such Support Payments, such Supported District shall immediately transfer such Support Payment to such Supported District's Subordinate Obligation Payment Fund. Such Supported District shall, as and when such amount becomes available therefor pursuant to paragraph (xiv) of Section 3.03(c), transfer to each such Supporting District, an amount equal to such Support Payment made by such Supporting District, or such other amount as is required to be so transferred pursuant to said paragraph. The transfer by a Supporting District to a Supported District of a Support Payment in accordance with the provisions hereof shall be deemed to be a purchase by such Supporting District of a proportionate interest in such Supported District's interest the Supported Project financed or refinanced by the Supported Obligations with respect to which such Support Payment is made, and the repayment by such Supported District to such Supporting District of such Support Payment in accordance with the provisions hereof shall be deemed to be a repurchase of such proportionate interest by such Supported District.

Section 3.05. Deposit and Application of Connection Fees. All Connection Fees received by a District shall be deposited when and as received in such District's Capital Improvement Fund. Each District shall apply the Connection Fees on deposit in its Capital Improvement Fund to the payment of the costs of acquiring, constructing and installing improvements to the Sewerage System of such District to which such Connection Fees may be properly applied. Additionally, a District may from time to time (a) transfer Connection Fees from its Capital Improvement Fund to its Senior Obligation Payment Fund to be applied to the payment of Outstanding Senior Obligations of such District, but only if and to the extent that such Connection Fees may be lawfully applied to the payment of such Senior Obligations, and (b) transfer Connection Fees from its Capital Improvement Fund to its Subordinate Obligation Payment Fund to be applied to the payment of Outstanding Subordinate Obligations of such District, but only if and to the extent that such Connection Fees may be lawfully applied to the payment of such Subordinate Obligations.

Section 3.06. Senior Obligation Payment Fund. Each District shall, on each Interest Payment Date for any Senior Obligations of such District, transfer from its Senior Obligation Payment Fund to the Obligees of such Senior Obligations, the interest on or with respect to such Senior Obligations due and payable on such Interest Payment Date, as provided in the Obligation Instrument pursuant to which such Senior Obligations are incurred; provided, however, that the amount so transferred shall not exceed the amount of the Accrued Debt Service with respect to such Interest Payment Date constituting accrued interest on or with respect to such Senior Obligations that is required to have been deposited in such District's Senior Obligation Payment Fund pursuant to paragraph (i) of Section 3.03(c). Each District shall, on each Principal Payment Date for any Senior Obligations of such District, transfer from its Senior Obligation Payment Fund to the Obligees of such Senior Obligations (a) if such Senior Obligations are comprised of separate payments of interest and principal, the principal of or with respect to such Senior Obligations due and payable on such Principal Payment Date, as provided in the Obligation Instrument pursuant to which such Senior Obligations are incurred, and (b) if such Senior Obligations are not comprised of separate payments of interest and principal, the loan payment, installment payment, lease payment, rental payment or similar payment payable by such District under or with respect to such Senior Obligations due and payable on such Principal Payment Date, as provided in the Obligation Instrument pursuant to which such Senior Obligations are incurred; provided, however, that the amount so transferred shall not exceed the amount of the Accrued Debt Service with respect to such Principal Payment Date constituting accrued principal of or with respect to such Senior Obligations that is required to have been deposited in such District's Senior Obligation Payment Fund pursuant to paragraph (i) of Section 3.03(c). Each District shall, on each payment date with respect to Primary Reimbursement Obligations payable by such District to a Credit Support Provider providing a Credit Support Instrument for Senior Obligations of such District, transfer from its Senior Obligation Payment Fund to such Credit Support Provider, the amount of such Primary Reimbursement Obligation due and payable on such payment date, as provided in such Credit Support Instrument; provided, however, that the amount so transferred shall not exceed the accrued amount of such Primary Reimbursement Obligation with respect to such payment date that is required to have been deposited in such District's Senior Obligation Payment Fund pursuant to paragraph (i) of Section 3.03(c). Each District shall, on each payment date with respect to a Net Payment payable by such District to a Qualified Swap Counterparty providing a Qualified Swap Agreement for Senior Obligations of such District, transfer from its Senior Obligation Payment Fund to such Qualified Swap Counterparty, the amount of such Net Payment due and payable on such payment date, as provided in such Qualified Swap Agreement; provided, however, that the amount so transferred shall not exceed the accrued amount of such Net Payment with respect to such payment date that is required to have been deposited in such District's Senior Obligation Payment Fund pursuant to paragraph (i) of Section 3.03(c).

Section 3.07. Subordinate Obligation Payment Fund. (a) Each District shall, on each Interest Payment Date for any Subordinate Obligations of such District, transfer from its Subordinate Obligation Payment Fund to the Obligees of such Subordinate Obligations, the interest on or with respect to such Subordinate Obligations due and payable on such Interest Payment Date, as provided in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred; provided, however, that the amount so transferred shall not exceed the amount of the Accrued Debt Service with respect to such Interest Payment Date constituting accrued interest on or with respect to such Subordinate Obligations that is required to have been deposited in such District's Subordinate Obligation Payment Fund pursuant to paragraph (viii) of Section 3.03(c).

Each District shall, on each Principal Payment Date for any Subordinate Obligations of such District, transfer from its Subordinate Obligation Payment Fund to the Obligee of such Subordinate Obligations (a) if such Subordinate Obligations are comprised of separate payments of interest and principal, the principal of or with respect to such Subordinate Obligations due and payable on such Principal Payment Date, as provided in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, and (b) if such Subordinate Obligations are not comprised of separate payments of interest and principal, the loan payment, installment payment, lease payment, rental payment or similar payment payable by such District under or with respect to such Subordinate Obligations due and payable on such Principal Payment Date, as provided in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred; provided, however, that the amount so transferred shall not exceed the amount of the Accrued Debt Service with respect to such Principal Payment Date constituting accrued principal of or with respect to such Subordinate Obligations that is required to have been deposited in such District's Subordinate Obligation Payment Fund pursuant to paragraph (viii) of Section 3.03(c). Each District shall, on each payment date with respect to Primary Reimbursement Obligations payable by such District to a Credit Support Provider providing a Credit Support Instrument for Subordinate Obligations of such District, transfer from its Subordinate Obligation Payment Fund to such Credit Support Provider, the amount of such Primary Reimbursement Obligation due and payable on such payment date, as provided in such Credit Support Instrument; provided, however, that the amount so transferred shall not exceed the accrued amount of such Primary Reimbursement Obligation with respect to such payment date that is required to have been deposited in such District's Subordinate Obligation Payment Fund pursuant to paragraph (viii) of Section 3.03(c). Each District shall, on each payment date with respect to a Net Payment payable by such District to a Qualified Swap Counterparty providing a Qualified Swap Agreement for Subordinate Obligations of such District, transfer from its Subordinate Obligation Payment Fund to such Qualified Swap Counterparty, the amount of such Net Payment due and payable on such payment date, as provided in such Qualified Swap Agreement; provided, however, that the amount so transferred shall not exceed the accrued amount of such Net Payment with respect to such payment date that is required to have been deposited in such District's Subordinate Obligation Payment Fund pursuant to paragraph (viii) of Section 3.03(c).

(b) Notwithstanding the provisions of subsection (a) of this Section, if, on any date, the amount on deposit in a District's Operating Fund is not sufficient to make all of the deposits, transfers and payments required to be made by such District on such date pursuant to paragraphs (i) through (vii) of Section 3.03(c), such District shall, if and to the extent available therein, transfer from its Subordinate Obligation Payment Fund to its Operating Fund an amount equal to the amount of such insufficiency.

Section 3.08. Surplus Fund. Amounts on deposit in a District's Surplus Fund may be applied by such District for any purposes for which funds of such District may be legally applied, including transfers of any of such amounts to such District's Operating Fund.

ARTICLE IV

INCURRENCE OF OBLIGATIONS

Section 4.01. Incurrence of Senior Obligations. (a) A District may from time to time, in order to finance or refinance a Project, incur Senior Obligations, payable from Net Revenues of such District as provided herein on a parity with all other Outstanding Senior Obligations of such District, but only subject to the satisfaction of the following conditions:

(i) at the time of incurrence of such Senior Obligations, and after giving effect to such incurrence, no Event of Default with respect to such District shall have occurred and be continuing under this Master Obligation Agreement;

(ii) such District shall have delivered to the Master Trustee, at the time of incurrence of such Senior Obligations, a Written Certificate of such District certifying that, upon the incurrence of such Senior Obligations, no Obligation Default Event will exist with respect to any Senior Obligations of such District;

(iii) such District shall have delivered to the Master Trustee, at the time of incurrence of such Senior Obligations, copies of such Senior Obligations and the Obligation Instrument pursuant to which such Senior Obligations are incurred, together with a Written Certificate of such District certifying that such copies so delivered to the Master Trustee are true and correct copies of such Senior Obligations and such Obligation Instrument and that, as of such time, neither such Senior Obligations nor such Obligation Instrument has been amended, supplemented or otherwise modified;

(iv) subject to the provisions of subsection (b) of this Section, such District shall have delivered to the Master Trustee, at the time of incurrence of such Senior Obligations, a Written Certificate of such District demonstrating that, for any 12 consecutive calendar months during the 24 calendar month period ending prior to the date of incurrence of such Senior Obligations (A) the Assumed Senior Debt Service Coverage Ratio for such District, determined in accordance with Generally Accepted Accounting Principles and as shown by the books of such District, is not less than 1.25:1, and (B) all deposits, transfers and payments required by paragraphs (viii) through (xiv) of Section 3.03(c) were made in such 12 consecutive calendar month period. For the purpose of calculating such Assumed Senior Debt Service Coverage Ratio, the Net Revenues of such District may be adjusted for (A) any changes in rates and charges for the services of such District's Sewerage System that have been adopted prior to the date of incurrence of such Senior Obligations, (B) customers added to such District's Sewerage System subsequent to the commencement of the applicable 12 month computation period but prior to the date of incurrence of such Senior Obligations, and (C) the estimated change in available Net Revenues of such District that will result from the connection of existing residences or businesses to such District's Sewerage System within one year following completion of any improvements to such District's Sewerage System to be financed by, or any system to be acquired from the proceeds of, such Senior Obligations; provided, however, that, for purposes of preparing such Written Certificate of such District, such District may rely upon financial statements

prepared by such District that have not been subject to audit by an independent certified public accountant if audited financial statements for the applicable period are not available;

(v) if, pursuant to the Obligation Instrument pursuant to which such Senior Obligations are being incurred, a Debt Service Reserve Fund is to be established to secure the payment of Debt Service on such Senior Obligations (A) the Reserve Requirement for such Senior Obligations shall not exceed the Maximum Reserve Requirement with respect thereto, (B) the maximum amounts required, pursuant to such Obligation Instrument, to be deposited into such Debt Service Reserve Fund in any month shall not exceed the amounts specified in paragraph (iii) of Section 3.03(c), and (C) the maximum amount required, pursuant to such Obligation Instrument, to be deposited into such Debt Service Reserve Fund shall be the amount necessary to restore such Debt Service Reserve Fund to the Reserve Requirement for such Senior Obligations;

(vi) the Obligation Instrument pursuant to which such Senior Obligations are incurred shall contain provisions addressing each of the matters set forth below, which provisions shall be no more favorable to the Obligees of such Senior Obligations than the following:

(A) that (I) the obligation of such District to pay such Senior Obligations is a special, limited obligation of such District payable, in the manner provided in this Master Obligation Agreement, solely from its Net Revenues and the other assets pledged to the payment thereof under this Master Obligation Agreement, and does not constitute a debt of such District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction, (II) neither the faith and credit nor the taxing power of such District or the State or any political subdivision thereof is pledged to the payment of such Senior Obligations, (III) the Obligees with respect to such Senior Obligations, by their purchase thereof or by their entering into the Obligation Instrument pursuant to which such Senior Obligations are incurred, acknowledge that they have no right to payment of such Senior Obligations from any source other than such Net Revenues and the other assets pledged to the payment thereof under this Master Obligation Agreement, and (IV) none of the income or revenue from the ownership or operation of such District's Solid Waste System, or any real or personal property, or any interest therein, constituting a part thereof, or any other assets of such Solid Waste System, secures, is pledged to or is available, under any circumstances, for the payment of such Senior Obligations, such District's Solid Waste System being defined for such purposes as the whole and each and every part of the solid waste collection, transfer, treatment, disposal, processing and storage facilities owned by such District, or in which such District has an ownership interest, and all resource recovery facilities, waste-to-energy facilities, landfills, recycling facilities, transfer stations, collection equipment and rail transportation facilities and equipment owned by such District, or in which such District has an ownership interest, and any and all facilities and equipment owned by such District, or in which such District has an ownership interest, related to the interconnection of such Solid Waste System to any purchaser of energy generated through the operation of such Solid Waste System, and other real and personal property,

fixtures, rights therein, rights-of-way, easements and other interests constituting a part thereof;

(B) that the rights and obligations of such District under and as provided in such Senior Obligations and the Obligation Instrument pursuant to which such Senior Obligations are incurred, and the rights and obligations of the Obligees of such Obligations under and as provided in such Senior Obligations and the Obligation Instrument pursuant to which such Senior Obligations are incurred, shall, in all respects, be subject to the rights and obligations of, and the restrictions and limitations on, such District and such Obligee under and as provided in this Master Obligation Agreement;

(C) that, upon the occurrence and during the continuance of an Obligation Default Event with respect to such Senior Obligations, the Master Trustee shall be entitled to exercise rights and take action with respect to such Obligation Default Event in accordance with, and subject to, the provisions of Article VI of this Master Obligation Agreement; provided, however that such Obligee shall have and be entitled to exercise any and all such rights as are granted to such Obligee under and pursuant to, but subject to the provisions of, said Article VI, including requesting or directing the Master Trustee to take or refrain from taking certain actions as specified therein;

(D) that the Obligees with respect to such Senior Obligations, by their purchase thereof or by their entering into the Obligation Instrument pursuant to which such Senior Obligations are incurred, acknowledge and agree that the Master Trustee is vested with all the moneys, estates, properties, rights, powers, trusts, duties, obligations and protections set forth or provided for in this Master Obligation Agreement and that such Obligees irrevocably authorize the Master Trustee, subject to the provisions of this Master Obligation Agreement, to take such actions and execute such rights, powers and duties as are granted to the Master Trustee by the terms of this Master Obligation Agreement; and

(E) that the provisions of the Obligation Instrument pursuant to which such Senior Obligations are incurred addressing the matters set forth in this paragraph (vi) shall not be amended, supplemented or otherwise modified, except to reflect amendments, supplements or other modifications to this Master Obligation Agreement addressing such matters;

(vii) if such Senior Obligations are Shared Project Obligations, the Obligation Instrument pursuant to which such Senior Obligations are incurred shall, in addition to the matters described in paragraph (vi), above:

(A) specify that the Senior Obligations incurred pursuant to such Obligation Instrument are Shared Project Obligations;

(B) specify the Districts that are members of the Shared Project Group for such Shared Project Obligations;

(C) specify and describe the Shared Project financed or refinanced by such Shared Project Obligations;

(D) specify (I) the Shared Project Percentage for each District that is a member of the Shared Project Group for such Shared Project Obligations, and (II) that each such District will be responsible only for its Shared Project Percentage of the costs of such Shared Project financed or refinanced by such Shared Project Obligations and will not be responsible for the Shared Project Percentage of such costs of any other District;

(E) specify that such District's Shared Project Obligations incurred pursuant to such Obligation Instrument are equal to the product of (aa) such District's Shared Project Percentage, times (bb) the aggregate of the Shared Project Obligations of all of the members of the Shared Project Group, including such District, with respect to such Shared Project Obligations; and

(F) specify that the obligations of the members of such Shared Project Group under the Obligation Instrument pursuant to which such Shared Obligations are incurred are several, and not joint, obligations.

(viii) if such Senior Obligations are both Shared Project Obligations and Supported Obligations, the Obligation Instrument pursuant to which such Senior Obligations are incurred shall, in addition to the matters described in paragraphs (vi) and (vii), above:

(A) specify that the Senior Obligations incurred pursuant to such Obligation Instrument are both Shared Project Obligations and Supported Obligations;

(B) specify that the Districts that constitute the members of such Shared Project Group also constitute the members of the Support Group for such Supported Obligations;

(C) specify that the Shared Project financed or refinanced by such Shared Project Obligations also constitutes the Supported Project financed or refinanced by such Senior Obligations;

(D) specify that the Shared Project Percentage for each such District with respect to such Shared Project also constitutes the Shared Project Percentage for such District with respect to such Supported Project; and

(E) expressly incorporate the provisions of Section 3.04(a) and include an express agreement of each District that is a member of such Support Group to be bound by the provisions of said Section;

(ix) such District shall have delivered or caused to be delivered to the Master Trustee, at the time of incurrence of such Senior Obligations, either (A) an Opinion of Bond Counsel, dated the date of incurrence of such Senior Obligations, addressed to the

Master Trustee, substantially to the effect, or (B) a letter of Bond Counsel, dated the date of incurrence of such Senior Obligations, addressed to the Master Trustee, substantially to the effect that the Master Trustee may rely, as if the same were addressed to the Master Trustee, on an Opinion of Bond Counsel, substantially to the effect, that (I) the Obligation Instrument pursuant to which such Senior Obligations are incurred has been duly executed and delivered by, and constitutes the valid and binding obligation of, such District, (II) if such Senior Obligations are Senior Bonds, that such Senior Bonds constitute valid and binding obligations of such District, and (III) if Tax-Exempt Obligations of such District are Outstanding at the time of the issuance of such Senior Obligations, the execution and delivery of such Obligation Instrument and the incurrence of such Senior Obligations, in and of themselves, will not adversely affect the exclusion of interest on such Tax-Exempt Obligations of such District from gross income for federal income tax purposes.

(b) Notwithstanding the provisions of paragraph (iv) of subsection (a) of this Section, the Written Certificate of such District described therein shall not be required and the financial test specified therein need not be satisfied:

(i) if (A) the Senior Obligations being incurred are for the exclusive purpose of refunding then Outstanding Senior Obligations of such District, and (B) at the time of the incurrence of such refunding Senior Obligations a Written Certificate of the District is delivered demonstrating that Debt Service on the Senior Obligations in each Fiscal Year, calculated for all Senior Obligations that will be Outstanding after the incurrence of such refunding Senior Obligations, will be less than or equal to Debt Service in such Fiscal Year, calculated for all Senior Obligations that are Outstanding immediately prior to the incurrence of such refunding Senior Obligations;

(ii) if (A) the Senior Obligations being incurred are Net Payments under a Qualified Swap Agreement, (B) such Qualified Swap Agreement relates to a principal amount of Senior Obligations of such District, as specified in a Written Certificate of such District provided to each Obligee of the Obligations of such District, and (C) the notional amount of such Qualified Swap Agreement does not exceed the principal amount of the related Senior Obligations; or

(iii) if the Senior Obligations being incurred are Reimbursement Obligations under a Credit Support Agreement.

(c) A District shall, as soon as practicable, and in any event within ten days after the incurrence by such District of any Senior Obligations (i) notify the Master Trustee in writing of such incurrence, and (ii) deliver to the Master Trustee a copy of the Obligation Instrument pursuant to which such Senior Obligations are incurred.

Section 4.02. Incurrence of Subordinate Obligations. (a) A District may from time to time, in order to finance or refinance a Project, incur Subordinate Obligations, that are payable from Net Revenues of such District as provided herein on a basis subordinate to the payment therefrom of the Senior Obligations of such District, but only subject to the satisfaction of the following conditions:

(i) at the time of incurrence of such Subordinate Obligations, and after giving effect to such incurrence, no Event of Default with respect to such District shall have occurred and be continuing under this Master Obligation Agreement;

(ii) such District shall have delivered to the Master Trustee, at the time of incurrence of such Subordinate Obligations, a Written Certificate of such District certifying that, upon the incurrence of such Subordinate Obligations, no Obligation Default Event will exist with respect to any Subordinate Obligations of such District;

(iii) such District shall have delivered to the Master Trustee, at the time of incurrence of such Subordinate Obligations, copies of such Subordinate Obligations and the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, together with a Written Certificate of such District certifying that such copies so delivered to the Master Trustee are true and correct copies of such Subordinate Obligations and such Obligation Instrument and that, as of such time, neither such Subordinate Obligations nor such Obligation Instrument has been amended, supplemented or otherwise modified;

(iv) the Debt Service on such Subordinate Obligations shall be payable from such Net Revenues of such District as may from time to time be available for the payment thereof in accordance with this Master Obligation Agreement; provided, however, that such Debt Service on such Subordinate Obligations shall be, and shall be expressly stated to be in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, subordinate and junior in all respects to the payment from the Net Revenues of such District of Debt Service on such Senior Obligations of such District as may be Outstanding from time to time, including Senior Obligations of such District incurred after the incurrence of such Subordinate Obligations;

(v) subject to the provisions of this Master Obligation Agreement permitting the application thereof for the purposes and on the terms and conditions set forth herein, such District, in order to secure the payment of such Subordinate Obligations and the performance and observance of all of the covenants and agreements of such District contained herein and in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, may grant a lien on and a security interest in, and pledge to and for the benefit of the Obligees with respect to such Subordinate Obligations, all of its Revenues and any other amounts held in its Operating Fund and Subordinate Obligation Payment Fund; provided, however, that any such lien, security interest and pledge shall be, and shall be expressly stated to be in the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, subordinate and junior in all respects to the lien on, security interest in and pledge of all of the Revenues of such District and any other amounts held in its Operating Fund and Senior Obligation Payment Fund securing the payment of Debt Service on such District's Senior Obligations made and created by such District pursuant to this Master Obligation Agreement;

(vi) subject to the provisions of subsection (b) of this Section, such District shall have delivered to the Master Trustee, at the time of incurrence of such Subordinate Obligations, a Written Certificate of such District demonstrating that, for any 12 consecutive calendar months during the 24 calendar month period ending prior to the date

of incurrence of such Subordinate Obligations, the Assumed Subordinate Debt Service Coverage Ratio for such District, determined in accordance with Generally Accepted Accounting Principles and as shown by the books of such District, is not less than 1:1. For the purpose of calculating such Assumed Subordinate Debt Service Coverage Ratio, the Net Revenues of such District may be adjusted for (A) any changes in rates and charges for the services of such District's Sewerage System that have been adopted prior to the date of incurrence of such Subordinate Obligations, (B) customers added to such District's Sewerage System subsequent to the commencement of the applicable 12 month computation period but prior to the date of incurrence of such Subordinate Obligations, and (C) the estimated change in available Net Revenues of such District that will result from the connection of existing residences or businesses to such District's Sewerage System within one year following completion of any improvements to such District's Sewerage System to be financed by, or any system to be acquired from the proceeds of, such Subordinate Obligations; provided, however, that, for purposes of preparing such Written Certificate of such District, such District may rely upon financial statements prepared by such District that have not been subject to audit by an independent certified public accountant if audited financial statements for the applicable period are not available;

(vii) if, pursuant to the Obligation Instrument pursuant to which such Subordinate Obligations are being incurred, a Debt Service Reserve Fund is to be established to secure the payment of Debt Service on such Subordinate Obligations (A) the Reserve Requirement for such Subordinate Obligations shall not exceed the Maximum Reserve Requirement with respect thereto, (B) the maximum amounts required, pursuant to such Obligation Instrument, to be deposited into such Debt Service Reserve Fund in any month shall not exceed the amounts specified in paragraph (ix) of Section 3.03(c), and (C) the maximum amount required, pursuant to such Obligation Instrument, to be deposited into such Debt Service Reserve Fund shall be the amount necessary to restore such Debt Service Reserve Fund to the Reserve Requirement for such Subordinate Obligations;

(viii) the Obligation Instrument pursuant to which such Subordinate Obligations are incurred shall contain provisions addressing each of the matters set forth below, which provisions shall be no more favorable to the Obligees of such Subordinate Obligations than the following:

(A) that (I) the obligation of such District to pay such Subordinate Obligations is a special, limited obligation of such District payable, in the manner provided in this Master Obligation Agreement, solely from its Net Revenues and the other assets pledged to the payment thereof under this Master Obligation Agreement remaining after payment therefrom of its Senior Obligations, and does not constitute a debt of such District or of the State or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction, (II) neither the faith and credit nor the taxing power of such District or the State or any political subdivision thereof is pledged to the payment of such Subordinate Obligations, (III) the Obligees with respect to such Subordinate Obligations, by their purchase thereof or by their entering into the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, acknowledge that they have no right to payment of such Subordinate Obligations

from any source other than such Net Revenues and the other assets pledged to the payment thereof under this Master Obligation Agreement, and (IV) none of the income or revenue from the ownership or operation of such District's Solid Waste System, or any real or personal property, or any interest therein, constituting a part thereof, or any other assets of such Solid Waste System, secures, is pledged to or is available, under any circumstances, for the payment of such Subordinate Obligations, such District's Solid Waste System being defined for such purposes as the whole and each and every part of the solid waste collection, transfer, treatment, disposal, processing and storage facilities owned by such District, or in which such District has an ownership interest, and all resource recovery facilities, waste-to-energy facilities, landfills, recycling facilities, transfer stations, collection equipment and rail transportation facilities and equipment owned by such District, or in which such District has an ownership interest, and any and all facilities and equipment owned by such District, or in which such District has an ownership interest, related to the interconnection of such Solid Waste System to any purchaser of energy generated through the operation of such Solid Waste System, and other real and personal property, fixtures, rights therein, rights-of-way, easements and other interests constituting a part thereof;

(B) that the rights and obligations of such District under and as provided in such Subordinate Obligations and the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, and the rights and obligations of the Obligees of such Obligations under and as provided in such Subordinate Obligations and the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, shall, in all respects, be subject to the rights and obligations of, and the restrictions and limitations on, such District and such Obligee under and as provided in this Master Obligation Agreement;

(C) that upon the occurrence and during the continuance of an Obligation Default Event with respect to such Subordinate Obligations, the Master Trustee shall be entitled to exercise rights and take action with respect to such Obligation Default Event in accordance with, and subject to, the provisions of Article VI of this Master Obligation Agreement; provided, however that such Obligee shall have and be entitled to exercise any and all such rights as are granted to such Obligee under and pursuant to, but subject to the provisions of, said Article VI, including requesting or directing the Master Trustee to take or refrain from taking certain actions as specified therein;

(D) that such Subordinate Obligations shall only be subject to acceleration if all Outstanding Senior Obligations of such District subject to acceleration have become, or have been declared to be, due and payable, and such declaration has not been annulled in accordance with the provisions of Article VI of this Master Obligation Agreement and, any annulment of such acceleration of such Senior Obligations shall, *ipso facto*, constitute an annulment of such acceleration of such Subordinate Obligations;

(E) that, in the event that the Debt Service payments payable pursuant to such Subordinate Obligations are declared due and payable before their expressed maturity because of the occurrence of an Obligation Default Event with respect to such Subordinate Obligations, the Obligees of the Senior Obligations of such District Outstanding at the time such Debt Service payments so become due and payable shall be entitled to receive payment in full in cash of all Debt Service payments and all other payments payable pursuant to such Senior Obligations, including any Termination Payments, before the Obligees of such Subordinate Obligations are entitled to receive any accelerated payment from the Net Revenues of such District, amounts on deposit in the Operating Fund of such District or amounts on deposit in the Subordinate Obligation Payment Fund of such District;

(F) that, if any default with respect to any Outstanding Senior Obligations of such District shall have occurred and be continuing, the Obligees of all Outstanding Senior Obligations of such District shall be entitled to receive payment in full in cash of all Debt Service payments and all other payments payable pursuant to such Senior Obligations as the same become due and payable in accordance with the provisions of the Obligation Instruments pursuant to which such Senior Obligations are incurred before the Obligees of such Subordinate Obligations are entitled to receive any payment from the Net Revenues of such District, amounts on deposit in the Operating Fund of such District or amounts on deposit in the Subordinate Obligation Payment Fund of such District;

(G) that, in the event that, in violation of paragraph (E) or (F), above, any payment or distribution of any kind or character, whether in cash, property or securities, shall be received by an Obligee of such Subordinate Obligations before all other payments payable pursuant to all Senior Obligations of such District in accordance herewith have been paid in full, such payment or distribution shall be held in trust for the benefit of, and shall be paid over or delivered to the Master Trustee for application to the payment of such Senior Obligations remaining unpaid;

(H) that no Obligee of any Senior Obligations of such District shall be prejudiced in such Obligee's right to enforce subordination of such Subordinate Obligations by any act or failure to act on the part of such District or the Master Trustee;

(I) that the Obligation Instrument pursuant to which such Subordinate Obligations are incurred may provide that the provisions thereof addressing the matters set forth in paragraphs (D), (E), (F), (G) and (H), above, are solely for the purpose of defining the relative rights of the Obligees of the Senior Obligations of such District, on the one hand, and the Obligees of such Subordinate Obligations, on the other hand, and that nothing therein shall impair, as between such District and the Obligees of such Subordinate Obligations, the obligation of such District to pay such Subordinate Obligations pursuant in accordance with the terms thereof;

(J) that the Obligees with respect to such Subordinate Obligations, by their purchase thereof or by their entering into the Obligation Instrument pursuant to which such Subordinate Obligations are incurred, acknowledge and agree that the Master Trustee is vested with all the moneys, estates, properties, rights, powers, trusts, duties, obligations and protections set forth or provided for in this Master Obligation Agreement and that such Obligees irrevocably authorize the Master Trustee, subject to the provisions of this Master Obligation Agreement, to take such actions and execute such rights, powers and duties as are granted to the Master Trustee by the terms of this Master Obligation Agreement; and

(K) that the provisions of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred addressing the matters set forth in this paragraph (viii) shall not be amended, supplemented or otherwise modified, except to reflect amendments, supplements or other modifications to this Master Obligation Agreement addressing such matters.

(ix) if such Subordinate Obligations are Shared Project Obligations, the Obligation Instrument pursuant to which such Subordinate Obligations are incurred shall, in addition to the matters described in paragraph (viii), above:

(A) specify that the Subordinate Obligations incurred pursuant to such Obligation Instrument are Shared Project Obligations;

(B) specify the Districts that are members of the Shared Project Group for such Shared Project Obligations;

(C) specify and describe the Shared Project financed or refinanced by such Shared Project Obligations;

(D) specify (I) the Shared Project Percentage for each District that is a member of the Shared Project Group for such Shared Project Obligations, and (II) that each such District will be responsible only for its Shared Project Percentage of the costs of such Shared Project financed or refinanced by such Shared Project Obligations and will not be responsible for the Shared Project Percentage of such costs of any other District;

(E) specify that such District's Shared Project Obligations incurred pursuant to such Obligation Instrument are equal to the product of (aa) such District's Shared Project Percentage, times (bb) the aggregate of the Shared Project Obligations of all of the members of the Shared Project Group, including such District, with respect to such Shared Project Obligations; and

(F) specify that the obligations of the members of such Shared Project Group under the Obligation Instrument pursuant to which such Shared Obligations are incurred are several, and not joint, obligations.

(x) if such Subordinate Obligations are both Shared Project Obligations and Supported Obligations, the Obligation Instrument pursuant to which such Subordinate

Obligations are incurred shall, in addition to the matters described in paragraphs (viii) and (ix), above:

(A) specify that the Subordinate Obligations incurred pursuant to such Obligation Instrument are both Shared Project Obligations and Supported Obligations;

(B) specify that the Districts that constitute the members of such Shared Project Group also constitute the members of the Support Group for such Supported Obligations;

(C) specify that the Shared Project financed or refinanced by such Shared Project Obligations also constitutes the Supported Project financed or refinanced by such Subordinate Obligations;

(D) specify that the Shared Project Percentage for each such District with respect to such Shared Project also constitutes the Shared Project Percentage for such District with respect to such Supported Project; and

(E) expressly incorporate the provisions of Section 3.04(b) and include an express agreement of each District that is a member of such Support Group to be bound by the provisions of said Section;

(xi) such District shall have delivered or caused to be delivered to the Master Trustee, at the time of incurrence of such Subordinate Obligations, either (A) an Opinion of Bond Counsel, dated the date of incurrence of such Subordinate Obligations, addressed to the Master Trustee, substantially to the effect, or (B) a letter of Bond Counsel, dated the date of incurrence of such Subordinate Obligations, addressed to the Master Trustee, substantially to the effect that the Master Trustee may rely, as if the same were addressed to the Master Trustee, on an Opinion of Bond Counsel, substantially to the effect, that (I) the Obligation Instrument pursuant to which such Subordinate Obligations are incurred has been duly executed and delivered by, and constitutes the valid and binding obligation of, such District, (II) if such Subordinate Obligations are Subordinate Bonds, that such Subordinate Bonds constitute valid and binding obligations of such District, and (III) if Tax-Exempt Obligations of such District are Outstanding at the time of the issuance of such Subordinate Obligations, the execution and delivery of such Obligation Instrument and the incurrence of such Subordinate Obligations, in and of themselves, will not adversely affect the exclusion of interest on such Tax-Exempt Obligations of such District from gross income for federal income tax purposes.

(b) Notwithstanding the provisions of paragraph (vi) of subsection (a) of this Section, the Written Certificate of such District described therein shall not be required and the financial test specified therein need not be satisfied:

(i) if (A) the Subordinate Obligations being incurred are for the exclusive purpose of refunding then Outstanding Subordinate Obligations of such District, and (B) at the time of the incurrence of such refunding Subordinate Obligations a Written Certificate of the District is delivered demonstrating that Debt Service on the Subordinate

Obligations in each Fiscal Year, calculated for all Subordinate Obligations that will be Outstanding after the incurrence of such refunding Subordinate Obligations, will be less than or equal to Debt Service in such Fiscal Year, calculated for all Subordinate Obligations that are Outstanding immediately prior to the incurrence of such refunding Subordinate Obligations;

(ii) if (A) the Subordinate Obligations being incurred are Net Payments under a Qualified Swap Agreement, (B) such Qualified Swap Agreement relates to a principal amount of Subordinate Obligations of such District, as specified in a Written Certificate of such District provided to each Oblige of the Obligations of such District, and (C) the notional amount of such Qualified Swap Agreement does not exceed the principal amount of the related Subordinate Obligations;

(iii) if the Subordinate Obligations being incurred are Reimbursement Obligations under a Credit Support Agreement; or

(iv) if the Subordinate Obligations being incurred are Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to paragraph (vi) of the definition thereof.

(c) A District shall, as soon as practicable, and in any event within ten days after the incurrence by such District of any Subordinate Obligations (i) notify the Master Trustee in writing of such incurrence, and (ii) deliver to the Master Trustee a copy of the Obligation Instrument pursuant to which such Subordinate Obligations are incurred.

Section 4.03. Restrictions on Obligations and Liens. (a) No District shall (i) enter into any credit support agreement, swap agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, financing lease or other substantively similar agreement or contract of such District, howsoever denominated, or (ii) issue any bond or note, including any bond anticipation note or commercial paper note, or other substantively similar evidence of indebtedness of such District, howsoever denominated, the loan payments, installment payments, lease payments, rental payments, reimbursement payments, debt service payments or similar payments, howsoever denominated, payable by such District under or pursuant to which are senior or prior in right to the payment by such District, from its Net Revenues and amounts on deposit in its Senior Obligation Payment Fund, of such District's Senior Obligations.

(b) No District shall (i) enter into any credit support agreement, swap agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, financing lease or other substantively similar agreement or contract of such District, howsoever denominated, or (ii) issue any bond or note, including any bond anticipation note or commercial paper note, or other substantively similar evidence of indebtedness of such District, howsoever denominated, the loan payments, installment payments, lease payments, rental payments, reimbursement payments, debt service payments or similar payments, howsoever denominated, payable by such District under or pursuant to which are on a parity with or equal in right to the payment by such District, from its Net Revenues and amounts on deposit

in its Senior Obligation Payment Fund, of such District's Senior Obligations, except in accordance with Section 4.01.

(c) No District shall create, incur or suffer to exist any lien on, security interest in or pledge of such District's Revenues or any other amounts on deposit in its Operating Fund or Senior Obligation Payment Fund, howsoever such lien, security interest or pledge may be denominated, that is senior to the lien on and security interest in such District's Revenues or any other amounts on deposit in its Operating Fund or Senior Obligation Payment Fund pledged to and for the benefit of the Obligees with respect to such District's Senior Obligations granted by such District pursuant to Section 3.01(a).

(d) No District shall (i) enter into any credit support agreement, swap agreement, loan agreement, credit agreement, credit facility, line of credit, installment purchase agreement, installment sales agreement, financing lease or other substantively similar agreement or contract of such District, howsoever denominated, or (ii) issue any bond or note, including any bond anticipation note or commercial paper note, or other substantively similar evidence of indebtedness of such District, howsoever denominated, the loan payments, installment payments, lease payments, rental payments, reimbursement payments, debt service payments or similar payments, howsoever denominated, payable by such District under or pursuant to which are on a parity with or equal in right to the payment by such District, from its Net Revenues and amounts on deposit in its Subordinate Obligation Payment Fund, of such District's Subordinate Obligations, except in accordance with Section 4.02.

(e) No District shall create, incur or suffer to exist any lien on, security interest in or pledge of such District's Revenues or any other amounts on deposit in its Operating Fund or Subordinate Obligation Payment Fund, howsoever such lien, security interest or pledge may be denominated, to secure the payment of its Subordinate Obligations, except in accordance with Section 3.01(b).

ARTICLE V

COVENANTS

Section 5.01. Compliance with Master Obligation Agreement. Each District shall comply with, keep, observe and perform all of the agreements, covenants, provisions and terms contained in this Master Obligation Agreement required to be complied with, kept, observed or performed by such District.

Section 5.02. Against Encumbrances. (a) Each District shall not mortgage or otherwise encumber, pledge or place any charge upon its Sewerage System or any part thereof, or upon any of its Revenues that would impair such District's ability to comply with its obligations under this Master Obligation Agreement.

(b) So long as any Obligations of a District are Outstanding, such District will not issue any bonds or incur obligations payable from its Revenues or secured by a pledge, lien or charge upon its Revenues, except as provided herein.

Section 5.03. Against Sale or Other Disposition of Property. Each District shall not sell, lease or otherwise dispose of its Sewerage System or any part thereof essential to the proper operation of its Sewerage System or to the maintenance of its Revenues; provided, however, that any real or personal property which has become non-operative or that is not needed for the efficient and proper operation of such District's Sewerage System, or any material or equipment that has become worn out, may be sold if such sale will not materially reduce such District's Net Revenues and if the proceeds of such sale are deposited in such District's Operating Fund. Each District shall not enter into any agreement or lease that would (a) impair the operation of such District's Sewerage System or any part thereof necessary to secure adequate Revenues for the payment of its Obligations, (b) impair the rights of the Master Trustee or the applicable Obligees with respect to such District's Revenues, or (c) otherwise materially impair the operation of such District's Sewerage System. Notwithstanding the foregoing, a District may sell or lease its Sewerage System or any part thereof if (a) such Sewerage System or such part thereof is sold or leased to another local governmental agency (including the Los Angeles County Sanitation Districts Financing Authority) or to a nonprofit corporation that is organized for the purpose of assisting one or more local governmental agencies in financing or refinancing capital projects, (b) in the case of a sale of its Sewerage System or a part thereof, such District, as part of that same sale transaction, simultaneously repurchases its Sewerage System or such part thereof, (c) in the case of a lease of its Sewerage System or a part thereof, such District, as part of that same lease transaction, simultaneously leases back, for a term that is not substantially less than the term of that lease, its Sewerage System or such part thereof, and (d) the net financing proceeds obtained by such District from such sale and repurchase or lease and lease back are used by such District, or set aside for use by such District, either to pay for improvements to its Sewerage System or to refund or refinance its Obligations.

Section 5.04. Operation and Maintenance of Sewerage System. Each District shall maintain and preserve its Sewerage System in good repair and working order at all times and will operate its Sewerage System in an efficient and economical manner and shall pay all of its Operation and Maintenance Costs as they become due and payable, but such District shall not be

required to pay such Operation and Maintenance Costs if the validity thereof shall be contested in good faith, so long as such nonpayment will not materially adversely affect such District's ability to perform its obligations hereunder.

Section 5.05. Budgets; Books and Records; Audits. (a) On or before July 1 of each Fiscal Year, commencing July 1, 2022, each District shall adopt a budget approved by the Board of Directors of such District that appropriates amounts for the payment of its Obligations payable during such Fiscal Year.

(b) Each District shall keep adequate books and records of accounts in which complete and correct entries shall be made.

(c) Each District shall have its books and records for each Fiscal Year audited by an Accountant as having been prepared in accordance with Generally Accepted Accounting Principles, which audit such District shall use its best efforts to have completed no later than the December 31 next occurring after the end of such Fiscal Year,

Section 5.06. Permitted Investments. Moneys held by a District in its Operating Fund, Senior Obligation Payment Fund or Subordinate Obligation Payment Fund may be invested in any investments permitted by Section 53600, *et seq.*, of the California Government Code, as amended. Moneys on deposit in a Debt Service Reserve Fund established for Obligations of a District shall be invested in Permitted Investments maturing not later than the date on which it is estimated that such moneys will be required for the purposes specified in the Obligation Instrument pursuant to which such Obligations are incurred; provided, however, that Permitted Investments in which moneys in such Debt Service Reserve Fund are so invested shall mature no later than the earlier of five years from the date of investment or the final maturity date of such Obligations and, provided, further, that if such Permitted Investments may be redeemed at par so as to be available on each Interest Payment Date of such Obligations, any amount in such Debt Service Reserve Fund may be invested in such redeemable Permitted Investments maturing on any date on or prior to the final maturity date of such Obligations.

Section 5.07. Amounts of Rates and Charges. (a) Each District shall, to the extent permitted by applicable law, fix, prescribe and collect rates and charges for the services of its Sewerage System that will be at least sufficient to yield during each Fiscal Year (i) Revenues of such District for such Fiscal Year sufficient to make all deposits, transfers and payments required pursuant to this Master Obligation Agreement to be made in such Fiscal Year, including (A) payments of Operation and Maintenance Costs, and (B) all deposits, transfers and payments required by paragraphs (i) through (xiv) of Section 3.03(c), and (ii) a Senior Debt Service Coverage Ratio of such District for such Fiscal Year of not less than 1.25:1. A District may make adjustments from time to time in such rates and charges and may make such classification thereof as it deems necessary, but shall not reduce the rates and charges then in effect unless its Revenues and Senior Debt Service Coverage Ratio from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

(b) A District shall not be in default under this Section if it fails to satisfy the requirements set forth in subsection (a) of this Section for a Fiscal Year, so long as (i) such District has satisfied the requirements of clause (i) of subsection (a) of this Section for such Fiscal Year,

and (ii) such District has delivered to each Obligee, no later than 90 days after the end of such Fiscal Year, a written report describing the cause or causes of such failure and describing the measures that such District has taken or is in the process of taking in order to prevent such a failure in the Fiscal Year next succeeding such Fiscal Year; provided, however, that such District shall be in default under this Section if it fails to satisfy the requirements set forth in subsection (a) of this Section for two consecutive Fiscal Years.

Section 5.08. Payment of Claims. Each District shall pay and discharge any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien on its Net Revenues or any part thereof or on any funds in the hands of such District, but such District shall not be required to pay such claims if the validity thereof shall be contested in good faith, so long as such nonpayment will not materially adversely affect such District's ability to perform its obligations hereunder.

Section 5.09. Compliance with Contracts. Each District shall comply with, keep, observe and perform all agreements, conditions, covenants and terms, express or implied, required to be performed by it contained in all contracts for the use of its Sewerage System and all other contracts affecting or involving its Sewerage System to the extent that such District's failure to so comply, keep, observe or perform would have a material adverse effect on such District's ability to perform its obligations hereunder.

Section 5.10. Insurance. (a) Each District shall procure and maintain or cause to be procured and maintained casualty insurance on its Sewerage System with responsible insurers, or provide self-insurance (so long as such self-insurance is, in the opinion of an accredited actuary, actuarially sound), in such amounts and against such risks, including accident to or destruction of its Sewerage System, as are reasonably determined by such District to provide, in the event of any damage to or destruction of any material portion of such District's Sewerage System, sufficient Net Revenues to reconstruct, repair or replace the damaged or destroyed portion of such Sewerage System. In the event of any damage to or destruction of any material portion of such District's Sewerage System caused by the perils covered by such insurance or self-insurance, the Net Proceeds thereof shall be applied to the reconstruction, repair or replacement of the damaged or destroyed portion of its Sewerage System. Such District shall begin such reconstruction, repair or replacement promptly after such damage or destruction shall occur, shall continue and properly complete such reconstruction, repair or replacement as expeditiously as possible, and shall pay out of such Net Proceeds all costs and expenses in connection with such reconstruction, repair or replacement so that the same shall be completed and its Sewerage System shall be free and clear of all claims and liens, unless such District determines that such damaged or destroyed portion of its Sewerage System is not necessary to the efficient or proper operation of its Sewerage System and therefore determines not to reconstruct, repair or replace such damaged or destroyed portion. If either (i) such District determines not to reconstruct, repair or replace such damaged or destroyed portion of such District's Sewerage System, or (ii) such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be deposited in such District's Operating Fund and be available for other proper uses of funds deposited in its Operating Fund.

(b) Each District shall procure and maintain or cause to be procured and maintained standard comprehensive general liability insurance in protection of such District and its directors,

officers, agents and employees with responsible insurers, or provide self-insurance (so long as such self-insurance is, in the opinion of an accredited actuary, actuarially sound), which insurance shall provide for indemnification of said parties against direct or contingent loss or liability for damages for bodily and personal injury, death or property damage occasioned by reason of the use or ownership of such District's Sewerage System in such amounts as are reasonably determined by such District to protect such District and said parties against such risks.

(c) All policies of insurance required to be maintained hereunder shall, to extent reasonably obtainable, provide that the Master Trustee shall be given 30 days' written notice of any intended cancellation thereof or reduction of coverage provided thereby. If a District has elected to satisfy any insurance requirement hereunder through self-insurance, such District shall provide to the Master Trustee annually on or before July 1 a certificate of an accredited actuary, certifying in writing that such self-insurance is adequate to meet the particular requirements hereof.

Section 5.11. Eminent Domain Proceeds. If all or any part of a District's Sewerage System shall be taken by eminent domain proceedings, the Net Proceeds thereof shall be applied to the replacement of the property or facilities so taken, unless such District determines that such property or facility is not necessary to the efficient or proper operation of its Sewerage System and therefore determines not to replace such property or facilities. Any Net Proceeds of such award not applied to replacement, or remaining after such work has been completed, shall be deposited in such District's Operating Fund and be available for other proper uses of funds deposited in its Operating Fund.

Section 5.12. Protection of Security and Rights of Obligees. Each District shall preserve and protect the security hereof and the rights of the Master Trustee and the Obligees of such District's Obligations hereunder and the payments required to be made by such District hereunder and under such District's Obligation Instruments and will warrant and defend such rights against all claims and demands of all Persons.

Section 5.13. Payment of Taxes and Compliance with Governmental Regulations. Each District shall pay and discharge all taxes, assessments and other governmental charges that may hereafter be lawfully imposed upon its Sewerage System or any part thereof or upon its Revenues when the same shall become due. Each District shall duly observe and comply with all valid regulations and requirements of any governmental authority relative to the operation of its Sewerage System or any part thereof, but such District shall not be required to comply with any regulations or requirements so long as the validity or application thereof shall be contested in good faith.

Section 5.14. Collection of Rates and Charges; No Free Service. Each District shall have in effect at all times rules and regulations for the payment of bills for services of its Sewerage System. Each District shall not permit any part of its Sewerage System or any facility thereof to be used or taken advantage of free of charge by any Person, or by any public agency (including the United States of America, the State and any city, county, district, political subdivision, public authority or agency of any thereof), except (a) to the extent that any such free use is required by the terms of any existing contract, agreement or arrangement, or (b) for incidental insignificant free use so long as such free use does not prevent such District from satisfying its other covenants under this Master Obligation Agreement, including, without limitation, Section 5.07.

Section 5.15. Enforcement of Contracts. Each District shall not voluntarily consent to or permit any rescission of, nor will it consent to any amendment or supplement to, or otherwise take any action under or in connection with, any contracts previously or hereafter entered into, which contracts provide such District with an interest in wastewater collection, conveyance, treatment or disposal facilities (including, if applicable, the Joint Administration Agreement, the Joint Outfall Agreement and the City of Los Angeles Agreements) unless the Board of Directors of such District determines by resolution that such rescission or amendment would not materially adversely affect the ability of such District to pay its Obligations, as and when due, or to perform and observe all of its covenants hereunder and under such District's Obligation Instruments.

Section 5.16. Administrative Costs. Each District shall pay all Administrative Costs incurred by such District in connection with, or payable by such District with respect to, Obligations of such District or, if District No. 2 has, as agent of such District pursuant to the Joint Outfall Agreement, paid any of such Administrative Costs on behalf of such District, reimburse District No. 2 for such Administrative Costs so paid. Administrative Costs shall be paid or reimbursed by each District directly to the Person or Persons to whom such amounts shall be payable. Each District shall pay or reimburse all such amounts when due or at such later time as such amounts may be paid or reimbursed without penalty.

Section 5.17. Further Assurances. Each District shall adopt, deliver, execute and make any and all further assurances, instruments and resolutions as may be reasonably necessary or proper to carry out the intention or to facilitate the performance of its obligations hereunder.

ARTICLE VI

EVENTS OF DEFAULT AND REMEDIES

Section 6.01. Events of Default. (a) The following events shall be Events of Default with respect to a District:

(i) the occurrence and continuance of an Obligation Default Event with respect to any Senior Obligations of such District;

(ii) the failure by such District to observe and perform any of the covenants, agreements or conditions applicable to it set forth in this Master Obligation Agreement, if such failure shall have continued for a period of 30 days after written notice thereof, specifying such failure and requiring the same to be remedied, shall have been given to such District by the Master Trustee, or to such District and the Master Trustee by the Obligees of not less than 5% in aggregate principal amount of the Senior Obligations of such District at the time Outstanding; provided, however, that, if in the reasonable opinion of such District the failure stated in the notice can be corrected, but not within such 30 day period, such failure shall not constitute an Event of Default if corrective action is instituted by such District within such 30 day period and such District shall thereafter diligently and in good faith cure such failure in a reasonable period of time, which period of time shall not exceed 180 days (inclusive of such 30-day period), unless the Obligees of not less than 25% in aggregate principal amount of the Senior Obligations of such District at the time Outstanding consent in writing to a longer period of time; or

(iii) the occurrence and continuance of an Event of Bankruptcy with respect to such District.

(b) If an Event of Default shall have occurred with respect to a District, such District shall, as soon as practicable, and in any event within ten days after the occurrence of such Event of Default, notify the Master Trustee of the occurrence such Event of Default, which notice shall specify the Obligations of such District to which such Event of Default applies, state the nature of such event and the action that such District proposes to take with respect thereto. If an Obligation Acceleration Event shall have occurred with respect to a District, such District shall, as soon as practicable, and in any event within five days after the occurrence of such Obligation Acceleration Event, notify the Master Trustee of the occurrence such Obligation Acceleration Event, which notice shall specify the Obligations of such District to which such Obligation Acceleration Event applies, state the nature of such event and the action that such District proposes to take with respect thereto. Promptly following receipt of a notice of an Event of Default or a notice of Obligation Acceleration Event from a District, the Master Trustee shall deliver a copy of such notice to each Obligee.

(c) If an Event of Default shall have occurred and be continuing with respect to a District, such District shall account, as if it were the trustee of an express trust, for all Revenues of such District and all other amounts held in its Operating Fund, its Senior Obligation Payment Fund and its Subordinate Obligation Payment Fund.

(d) If an Event of Default shall have occurred and be continuing with respect to a District, the books of record and accounts of such District shall at all times be subject to the inspection by the Master Trustee, any Obligee and the agents and attorneys thereof.

Section 6.02. Acceleration; Annulment of Acceleration. (a) Upon (i) the occurrence of an Event of Bankruptcy or the occurrence of an Obligation Acceleration Event with respect to a District, the Master Trustee shall, and (ii) the occurrence and during the continuance of an Event of Default other than an Event of Bankruptcy or an Obligation Acceleration Event with respect to such District, the Master Trustee may, and upon the written request of the Obligees of not less than a majority in aggregate principal amount of the Outstanding Senior Obligations of such District shall, by notice to such District and each Obligee of Senior Obligations of such District, declare all Outstanding Senior Obligations of such District immediately due and payable. Upon such declaration of acceleration, all such Outstanding Senior Obligations shall be immediately due and payable; provided, however, that (A) if the terms of any Obligation Instrument pursuant to which Senior Obligations of such District are incurred grant to the Obligee of such Senior Obligations, or any other Person, including a Credit Support Provider with respect to such Senior Obligations, the right to consent to the acceleration of such Senior Obligations, such Senior Obligations shall not be accelerated by the Master Trustee unless such consent is properly obtained pursuant to the terms of such Obligation Instrument, and (B) such right to consent pursuant to such Obligation Instrument, or the withholding of such consent by such Obligee, shall not affect the acceleration of any other Senior Obligations of such District as provided herein. In the event of such an acceleration, an amount equal to the aggregate principal amount of all Outstanding Senior Obligations of such District subject to acceleration, plus all interest accrued thereon and, to the extent permitted by applicable law, interest that, pursuant to the Obligation Instruments pursuant to which such Senior Obligations are incurred accrues on such principal and interest to the date of payment, and all other amounts due thereunder, shall be due and payable on such Senior Obligations.

(b) At any time after Senior Obligations of a District have been declared to be due and payable, and before the entry of a final judgment or decree in any proceeding instituted with respect to the Event of Default with respect thereto that resulted in such declaration of acceleration, the Master Trustee may annul such declaration and its consequences if (i) such District has paid or caused to be paid, or deposited with the Master Trustee moneys sufficient to pay, all payments then due on all such Senior Obligations, other than payments then due only as a result of such declaration, (ii) such District has paid or caused to be paid, or deposited with the Master Trustee moneys sufficient to pay, all fees and expenses of the Master Trustee then due, (iii) such District has paid or caused to be paid, or deposited with the Master Trustee moneys sufficient to pay, all other amounts then payable by such District hereunder, and (iv) each Event of Default with respect to such District, other than a default in the payment amounts then due only as a result of such declaration, has been remedied. No such annulment shall extend to or affect any subsequent Event of Default with respect to such District or impair any right with respect to any subsequent Event of Default with respect to such District.

(c) No Subordinate Obligations of a District shall be declared immediately due and payable unless all Outstanding Senior Obligations of such District have been declared immediately due and payable pursuant to subsection (a) of this Section and such declaration has not been annulled pursuant to subsection (b) of this Section. Any annulment of an acceleration of

Outstanding Senior Obligations of a District shall, *ipso facto*, constitute an annulment of any acceleration of Outstanding Subordinate Obligations then in effect.

Section 6.03. Remedies on Default. (a) Upon the occurrence and continuance of an Event of Default with respect to a District, the Master Trustee may, and upon the written request of the Obligees of not less than a majority in aggregate principal amount of the Outstanding Senior Obligations of such District, unless the Master Trustee reasonably concludes that the indemnification to which it is entitled with respect thereto pursuant to Section 7.06 will not be made available to it, shall, proceed to protect and enforce its rights and the rights of such Obligees hereunder and under such Senior Obligations and the Obligation Instruments pursuant to which such Senior Obligations are incurred, by such proceedings as may be deemed expedient, including:

- (i) enforcement of the right of such Obligees to collect amounts due or becoming due under such Senior Obligations;
- (ii) civil action upon all or any part of such Senior Obligations;
- (iii) civil action to require any Person holding monies, documents or other property pledged to secure payment of amounts due or to become due on such Senior Obligations to account as if it were the trustee of an express trust for the Obligees of such Senior Obligations;
- (iv) civil action to enjoin any acts that may be unlawful or in violation of the rights of the Obligees of such Senior Obligations;
- (v) civil action to obtain a writ of mandate against such District, or against any officer or member of the Board of Directors of such District to compel performance of any act specifically required by this Master Obligation Agreement, any such Senior Obligations or any Obligation Instruments pursuant to which any such Senior Obligations are incurred;
- (vi) enforcement of any other right or remedy of the Obligees of such Senior Obligations conferred by law, by this Master Obligation Agreement or by such Senior Obligations or the Obligation Instruments pursuant to which such Senior Obligations are incurred; and
- (vii) having a receiver or receivers appointed for such District's Sewerage System and of the issues, earnings, income, products and profits thereof, pending such proceedings, with such powers as the court making such appointment shall confer.

(b) Regardless of whether or not an Event of Default with respect to a District has occurred, if requested in writing by the Obligees of not less than a majority in aggregate principal amount of the Outstanding Senior Obligations of such District, unless the Master Trustee reasonably concludes that the indemnification to which it is entitled with respect thereto pursuant to Section 7.06 will not be made available to it, the Master Trustee shall institute and maintain such proceedings as it may be advised shall be necessary or expedient (i) to prevent any impairment of the security hereunder or under such Senior Obligations or the Obligation Instruments pursuant to which such Senior Obligations are incurred by any acts that may be unlawful or in violation hereof or thereof, or (ii) to preserve or protect the interests of the Obligees

of such Senior Obligations; provided, however, that the Master Trustee shall not comply with any such request or institute and maintain any such proceeding that is in conflict with any applicable law or the provisions hereof or, in the sole judgment of the Master Trustee, is, in respect of time, method or place of exercise of remedies, unduly prejudicial to the interests of the Obligees of such Senior Obligations not making such request. Nothing herein shall be deemed to permit the Master Trustee to authorize or consent to or accept or adopt on behalf of any Obligee any plan of reorganization, arrangement, adjustment or composition affecting such Senior Obligations or the rights of any Obligee thereof, or to permit the Master Trustee to vote in respect of the claim of any such Obligee in any such proceeding without the approval of all of the Obligees so affected.

Section 6.04. Remedies Not Exclusive. No remedy herein conferred upon or reserved to the Master Trustee is intended to be exclusive of any other remedy or remedies, and each and every such remedy, to the extent permitted by law and not otherwise limited by the terms hereof, shall be cumulative and in addition to any other remedy given hereunder or now or hereafter existing at law or in equity or otherwise.

Section 6.05. No Impairment of Obligee's Rights Under Obligation Instruments. Notwithstanding any other provision in this Master Obligation Agreement, the right of any Obligee with respect to Obligations of a District to (a) receive payment of such Obligations and any other amounts payable with respect thereto pursuant to the Obligation Instrument pursuant to which such Obligations are incurred (other than such principal amounts, and accrued interest thereon, of Obligations of such District that have been accelerated pursuant to Section 6.02) on or after the respective due dates thereof pursuant to such Obligation Instrument, or to institute suit for the enforcement of any such payment on or after its due date and collect the moneys adjudicated or decreed to be payable, and (b) enforce performance and observance of any obligation, agreement or covenant of such District under such Obligation Instrument or, without the consent of any other Person, take such action, including a *mandamus* action against such District and its officials, to enforce the performance by such District of any provisions of such Obligation Instrument, shall not be impaired or affected without the prior written consent of such Obligee.

Section 6.06. Application of Moneys After Default. (a) Notwithstanding anything to the contrary contained in this Master Obligation Agreement or in any Obligation Instrument, if an Event of Default with respect to a District shall have occurred and be continuing, such District shall, in such manner as the Master Trustee shall, in its sole discretion, deem appropriate, cause control of amounts in the Operating Fund, Senior Obligation Payment Fund and Subordinate Obligation Payment Fund of such District to be transferred to the Master Trustee and shall cause to be paid over to the Master Trustee, upon receipt thereof by such District, all Revenues of such District.

(b) During the continuance of an Event of Default with respect to a District, all moneys received by the Master Trustee pursuant to any right given or action taken under the provisions of this Article, including any moneys received by or in possession of the Master Trustee pursuant to subsection (a) of this Section, shall be applied as follows:

(i) unless all Outstanding Senior Obligations of such District subject to acceleration have become, or have been declared to be, due and payable (other than such Senior Obligations of such District with respect to which consent to such acceleration is,

pursuant to the Obligation Instrument pursuant to which such Senior Obligations are incurred, required to be obtained and has not been so obtained), or if such declaration has been annulled in accordance with the provisions of this Article:

First: to (I) the payment of the reasonable and proper charges, expenses and liabilities of the Master Trustee, including reasonable fees of counsel, (II) the payment of the reasonable and proper charges, expenses and liabilities of the Obligation Trustees for the Senior Obligations of such District, including reasonable fees of counsel, and (III) with respect to Senior Obligations that are loan payments, installment payments, lease payments, rental payments or similar payments payable under and pursuant to Senior Contracts, which Senior Obligations are not Trustee Assigned Obligations, the payment of the reasonable and proper charges, expenses and liabilities of the Obligees with respect to such Senior Contracts, including reasonable fees of counsel, in the amounts then due and, if the amount available is not sufficient to pay in full all such charges, expenses and liabilities then due, then to the payment thereof ratably, according to the amount of such charges, expenses and liabilities then due to each such Person, without any discrimination or preference;

Second: to the payment of the Operation and Maintenance Costs of such District; provided, however, that no such payment shall duplicate any payment made pursuant to the preceding paragraph;

Third, to the payment of Outstanding Senior Obligations of such District in the order of priority specified in paragraphs (i) through (vii) of Section 3.03(c), all payments in each priority to be fully satisfied, leaving no deficiencies, prior to any payment later in priority, and, among such Senior Obligations within each such priority, in the order of their due dates, and, if the amount available is not sufficient to pay in full all such amounts due on the same date, then to the payment thereof ratably, according to the amount due on such date, without any discrimination or preference; and

Fourth, to the payment of Outstanding Subordinate Obligations of such District in the order of priority specified in paragraphs (viii) through (xiv) of Section 3.03(c), all payments in each priority to be fully satisfied, leaving no deficiencies, prior to any payment later in priority, and, among such Subordinate Obligations within each such priority, in the order of their due dates, and, if the amount available is not sufficient to pay in full all such amounts due on the same date, then to the payment thereof ratably, according to the amount due on such date, without any discrimination or preference; and

(ii) if all Outstanding Senior Obligations of such District subject to acceleration have become, or have been declared to be, due and payable (other than such Senior Obligations of such District with respect to which consent to such acceleration is, pursuant to the Obligation Instrument pursuant to which such Senior Obligations are incurred, required to be obtained and has not been so obtained), and such declaration has not been annulled in accordance with the provisions of this Article:

First: to (I) the payment of the reasonable and proper charges, expenses and liabilities of the Master Trustee, including reasonable fees of counsel, (II) the payment of the reasonable and proper charges, expenses and liabilities of the Obligation Trustees for the Senior Obligations of such District, including reasonable fees of counsel, and (III) with respect to Senior Obligations that are loan payments, installment payments, lease payments, rental payments or similar payments payable under and pursuant to Senior Contracts, which Senior Obligations are not Trustee Assigned Obligations, the payment of the reasonable and proper charges, expenses and liabilities of the Obligees with respect to such Senior Contracts, including reasonable fees of counsel, in the amounts then due and, if the amount available is not sufficient to pay in full all such charges, expenses and liabilities then due, then to the payment thereof ratably, according to the amount of such charges, expenses and liabilities then due to each such Person, without any discrimination or preference;

Second: to the payment of the Operation and Maintenance Costs of such District; provided, however, that no such payment shall duplicate any payment made pursuant to the preceding paragraph;

Third: to the payment of all amounts due and payable in respect of (A) all Outstanding Senior Obligations of such District as a result of such acceleration until such Senior Obligations have been paid in full, and (B) any other Outstanding Senior Obligations then due and payable, and, if the amount available is not sufficient to pay in full the whole amount due and unpaid on each such Senior Obligations, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, without any discrimination or preference; and

Fourth: to the payment of all amounts then due and payable in respect of all Outstanding Subordinate Obligations of such District until such Outstanding Subordinate Obligations have been paid in full, and, if the amount available is not sufficient to pay in full the whole amount due and unpaid on each such Subordinate Obligations, then to the payment thereof ratably, without preference or priority, according to the amounts due respectively, without any discrimination or preference.

(c) Whenever all Obligations of a District have been paid under the terms of this Section and all fees and expenses of the Master Trustee have been paid, any balance remaining shall be paid to the Person entitled to receive such balance. If no other Person is entitled thereto, then the balance shall be paid to such District or to such other Person as a court of competent jurisdiction may direct.

Section 6.07. Power of Master Trustee to Enforce. All rights of action under this Master Obligation Agreement, the Obligations or the Obligation Instruments or otherwise may be prosecuted and enforced by the Master Trustee without the possession of any of the Obligations or the Obligation Instruments or the production thereof in any proceeding relating thereto, and any such suit, action or proceeding instituted by the Master Trustee shall be brought in the name of the

Master Trustee for the benefit and protection of the Obligees of such Obligations, subject to the provisions of this Master Obligation Agreement.

Section 6.08. Direction of Remedies by Obligees; Limitations Thereon. (a) Unless the Master Trustee reasonably concludes that the indemnification to which it is entitled with respect thereto pursuant to Section 7.06 will not be made available to it, the Obligees of not less than a majority in aggregate principal amount of the Senior Obligations of a District then Outstanding shall have the right, by an instrument or concurrent instruments in writing executed and delivered to the Master Trustee, to direct the method of conducting all remedial proceedings taken by the Master Trustee hereunder with respect to such Senior Obligations; provided, however, that such direction shall not be otherwise than in accordance with the provisions of this Master Obligation Agreement and other applicable law, and, provided, further, that the Master Trustee shall have the right to decline to follow any such direction that in the sole judgment of the Master Trustee would be, in respect of time, method or place of exercise of remedies, unjustly prejudicial to the interests of the Obligees of such Senior Obligations not parties to such direction.

(b) No Obligee of Senior Obligations of a District shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Master Obligation Agreement, unless (i) such Obligee shall have given to the Master Trustee written notice of the occurrence of an Event of Default with respect to such Senior Obligations, (ii) such Obligee shall have made written request upon the Master Trustee to exercise the powers hereinbefore granted or to institute such suit, action or proceeding in the Master Trustee's own name, (iii) such Obligee shall have tendered to the Master Trustee indemnity satisfactory to the Master Trustee against the costs, expenses and liabilities to be incurred in compliance with such request, and (iv) the Master Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Master Trustee.

Such notification, request, tender of indemnity and refusal or omission are hereby declared, in every case, to be conditions precedent to the institution of any such suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under this Master Obligation Agreement, it being understood and intended that no one or more Obligees of such Senior Obligations shall have any right in any manner whatever by such action to affect, disturb or prejudice the security of this Master Obligation Agreement or the rights of any other Obligees of such Senior Obligations, or to enforce any right under such Senior Obligations, the Obligation Instruments pursuant to which such Senior Obligations are incurred, this Master Obligation Agreement or applicable law with respect to such Senior Obligations, except in the manner herein provided, and that all proceedings at law or in equity to enforce any such right shall be instituted, had and maintained in the manner herein provided and for the benefit and protection of all Obligees of such Senior Obligations, subject to the provisions of this Master Obligation Agreement.

Section 6.09. Termination of Proceedings. In case any proceedings taken by the Master Trustee with respect to the Senior Obligations of a District or any one or more Obligees of such Senior Obligations on account of any Event of Default with respect thereto shall have been discontinued or abandoned for any reason or shall have been determined adversely to the Master Trustee or such Obligees, then in every such case the Master Trustee and the Obligees of such Senior Obligations, subject to any determination in such proceedings, shall be restored to their

former positions and rights hereunder, severally and respectively, and all rights, remedies, powers and duties of such District, the Master Trustee and the Obligees of such Senior Obligations shall continue as though no such proceedings had been taken.

Section 6.10. Master Trustee to File Proofs of Claim in Receivership. In the case of any receivership, insolvency, bankruptcy, reorganization, arrangement, adjustment, composition or other judicial proceedings affecting a District, the Master Trustee shall, to the extent permitted by law, be entitled to file such proofs of claims and other documents as may be necessary or advisable in order to have claims of the Master Trustee and of the Obligees of the Senior Obligations of such District allowed in such proceedings for the entire amount due and payable by such District thereunder at the date of the institution of such proceedings and for any additional amounts that may become due and payable by it after such date, without prejudice, however, to the right of any such Obligee to file a claim in his own behalf.

Section 6.11. Waivers. Unless the Master Trustee reasonably concludes that the indemnification to which it is entitled with respect thereto pursuant to Section 7.06 will not be made available to it, at the written direction of Obligees of not less than a majority in aggregate principal amount of the Outstanding Senior Obligations of a District, the Master Trustee shall waive any default or Event of Default hereunder with respect to such Senior Obligations; provided, however, that such direction shall not be otherwise than in accordance with the provisions of this Master Obligation Agreement and other applicable law, further, that the Master Trustee shall have the right to decline to follow any such direction that in the sole judgment of the Master Trustee would be, in respect of time, method or place of exercise of remedies, unjustly prejudicial to the interests of the Obligees of such Senior Obligations not parties to such direction.

Section 6.12. Delay or Omission No Waiver. No delay or omission of the Master Trustee or any Obligee to exercise any right or power arising upon the occurrence of any default or Event of Default shall impair any such right or power or shall be construed to be a waiver of any such default or Event of Default or an acquiescence therein, and every power and remedy given by this Master Obligation Agreement to the Master Trustee or the Obligees may be exercised from time to time and as often as may be deemed expedient.

Section 6.13. No Waiver of One Default to Affect Another. No waiver of any default or Event of Default hereunder with respect to the Senior Obligations of a District, whether by the Master Trustee or the Obligees of such Senior Obligations, shall extend to or affect any subsequent or any other then existing default or Event of Default with respect to such Senior Obligations or shall impair any rights or remedies consequent thereon.

ARTICLE VII

MASTER TRUSTEE

Section 7.01. Duties and Liabilities of Master Trustee. The Master Trustee shall, prior to an Event of Default, and after the curing or waiver of all Events of Default that may have occurred, perform such duties and only such duties as are expressly and specifically set forth in this Master Obligation Agreement. The Master Trustee shall, during the existence of any Event of Default that has not been cured or waived, exercise such of the rights and powers vested in it by this Master Obligation Agreement, and use the same degree of care and skill in their exercise, as a prudent person would exercise or use under the circumstances in the conduct of such person's own affairs.

Section 7.02. Qualifications; Removal and Resignation; Successors. (a) The Master Trustee initially a party hereto and any successor thereto shall at all times be a trust company, national banking association or bank having trust powers in good standing in or incorporated under the laws of the United States or any state thereof, that is (or if such trust company, national banking association or bank is a member of a bank holding company system, its parent bank holding company is) (i) a national banking association that is supervised by the Office of the Comptroller of the Currency, or (ii) a state-chartered commercial bank that is a member of the Federal Reserve System that, in either case, has at least \$500 million of assets. If such trust company, national banking association or bank publishes a report of condition at least annually, pursuant to law or to the requirements of any supervising or examining agency above referred to, then for the purpose of this subsection the combined capital and surplus of such trust company, national banking association or bank shall be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published.

(b) The Districts may, by an instrument in writing, upon at least 30 days' notice to the Master Trustee, remove the Master Trustee initially a party hereto and any successor thereto unless an Event of Default shall have occurred and then be continuing, and shall remove the Master Trustee initially a party hereto and any successor thereto if (i) at any time requested to do so by an instrument or concurrent instruments in writing signed by the Obligees of not less than a majority in aggregate principal amount of the Senior Obligations then Outstanding (or their attorneys duly authorized in writing), or (ii) the Master Trustee shall cease to be eligible in accordance with subsection (a) of this Section, or shall become incapable of acting, or shall be adjudged a bankrupt or insolvent, or a receiver of the Master Trustee or its property shall be appointed, or any public officer shall take control or charge of the Master Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, in each case by giving written notice of such removal to the Master Trustee.

(c) The Master Trustee may at any time resign by giving written notice of such resignation by first class mail, postage prepaid, to the Districts, and to each of the Obligees of the Outstanding Obligations at the address therefor set forth in the Obligation Instrument pursuant to which such Obligations are incurred or at such other address as such Obligee may provide to the Master Trustee in writing. In case at any time the Master Trustee shall cease to be eligible in accordance with the provisions of subsection (a) of this Section, the Master Trustee shall resign immediately in the manner and with the effect specified in this Section.

(d) Upon removal or resignation of the Master Trustee, the Districts shall promptly appoint a successor Master Trustee by an instrument in writing. Any removal or resignation of the Master Trustee and appointment of a successor Master Trustee shall become effective upon acceptance of appointment by the successor Master Trustee; provided, however, that any successor Master Trustee shall be qualified as provided in subsection (a) of this Section. If no qualified successor Master Trustee shall have been appointed and have accepted appointment within 45 days following notice of removal or notice of resignation as aforesaid, the removed or resigning Master Trustee or any Obligee of Senior Obligations (on behalf of such Obligee and all other Obligees) may petition any court of competent jurisdiction for the appointment of a successor Master Trustee, and such court may thereupon, after such notice, if any, as it may deem proper, appoint such successor Master Trustee. Any successor Master Trustee appointed under this Master Obligation Agreement shall signify its acceptance of such appointment by executing and delivering to the Districts and to its predecessor Master Trustee a written acceptance thereof, and thereupon such successor Master Trustee, without any further act, deed or conveyance, shall become vested with all the moneys, estates, properties, rights, powers, trusts, duties and obligations of such predecessor Master Trustee, with like effect as if originally named Master Trustee herein; but, nevertheless at the Written Request of the Districts or the request of the successor Master Trustee, such predecessor Master Trustee shall execute and deliver any and all instruments of conveyance or further assurance and do such other things as may reasonably be required for more fully and certainly vesting in and confirming to such successor Master Trustee all the right, title and interest of such predecessor Master Trustee in and to any property held by it under this Master Obligation Agreement and shall pay over, transfer, assign and deliver to the successor Master Trustee any money or other property subject to the trusts and conditions herein set forth. Upon acceptance of appointment by a successor Master Trustee as provided in this subsection, the successor Master Trustee shall, within 15 days after such acceptance, mail, by first class mail postage prepaid, a notice of the succession of such Master Trustee to the trusts hereunder to each of the Obligees of the Outstanding Obligations at the address therefor set forth in the Obligation Instrument pursuant to which such Obligations are incurred or at such other address as such Obligee may provide to the Master Trustee in writing.

(e) Any trust company, national banking association or bank into which the Master Trustee may be merged or converted or with which it may be consolidated or any trust company, national banking association or bank resulting from any merger, conversion or consolidation to which it shall be a party or any trust company, national banking association or bank to which the Master Trustee may sell or transfer all or substantially all of its corporate trust business, provided such trust company, national banking association or bank shall be eligible under subsection (a) of this Section, shall be the successor to such Master Trustee, without the execution or filing of any paper or any further act, anything herein to the contrary notwithstanding.

Section 7.03. Liability of Master Trustee. (a) The recitals of facts herein contained shall be taken as statements of the Districts, and the Master Trustee shall not assume responsibility for the correctness of the same or incur any responsibility in respect thereof, other than as expressly stated herein in connection with the respective duties or obligations herein assigned to or imposed upon it.

(b) The Master Trustee makes no representations as to the validity or sufficiency of this Master Obligation Agreement or of any Obligations, or in respect of the security afforded by

this Master Obligation Agreement or any of the Obligations and the Master Trustee shall incur no responsibility in respect thereof.

(c) The Master Trustee shall not be liable in connection with the performance of its duties hereunder, except for its own negligence or willful misconduct.

(d) No provision of this Master Obligation Agreement, any Obligations or the Obligation Instrument pursuant to which such Obligations are incurred, or any other document related hereto or thereto, shall require the Master Trustee to risk or advance its own funds.

(e) The Master Trustee may execute any of its powers or duties hereunder through attorneys, agents or receivers and shall not be answerable for the actions of such attorneys, agents or receivers if selected by it with reasonable care.

(f) The Master Trustee shall not be liable for any error of judgment made in good faith by a responsible officer, unless it shall be proved that the Master Trustee was negligent in ascertaining the pertinent facts.

(g) The immunities and protections extended to the Master Trustee also extend to its directors, officers, employees and agents.

(h) Before taking action under Article VI, under this Article, under any Obligations or the Obligation Instrument pursuant to which such Obligations are incurred or upon the direction of any one or more Obligees, the Master Trustee may require indemnity reasonably satisfactory to the Master Trustee be furnished to it to protect it against all fees and expenses, including those of its attorneys and advisors, and protect it against all liability it may incur.

(i) The Master Trustee shall not be liable with respect to any action taken or omitted to be taken by it in good faith in accordance with the direction of the Obligees of not less than a majority in aggregate principal amount of the Senior Obligations of a District at the time Outstanding relating to the time, method and place of conducting any proceeding for any remedy available to the Master Trustee with respect to such Senior Obligations, or exercising any trust or power conferred upon the Master Trustee under this Master Obligation Agreement with respect to such Senior Obligations.

(j) The Master Trustee shall have no responsibility with respect to any information, statement, or recital in any official statement, offering memorandum or any other disclosure material prepared or distributed with respect to any Obligations.

(k) The Master Trustee shall not be liable for the failure to take any action required to be taken by it hereunder if and to the extent that the Master Trustee's taking such action is prevented by reason of an act of God, terrorism, war, riot, strike, fire, flood, earthquake, epidemic or other, similar occurrence that is beyond the control of the Master Trustee and could not have been avoided by exercising due care.

(l) The Master Trustee shall not be deemed to have knowledge of an Event of Default hereunder unless it has actual knowledge thereof.

Section 7.04. Right to Rely on Documents and Opinions. (a) The Master Trustee shall be protected in acting upon any notice, resolution, request, consent, order, certificate, report, opinion, bonds or other paper or document believed by it to be genuine and to have been signed or presented by the proper party or parties.

(b) Whenever in the administration of the duties imposed upon it by this Master Obligation Agreement the Master Trustee shall deem it necessary or desirable that a factual matter with respect to one or more Districts be proved or established prior to taking or suffering any action hereunder, such matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a Written Certificate of the Districts, and such Written Certificate shall be full warrant to the Master Trustee for any action taken or suffered in good faith under the provisions of this Master Obligation Agreement in reliance upon such Written Certificate, but in its discretion the Master Trustee may, in lieu thereof, accept other evidence of such matter or may require such additional evidence as it may deem reasonable.

(c) The Master Trustee may consult with counsel, who may be counsel to the Districts, with regard to legal questions, and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance therewith.

Section 7.05. Preservation and Inspection of Documents. All documents relating to Obligations of a District received by the Master Trustee under the provisions of this Master Obligation Agreement shall be retained in its possession and shall be subject during business hours and upon reasonable notice to the inspection of such District, the Obligees of the Obligations of such District and their agents and representatives duly authorized in writing.

Section 7.06. Compensation and Indemnification. District No. 2, as agent of the Districts pursuant to the Joint Administration Agreement, shall pay to the Master Trustee from time to time all reasonable compensation pursuant to a pre-approved fee letter for all services rendered under this Master Obligation Agreement, and also all reasonable expenses, charges, legal and consulting fees pursuant to a pre-approved fee letter and other disbursements pursuant to a pre-approved fee letter and those of its attorneys, agents and employees, incurred in and about the performance of their powers and duties under this Master Obligation Agreement; provided, however, that, if any such expenses, charges or fees are payable with respect to Obligations of one or more, but not all, of the Districts, such District or Districts shall pay such expenses, charges or fees to the Master Trustee. District No. 2, as agent of the Districts pursuant to the Joint Administration Agreement, shall, to the extent permitted by law, indemnify and save the Master Trustee harmless against any costs, claims, expenses (including fees and expenses of its counsel) and liabilities that it may incur in the exercise and performance of its powers and duties hereunder, including the enforcement of any remedies and the defense of any suit, and that are not due to the negligence or willful misconduct of the Master Trustee; provided, however, that, if any such any costs, claims, expenses, fees or liabilities are payable with respect to Obligations of one or more, but not all, of the Districts, such District or Districts shall pay such costs, claims, expenses, fees or liabilities. The obligation of the Districts to indemnify the Master Trustee shall survive the resignation or removal of the Master Trustee and the termination of this Master Obligation Agreement.

ARTICLE VIII

AMENDMENTS

Section 8.01. Amendments with Consent of Obligees. This Master Obligation Agreement and the rights and obligations of the Districts, the Master Trustee and the Obligees hereunder may be amended, supplemented or otherwise modified from time to time and at any time by an amendment hereof or supplement hereto, which the Districts and the Master Trustee may enter into when there are filed with the Master Trustee the written consents of the Obligees of a majority of the aggregate principal amount of the Senior Obligations then Outstanding, exclusive of Senior Obligations disqualified as provided in Section 10.07. Notwithstanding the foregoing, no such amendment, supplement or modification shall (a) permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under this Master Obligation Agreement prior to or on a parity with the pledge contained in, and the lien and security interest created by, this Master Obligation Agreement securing the payment of the Senior Obligations, without the prior written consents of the Obligees of all Senior Obligations then Outstanding, (b) except for the pledge contained in, and the lien and security interest created by, this Master Obligation Agreement in order to secure the payment of the Senior Obligations, permit any pledge of, or the creation of any lien on, security interest in or charge or other encumbrance upon the assets pledged under this Master Obligation Agreement prior to or on a parity with the pledge contained in, and the lien and security interest created by, this Master Obligation Agreement in order to secure the payment of the Subordinate Obligations, without the prior written consents of the Obligees of all Subordinate Obligations then Outstanding, (c) have a prejudicial effect on any Obligee of Senior Obligations then Outstanding as compared to any other Obligee of Senior Obligations then Outstanding or a prejudicial effect on any Obligee of Subordinate Obligations then Outstanding as compared to any other Obligee of Subordinate Obligations then Outstanding, in each case without the prior written consent of such prejudiced Obligee, (d) have a prejudicial effect on Obligees of Subordinate Obligations then Outstanding, other than a prejudicial effect of the type described in the preceding clause (c), without the prior written consent of a majority of the aggregate principal amount of the Subordinate Obligations then Outstanding, (e) amend, supplement or otherwise modify Section 3.03, Section 6.05 or Section 6.06 in each case in a manner adverse to any Obligee without the prior written consent of such adversely affected Obligee, or (f) amend, supplement or otherwise modify this Section without the prior written consents of the Obligees of all Obligations then Outstanding.

Section 8.02. Amendments without Consent of Obligees. This Master Obligation Agreement and the rights and obligations of the Districts, the Master Trustee and the Obligees hereunder may be amended, supplemented or otherwise modified from time to time and at any time by an amendment hereof or supplement hereto, which the Districts and the Master Trustee may enter into without the consent of any Obligees for any one or more of the following purposes:

(a) to add to the covenants and agreements of the Districts in this Master Obligation Agreement contained, other covenants and agreements thereafter to be observed or to surrender any right or power herein reserved to or conferred upon the Districts;

(b) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision contained in

this Master Obligation Agreement, provided that such amendment, supplement or modification does not materially adversely affect the rights or interests of the Obligees hereunder;

(c) in any other respect whatsoever as the Districts may deem necessary or desirable, provided that such amendment, supplement or modification does not materially adversely affect the rights or interests of the Obligees hereunder.

Section 8.03. Notice of Amendment. Promptly after the execution of any amendment, supplement or modification to this Master Obligation Agreement executed in accordance with the provisions of this Section, the Master Trustee shall mail a notice, by first class mail postage prepaid, setting forth in general terms the substance of such amendment, supplement or modification, to the Districts and to each of the Obligees of the Outstanding Obligations at the address therefor set forth in the Obligation Instrument pursuant to which such Obligations are incurred or at such other address as such Obligee may provide to the Master Trustee in writing. Any failure to give such notice, or any defect therein, shall not, however, in any way impair or affect the validity of any such amendment, supplement or modification.

ARTICLE IX

ADDITIONAL DISTRICTS

Section 9.01. Additional Districts. Subject to the provisions of Section 9.02, an additional Los Angeles County Sanitation District may, from time to time, be added as a party to this Master Obligation Agreement, and thereby become a District, as such term is defined herein and for all purposes hereof, provided that, prior to such addition, the Master Trustee receives:

(a) a certified copy of the resolution of the Board of Directors of such proposed additional District authorizing such District to become party to this Master Obligation Agreement and authorizing the execution and delivery of the Joinder Agreement pursuant to which such proposed additional District would so become a party to this Master Obligation Agreement;

(b) a certified copy of the resolution of the Board of Directors of each District that, at the time, is a party to this Master Obligation Agreement District authorizing the execution and delivery of the Joinder Agreement pursuant to which such proposed additional District would so become a party to this Master Obligation Agreement;

(c) a Joinder Agreement executed by such proposed additional District and each District that, at the time, are party to this Master Obligation Agreement, pursuant to which:

(i) such proposed additional District agrees to become a party to this Master Obligation Agreement and thereby become a District, as such term is defined herein and for all purposes hereof;

(ii) such proposed additional District agrees to be bound by the terms and provisions of this Master Obligation Agreement; and

(iii) each of the Districts that, at the time, are party to this Master Obligation Agreement, agree that, upon the execution and delivery of such Joinder Agreement by all of the parties thereto, such proposed additional District shall be a District, as defined in this Master Obligation Agreement and for all purposes hereof.

(d) an Opinion of Counsel to each District that is party to such Joinder Agreement, addressed to the Master Trustee and each other District, substantially to the effect that such Joinder Agreement has been duly authorized, executed and delivered by, and constitutes the valid and binding obligation of, such District.

Section 9.02. Qualified Additional Districts. An additional Los Angeles County Sanitation District may be added as a party to this Master Obligation Agreement pursuant to Section 9.01, only if, either (a) such District has incurred no obligations that would, upon the execution and delivery of the Joinder Agreement pursuant to which such District becomes a party hereto, constitute Obligations, as such term is defined herein, that are Outstanding, as such term is defined herein, or (b) if such District has incurred obligations that would, upon the execution and

delivery of the Joinder Agreement pursuant to which such District becomes a party hereto, constitute Obligations, as such term is defined herein, that are Outstanding, as such term is defined herein (i) the terms and provisions of such obligations do not conflict with the terms and provisions of this Master Obligation Agreement, and (ii) such obligations, or the indenture, fiscal agent agreement, contract, agreement or similar instrument, howsoever denominated, pursuant to which such obligations were incurred, contains (A) if such obligations would constitute Senior Obligations, as such term is defined herein, the provisions required, pursuant to Section 4.01, to be contained in the Obligation Instruments pursuant to which Senior Obligations are incurred, or (B) if such obligations would constitute Subordinate Obligations, as such term is defined herein, the provisions required, pursuant to Section 4.02, to be contained in the Obligation Instruments pursuant to which Subordinate Obligations are incurred.

Section 9.03. Effect of Becoming an Additional District. Upon execution and delivery of a Joinder Agreement pursuant to Section 9.01, and satisfaction of the other conditions set forth therein and in Section 9.02(a) the Los Angeles County Sanitation District becoming party to this Master Obligation Agreement pursuant thereto shall, from and after the effective date of such Joinder Agreement, be a District, as defined herein and for all purposes hereof, and (b) from and after the effective date of such Joinder Agreement, the term District, as defined and as used herein, shall be deemed to include such Los Angeles County Sanitation District.

ARTICLE X

MISCELLANEOUS

Section 10.01. Notices. Any written notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication to be given hereunder shall be given to the party entitled thereto at its address set forth below, or at such other address as such party may provide to the other parties in writing from time to time, namely:

If to a District:

County Sanitation District No. 2
of Los Angeles County
1955 Workman Mill Road
P.O. Box 4998
Whittier, California 90607-4998
Attention: Chief Engineer and General Manager

If to the Master Trustee:

Zions Bancorporation, National Association
550 South Hope Street, Suite 2875
Los Angeles, California 90071
Attention: Corporate Trust Services

Each such notice, statement, demand, consent, approval, authorization, offer, designation, request or other communication hereunder shall be deemed delivered to the party to whom it is addressed (a) if given by courier or delivery service or if personally served or delivered, upon delivery, (b) if given by telecopier, upon the sender's receipt of an appropriate answerback or other written acknowledgment, (c) if given by electronic mail, on the date sent, but only if confirmation of the receipt of such electronic mail is received or if notice is concurrently sent by another means specified herein, (d) if given by registered or certified mail, return receipt requested, deposited with the United States mail postage prepaid, 72 hours after such notice is deposited with the United States mail, or (e) if given by any other means, upon delivery at the address specified in this Section.

Section 10.02. Successor Is Deemed Included in All References to Predecessor. Whenever in this Master Obligation Agreement either a District or the Master Trustee is named or referred to, such reference shall be deemed to include the successors or assigns thereof, and all the covenants and agreements in this Master Obligation Agreement contained required hereby to be performed by or on behalf of a District or the Master Trustee shall bind and inure to the benefit of the respective successors and assigns thereof whether so expressed or not.

Section 10.03. Limitation of Rights. Nothing in this Master Obligation Agreement expressed or implied is intended or shall be construed to give to any Person other than the Districts, the Master Trustee and the Obligees any legal or equitable right, remedy or claim under or in respect of this Master Obligation Agreement or any covenant, condition or provision therein or

herein contained, and all such covenants, conditions and provisions are and shall be held to be for the sole and exclusive benefit of the Districts, the Master Trustee and the Obligees.

Section 10.04. Third-Party Beneficiaries. Each Obligee with respect to Obligations of a District, including any Credit Support Provider, Reserve Guaranty Provider and Qualified Swap Provider with respect thereto, shall be, and is hereby declared to be, a third-party beneficiary of this Master Obligation Agreement.

Section 10.05. Severability of Invalid Provisions. If any one or more of the provisions contained in this Master Obligation Agreement shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Master Obligation Agreement and such invalidity, illegality or unenforceability shall not affect any other provision of this Master Obligation Agreement, and this Master Obligation Agreement shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. Each District hereby declares that it would have entered into this Master Obligation Agreement and each and every other Section, subsection, paragraph, sentence, clause or phrase hereof irrespective of the fact that any one or more Sections, subsections, paragraphs, sentences, clauses or phrases of this Master Obligation Agreement may be held illegal, invalid or unenforceable.

Section 10.06. Evidence of Rights of Obligees. Any request, consent or other instrument required or permitted by this Master Obligation Agreement to be signed and executed by Obligees may be in any number of concurrent instruments of substantially similar tenor and shall be signed or executed by such Obligees in person or by an agent or agents duly appointed in writing. Proof of the execution of any such request, consent or other instrument or of a writing appointing any such agent, shall be sufficient for any purpose of this Master Obligation Agreement and shall be conclusive in favor of the Master Trustee and the Districts if made in the manner provided in this Section.

The fact and date of the execution by any Person of any such request, consent or other instrument or writing may be proved by the certificate of any notary public or other officer of any jurisdiction, authorized by the laws thereof to take acknowledgments of deeds, certifying that the Person signing such request, consent or other instrument acknowledged to such notary public or such officer the execution thereof, or by an affidavit of a witness of such execution duly sworn to before such notary public or other officer.

Any request, consent or other instrument or writing of the Obligee of any Obligations shall bind every future Obligee of the same Obligations.

Section 10.07. Disqualified Obligations. In determining whether the Obligees of the requisite aggregate principal amount of Obligations have concurred in any demand, request, direction, consent or waiver under this Master Obligation Agreement, Obligations that are known by the Master Trustee to be owned or held by or for the account of a District, or by any other obligor on such Obligations, or by any Person directly or indirectly controlling or controlled by, or under direct or indirect common control with, such District or any other obligor on such Obligations, shall be disregarded and deemed not to be Outstanding for the purpose of any such determination. Upon request of the Master Trustee, a District shall specify in a Written Certificate

of such District delivered to the Master Trustee the Obligations of such District disqualified pursuant to this Section and the Master Trustee may conclusively rely on such Written Certificate.

Section 10.08. Business Days. If the date for making any payment or transfer of moneys or the last date for performance of any act or the exercising of any right, as provided in this Master Obligation Agreement, shall not be a Business Day, such payment or transfer may be made or act performed or right exercised on the next succeeding Business Day, with the same force and effect as if done on the nominal date provided in this Master Obligation Agreement and, unless otherwise specifically provided in this Master Obligation Agreement, no interest shall accrue for the period from and after such nominal date.

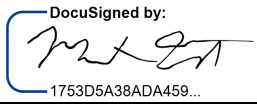
Section 10.09. Governing Laws. This Master Obligation Agreement shall be governed by and construed in accordance with the laws of the State.

Section 10.10. Electronic Signature. Each of the parties hereto agrees that the transaction consisting of this Master Obligation Agreement may be conducted by electronic means. Each party agrees, and acknowledges that it is such party's intent, that if such party signs this Master Obligation Agreement using an electronic signature, it is signing, adopting, and accepting this Master Obligation Agreement and that signing this Master Obligation Agreement using an electronic signature is the legal equivalent of having placed its handwritten signature on this Master Obligation Agreement on paper. Each party acknowledges that it is being provided with an electronic or paper copy of this Master Obligation Agreement in a usable format.

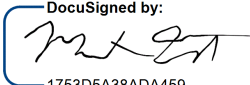
Section 10.11. Execution in Several Counterparts. This Master Obligation Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

IN WITNESS WHEREOF, the parties hereto have executed and attested this Master Obligation Agreement as of the day and year first written above.

**COUNTY SANITATION DISTRICT NO. 1
OF LOS ANGELES COUNTY**

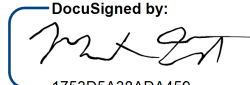
By:  _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 2
OF LOS ANGELES COUNTY**

DocuSigned by:

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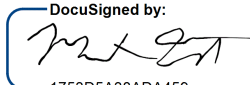
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 3
OF LOS ANGELES COUNTY**

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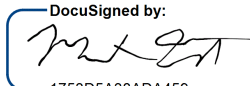
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 5
OF LOS ANGELES COUNTY**

DocuSigned by:

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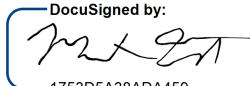
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 8
OF LOS ANGELES COUNTY**

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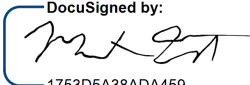
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 15
OF LOS ANGELES COUNTY**

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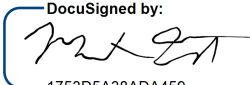
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 16
OF LOS ANGELES COUNTY**

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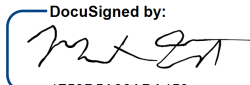
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 17
OF LOS ANGELES COUNTY**

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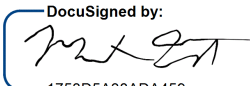
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 18
OF LOS ANGELES COUNTY**

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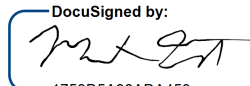
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 19
OF LOS ANGELES COUNTY**

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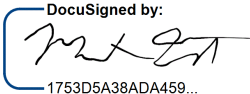
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

**COUNTY SANITATION DISTRICT NO. 21
OF LOS ANGELES COUNTY**

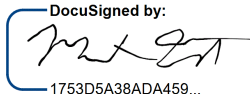
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By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

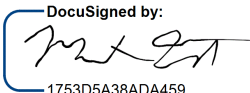
**COUNTY SANITATION DISTRICT NO. 22
OF LOS ANGELES COUNTY**

DocuSigned by:

By: _____
1753D5A38ADA459...
Robert C. Ferrante, Chief Engineer and
General Manager

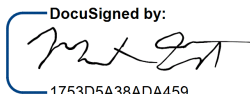
**COUNTY SANITATION DISTRICT NO. 23
OF LOS ANGELES COUNTY**

DocuSigned by:

By: _____
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Robert C. Ferrante, Chief Engineer and
General Manager

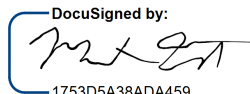
**COUNTY SANITATION DISTRICT NO. 28
OF LOS ANGELES COUNTY**

DocuSigned by:

By: _____
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Robert C. Ferrante, Chief Engineer and
General Manager

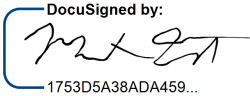
**COUNTY SANITATION DISTRICT NO. 29
OF LOS ANGELES COUNTY**

DocuSigned by:

By: _____
1753D5A38ADA459...
Robert C. Ferrante, Chief Engineer and
General Manager

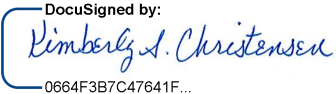
**COUNTY SANITATION DISTRICT NO. 34
OF LOS ANGELES COUNTY**

DocuSigned by:

By: _____
1753D5A38ADA459...
Robert C. Ferrante, Chief Engineer and
General Manager

**SOUTH BAY CITIES SANITATION
DISTRICT OF LOS ANGELES COUNTY**

DocuSigned by:

1753D5A38ADA459...
By: _____
Robert C. Ferrante, Chief Engineer and
General Manager

Attest:

DocuSigned by:

0664F3B7C47641F...

Kimberly Christensen
Secretary

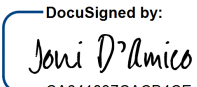
Approved as to Form:

LEWIS BRISBOIS BISGAARD & SMITH LLP

DocuSigned by:

62B570A3A83C4DC...
By: _____
District Counsel

**ZIONS BANCORPORATION, NATIONAL
ASSOCIATION, AS MASTER TRUSTEE**

DocuSigned by:

CA641837CACB4CE...
By: _____
Joni D'Amico
Sr. Vice President & Manager
Zions Bank Division