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# **JOINT ACQUISITION AGREEMENT**

**by and among**

**COUNTY SANITATION DISTRICTS  
OF LOS ANGELES COUNTY**

**named herein**

**and**

**LOS ANGELES COUNTY  
SANITATION DISTRICTS FINANCING AUTHORITY**

**Dated as of \_\_\_\_\_ 1, 2011**

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## **JOINT ACQUISITION AGREEMENT**

**THIS JOINT ACQUISITION AGREEMENT** (this “Joint Acquisition Agreement”), dated as of \_\_\_\_\_ 1, 2011, 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. 4 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. 9 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 14 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. 20 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. 27 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 28 OF LOS ANGELES COUNTY, COUNTY SANITATION DISTRICT NO. 29 OF LOS ANGELES COUNTY, SOUTH BAY CITIES SANITATION DISTRICT OF LOS ANGELES COUNTY and SANTA CLARITA VALLEY 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 the LOS ANGELES COUNTY SANITATION DISTRICTS FINANCING AUTHORITY (the “Authority”).

### **WITNESSETH:**

**WHEREAS**, the Authority previously issued its Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2003 Series A (Senior Ad Valorem Obligation Bonds) (the “Prior Bonds”);

**WHEREAS**, the Prior Bonds were issued to finance and refinance certain improvements to the sewerage systems of certain of the County Sanitation Districts of Los Angeles County (the “Districts”);

**WHEREAS**, the Prior Bonds are payable from installment payments (the “Prior Installment Payments”) to be made by the Districts pursuant to the Joint Acquisition Agreement, dated as of June 1, 2003 (the “Prior Joint Acquisition Agreement”), by and among the Districts and the Authority;

**WHEREAS**, the Prior Joint Acquisition Agreement is a Senior AV Obligation (as defined in the Prior Joint Acquisition Agreement);

**WHEREAS**, in order to achieve certain savings, the Authority and the Districts desire to refund certain of the Prior Bonds (the “Refunded Bonds”);

**WHEREAS**, in order to provide funds to refund the Refunded Bonds, the Authority desires to issue its Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2011 Series A (Senior Ad Valorem Obligation Bonds) (the “Bonds”);

**WHEREAS**, the Bonds will be payable from and secured by installment payments to be made by the Districts pursuant to this Joint Acquisition Agreement, which installment payments will be payable on a parity with the Prior Installment Payments;

**WHEREAS**, this Joint Acquisition Agreement will constitute a Senior AV Obligation;  
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 Joint Acquisition 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 Joint Acquisition Agreement;

**NOW, THEREFORE**, in consideration of the covenants and provisions herein set forth and for other valuable consideration the receipt and sufficiency of which is hereby acknowledged, the parties hereto do hereby agree as follows:

## ARTICLE I

### DEFINITIONS

**Section 1.01. Definitions.** Unless the context otherwise requires, the terms defined in this Section shall for all purposes hereof and of any amendment hereof or supplement hereto and of any report or other document mentioned herein or therein have the meanings defined herein, the following definitions to be equally applicable to both the singular and plural forms of any of the terms defined herein:

**“Ad Valorem Taxes”** means, with respect to each District, for any period, 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, excluding any such taxes levied to pay any voter approved general obligation indebtedness of such District.

**“Additional AV Obligations”** means, with respect to each District, its AV Obligations other than this Joint Acquisition Agreement, the Prior Joint Acquisition Agreement and, if applicable, the Senior AV State Loans.

**“Additional Installment Payments”** means, with respect to each District, the payments required to be made by such District pursuant to Section 4.03 hereof in the event that any other District fails to pay any Installment Payment required to be paid by such other District on the applicable Payment Date.

**“Additional Obligations”** means (a) with respect to each District other than District No. 14 and District No. 20, its Obligations other than this Joint Acquisition Agreement, the Prior Joint Acquisition Agreement and, if applicable, the State Loans, (b) with respect to District No. 14, its Obligations other than this Joint Acquisition Agreement, the Prior Joint Acquisition Agreement, the Prior District No. 14 Subordinate Installment Purchase Agreement and, if applicable, the State Loans, and (c) with respect to District No. 20, its Obligations other than this Joint Acquisition Agreement, the Prior Joint Acquisition Agreement, the Prior District No. 20 Subordinate Installment Purchase Agreements and, if applicable, the State Loans.

**“Adjusted Net Gross Revenues”** means, with respect to each District, for any period, the Net Gross Revenues of such District for such period, less amounts, if any, transferred during such period from such District’s Revenue Account to its Rate Stabilization Account.

**“Adjusted Net Revenues”** means, with respect to each District, for any period, the Net Revenues of such District for such period, less amounts, if any, transferred during such period from such District’s Revenue Account to its Rate Stabilization Account.

**“Administrative Costs”** means the ordinary and necessary administrative costs and incidental expenses related to the Authority Bonds, the Indenture, the Joint Acquisition Agreement, the Prior Authority Bonds, the Prior Indenture, the Prior Joint Acquisition Agreement and any Additional Obligations, including, but not limited to trustee fees (including any fees and expenses of its counsel) and indemnification payable by the Authority pursuant to the Indenture or the Prior Indenture and fees incurred in connection with the calculation of

arbitrage rebate due to the federal government with respect to the Authority Bonds or the Prior Authority Bonds.

**“Assumed Debt Service”** means, with respect to each District, for any period (a) for any Obligation of such District other than District Bonds, that portion of such District’s Obligation Payments for such Obligation required to be made in such period, and (b) for District Bonds of such District, the sum of (i) the interest payable during such period on all such outstanding District Bonds, assuming that all outstanding serial District Bonds are retired as scheduled and that all outstanding term District Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any such District Bonds), (ii) that portion of the principal amount of all such outstanding serial District Bonds maturing on any principal payment date which falls in such period, and (iii) that portion of the principal amount of all outstanding term District Bonds required to be redeemed or paid on any redemption date which falls in such period (together with the redemption premiums, if any, thereon). For purposes of calculating Assumed Debt Service, the following assumptions shall be used:

(A) in determining the principal amount due in each period, payment shall be assumed to be made in accordance with any amortization schedule established for such Obligations, including any scheduled payment at maturity or mandatory redemption or prepayment of Obligations on the basis of accreted value and, for such purpose, the scheduled payment at maturity or redemption payment or prepayment shall be deemed a principal payment;

(B) in determining the interest due in each period, interest payable at a fixed rate shall be assumed to be made at such fixed rate and on the required payment dates;

(C) if any outstanding Obligations constitute Variable Rate Indebtedness, 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;

(D) if Additional Obligations proposed to be incurred will be Variable Rate Indebtedness, then such Additional Obligations shall be assumed to bear interest at the rate quoted in the “25 Revenue Bond Index” for the last week of the month preceding the date of sale of such Additional Obligations, as published in *The Bond Buyer*, or if that index is no longer published, another similar index selected by such District, or if such District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Additional Obligations proposed to be issued, or if there are no such Treasury Bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(E) if any outstanding Obligations constitute Balloon Indebtedness (and such Obligations do not constitute Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H), below) or if Additional Obligations proposed to be incurred would constitute Balloon Indebtedness (and such Additional Obligations would not constitute Short-Term Obligations excluded from the calculation



of Assumed Debt Service pursuant to clause (H), below), then such amounts as constitute Balloon Indebtedness 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 the rate quoted in the “25 Revenue Bond Index” for the last week of the month preceding the date of calculation, as published in *The Bond Buyer*, or if that index is no longer published, another similar index selected by such District, or if such District fails to select a replacement index, an interest rate equal to 80% of the yield for outstanding United States Treasury bonds having an equivalent maturity as the Obligations on the date incurred, or if there are no such United States Treasury bonds having equivalent maturities, 80% of the lowest prevailing prime rate of any of the five largest commercial banks in the United States, ranked by assets;

(F) if any outstanding Obligations constitute Credit Enhanced Obligations or if Additional Obligations proposed to be incurred would constitute Credit Enhanced Obligations, then (x) Assumed Debt Service on such Obligations shall be deemed to include any periodic payment payable to the Credit Enhancer as a condition of the Credit Enhancer’s standing ready to provide moneys necessary for payment to the holders of such Credit Enhanced Obligations, and (y) Assumed Debt Service on such Obligations shall not be based upon the terms of any reimbursement obligations to the Credit Enhancer except to the extent and for periods during which payments have been required to be made pursuant to such reimbursement obligations due to the Credit Enhancer’s advancing funds and not being reimbursed;

(G) if any outstanding Obligations constitute Option Obligations or if Additional Obligations proposed to be incurred would constitute Option Obligations, then (x) Assumed Debt Service on such Obligations shall not include amounts payable upon exercise by the holder thereof of the option to tender such Obligations for payment to the extent and for so long as a Liquidity Backer is required to provide the moneys necessary for such payment, (y) Assumed Debt Service on such Obligations shall be deemed to include any periodic fees payable to the Liquidity Backer as a condition of the Liquidity Backer’s standing ready to provide the moneys necessary for such payment, and (z) Assumed Debt Service on such Obligations shall not be based upon the terms of any reimbursement obligation to the Liquidity Backer except to the extent and for periods during which payments have been required to be made pursuant to such reimbursement obligation due to the Liquidity Backer advancing funds and being reimbursed;

(H) if any outstanding Obligations constitute Short-Term Obligations or if Additional Obligations proposed to be incurred would constitute Short-Term Obligations, and such Short-Term Obligations are or will be payable only out of Ad Valorem Taxes or 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;

(I) if any outstanding Obligation constitutes a Financial Contract, then amounts payable by such District under such Financial Contract shall be included in calculating Assumed Debt Service only if and to the extent that such amounts exceed

amounts receivable by such District under such Financial Contract; if the interest rate applicable to payments receivable by such District under such Financial Contract is a variable rate, such variable rate shall be calculated in accordance with clause (C), above;

(J) if any Additional Obligation proposed to be incurred will be a Financial Contract, then amounts payable by such District under such Financial Contract shall be included in calculating Assumed Debt Service only if and to the extent that such amounts exceed amounts receivable by such District under such Financial Contract; if the interest rate applicable to payments receivable by such District under such Financial Contract will be a variable rate, such variable rate shall be calculated in accordance with clause (D), above;

(K) if amounts constituting accrued interest or capitalized interest have been deposited with an Obligation Trustee 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;

(L) if moneys or Defeasance Securities have been deposited by such District into a separate fund or account or are otherwise held by such District or by a fiduciary to be used to pay Debt Service on specified Obligations, and such Obligations are discharged, or no longer outstanding, pursuant to the terms of the instrument under which they are issued or arise, then the Debt Service to be paid from such moneys or Defeasance Securities, or from the earnings thereon, shall be disregarded and not included in calculating Assumed Debt Service;

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

(N) with respect to Obligation Payments that are not comprised of separate payments of interest and principal but which, rather, are required pursuant to the instrument under which they arise to be paid in amounts sufficient to pay principal and interest on bonds, notes or other obligations of an entity other than such District, for purposes of calculating Assumed Debt Service, interest payments and principal payments (whether at maturity or by redemption or prepayment) with respect to such bonds, notes or other obligations shall be deemed to be interest payments and principal payments with respect to such Obligation Payments.

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

**“Authority”** means the Los Angeles County Sanitation Districts Financing Authority, a joint exercise of powers authority organized and existing under and by virtue of the laws of the State, and any successor thereto.

**“Authority Bonds”** means the Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2011 Series A (Senior Ad Valorem Obligation Bonds) issued under and pursuant to the Indenture.

**“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).

**“AV Obligation Payments”** means, with respect to each District, its Senior AV Obligation Payments and Subordinate AV Obligation Payments.

**“AV Obligations”** means, with respect to each District, its Senior AV Obligations and Subordinate AV Obligations.

**“Balloon Indebtedness”** means an Obligation 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 Obligation was incurred to be amortized by payment or redemption prior to such date.

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

**“Bond Year”** means the period from the Closing Date through October 1, 2011 and, thereafter, the twelve-month period commencing on October 2 of each year through and including October 1 of the following year.

**“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 or supplemented, and any agreement superseding or replacing any of such agreements.

**“Code”** means the Internal Revenue Code of 1986.

**“Connection Fees”** means, with respect to each 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 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 Joint Acquisition 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;
- (c) a statement that, in the opinion of such Independent Consultant, sufficient examination or investigation was made as is necessary to enable said Independent Consultant to express an informed opinion with respect to the subject matter referred to in the report.

**“Credit Enhanced Obligations”** means, with respect to each District, Obligations of such District, the payments with respect to which are secured by an irrevocable letter of credit, surety bond, insurance policy or other credit facility or arrangement with an entity which such District is obligated to reimburse for advances made for amounts due on such Credit Enhanced Obligations.

**“Credit Enhancer”** means the entity issuing or providing the irrevocable letter of credit, surety bond, insurance policy or other credit facility or arrangement securing payments with respect to Credit Enhanced Obligations.

**“Debt Service”** means, with respect to each District, for any period (a) for any Obligation of such District other than District Bonds, that portion of such District’s Obligation Payments for such Obligation required to be made in such period, and (b) for District Bonds of such District, the sum of (i) the interest payable during such period on all such outstanding District Bonds, assuming that all outstanding serial District Bonds are retired as scheduled and that all outstanding term District Bonds are redeemed or paid from sinking fund payments as scheduled (except to the extent that such interest is to be paid from the proceeds of sale of any such District Bonds), (ii) that portion of the principal amount of all such outstanding serial District Bonds maturing on any principal payment date which falls in such period, and (iii) that portion of the principal amount of all outstanding term District Bonds required to be redeemed or paid on any redemption date which falls in such period (together with the redemption premiums, if any, thereon); provided, however, that (A) if amounts constituting accrued interest or capitalized interest have been deposited with an Obligation Trustee for Obligations, then the interest payable with respect to such Obligations from such amounts shall be disregarded and not included in calculating Debt Service, (B) if moneys or Defeasance Securities have been deposited by such District into a separate fund or account or are otherwise held by such District or by a fiduciary to be used to pay Debt Service on specified Obligations, and such Obligations are discharged, or no longer outstanding, pursuant to the terms of the instrument under which they are issued or arise, then the Debt Service to be paid from such moneys or Defeasance Securities, or from the earnings thereon, shall be disregarded and not included in calculating Debt Service, (C) interest income received on investment of moneys in an Obligation Reserve Fund and transferred to the District in such period shall, for the for purposes of calculating Debt

Service, offset interest payments and principal payments with respect to such Obligation Payments required to be made in such period, (D) the amount on deposit in an Obligation Reserve Fund on any date of calculation of Debt Service shall be deducted from the amount of principal due at the final maturity of the Obligations for which such Obligation Reserve Fund was established and in each preceding year until such amount is exhausted, and (E) with respect to Obligation Payments that are not comprised of separate payments of interest and principal but which, rather, are required pursuant to the instrument under which they arise to be paid in amounts sufficient to pay principal and interest on bonds, notes or other obligations of an entity other than such District, for purposes of calculating Debt Service, interest payments and principal payments (whether at maturity or by redemption or prepayment) with respect to such bonds, notes or other obligations shall be deemed to be interest payments and principal payments with respect to such Obligation Payments.

**“Defaulted Installment Payment Amount”** means, with respect to an Installment Payment that a District failed to pay in full on the applicable Payment Date, the product of (a) a fraction, the numerator of which is one and the denominator of which is the sum of the Proportionate Shares of all Districts that paid their Installment Payments in full on such Payment Date, times (b) the amount the defaulting District failed to pay.

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

**“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. 26”** means County Sanitation District No. 26 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. 32”** means County Sanitation District No. 32 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. 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. 29SBC and SCV.

**“Event of Default”** means an event described in Section 9.01 hereof.

**“Financial Contract”** means, with respect to each District, any interest rate swap agreement, currency swap agreement, forward payment conversion agreement, future or contract entered into by such District with respect to any Obligation of such District providing for payment based on levels of, or changes in, interest rates, currency exchange rates, stock or other indices, or a contract entered into by such District with respect to any Obligation of such District to exchange cash flows or a series of payments, or a contract entered into by such District with respect to any Obligation of such District, including, without limitation, interest rate floors or caps, options, rates or calls, to hedge payment, currency, rate, spread, or similar exposure or any similar contract entered into by such District with respect to any Obligation of such District.

**“Fiscal Year”** means, with respect to each 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.

**“Generally Accepted Accounting Principles”** means the uniform accounting and reporting procedures set forth in publications of the American Institute of Certified Public Accountants or its successor, or by any other generally accepted authority on such procedures, and includes, as applicable, the standards set forth by the Governmental Accounting Standards Board or its successor.

**“Gross Revenues”** means, with respect to each District, for any period, all income and revenue received by such District from the operation or ownership of its 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, together with Ad Valorem Taxes of such District, and together with amounts, if any, transferred during such period from the such District's Rate Stabilization Account to its Revenue Account, but excluding (a) Connection Fees, (b) payments received under Financial Contracts, (c) refundable deposits made to establish credit and advances or contributions in aid of construction, and (d) ad valorem taxes to the extent required by law to pay any voter approved general obligation indebtedness of such District; provided, however, that Gross Revenues shall include Connection Fees of such District collected during such period to the extent that such Connection Fees could be properly expended on a Sewerage System Project of such District for which the proceeds of Subject Obligations of such District were used or are available to be used.

**"Indenture"** means the Indenture, dated as of \_\_\_\_\_ 1, 2011, by and between the Authority and the Trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

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

(a) is in fact independent and not under the domination of any District or the Authority;

(b) does not have any substantial interest, direct or indirect, with any District or the Authority; and

(c) is not connected with the any District or the Authority as a member, officer or employee thereof, but who may be regularly retained to make annual or other reports thereto.

**"Installment Payments"** means, with respect to each District, the Installment Payments required to be made by such District pursuant to Section 4.02 of this Joint Acquisition Agreement.

**"Joint Acquisition Agreement"** means this Joint Acquisition Agreement, dated as of \_\_\_\_\_ 1, 2011, by and among the Districts and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

**"Joint Administration Agreement"** means the Amended Joint Administration Agreement, effective July 1, 1980, among the Districts, County Sanitation District No. 11 of Los Angeles County, County Sanitation District No. 33 of Los Angeles County, County Sanitation District No. 34 of Los Angeles County and County Sanitation District No. 35 of Los Angeles County, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

**"Joint Outfall Agreement"** means the Amended Joint Outfall Agreement, effective July 1, 1995, among 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, County Sanitation District No. 34 of Los Angeles County and SBC, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

**“LIBOR”** means, as of any date, the British Banker’s Association average of interbank offered rates in the London market for United States dollar deposits for a one year period, as most recently reported in *The Wall Street Journal* or, if not reported in such newspaper, as reported in such other source as may be selected by the Districts.

**“Liquidity Backer”** means any bank or other financial institution whose long term indebtedness is rated “AA” or better by S&P or whose long term indebtedness is rated “Aa” or better by Moody’s, such ratings to be determined without regard to any subcategory or modifier.

**“Maintenance and Operations Costs”** means, with respect to each District, for any period, the reasonable and necessary costs spent or incurred by such District for maintaining and operating its Sewerage System, calculated in accordance with Generally Accepted Accounting Principles, including (among other things) 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 Administrative Costs, 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, but excluding in all cases (a) depreciation, replacement and obsolescence charges or reserves therefor, (b) amortization of intangibles or other bookkeeping entries of a similar nature, (c) costs of capital additions, replacements, betterments, extensions or improvements to its Sewerage System, which under Generally Accepted Accounting Principles are chargeable to a capital account or to a reserve for depreciation, (d) charges for the payment of principal of or interest on any general obligation bond of such District heretofore or hereafter issued for purposes of its Sewerage System, and (e) charges for the payment of any debt service on Obligations of such District.

**“Net Gross Revenues”** means, with respect to each District, for any period, the Gross Revenues of such District for such period, less the Maintenance and Operation Costs of such District for such period.

**“Net Operating Revenues”** means, with respect to each District, for any period, the Operating Revenues of such District for such period, less the Maintenance and Operation Costs of such District for such period.

**“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 each District, for any period, the Revenues of such District for such period, less the Maintenance and Operation Costs of such District for such period.

**“Obligation Payments”** means, with respect to each District, its AV Obligation Payments and Revenue Obligation Payments.

**“Obligation Reserve Fund”** means, with respect to an Obligation, any debt service reserve fund or account established to secure the payment of Obligation Payments with respect to such Obligation.

**“Obligation Trustee”** means, with respect to an Obligation, the trustee, fiscal agent or other fiduciary authorized to act for the benefit and on behalf of the owners of such Obligation or the owners of interests in such Obligation, as the case may be.

**“Obligations”** means, with respect to each District, its AV Obligations and Revenue Obligations.

**“Operating Revenues”** means, with respect to each 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, together with Ad Valorem Taxes of such District remaining after paying, or making provision for the payment of, such District’s AV Obligations, but excluding (a) Connection Fees, (b) payments received under Financial Contracts, (c) refundable deposits made to establish credit and advances or contributions in aid of construction, and (d) ad valorem taxes to the extent required by law to pay any voter approved general obligation indebtedness of such District.

**“Option Obligations”** means, with respect to each District, Obligations of such District which by their terms, or by the terms of the instrument pursuant to which they were incurred, may be or are required to be tendered by and at the option of the holder thereof for payment or purchase by such District or a third party prior to the stated maturity thereof.

**“Payment Date”** means March 15 and September 15 of each year, commencing September 15, 2011.

**“Person”** means an individual, a corporation, a partnership, an association, a limited liability company, a joint stock company, a trust, any unincorporated organization or a government or political subdivision thereof.

**“Prior Authority Bonds”** means the Los Angeles County Sanitation Districts Financing Authority Capital Projects Revenue Bonds, 2003 Series A (Senior Ad Valorem Obligation Bonds) issued under and pursuant to the Prior Indenture.

**“Prior Indenture”** means the Indenture, dated as of June 1, 2003, by and between the Authority and BNY Western Trust Company, as trustee, as originally executed and as it may from time to time be amended or supplemented in accordance with its terms.

**“Prior Installment Payments”** means, with respect to each District, the installment payments required to be made by such District pursuant to Section 4.02 of the Prior Joint Acquisition Agreement.

**“Prior Joint Acquisition Agreement”** means this Joint Acquisition Agreement, dated as of June 1, 2003, by and among the Districts and the Authority, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms hereof.

**“Proportionate Share”** means, with respect to each District, the fraction, specified in decimal form, set forth for such District in Exhibit B hereto.

**“Purchased Improvements”** means, with respect to each District, the existing improvements to such District’s Sewerage System described in Exhibit A hereto.

**“Revenue Obligation Payments”** means, with respect to each District, its Senior Revenue Obligation Payments and Subordinate Revenue Obligation Payments.

**“Revenue Obligations”** means, with respect to each District, its Senior Revenue Obligations and Subordinate Revenue Obligations.

**“Revenues”** means, with respect to each 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, together with Ad Valorem Taxes of such District remaining after paying, or making provision for the payment of, such District’s AV Obligations, and together with amounts, if any, transferred during such period from such District’s Rate Stabilization Account to its Revenue Account, but excluding (a) Connection Fees, (b) payments received under Financial Contracts, (c) refundable deposits made to establish credit and advances or contributions in aid of construction, and (d) ad valorem taxes to the extent required by law to pay any voter approved general obligation indebtedness of such District; provided, however, that Revenues shall include Connection Fees of such District collected during such period to the extent that such Connection Fees could be properly expended on a Sewerage System Project of such District for which the proceeds of Subject Obligations of such District were used or are available to be used.

**“Santa Clarita Valley Agreement”** means the Agreement, dated May 8, 1984 by and between District No. 26 and District No. 32, as originally executed and as it may from time to time be amended or supplemented in accordance with the terms thereof.

**“SBC”** 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.

**“SBC”** 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 AV Obligation Payments”** means, with respect to each District, the installment, lease or other payments of interest and principal or, if there are no separate payments of interest

and principal, the installment, lease or other payments, payable by such District under and pursuant to its Senior AV Obligations.

**“Senior AV Obligations”** means, with respect to each District, this Joint Acquisition Agreement, the Prior Joint Acquisition Agreement, the Senior AV State Loans, if any, to which such District is a party or under which it is obligated to make payments and all contracts or leases of such District authorized and executed by such District under and pursuant to applicable law, the installment, lease or other payments under which are payable, first, from Ad Valorem Taxes of such District on a parity with such District’s Installment Payments, Prior Installment Payments and Senior AV State Loan payments, if any, and, second, to the extent that such Ad Valorem Taxes are insufficient therefor, from Net Revenues of such District on a parity with such District’s Senior Obligation Payments.

**“Senior AV State Loans”** means the [Loan Contract (Contract No. 7-801-550-0; Project No. 1054-110), dated December 30, 1987, between the State, acting by and through the State Water Resources Control Board and District No. 14, the Loan Contract (Contract No. 7-802-550-0; Project No. 1054-210), dated December 30, 1987, between the State, acting by and through the State Water Resources Control Board, and District No. 20, the Loan Contract (Contract No. 7-806-550-0; Project No. 7-806-550-0), dated February 1, 1988, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement, the Loan Contract (Contract No. 9-809-550-0; Project No. 4001-210), dated June 7, 1990, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory o the Joint Outfall Agreement, and the Loan Contract (Contract No. 1-805-550-0; Project No. 4028-110), dated October 1, 1991, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement.]

**“Senior District Bonds”** means, with respect to each District, all revenue bonds or notes of such District authorized, executed, issued and delivered under and pursuant to applicable law, the payments of which are made from the Net Revenues of such District on a parity with such District’s Senior Revenue Contract Payments and the portion, if any, of such District’s AV Obligation Payments not paid from Ad Valorem Taxes of such District. The term “Senior District Bonds” includes, but is not limited to, obligations in the form of bonds, notes, bond anticipation notes, and commercial paper.

**“Senior Obligation Payments”** means, with respect to each District, its Senior AV Obligation Payments, Subordinate AV Obligation Payments and Senior Revenue Obligation Payments.

**“Senior Obligations”** means, with respect to each District, its Senior AV Obligations, Subordinate AV Obligations and Senior Revenue Obligations.

**“Senior Revenue Contract Payments”** means, with respect to each District, the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by such District under and pursuant to its Senior Revenue Contracts.

**“Senior Revenue Contracts”** means, with respect to each District, the Senior Revenue State Loans, if any, to which such District is a party or under which it is obligated to make payments and all contracts or leases of such District authorized and executed by such District under and pursuant to applicable law, the installment, lease or other payments under which are payable from the Net Revenues of such District on a parity with such District’s Senior District Bonds and the portion, if any, of such District’s AV Obligations not paid from Ad Valorem Taxes of such District.

**“Senior Revenue Obligation Payments”** means, with respect to each District, the debt service payments payable by such District under and pursuant to its Senior District Bonds and its Senior Revenue Contract Payments.

**“Senior Revenue Obligations”** means, with respect to each District, its Senior District Bonds and Senior Revenue Contracts.

**“Senior Revenue State Loans”** [the Loan Contract (Contract No. 4-809-550-0; Project No. 4214-110), dated May 1, 1995, between the State, acting by and through the State Water Resources Control Board, and District No. 20, the Loan Contract (Contract No. 4-819-550-0; Project No. 4252-110), dated May 23, 1995, between the State, acting by and through the State Water Resources Control Board, and District No. 28, the Loan Contract (Contract No. 4-821-550-0; Project No. 4213-110), dated July 3, 1995, between the State, acting by and through the State Water Resources Control Board, and District No. 14, the Loan Contract (Contract No. 5-807-550-0; Project No. 4252-210), dated December 26, 1995, between the State, acting by and through the State Water Resources Control Board, and District No. 28, the Loan Contract (Contract No. 5-816-550-0; Project No. 4082-110), dated November 13, 1997, between the State, acting by and through the State Water Resources Control Board, and District No. 32 acting on behalf of the parties signatory to the Santa Clarita Valley Agreement, the Loan Contract (Contract No. 7-804-550-0; Project No. 4001-220), dated March 3, 1998, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement, the Loan Contract (Contract No. 7-830-550-0; Project No. 4001-230), dated June 10, 1999, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement, the Loan Contract (Contract No. 8-817-550-0; Project No. 4001-260), dated July 2, 1999, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement, the Loan Contract (Contract No. 8-818-550-0; Project No. 4001-250), dated November 1, 1999, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement, the Loan Contract (Contract No. 99-801-550-0; Project No. 4001-270), dated July 7, 2000, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement, the Loan Contract (Contract No. 99-821-550-0; Project No. 4001-410), dated January 29, 2001, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement, the Loan Contract (Contract No. 99-822-550-0; Project No. 4001-240), dated February 14, 2001, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement, the Loan Contract (Contract No. 99-824-550-0;

Project No. 4082-160), dated February 23, 2001, between the State, acting by and through the State Water Resources Control Board, and District No. 32 acting on behalf of the parties signatory to the Santa Clarita Valley Agreement, the Loan Contract (Contract No. 00-807-550-0; Project No. 4001-280), dated February 20, 2002, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Joint Outfall Agreement, the Loan Contract (Contract No. 00-820-550-0; Project No. 4082-120), dated May 20, 2003, between the State, acting by and through the State Water Resources Control Board, and District No. 32 acting on behalf of the parties signatory to the Santa Clarita Valley Agreement, and the Loan Contract (Contract No. 00-832-550-0; Project No. 4082-170), dated May 20, 2003, between the State, acting by and through the State Water Resources Control Board, and District No. 2 acting on behalf of the parties signatory to the Santa Clarita Valley Agreement, as such contracts were originally executed and as the same were heretofore or may hereafter be from time to time amended or supplemented.] [Additional Senior Revenue State Loans?]

**“Sewerage System”** means, with respect to each District, the whole and each and every part of the wastewater collection, conveyance, treatment and disposal facilities of such District, including 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.

**“Sewerage System Project”** means, with respect to each District, any improvements to the Sewerage System of such District, the acquisition, construction and installation of which could be properly paid from Connection Fees of such District.

**“Short-Term Obligations”** means, with respect to each District, Obligations of such District having an original maturity of less than or equal to one year and which 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.

**“State Loans”** means, collectively, the Senior AV State Loans and the Senior Revenue State Loans.

**“Subject Obligations”** means, with respect to each District, for any period, Obligations of such District, any portion of the proceeds of which were expended or are available to be expended for a Sewerage System Project of such District, and with respect to which (a) any portion of such Obligations were outstanding during such period, or (b) if such Obligations were refunded with the proceeds of refunding Obligations, any portion of such refunding Obligations were outstanding during such period.

**“Subordinate AV Obligation Payments”** means, with respect to each District, the installment, lease or other payments of interest and principal or, if there are no separate payments

of interest and principal, the installment, lease or other payments, payable by such District under and pursuant to its Subordinate AV Obligations.

**“Subordinate AV Obligations”** means, with respect to each District, all contracts or leases of such District authorized and executed by such District under and pursuant to applicable law, the installment, lease or other payments under which are payable, first, from Ad Valorem Taxes of such District remaining after payment therefrom of such District’s Senior AV Obligation Payments and, second, to the extent that such Ad Valorem Taxes are insufficient therefor, from Net Revenues of such District on a parity with such District’s Senior Obligation Payments.

**“Subordinate District Bonds”** means, with respect to each District, all revenue bonds or notes of such District authorized, executed, issued and delivered under and pursuant to applicable law, the payments of which are made from the Net Revenues of such District remaining after payment therefrom of such District’s Senior Obligation Payments, on a parity with such District’s Subordinate Revenue Contract Payments. The term “Subordinate District Bonds” includes, but is not limited to, obligations in the form of bonds, notes, bond anticipation notes, and commercial paper.

**“Subordinate Revenue Contract Payments”** means, with respect to each District, the installment, lease or other payments of interest and principal or, if there are no separate payments of interest and principal, the installment, lease or other payments, payable by such District under and pursuant to its Subordinate Revenue Contracts.

**“Subordinate Revenue Contracts”** means, with respect to each District, all contracts or leases of such District authorized and executed by such District under and pursuant to applicable law, the installment, lease or other payments under which are payable from the Net Revenues of such District remaining after payment therefrom of such District’s Senior Obligation Payments, on a parity with such District’s Subordinate District Bonds.

**“Subordinate Revenue Obligation Payments”** means, with respect to each District, the debt service payments payable by such District under and pursuant to its Subordinate District Bonds and its Subordinate Revenue Contract Payments.

**“Subordinate Revenue Obligations”** means, with respect to each District, its Subordinate District Bonds and Subordinate Revenue Contracts.

**“Support Payment Due Date”** means the date ten days after each Payment Date.

**“Support Payments”** means, with respect to each District, its Additional Installment Payments and any similar payments required to be made by such District pursuant to the terms of an Obligation of such District in the event that any other District fails to pay any Obligation Payment required to be paid by such other District on the applicable Payment Date.

**“Trustee”** means The Bank of New York Mellon Trust Company, acting in its capacity as Trustee under and pursuant to the Indenture, and its successors and assigns.

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

**“Written Certificate”** and **“Written Request”** mean, 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. 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. Definitions in Indenture.** Except as otherwise herein defined and unless the context otherwise requires, each of the capitalized terms used in this Joint Acquisition Agreement shall have the same meaning set forth therefor in the Indenture. With respect to any defined term which is given a different meaning under this Joint Acquisition Agreement than under the Indenture, as used herein it shall have the meaning described herein.



## ARTICLE II

### REPRESENTATIONS AND WARRANTIES

**Section 2.01. Representations and Warranties 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 of California.

(b) Such District has full legal right, power and authority to enter into this Joint Acquisition Agreement and carry out its obligations hereunder and to carry out and consummate all transactions contemplated by this Joint Acquisition 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 Joint Acquisition Agreement.

(d) The execution and delivery of this Joint Acquisition 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.

(e) Such District has determined that it is necessary and proper for District uses and purposes within the terms of applicable law that such District acquire its Purchased Improvements in the manner provided for in this Joint Acquisition Agreement, in order to provide essential services and facilities to the persons residing in such District.

**Section 2.02. Representations and Warranty of the Authority.** The Authority makes the following representations and warranties:

(a) The Authority is a joint exercise of powers authority organized and existing under the laws of the State of California.

(b) The Authority has full legal right, power and authority to enter into this Joint Acquisition Agreement and to carry out and consummate all transactions contemplated by this Joint Acquisition Agreement, and the Authority has complied with the provisions of applicable law in all matters relating to such transactions.

(c) By proper action, the Authority has duly authorized the execution, delivery and due performance of this Joint Acquisition Agreement.

(d) The execution and delivery of this Joint Acquisition Agreement and the consummation of the transactions herein contemplated will not violate any provision of law, any order of any court or other agency of government, or any indenture, material agreement or other instrument to which the Authority 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, 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 the Authority.

## ARTICLE III

### **PURCHASE OF PURCHASED IMPROVEMENTS BY, AND SALE THEREOF TO, THE AUTHORITY; PAYMENT**

**Section 3.01. Purchase and Sale of Purchased Improvements.** Each District represents and warrants that it is the sole and exclusive owner of such District's Purchased Improvements. The Authority hereby purchases from each District, and each District hereby sells to the Authority, such District's Purchased Improvements in accordance with the provisions of this Joint Acquisition Agreement. All right, title and interest in the Purchased Improvements shall immediately vest in the Authority on the Closing Date without further action on the part of the Authority or the Districts.

**Section 3.02. Payment.** On the Closing Date, the Authority shall pay to the Districts, as and for the purchase price of the Purchased Improvements, the amount of \$\_\_\_\_\_, which amount shall be paid from the proceeds of the Authority Bonds.

## ARTICLE IV

### PURCHASE AND SALE OF PURCHASED IMPROVEMENTS; PAYMENTS

**Section 4.01. Purchase and Sale of Purchased Improvements.** Each District hereby purchases from the Authority, and the Authority hereby sells to such District, for the Installment Payments to be paid by such District, such District's Purchased Improvements in accordance with the provisions of this Joint Acquisition Agreement. All right, title and interest in the Purchased Improvements sold to a District by the Authority shall immediately vest in such District on the Closing Date without further action on the part of such District or the Authority.

**Section 4.02. Installment Payments.** Each District shall pay to the Authority its Installment Payments at the times and in the amounts provided in this Joint Acquisition Agreement. Such Installment Payments shall be paid, first, from such District's Ad Valorem Taxes and, second, to the extent that such Ad Valorem Taxes are insufficient therefor, from such District's Net Revenues. The amount of the Installment Payment payable by a District (other than a District whose Installment Payments have been accelerated pursuant to Section 9.01 hereof, which acceleration has not been rescinded) on each Payment Date shall be equal to the product of such District's Proportionate Share times the interest on, or the principal of (including mandatory sinking fund redemptions) and interest on, as applicable, the Authority Bonds due on the following Interest Payment Date (without regard to any acceleration of any Authority Bonds). Pursuant to the Indenture, the Installment Payments are to be applied to the payment of the principal of and interest on the Authority Bonds, and the Installment Payments of each District (other than a District whose Installment Payments have been accelerated pursuant to Section 9.01 hereof, which acceleration has not been rescinded) shall be made in amounts that are sufficient, but no more than sufficient, to pay such District's Proportionate Share of the scheduled payments of principal of (including mandatory sinking fund redemptions) and interest on the Outstanding Authority Bonds. If and to the extent that, on any Payment Date, there are amounts on deposit in a District's Payment Account in the Payment Fund established under the Indenture, said amounts shall be credited against such District's Installment Payment due on such date. Each Installment Payment shall be paid to the Trustee, as assignee of the Authority, no later than the applicable Payment Date, in lawful money of the United States of America, in funds which will be available not later than the Business Day following payment.

This Joint Acquisition Agreement constitutes a Senior AV Obligation and the Installment Payments constitute Senior AV Obligation Payments.

**Section 4.03. Additional Installment Payments.** In the event a District fails to make any of the payments required to be made by it hereunder, such payment shall continue as an obligation of such District until such amount shall have been fully paid and, to the extent permitted by law, each District agrees to pay the same with interest accruing thereon at a rate per annum equal to LIBOR, plus 0.50%. If a District fails to pay in full its Installment Payment (including any accelerated Installment Payment) on the applicable Payment Date, each other District shall, upon notice from the Trustee (which notice may be by facsimile transmission, promptly confirmed through one of the methods provided in Section 10.10 hereof), pay to the Trustee no later than the Support Payment Due Date following such Payment Date, from such District's Net Revenues, an Additional Installment Payment in an amount equal to the product of

such District's Proportionate Share times the Defaulted Installment Payment Amount; provided, however, that in no event shall the aggregate amount of Additional Installment Payments that any District is required to pay with respect to any Payment Date exceed an amount equal to 20% of such District's Installment Payment payable on such Payment Date. The payment of such Additional Installment Payment shall not reduce the amount of a District's subsequent Installment Payments or modify in any way such District's obligation to pay subsequent Installment Payments or subsequent Additional Installment Payments. A District making such an Additional Installment Payment shall be entitled to, and the defaulting District shall pay directly to each District making such an Additional Installment Payment, the portion of the defaulting District's delinquent Installment Payment equal to the amount of such District's Additional Installment Payment, together with interest thereon as provided above. Upon payment of such Additional Installment Payment, all rights of the Authority and the Trustee in and to said portion of such delinquent Installment Payment, and interest thereon, shall be automatically transferred, conveyed and assigned to the District paying such Additional Installment Payment. The payment by a District of such an Additional Installment Payment shall be deemed to be a purchase by such District of a proportionate interest in the defaulting District's Purchased Improvements, and the payment by the defaulting District of its delinquent Installment Payment, together with interest thereon as provided above, shall be deemed to be a repurchase of such proportionate interest.

**Section 4.04. Obligation Absolute.** The obligation of each District to make its Installment Payments and other payments required to be made by it under this Article IV, from its Ad Valorem Taxes and Net Revenues as described herein, is absolute and unconditional, and until such time as such District's Installment Payments and such other payments shall have been paid in full (or provision for the payment thereof shall have been made pursuant to Article X), such District shall not discontinue or suspend any Installment Payments or other payments required to be made by it hereunder when due, whether or not its Purchased Improvements or any part thereof are operating or operable or their use is suspended, interfered with, reduced or curtailed or terminated in whole or in part, and such Installment Payments and other payments shall not be subject to reduction whether by offset or otherwise and shall not be conditional upon the performance or nonperformance by any party of any agreement for any cause whatsoever.

## ARTICLE V

### PLEDGES; FUNDS AND ACCOUNTS

**Section 5.01. Pledge of Ad Valorem Taxes.** (a) Each District has pledged, pursuant to Section 5.01 of the Prior Joint Acquisition Agreement, and each District hereby pledges, all of its Ad Valorem Taxes to the payment of the Senior AV Obligations as provided therein and herein, and the Ad Valorem Taxes shall not be used for any other purpose while any of the Senior AV Obligations remain unpaid; provided, however, that out of the Ad Valorem Taxes there may be apportioned such sums for such purposes as are expressly permitted thereby and hereby. Such pledge constitutes a first lien on Ad Valorem Taxes for the payment of the Senior AV Obligations.

(b) A District may, in connection with the incurrence of Subordinate AV Obligations, pledge its Ad Valorem Taxes to the payment of its Subordinate AV Obligations; provided, however, that such pledge, and any lien created thereby, shall be junior and subordinate to the pledge of, and lien on, its Ad Valorem Taxes for the payment of its Senior AV Obligations.

**Section 5.02. Pledge of Net Revenues.** (a) Each District has pledged, pursuant to Section 5.01 of the Prior Joint Acquisition Agreement, and each District hereby pledges, all of its Net Revenues to the payment of the Senior Obligations as provided therein and herein, and the Net Revenues shall not be used for any other purpose while any of the Senior Obligations remain unpaid; provided, however, that out of the Net Revenues there may be apportioned such sums for such purposes as are expressly permitted thereby and hereby. Such pledge constitutes a first lien on Net Revenues for the payment of the Senior Obligations.

(b) A District may, in connection with the incurrence of Subordinate Obligations, pledge its Net Revenues to the payment of its Subordinate Obligations; provided, however, that such pledge, and any lien created thereby, shall be junior and subordinate to the pledge of, and lien on, its Net Revenues for the payment of its Senior Obligations.

**Section 5.03. Establishment of Funds and Accounts.** Pursuant to Section 5.03 of the Prior Joint Acquisition Agreement, each District has agreed, and each District hereby agrees, to establish and maintain within its treasury, so long as any of its Obligations remain outstanding, an Operating Fund and a Capital Improvement Fund. Subject to the provisions thereof, pursuant to Section 5.03 of the Prior Joint Acquisition Agreement, each District has agreed, and, subject to the provisions of the following paragraph, each District hereby agrees to establish and maintain within its Operating Fund, so long as any of its Obligations remain outstanding, the following accounts:

- (a) Ad Valorem Tax Account;
- (b) Senior AV Obligation Payment Account;
- (c) Subordinate AV Obligation Payment Account;
- (d) Revenue Account;
- (e) Senior Revenue Obligation Payment Account;
- (f) Subordinate Revenue Obligation Payment Account;
- (g) Rate Stabilization Account; and

(h) Surplus Account.

Notwithstanding the foregoing, a District need not establish a Subordinate AV Obligation Payment Account or a Subordinate Revenue Obligation Payment Account unless and until it has incurred Subordinate AV Obligations or Subordinate Revenue Obligations, respectively; a District need only establish a Rate Stabilization Account if and when it deems the establishment of such account to be necessary or appropriate for the management of its financial affairs.

**Section 5.04. Allocation of Ad Valorem Taxes.** Each District, in order to carry out and effectuate its pledge contained in Section 5.01 of the Prior Joint Acquisition Agreement, has agreed and covenanted and, in order to carry out and effectuate its pledge contained in Section 5.01 hereof, hereby agrees and covenants, that all Ad Valorem Taxes received by it shall be deposited when and as received in its Ad Valorem Tax Account. Each District shall set aside and deposit or transfer, as the case may be, from its Ad Valorem Tax Account the amounts set forth below at the following times and in the following order of priority:

(a) Senior AV Obligation Payment Account. On or before each Payment Date, such District shall transfer to its Senior AV Obligation Payment Account legally available Ad Valorem Taxes in an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on all outstanding Senior AV Obligations of such District before the following Payment Date; provided, however, that no such deposit need be made if amounts on deposit in such Senior AV Obligation Payment Account are at least equal to the amount of such Debt Service.

(b) Subordinate AV Obligation Payment Account. After having made the deposit to its Senior AV Obligation Payment Account required by subsection (a), above, such District shall, on or before each Payment Date, transfer to its Subordinate AV Obligation Payment Account legally available Ad Valorem Taxes in an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on all outstanding Subordinate AV Obligations of such District before the following Payment Date; provided, however, that no such deposit need be made if amounts on deposit in such Subordinate AV Obligation Payment Account are at least equal to the amount of such Debt Service.

(c) Revenue Account. On October 1 of each year, such District shall transfer any amount remaining in its Ad Valorem Tax Account to its Revenue Account; provided, however, that if on any date during the Bond Year ending on such October 1 the amount on deposit in such District's Ad Valorem Tax Account, together with amounts transferred during such Bond Year to its Senior AV Obligation Payment Account and its Subordinate AV Obligation Payment Account, is greater than Debt Service for the 12 month period ending on the following October 1 on all of its outstanding Senior AV Obligations and Subordinate AV Obligations, any or all of such amount in excess of such Debt Service may be transferred to such District's Revenue Account.

**Section 5.05. Allocation of Revenues.** Each District, in order to carry out and effectuate its pledge contained in Section 5.02 of the Prior Joint Acquisition Agreement, has agreed and covenanted and, in order to carry out and effectuate its pledge contained in Section

5.02 hereof, hereby agrees and covenants, that all Operating Revenues received by it shall be deposited when and as received in its Revenue Account. Each District shall pay from its Revenue Account all of its Maintenance and Operation Costs (including amounts reasonably required to be set aside in contingency reserves for Maintenance and Operations Costs, the payment of which is not immediately required) as and when the same shall be due and payable.

After having paid, or having made provision for the payment of, its Maintenance and Operation Costs, such District shall set aside and deposit or transfer, as the case may be, from its Revenue Account the amounts set forth below at the following times and in the following order of priority:

(a) Senior Revenue Obligation Payment Account/Senior AV Obligation Payment Account/Subordinate AV Obligation Payment Account. On or before each Payment Date, such District shall transfer legally available Net Operating Revenues (i) to its Senior Revenue Obligation Payment Account, an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on all Senior Revenue Obligations of such District before the following Payment Date; provided, however, that no such deposit need be made if the amounts on deposit in such Senior Revenue Obligation Payment Account are at least equal to the amount of such Debt Service, (ii) to its Senior AV Obligation Payment Account, an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on Senior AV Obligations of such District before the following Payment Date; provided, however, that no such deposit need be made if the amounts on deposit in such Senior AV Obligation Payment Account are at least equal to the amount of such Debt Service, and (iii) to its Subordinate AV Obligation Payment Account, an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on Subordinate AV Obligations of such District before the following Payment Date; provided, however, that no such deposit need be made if the amounts on deposit in such Subordinate AV Obligation Payment Account are at least equal to the amount of such Debt Service. Transfers to be made by a District to its Senior AV Obligation Payment Account and Subordinate AV Obligation Payment Account on or before each Payment Date shall be made, first, from its Ad Valorem Tax Account and, second, to the extent that amounts in its Ad Valorem Tax Account are not sufficient, therefor from its Revenue Account.

If a District is notified that it is required to make a Support Payment for a Senior Obligation, then on or before the applicable Support Payment Due Date, such District shall transfer legally available Net Operating Revenues (i) if such Support Payment relates to Senior Revenue Obligations, to its Senior Revenue Obligation Payment Account, an amount equal to such Support Payment, (ii) if such Support Payment relates to Senior AV Obligations, to its Senior AV Obligation Payment Account, an amount equal to such Support Payment, and (iii) if such Support Payment relates to Subordinate AV Obligations, to its Subordinate AV Obligation Payment Account, an amount equal to such Support Payment.

In the event that a District has insufficient Net Operating Revenues to make all of the transfers contemplated by this subsection (a), then such transfers shall be made, as



nearly as practicable, pro rata, based on the respective principal amounts of the Senior Revenue Obligations, Senior AV Obligations and Subordinate AV Obligations, payments with respect to which are required to be made.

(b) Senior Obligation Reserve Funds. After having made the transfers required by subsection (a), above, such District shall, on or before each Payment Date, transfer to each Obligation Trustee for its Senior Obligations, for deposit in the applicable Obligation Reserve Fund, legally available Net Operating Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Obligation Reserve Fund as and to the extent required by the applicable instrument pursuant to which such Senior Obligation was incurred. In the event that there are insufficient Net Operating Revenues to make all of the transfers contemplated by this subsection (b), then said transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Obligations, deposits to the Obligation Reserve Funds for which are required to be made.

(c) Subordinate Revenue Obligation Payment Account. After having made the transfers required by subsections (a) and (b), above, on or before each Payment Date, such District shall transfer legally available Net Operating Revenues to its Subordinate Revenue Obligation Payment Account in an amount which, together with other amounts on deposit therein, is at least equal to Debt Service due and payable on all Subordinate Revenue Obligations of such District before the following Payment Date; provided, however, that no such deposit need be made if the amounts on deposit in such Subordinate Revenue Obligation Payment Account are at least equal to the amount of such Debt Service.

If a District is notified that it is required to make a Support Payment for a Subordinate Obligation, then on or before the date such Support Payment is due, such District shall transfer legally available Net Operating Revenues to its Subordinate Revenue Obligation Payment Account in an amount equal to such Support Payment.

In the event that a District has insufficient Net Revenues to make all of the transfers contemplated by this subsection (c) then such transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Revenue Obligations, payments with respect to which are required to be made.

(d) Subordinate Revenue Obligation Reserve Funds. After having made the transfers required by subsections (a), (b) and (c), above, such District shall, on or before each Payment Date, transfer to each Obligation Trustee for its Subordinate Revenue Obligations, for deposit in the applicable Obligation Reserve Fund, legally available Net Operating Revenues in an amount equal to the amount, if any, required to be deposited therein to build up or replenish such Obligation Reserve Fund as and to the extent required by the applicable instrument pursuant to which such Subordinate Revenue Obligation was incurred. In the event that there are insufficient Net Operating Revenues to make all of the transfers contemplated by this subsection (d), then said transfers shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of

the Subordinate Revenue Obligations, deposits to the Obligation Reserve Funds for which are required to be made.

(e) Rate Stabilization Account. After having made the transfers required by subsections (a), (b), (c) and (d), above, such District may, on or before the Interest Payment Date immediately following the date on which said transfers are required to be made, transfer all or a portion of the Net Operating Revenues remaining in its Revenue Account to its Rate Stabilization Account.

(f) Surplus Account. After having made the transfers required or permitted by subsections (a), (b), (c), (d) and (e), above, such District shall, on or before the Interest Payment Date immediately following the date on which said transfers are required to be made, transfer all of the Net Operating Revenues remaining in its Revenue Account to its Surplus Account.

**Section 5.06. Allocation of Connection Fees.** Each District, in order to carry out and effectuate its pledge contained in Section 5.02 of the Prior Joint Acquisition Agreement, has agreed and covenanted and, in order to carry out and effectuate its pledge contained in Section 5.02 hereof, hereby agrees and covenants, that all Connection Fees received by it shall be deposited when and as received in its 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 the Sewerage System Project for which such Connection Fees were imposed. Additionally, to the extent that (i) there are insufficient Net Operating Revenues to make all of the transfers required by subsections (a), (b), (c) and (d) of Section 5.05 hereof, and (ii) any of said transfers were required to be made for or on account of Obligations which are Subject Obligations with respect to any Connection Fees on deposit in such District's Capital Improvement Fund, such Connection Fees shall be set aside and deposited or transferred, as the case may be, to make up the deficiencies in the transfers of Net Operating Revenue for or on account of such Subject Obligations, in the order of priority specified in Section 5.05 hereof.

**Section 5.07. Senior AV Obligation Payment Account.** During the period from each Payment Date to the day preceding the following Payment Date, each District shall transfer from its Senior AV Obligation Payment Account (i) to the Trustee on said Payment Date, its Installment Payment then due and payable, and (ii) to the appropriate entity, its Senior AV Obligation Payments (other than its Installment Payments) as and when due and payable, as required by the instrument pursuant to which such Senior AV Obligations were incurred. In the event there are insufficient amounts on deposit in its Senior AV Obligation Payment Account to make all of the payments contemplated by the preceding sentence, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Installment Payments and Senior AV Obligation Payments due and payable during such period.

**Section 5.08. Subordinate AV Obligation Payment Account.** During the period from each Payment Date to the day preceding the following Payment Date, each District shall transfer from its Subordinate AV Obligation Payment Account to the appropriate entity its Subordinate AV Obligation Payments as and when due and payable, as required by the instrument pursuant to which such Subordinate AV Obligations were incurred. In the event there are insufficient amounts on deposit in its Subordinate AV Obligation Payment Account to make all of such

Subordinate AV Obligation Payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate AV Obligation Payments due and payable during such period.

**Section 5.09. Senior Revenue Obligation Payment Account.** During the period from each Payment Date to the day preceding the following Payment Date, each District shall transfer from its Senior Revenue Obligation Payment Account to the appropriate entity its Senior Revenue Obligation Payments as and when due and payable, as required by the instrument pursuant to which such Senior Revenue Obligations were incurred. In the event there are insufficient amounts on deposit in its Senior Revenue Obligation Payment Account to make all of such Senior Revenue Obligation Payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Senior Revenue Obligation Payments due and payable during such period.

**Section 5.10. Subordinate Revenue Obligation Payment Account.** During the period from each Payment Date to the day preceding the following Payment Date, each District shall transfer from its Subordinate Revenue Obligation Payment Account to the appropriate entity its Subordinate Revenue Obligation Payments as and when due and payable, as required by the instrument pursuant to which such Subordinate Revenue Obligations were incurred. In the event there are insufficient amounts on deposit in its Subordinate Revenue Obligation Payment Account to make all of such Subordinate Revenue Obligation Payments, then said payments shall be made, as nearly as practicable, pro rata, based on the respective principal amounts of the Subordinate Revenue Obligation Payments due and payable during such period.

**Section 5.11. Surplus Account.** Amounts on deposit in a District's Surplus Account may from time to time be used for any purposes for which District funds may be legally applied.

## ARTICLE VI

### ADDITIONAL OBLIGATIONS

**Section 6.01. Additional AV Obligations.** A District may at any time incur Additional AV Obligations, which may be Senior AV Obligations or Subordinate AV Obligations, provided:

- (a) Such District is not in default under this Joint Acquisition Agreement.
- (b) Such District provides to each Obligation Trustee for such District's Obligations a Written Certificate of the District demonstrating that all of the following conditions are satisfied:
  - (i) Such District's Ad Valorem Taxes for the 12 calendar months preceding the date of incurring such Additional AV Obligations, determined in accordance with Generally Accepted Accounting Principles and as shown by the books of such District, shall have amounted to at least 100% of Debt Service for such 12 calendar month period on all of its AV Obligations outstanding at the commencement of such period.
  - (ii) Such District's estimated Ad Valorem Taxes for the 12 calendar months following the date of incurring such Additional AV Obligations, determined in accordance with Generally Accepted Accounting Principles, will be at least equal to 100% of Assumed Maximum Annual Debt Service on all of its AV Obligations to be outstanding immediately after the incurrence of such Additional AV Obligations.
  - (iii) Such District's Adjusted Net Gross Revenues for any 12 consecutive calendar months during the 24 calendar month period ending prior to the incurring of such Additional AV Obligations, determined in accordance with Generally Accepted Accounting Principles and as shown by the books of such District, shall have amounted to at least the sum of (A) 120% of Assumed Maximum Annual Debt Service on all Senior Revenue Obligations to be outstanding immediately after the incurring of such Additional AV Obligations, plus (B) 20% of Assumed Maximum Annual Debt Service on all AV Obligations to be outstanding immediately after the incurring of such Additional AV Obligations, plus (C) 100% of Assumed Maximum Annual Debt Service on all Subordinate Revenue Obligations to be outstanding immediately following the incurring of such Additional AV Obligations. For purposes of demonstrating compliance with the foregoing, Adjusted Net Gross Revenues may be adjusted for (x) any changes in rates and charges for the services of such District's Sewerage System which have been adopted prior to the date of incurring the Additional AV Obligations, (y) 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 incurring the Additional AV Obligations, and (z) the estimated change in available Adjusted Net Gross Revenues which will result from the connection

of existing residences or businesses to such District's Sewerage System within one year following completion of any project to be funded or any system to be acquired from the proceeds of such Additional AV Obligations.

For purposes of preparing the Written Certificate of the District described above, 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 period are not available. Such Written Certificate of the District shall not be required if the Additional AV Obligations being incurred are Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H) of the definition thereof. Such Written Certificate of the District shall also not be required if (x) the Additional AV Obligations being incurred are for the exclusive purpose of refunding then outstanding AV Obligations, and (y) at the time of the incurring of such Additional AV Obligations a Written Certificate of the District shall be delivered demonstrating that the present value of Assumed Debt Service on the refunding Additional AV Obligations through maturity will be less than the present value of Assumed Debt Service on the refunded AV Obligations through maturity.

(c) The Support Payments, if any, payable by such District in connection with such Additional AV Obligations shall be payable only on Support Payment Due Dates.

(d) Any required transfer of Net Revenues of such District for replenishment of an Obligation Reserve Fund for such Additional AV Obligations, other than from delinquent AV Obligation Payments with respect thereto, shall occur only on Payment Dates.

(e) The instrument pursuant to which such Additional AV Obligations are incurred shall designate whether such Additional AV Obligations are Senior AV Obligations or Subordinate AV Obligations.

**Section 6.02. Senior Revenue Obligations.** A District may at any time incur Senior Revenue Obligations, provided:

(a) Such District is not in default under this Joint Acquisition Agreement.

(b) Such District provides to each Obligation Trustee for such District's Obligations a Written Certificate of the District demonstrating that such District's Adjusted Net Gross Revenues for any 12 consecutive calendar months during the 24 calendar month period ending prior to the incurring of such Senior Revenue Obligations, determined in accordance with Generally Accepted Accounting Principles and as shown by the books of such District, shall have amounted to at least the sum of (A) 120% of Assumed Maximum Annual Debt Service on all Senior Revenue Obligations to be outstanding immediately after the incurring of such Senior Revenue Obligations, plus (B) 20% of Assumed Maximum Annual Debt Service on all AV Obligations to be outstanding immediately after the incurring of such Senior Revenue Obligations, plus (C) Assumed Debt Service on all of its AV Obligations to be outstanding immediately after the incurring of such Senior Revenue Obligations, but only to the extent that it is

estimated that such Assumed Debt Service will be required to be paid from Net Revenues of such District (because Ad Valorem Taxes of such District will not be available in amounts sufficient therefor), such Assumed Debt Service to be calculated for the Bond Year following the incurring of such Senior Revenue Obligations, plus (D) 100% of Assumed Maximum Annual Debt Service on all Subordinate Revenue Obligations to be outstanding immediately after the incurring of such Senior Revenue Obligations. For purposes of demonstrating compliance with the foregoing, Adjusted Net Gross Revenues may be adjusted for (x) any changes in rates and charges for the services of such District's Sewerage System which have been adopted prior to the date of incurring the Senior Revenue Obligations, (y) 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 incurring the Senior Revenue Obligations, and (z) the estimated change in available Adjusted Net Gross Revenues which will result from the connection of existing residences or businesses to the Sewerage System within one year following completion of any project to be funded or any system to be acquired from the proceeds of such Senior Revenue Obligations.

For purposes of preparing the Written Certificate of the District described above, 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 period are not available. Such Written Certificate of the District shall not be required if the Senior Revenue Obligations being incurred are Short-Term Obligations excluded from the calculation of Assumed Debt Service pursuant to clause (H) of the definition thereof. Such Written Certificate of the District shall also not be required if (x) the Senior Revenue Obligations being incurred are for the exclusive purpose of refunding then outstanding Senior Revenue Obligations, and (y) at the time of the incurring of such Revenue Obligations a Written Certificate of the District shall be delivered showing that the present value of Assumed Debt Service on the refunding Senior Revenue Obligations through maturity will be less than the present value of Assumed Debt Service on the refunded Senior Revenue Obligations through maturity.

(c) The Support Payments, if any, payable by such District in connection with such Senior Revenue Obligations shall be payable only on Support Payment Due Dates.

(d) Any required transfer of Net Revenues of such District for replenishment of an Obligation Reserve Fund for such Senior Revenue Obligations, other than from delinquent Senior Revenue Obligation Payments with respect thereto, shall occur only on Payment Dates.

**Section 6.03. Subordinate Revenue Obligations.** A District may at any time incur Subordinate Revenue Obligations, provided:

(a) There shall not have occurred and be continuing an Event of Default under the terms of this Joint Acquisition Agreement or the Indenture.

(b) The Subordinate Revenue Obligation Payments for such Subordinate Revenue Obligations shall not be subject to acceleration in the event of a default by such

District; provided, however, that Subordinate Revenue Obligation Payments for Subordinate Revenue Obligations in an aggregate principal amount not to exceed an amount equal to 20% of Assumed Debt Service on all outstanding Senior Obligations may be subject to acceleration, such Assumed Debt Service to be calculated for the then current Bond Year.

(c) The Support Payments, if any, payable by such District in connection with such Subordinate Revenue Obligations shall be payable only on Support Payment Due Dates.

(d) Any required transfer of Net Revenues of such District for replenishment of an Obligation Reserve Fund for such Subordinate Revenue Obligations, other than from delinquent Subordinate Revenue Obligation Payments with respect thereto, shall occur only on Payment Dates.

## ARTICLE VII

### COVENANTS

**Section 7.01. Compliance with Joint Acquisition Agreement.** Each District will punctually pay its Installment Payments, Additional Installment Payments and other payments required to be made by it hereunder in strict conformity with the terms hereof, and will faithfully observe and perform all the agreements, conditions, covenants and terms contained herein required to be observed and performed by it, and will not terminate this Joint Acquisition Agreement for any cause including, without limiting the generality of the foregoing, any acts or circumstances that may constitute failure of consideration, destruction of or damage to its Purchased Improvements, commercial frustration of purpose, any change in the tax or other laws of the United States of America or of the State or any political subdivision of either or any failure of the Authority to observe or perform any agreement, condition, covenant or term contained herein required to be observed and performed by it, whether express or implied, or any duty, liability or obligation arising out of or connected herewith or the insolvency, or deemed insolvency, or bankruptcy or liquidation of the Authority or any force majeure, including acts of God, tempest, storm, earthquake, war, rebellion, riot, civil disorder, acts of public enemies, blockade or embargo, strikes, industrial disputes, lock outs, lack of transportation facilities, fire, explosion, or acts or regulations of governmental authorities.

**Section 7.02. Against Encumbrances.** Each District agrees that it will not mortgage or otherwise encumber, pledge or place any charge upon its Sewerage System or any part thereof, or upon any of its Revenues or Ad Valorem Taxes that would impair such District's ability to comply with its obligations under this Joint Acquisition Agreement.

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 Ad Valorem Taxes or secured by a pledge, lien or charge upon its Revenues or Ad Valorem Taxes, except as provided herein.

**Section 7.03. Against Sale or Other Disposition of Property.** Each District agrees that it will 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 which is not needed for the efficient and proper operation of such District's Sewerage System, or any material or equipment which 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 agrees that it will not enter into any agreement or lease which impairs the operation of such District's Sewerage System or any part thereof necessary to secure adequate Revenues for the payment of its Obligations or which would otherwise impair the rights of the Authority with respect to such District's Revenues or 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 all of the following conditions are satisfied: (a) such Sewerage System or such part thereof is sold or leased to another local governmental agency (including the 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 7.04. Maintenance and Operation of the Sewerage System; Budgets.** Each District will 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 will pay all of its Maintenance and Operation Costs as they become due and payable, but such District shall not be required to pay such Maintenance and Operation 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). On or before July 1 of each Fiscal Year, commencing July 1, 2012, each District will 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.

**Section 7.05. Amount of Rates and Charges.** Each District will, to the extent permitted by applicable law, fix, prescribe and collect rates and charges for the services of its Sewerage System which will be at least sufficient to yield during each Fiscal Year (a) Revenues sufficient to make all payments required hereby, including payments of Maintenance and Operations Costs, and (b) Net Gross Revenues equal to the sum of (i) 120% of Debt Service on its Senior Revenue Obligations for such Fiscal Year, plus (ii) 20% of Debt Service on its AV Obligations for such Fiscal Year, plus (iii) 100% of the portion of Debt Service on its AV Obligations for such Fiscal Year not paid from its Ad Valorem Taxes, plus (iv) 100% of Debt Service on its Subordinate Revenue Obligations for such Fiscal Year. 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 Net Gross Revenues from such reduced rates and charges will at all times be sufficient to meet the requirements of this Section.

**Section 7.06. Payment of Claims.** Each District will 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 Ad Valorem Taxes or any part thereof or on any funds in the hands of such District or the Trustee which might impair the security of its Installment Payments, 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 7.07. Compliance with Contracts.** Each District will 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 7.08. Insurance.** Each District will procure and maintain or cause to be procured and maintained casualty insurance on its Sewerage System with responsible insurers, or provide self insurance (which may be provided in the form of risk-sharing pools), in such amounts and against such risks (including accident to or destruction of its Sewerage System) as are usually covered in connection with wastewater systems similar to its Sewerage System. In the event of any damage to or destruction 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, and 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 property or facility is not necessary to the efficient or proper operation of its Sewerage System and therefore determines not to reconstruct, repair or replace such project or facility. If such Net Proceeds exceed the costs of such reconstruction, repair or replacement, then the excess Net Proceeds shall be deposited in the such District's Operating Fund and be available for other proper uses of funds deposited in its Operating Fund.

Each District will procure and maintain such other insurance which it shall deem advisable or necessary to protect its interests and the interests of the Authority, which insurance shall afford protection in such amounts and against such risks as are usually covered in connection with wastewater systems similar to its Sewerage System; provided that any such insurance may be maintained under a self-insurance program so long as such self-insurance is maintained in the amounts and manner usually maintained in connection with wastewater systems similar to its Sewerage System and is, in the opinion of an accredited actuary, actuarially sound.

All policies of insurance required to be maintained hereunder shall, to extent reasonably obtainable, provide that the Authority and the 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 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 7.09. Accounting Records.** Each District will keep appropriate accounting records in which complete and correct entries shall be made of all transactions relating to its Sewerage System, which records shall be available for inspection by the Authority and the Trustee at reasonable hours and under reasonable conditions.

**Section 7.10. Protection of Security and Rights of the Authority.** Each District will preserve and protect the security hereof and the rights of the Authority to such District's Installment Payments, Additional Installment Payments and other payments required to be made by such District hereunder and will warrant and defend such rights against all claims and demands of all Persons.

**Section 7.11. Payment of Taxes and Compliance with Governmental Regulations.**

Each District will pay and discharge all taxes, assessments and other governmental charges which may hereafter be lawfully imposed upon its Sewerage System or any part thereof or upon its Revenues or Ad Valorem Taxes when the same shall become due. Each District will 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 7.12. Collection of Rates and Charges; No Free Service.** Each District will have in effect at all times rules and regulations for the payment of bills for services of its Sewerage System. Each District agrees that it will 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, and (b) for incidental insignificant free use so long as such free use does not prevent such District from satisfying its other covenants under this Joint Acquisition Agreement, including, without limitation, Section 7.05 hereof.

**Section 7.13. 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 7.14. Tax Covenants.** Each District agrees that it not take any action, or fail to take any action, if such action or failure to take such action would adversely affect the exclusion from gross income of interest on the Authority Bonds under Section 103 of the Code. Without limiting the generality of the foregoing, each District agrees that it will comply with the requirements of the Tax Certificate, which is incorporated herein as if fully set forth herein. This covenant shall survive payment in full or defeasance of the Authority Bonds.

**Section 7.15. Enforcement of Contracts.** Each District agrees that it will 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, the Santa Clarita Valley 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 Installment Payments, Additional Installment Payments or other payments required to be made by it hereunder, or to perform and observe all of its covenants hereunder.

**Section 7.16. Administrative Costs.** Each District shall pay the portion of each charge constituting an Administrative Cost equal to the product of such Administrative Cost times such District's Proportionate Share. Administrative Costs shall be paid by the Districts directly to the Person or Persons to whom such amounts shall be payable. The Districts shall pay all such amounts when due or at such later time as such amounts may be paid without penalty or, in any other case, within 30 days after notice in writing from the Trustee to the Districts stating the amount of Administrative Costs then due and payable and the purpose thereof.

**Section 7.17. Continuing Disclosure.** Each District agrees that it will provide the Authority with such financial and operating data and other information with respect to such District, at such times, as is necessary or appropriate for the Authority to comply with its undertakings under the Continuing Disclosure Agreement.

**Section 7.18. Indemnification.** To the extent permitted by law, each District hereby agrees to indemnify and hold the Authority and the Trustee, as assignee of the Authority, and their officers and members harmless against any and all liabilities which might arise out of or are related to its Purchased Improvements or any portion thereof or the Authority Bonds, and each District further agrees to defend the Authority and the Trustee, as assignee of the Authority, and their officers and members in any action arising out of or related to its Purchased Improvements or any portion thereof or the Authority Bonds.

**Section 7.19. Further Assurances.** Each District will 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 hereof and for the better assuring and confirming unto the Authority of the rights and benefits provided to it herein.

## ARTICLE VIII

### RIGHT TO REDEEM

**Section 8.01. Right to Redeem.** On or after October 1, 20\_\_, the Districts, jointly, shall have the right to cause Authority Bonds maturing on or after October 1, 20\_\_ to be redeemed in accordance with Section 3.01 of the Indenture, by providing the Trustee with funds sufficient for such purpose (which funds may be derived by the Districts from any source) and giving notice as provided in Section 8.02 hereof.

**Section 8.02. Notice.** Before exercising their right to cause Authority Bonds to be redeemed pursuant to Section 8.01 hereof, the Districts shall give written notice to the Trustee of their intention to exercise such right, specifying the date on which such redemption shall be made, which date shall be not less than 60 nor more than 75 days from the date such notice is given, and specifying the amounts and maturities of Authority Bonds to be redeemed.

**Section 8.03. Discharge of Obligations.** If the Authority shall pay or cause to be paid or there shall otherwise be paid to the Owners of all Outstanding Authority Bonds the interest thereon and the principal thereof and the premiums, if any, thereon or if all Outstanding Authority Bonds shall be deemed to have been paid at the times and in the manner stipulated in the Indenture, and if all amounts then due and payable under this Joint Acquisition Agreement shall have been paid or provided for, then all agreements, covenants and other obligations of the District hereunder shall thereupon cease, terminate and become void and be discharged and satisfied.

## ARTICLE IX

### EVENTS OF DEFAULT AND REMEDIES OF THE AUTHORITY

**Section 9.01. Events of Default.** The following shall be Events of Default with respect to a District under this Joint Acquisition Agreement, and Event of Default shall mean, with respect to a District, any one or more of the following events:

(a) if default shall be made by such District in the due and punctual payment of or on account of any of its Senior Obligations as the same shall become due and payable;

(b) if default shall be made by such District in the performance of any of the agreements or covenants required herein to be performed by it (other than as specified in (a) above), and such default shall have continued for a period of 60 days after such District shall have been given notice in writing of such default by the Authority; or

(c) if such District shall file a petition or answer seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if a court of competent jurisdiction shall approve a petition filed with or without the consent of such District seeking arrangement or reorganization under the federal bankruptcy laws or any other applicable law of the United States of America or any state therein, or if under the provisions of any other law for the relief or aid of debtors any court of competent jurisdiction shall assume custody or control of such District or of the whole or any substantial part of its property.

Additionally, if a District is in default under any Senior Obligation of such District (other than this Joint Acquisition Agreement) and, in accordance with the terms of the instrument pursuant to which such Senior Obligation was incurred, such District's payments with respect to such Senior Obligation are accelerated, then the entire principal amount of such District's unpaid Installment Payments, and the accrued interest thereon, shall become immediately due and payable, anything contained herein to the contrary notwithstanding, with, to the extent permitted by law, interest on such accelerated amount at a rate per annum equal to LIBOR, plus 0.50%. If a District's payments with respect to any of its Senior Obligations are accelerated, such District shall immediately provide the Authority with written notice thereof, and the Authority shall provide all Districts with written notice of any acceleration hereunder. If at any time after the entire principal amount of such unpaid Installment Payments, and the accrued interest thereon, shall have been so accelerated and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, all accelerations of payments with respect to such District's Senior Obligations shall have been rescinded, then and in every such case the Authority, by written notice to the Districts, shall rescind and annul the acceleration of such Installment Payments and its consequences; but no such rescission and annulment shall extend to or shall affect any subsequent default of such District or shall impair or exhaust any right or power consequent thereon. All of a District's Ad Valorem Taxes received after the date of acceleration of its Installment Payments shall be applied, first, to the payment of the costs and expenses of the Authority if any, in carrying out the provisions of this Article, including reasonable compensation to its accountants and counsel and, second, to the payment of the entire

principal amount of such District's unpaid AV Obligations, and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable thereto, in accordance with their respective terms, provided, however, that if such Ad Valorem Taxes are not sufficient to pay such amounts in full, then said Ad Valorem Taxes shall be applied, as nearly as practicable, pro rata, based on the respective principal amounts of such District's unpaid AV Obligations. All of a District's Net Revenues received after the date of acceleration of its Installment Payments shall be applied, first, to the payment of the costs and expenses of the Authority if any, in carrying out the provisions of this Article, including reasonable compensation to its accountants and counsel, second, to the payment of the entire principal amount of such District's unpaid Senior Obligations, and the accrued interest thereon, with interest on the overdue installments at the rate or rates of interest applicable thereto, in accordance with their respective terms, provided, however, that if such Net Revenues are not sufficient to pay such amounts in full, then said Net Revenues shall be applied, as nearly as practicable, pro rata, based on the respective principal amounts of such District's unpaid Senior Obligations and, third, to such other liabilities of such District as are then payable.

**Section 9.02. Remedies on Default.** Upon the occurrence of an Event of Default with respect to a District, the Authority shall have the right:

- (a) by mandamus or other action or proceeding or suit at law or in equity to enforce its rights against such District or any board member, officer or employee thereof, and to compel such District or any such board member, officer or employee to perform and carry out his or her duties under applicable law and the agreements and covenants required to be performed by him or her contained herein;
- (b) by suit in equity to enjoin any acts or things which are unlawful or violate the rights of the Authority;
- (c) by suit in equity require such District and its board members, officers and employees to account as the trustee of an express trust; and
- (d) to have 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.

**Section 9.03. Non-Waiver.** Nothing in this Article or in any other provision hereof shall affect or impair the obligation of such District, which is absolute and unconditional, to pay the Installment Payments and Additional Installment Payments to the Authority at the respective due dates from its Ad Valorem Taxes and Net Revenues and the other funds herein committed for such payment, or shall affect or impair the right of the Authority, which is also absolute and unconditional, to institute suit to enforce such payment by virtue of the contract embodied herein.

A waiver of any default or breach of duty or contract by the Authority shall not affect any subsequent default or breach of duty or contract or impair any rights or remedies on any such subsequent default or breach of duty or contract. No delay or omission by the Authority to exercise any right or remedy accruing upon any default or breach of duty or contract shall impair

any such right or remedy or shall be construed to be a waiver of any such default or breach of duty or contract or an acquiescence therein, and every right or remedy conferred upon the Authority by applicable law or by this Article may be enforced and exercised from time to time and as often as shall be deemed expedient by the Authority.

If any action, proceeding or suit to enforce any right or exercise any remedy is abandoned or determined adversely to the Authority, such District and the Authority shall be restored to their former positions, rights and remedies as if such action, proceeding or suit had not been brought or taken.

**Section 9.04. Remedies Not Exclusive.** No remedy herein conferred upon or reserved to the Authority is intended to be exclusive of any other remedy, and each such remedy shall be cumulative and shall be in addition to every other remedy given hereunder or now or hereafter existing in law or in equity or by statute or otherwise and may be exercised without exhausting and without regard to any other remedy conferred by law.



## ARTICLE X

### MISCELLANEOUS

**Section 10.01. Liability of Districts Limited.** Notwithstanding anything contained herein, a District shall not be required to advance any moneys derived from any source of income other than its Ad Valorem Taxes and Net Revenues and the other funds provided herein for the payment of its Installment Payments, Additional Installment Payments and other payments required to be made by it hereunder, or for the performance of any agreements or covenants required to be performed by it contained herein. A District may, however, but in no event shall be obligated to, advance moneys for any such purpose so long as such moneys are derived from a source legally available for such purpose and may be legally used by such District for such purpose.

Each District is obligated hereunder only to the extent of its Installment Payments, Additional Installment Payments and other payments required to be made by it hereunder, and is not obligated with respect to any other District's Installment Payments, Additional Installment Payments or other payments required to be made by such District hereunder.

The obligation of each District to make its Installment Payments, Additional Installment Payments and other payments required to be made by it hereunder is a special obligation of such District payable, in the manner provided herein, solely from its Ad Valorem Taxes and Net Revenues and other funds provided for herein, and does not constitute a debt of such District or of the State of California or of any political subdivision thereof in contravention of any constitutional or statutory debt limitation or restriction. Neither the faith and credit nor the taxing power of any District or the State or any political subdivision thereof is pledged to the payment of the Installment Payments, Additional Installment Payments or other payments required to be made hereunder.

**Section 10.02. Benefits of Joint Acquisition Agreement Limited to Parties.** Nothing contained herein, expressed or implied, is intended to give to any Person other than the Districts, the Authority or the assigns of the Authority any right, remedy or claim under or pursuant hereto, and any agreement or covenant required herein to be performed by or on behalf of the Districts or the Authority shall be for the sole and exclusive benefit of the other party hereto, and its assigns.

**Section 10.03. Amendments.** This Joint Acquisition Agreement may be amended in writing as may be mutually agreed by the Districts and the Authority, with the written consent of the Owners of at least a majority in aggregate principal amount of Authority Bonds Outstanding pursuant to the Indenture, provided that no such amendment shall (a) extend the payment date of any Installment Payment or Additional Installment Payment, or reduce the amount of any Installment Payment or Additional Installment Payment without the prior written consent of the Owner of each Authority Bond so affected, or (b) reduce the percentage of Authority Bonds the consent of the Owners of which is required for the execution of any amendment of this Joint Acquisition Agreement. This Joint Acquisition Agreement and the rights and obligations of the Districts and the Authority hereunder may also be amended or supplemented at any time by an amendment hereof or supplement hereto which shall become binding upon execution by the

Districts and the Authority, without the written consents of any Owners, but only to the extent permitted by law and only upon receipt of an unqualified opinion of Bond Counsel selected by the Districts and approved by the Authority to the effect that such amendment or supplement is permitted by the provisions of this Joint Acquisition Agreement and is not inconsistent with this Joint Acquisition Agreement and does not adversely affect the exclusion of interest on the Authority Bonds received by the Owners from gross income for federal income tax purposes, and only for any one or more of the following purposes:

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

(c) in any other respect whatsoever as the Authority and the Districts may deem necessary or desirable, provided that such amendment or supplement does not materially adversely affect the interests of the Owners of the Authority Bonds.

**Section 10.04. Successor Is Deemed Included in all References to Predecessor.**

Whenever either a District or the Authority is named or referred to herein, such reference shall be deemed to include the successor to the powers, duties and functions that are presently vested in such District or the Authority, and all agreements and covenants required hereby to be performed by or on behalf of such District or the Authority shall bind and inure to the benefit of the respective successors thereof whether so expressed or not.

**Section 10.05. Waiver of Personal Liability.** No official, officer or employee of a District shall be individually or personally liable for the payment of such District's Installment Payments, Additional Installment Payments or other payments required to be made by such District hereunder, but nothing contained herein shall relieve any official, officer or employee of any District from the performance of any official duty provided by any applicable provisions. of law or hereby.

**Section 10.06. Article and Section Headings; Gender and References.** The headings or titles of the several articles and sections hereof and the table of contents appended hereto shall be solely for convenience of reference and shall not affect the meaning, construction or effect hereof, and words of any gender shall be deemed and construed to include all genders. All references herein to "Articles," "Sections" and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof; and the words "hereby," "herein," "hereof," "hereto," "herewith" and other words of similar import refer to this Joint Acquisition Agreement as a whole and not to any particular Article, Section, subdivision or clause hereof.

**Section 10.07. Partial Invalidity.** If any one or more of the agreements or covenants or portions thereof required hereby to be performed by or on the part of any District or the

Authority shall be contrary to law, then such agreement or agreements, such covenant or covenants or such portions thereof shall be null and void and shall be deemed separable from the remaining agreements and covenants or portions thereof and shall in no way affect the validity hereof.

**Section 10.08. Assignment.** This Joint Acquisition Agreement and any rights hereunder may be assigned by the Authority to the Trustee, as a whole or in part, without the necessity of obtaining the prior consent of the Districts. The assignment of this Joint Acquisition Agreement to the Trustee is solely in its capacity as Trustee under the Indenture and the duties, powers and liabilities of the Trustee in acting hereunder shall be subject to the provisions of the Indenture.

**Section 10.09. Law Governing.** This Joint Acquisition Agreement shall be construed and governed in accordance with the laws of the State.

**Section 10.10. Notices.** All written notices, statements, demands, consents, approvals, authorizations, offers, designations, requests or other communications 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: Secretary Telecopy: (562) 695-1874
If to the Authority:	Los Angeles County Sanitation Districts Financing Authority c/o County Sanitation District No. 2 of Los Angeles County 1955 Workman Mill Road P.O. Box 4998 Whittier, California 90607-4998 Attention: Secretary Telecopy: (562) 695-1874
If to the Trustee:	The Bank of New York Mellon Trust Company 700 South Flower Street, Suite 500 Los Angeles, California 90017 Attention: Corporate Trust Telecopy: (213) 630-6215

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 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 (d) if given by any other means, upon delivery at the address specified in this Section.

**Section 10.11. Effective Date.** This Joint Acquisition Agreement shall become effective upon its execution and delivery, and shall terminate when all Installment Payments, Additional Installment Payments and other payments required to be made hereunder shall have been fully paid or when there are no longer any Authority Bonds Outstanding.

**Section 10.12. Execution in Counterparts.** This Joint Acquisition Agreement may be executed in several counterparts, each of which shall be deemed an original, and all of which shall constitute but one and the same instrument.

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

**LOS ANGELES COUNTY SANITATION  
DISTRICTS FINANCING AUTHORITY**

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

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

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

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

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

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

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

**COUNTY SANITATION DISTRICT NO. 4  
OF LOS ANGELES COUNTY**

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

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

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

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

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

**COUNTY SANITATION DISTRICT NO. 9  
OF LOS ANGELES COUNTY**

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

**COUNTY SANITATION DISTRICT NO. 14  
OF LOS ANGELES COUNTY**

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

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

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

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

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

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

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

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

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

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

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

**COUNTY SANITATION DISTRICT NO. 20  
OF LOS ANGELES COUNTY**

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

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

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

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

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

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

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

**COUNTY SANITATION DISTRICT NO. 27  
OF LOS ANGELES COUNTY**

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

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

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

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

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

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

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

**SANTA CLARITA VALLEY SANITATION  
DISTRICT OF LOS ANGELES COUNTY**

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



**EXHIBIT A**  
**DESCRIPTION OF PURCHASED IMPROVEMENTS**

## **EXHIBIT B**

### **PROPORTIONATE SHARES**

<b>District</b>	<b>Proportionate Share</b>
District No. 1	6.582
District No. 2	10.162
District No. 3	7.719
District No. 4	0.982
District No. 5	16.611
District No. 8	4.014
District No. 9	0.138
District No. 14	1.393
District No. 15	10.395
District No. 16	6.478
District No. 17	0.829
District No. 18	5.682
District No. 19	1.832
District No. 20	1.161
District No. 21	6.128
District No. 22	5.303
District No. 23	1.120
District No. 27	0.193
District No. 28	0.293
District No. 29	0.092
SBC	2.833
SCV	10.060