



**MWD**

METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

MAY 14 1996

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*Dawn Chan*  
for EXECUTIVE SECRETARY

April 23, 1996

(Real Property and Asset Management  
Ad Hoc Committee--Action)

To: Board of Directors (Finance and Insurance Committee--Action)

From: *for* General Manager

*Edward J. Meagher III*  
*Lambertus H. Becker*

Submitted by: Lambertus H. Becker  
Chief Financial Officer

Subject: Formation of the Metropolitan Water District Asset Financing Corporation

## RECOMMENDATION

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It is recommended that the Board of Directors:

- 1) Adopt the resolution shown as Attachment A, authorizing the General Manager and General Counsel to incorporate the Metropolitan Water District Asset Financing Corporation, and
- 2) Find that such action is exempt from the requirements of the California Environmental Quality Act because it constitutes the creation of a governmental funding mechanism not involving commitment to any specific project which may result in a potentially significant impact on the environment.

## EXECUTIVE SUMMARY

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As discussed in the Long Range Finance Plan (LRFP), Metropolitan's capital financing strategy includes the use of a variety of financing mechanisms. These include sales of fixed and variable-rate revenue bonds, sales of commercial paper, and pay-as-you-go funding. Because of the MWD Act constraint on the amount of revenue bonds Metropolitan can issue, it was recommended in the LRFP that additional forms of financing, such as certificates of participation and the use of a joint powers authority or a nonprofit corporation be considered. This letter addresses the use of a nonprofit corporation to finance certain future capital projects on behalf of Metropolitan.

It is proposed that your Board authorize the formation of a nonprofit corporation with the power to issue bonds or notes and to incur liabilities, that will provide financing for Metropolitan capital projects, including the proposed headquarters building. It is proposed that the corporation be governed by a Board of Directors comprised of:

- the Chairman of the Board of Metropolitan,
- the Chairman of the Finance and Insurance Committee of Metropolitan,
- the Chairman of the Real Property and Asset Management Ad Hoc Committee of Metropolitan,
- the General Manager of Metropolitan, and
- the Chief Financial Officer of Metropolitan.

The attached resolution authorizes the General Manager and the General Counsel to incorporate the Metropolitan Water District Asset Financing Corporation. The resolution approves the proposed form of the Articles of Incorporation and the Bylaws of the corporation. The resolution also authorizes the General Manager and General Counsel to file the Articles of Incorporation with the California Secretary of State.

## **DETAILED REPORT**

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As discussed in the Long Range Finance Plan, Metropolitan's capital financing strategy includes the use of a variety of financing mechanisms to fund Metropolitan's Capital Improvement Program (CIP). These include the sale of fixed and variable-rate long term revenue bonds, commercial paper, pay-as-you-go construction, certificates of participation, and the use of lease or installment purchase arrangements through a joint powers authority or a nonprofit corporation. This letter addresses the use of a nonprofit corporation to finance certain future capital projects on behalf of Metropolitan.

Under the California Nonprofit Public Benefit Corporation Law, a nonprofit corporation may be formed for any public or charitable purposes by one or more persons executing and filing articles of incorporation with the Secretary of State. It is proposed that your Board authorize the formation of the nonprofit corporation described in the attached resolution. The nonprofit corporation would be named the Metropolitan Water District Asset Financing Corporation (MWDAFC). The MWDAFC would have the power to issue bonds or notes and to incur liabilities. The MWDAFC would also have the ability to issue both tax-exempt and taxable debt to provide financing for future capital projects, including the proposed new headquarters building, as described below.

Under the Nonprofit Public Benefit Corporation Law, the MWDAFC must be governed by a Board of Directors. It is proposed that the Board be comprised of:

- the Chairman of the Board of Metropolitan,
- the Chairman of the Finance and Insurance Committee of Metropolitan,
- the Chairman of the Real Property and Asset Management Ad Hoc Committee of Metropolitan,
- the General Manager of Metropolitan, and
- the Chief Financial Officer of Metropolitan.

MWDAFC directors shall not receive compensation for their services; provided, however, that they may be reimbursed for expenses, as they may be fixed and determined by the corporation's board and ratified by Metropolitan's Board. There are various record keeping and administrative requirements associated with the on-going operation of the corporation. It is proposed that these functions be performed by Metropolitan finance staff and paid for by the MWDAFC.

The initial use of the MWDAFC will be to issue tax-exempt securities to finance the new headquarters building project. Proceeds of the financing may also be used to reimburse Metropolitan for headquarters building project expenditures incurred to date. The debt service payments will be secured by lease payments from Metropolitan under terms of a long-term lease agreement between Metropolitan and MWDAFC. MWDAFC will own the headquarters building for the term of lease, with title transferring to Metropolitan at the end of the lease. Lease payments from Metropolitan will be the only source of revenue for the MWDAFC. Furthermore, upon issuance of the tax-exempt securities, the MWDAFC will assign its rights to the lease payments to a Trustee, acting for and on behalf of investors, as security for the payment of debt service on the tax-exempt securities.

The MWDAFC tax-exempt securities will not be obligations of Metropolitan and will not have any effect on Metropolitan's debt to equity revenue bond limitation. This will preserve revenue bond capacity and provide significant additional flexibility for Metropolitan to finance the ongoing CIP. For accounting purposes, the headquarters building financing will be recorded as a long-term lease obligation. Other capital projects which may be financed by the MWDAFC include the Eastside Reservoir recreational facilities and purchase of Power Marketing Administrations (PMA).

The attached resolution authorizes the General Manager and the General Counsel to incorporate the Metropolitan Water District Asset Financing Corporation. The resolution

approves the proposed form of the Articles of Incorporation and the Bylaws of the corporation. The resolution also authorizes the General Manager and General Counsel to file the Articles of Incorporation with the California Secretary of State in accordance with the laws of the State of California. The Bylaws require that the MWDAFC provide to Metropolitan's Board a report of the corporation on a quarterly basis. The report will cover, among other things, areas such as the status of the corporation's finances, contractual obligations and operations.

The action recommended in this letter is exempt from the requirements of the California Environmental Quality Act because it constitutes the creation of a governmental funding mechanism not involving commitment to any specific project which may result in a potentially significant impact on the environment.

Attachment

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## ATTACHMENT A

THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIARESOLUTION 8498

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RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
APPROVING THE ARTICLES OF INCORPORATION, BYLAWS,  
PURPOSES AND ACTIVITIES OF  
THE METROPOLITAN WATER DISTRICT ASSET FINANCING CORPORATION

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ADOPTED MAY 14, 1996

THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA  
RESOLUTION 8498

RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
APPROVING THE ARTICLES OF INCORPORATION, BYLAWS,  
PURPOSES AND ACTIVITIES OF  
THE METROPOLITAN WATER DISTRICT ASSET FINANCING CORPORATION

WHEREAS, the Board of Directors of The Metropolitan Water District of Southern California (the "District") has determined that prudent management of the fiscal affairs of the District and the public interest and necessity require that it approve of the purposes and activities, Articles of Incorporation and Bylaws of The Metropolitan Water District Asset Financing Corporation (the "Corporation");

WHEREAS, the Board of Directors of the District has determined that the Corporation shall be formed for the purpose of rendering assistance to the District in the execution of various projects, all as more fully described in the form of Bylaws of the Corporation;

WHEREAS, the Board of Directors of the District has had presented to it and has considered the proposed form of Articles of Incorporation of the Corporation;

WHEREAS, the Board of Directors of the District has had presented to it and has considered the proposed form of Bylaws of the Corporation;

NOW, THEREFORE, the Board of Directors of The Metropolitan Water District of Southern California, DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

SECTION 1.01. Approval of the Corporation. The Board of Directors of the District hereby approves the Corporation, and the purposes and activities for which the Corporation was formed.

SECTION 1.02. Approval of the Articles of Incorporation of the Corporation. The Board of Directors of the District hereby approves the Articles of Incorporation of the Corporation substantially in the form attached to this Resolution, together with such additions, changes or corrections therein as may be approved by the General Counsel of the District, and directs the Executive Secretary to file said document in her office.

SECTION 1.03. Approval of the Bylaws of the Corporation. The Board of Directors of the District hereby approves the Bylaws of the Corporation substantially in

the form attached to this Resolution, together with such additions, changes or corrections therein as may be approved by the General Counsel of the District, and directs the Executive Secretary to file said document in her office.

SECTION 1.04 Authorization of the Actions of the Incorporators of the Corporation. The General Manager of the District and the General Counsel of the District are hereby authorized and directed to execute and file the Articles of Incorporation of the Corporation with the Secretary of State of the State of California and to perform any further actions as are necessary and proper to perfect the organization of the Corporation.

SECTION 1.05. Further Actions. The officers of the District are hereby authorized and directed to do all things necessary and desirable as may be necessary to accomplish the purposes of this Resolution.

I HEREBY CERTIFY that the foregoing is a full, true and correct copy of a Resolution adopted by the Board of Directors of The Metropolitan Water District of Southern California at its meeting held on \_\_\_\_\_, 1996.

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Executive Secretary  
The Metropolitan Water District  
of Southern California

# ARTICLES OF INCORPORATION

OF

## THE METROPOLITAN WATER DISTRICT ASSET FINANCING CORPORATION

### ARTICLE I. NAME.

The name of this corporation is THE METROPOLITAN WATER DISTRICT ASSET FINANCING CORPORATION.

### ARTICLE II. PURPOSES.

Section 1. This corporation is a nonprofit public benefit corporation and is not organized for the private gain of any person. It is organized under the Nonprofit Public Benefit Corporation Law (commencing with Section 5110 of the Corporations Code of the State of California) for public purposes.

Section 2. The primary purpose for which this corporation is formed is to render assistance to the Metropolitan Water District of Southern California ("Metropolitan") by acquiring, purchasing, operating and maintaining or providing for the construction, operation and maintenance of facilities, works, improvements or other property needed by Metropolitan for its operations or for any other lawful purpose, including the renovation of existing facilities and other improvements of any type; by acquiring and maintaining machinery, vehicles, and other equipment of any type or kind whatsoever needed by Metropolitan for its operations or for any other lawful purpose; and by leasing such facilities, works, improvements or other property to Metropolitan. In order to carry out this primary purpose, this corporation shall have the following general purposes and powers:

(a) to incur indebtedness and in connection therewith to issue bonds, debentures, notes or other evidences of indebtedness;

(b) to purchase or otherwise acquire, lease, own, hold, and to sell or otherwise dispose, exchange, assign, convey, lease, lease-back or to mortgage or otherwise hypothecate or encumber real and personal property;

(c) to assign, transfer, mortgage, convey in trust, pledge and hypothecate the leasehold estate created by any such lease or lease-back and the rentals payable to this corporation under any such lease or lease-back as security for any such bonds, debentures, notes or other indebtedness;

(d) to construct or provide for the construction of related facilities and improvements or to contract with others for the construction of all or portions thereof; and

(c) to exercise any and all rights and powers which a corporation organized under the Nonprofit Public Benefit Corporation Law of the State of California may now or hereafter exercise.

### ARTICLE III. LIMITATION ON PURPOSE.

Section 1. This corporation is organized solely for the purposes set forth in Article II hereof as a civic venture for and on behalf of Metropolitan. This corporation shall never engage in any business or activity other than that necessary or convenient for or incidental to the carrying out of the purposes set forth in Article II hereof.

Section 2. This corporation is organized and operated exclusively for public purposes within the meaning of Section 5111 of the Corporations Code of the State of California.

### ARTICLE IV. OFFICE.

The principal office for the transaction of the business of this corporation is to be located in the County of Los Angeles, State of California.

### ARTICLE V. SERVICE OF PROCESS.

The name and address in the State of California of this corporation's initial agent for service of process is Karen E. Dorff, Executive Secretary of Metropolitan Water District of Southern California, 350 South Grand Avenue, Los Angeles, California, 90071.

### ARTICLE VI. DIRECTORS.

The number of directors of this corporation may be fixed by the Bylaws. The provisions governing the designation and removal of the directors shall be set forth in the Bylaws.

### ARTICLE VII. DISSOLUTION.

This corporation is not organized for profit, and no part of the net earnings, if any, of this corporation, either during its existence or upon its dissolution, shall ever inure to the benefit of any individual, or any director, officer or member hereof. The property, assets, profits and net revenues of this corporation are irrevocably dedicated to the purposes set forth in Article II hereof; provided, however, that until all indebtedness of this corporation shall have been paid, such net revenues may be used for the purpose of paying or calling for redemption any bonds, debentures, notes or other evidences of such indebtedness. Upon the dissolution, liquidation or winding up of this corporation, or upon abandonment, the

assets of this corporation remaining after payment of or provision for all debts or liabilities of this corporation shall be distributed to Metropolitan to be used for any lawful purpose.

ARTICLE VIII. AMENDMENTS; SALE OF ASSETS.

Section 1. No amendment to the corporation's Articles of Incorporation shall be adopted until, in addition to any other approvals required, the Board of Directors of Metropolitan shall have given written approval of the same. Such approval may be given before or after any other required approval.

Section 2. The corporation shall not sell, lease, convey, exchange, transfer or otherwise dispose of all or substantially all of its assets, other than for purposes of a security transaction under Section 2(c) of Article II hereof, without the written approval of the Board of Directors of Metropolitan, in addition to any other approvals required. Such approval, may be given before or after any other required approvals.

IN WITNESS WHEREOF, for the purpose of forming this corporation under the laws of the State of California, the undersigned, as the incorporators of this corporation, have executed these Articles of Incorporation, upon the approval and at the direction of the Board of Directors of Metropolitan, this \_\_\_\_ day of \_\_\_\_\_, 1996.

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By: John R. Wodraska  
Title: General Manager of the Metropolitan  
Water District of Southern California

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By: N. Gregory Taylor  
Title: General Counsel of the Metropolitan  
Water District of Southern California

**BYLAWS**

for the regulation, except  
as otherwise provided by statute or  
its Articles of Incorporation,  
OF

**THE METROPOLITAN WATER DISTRICT ASSET FINANCING CORPORATION**

A California nonprofit public benefit corporation

**ARTICLE I. OFFICES.**

Section 1. Principal Office. The corporation's principal office shall be fixed and located at such place within the County of Los Angeles as the Board of Directors (the "Board") of this corporation shall determine. The Board is granted full power and authority to change said principal office from one location within the County of Los Angeles to another.

Section 2. Other Offices. Branch or subordinate offices may at any time be established by the Board at any place or places.

**ARTICLE II. MEMBERSHIP.**

There shall be no members of the corporation.

**ARTICLE III. DIRECTORS.**

Section 1. Powers. Subject to limitations of the Articles of Incorporation, of these Bylaws, and of the laws of the State of California, the activities and affairs of the corporation shall be conducted and all corporate powers shall be exercised by or under the direction of the Board. The Board may delegate the management of the activities of the corporation to any person or persons, a management company or committees however composed, provided that any such delegation other than to a committee of the Board or to the staff of The Metropolitan Water District of Southern California ("Metropolitan") must be approved by the Board of Directors of Metropolitan, and provided, moreover, that the activities and affairs of the corporation shall be managed and all corporate powers shall be exercised under the ultimate direction of the Board. Without prejudice to such general powers, but subject to the

same limitations, it is hereby expressly declared that the Board shall have the following powers in addition to the other powers enumerated in these Bylaws:

(a) To select and remove all of the other officers, agents and employees of the corporation, prescribe such powers and duties for them not inconsistent with law, with the Articles of Incorporation or these Bylaws and require from them security for faithful service.

(b) To conduct, manage and control the affairs and business of the corporation and make such rules and regulations therefor not inconsistent with law, with the Articles of Incorporation, or these Bylaws, as they may deem necessary or appropriate.

(c) To adopt, make and use a corporate seal and to alter the form of such seal from time to time as they may deem necessary or appropriate.

(d) To borrow money and incur indebtedness for the purpose of the corporation, and to cause to be executed and delivered therefor, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations or other evidences of debt and instruments securing the payment of the same.

(e) To appoint an Executive Committee (subject to the provisions of the Bylaws) and other committees, and to delegate to the Executive Committee any of the powers and authority of the Board in the management of the business and affairs of the corporation, except the power to amend or repeal Bylaws. Right of notice and participation by Metropolitan representatives at any committee meeting shall be the same as that provided in Section 10 below.

Section 2. Number of Directors. The authorized number of directors shall be five (5) until changed by amendment of the Articles of Incorporation or by a Bylaw.

Section 3. Term of Offices. Directors shall hold office until their resignation, removal or disqualification from service and until a successor has been designated and qualified, or until changed by amendment of the Articles of Incorporation or by a Bylaw.

Section 4. Designation of Directors and Filling of Vacancies. The directors shall be the Chairman of the Board of Directors of Metropolitan, the Chairman of the Real Property and Asset Management Ad Hoc Committee of Metropolitan, the Chairman of the Finance and Insurance Committee of Metropolitan, the General Manager of Metropolitan and the Chief Financial Officer of Metropolitan or their designees.

In the event that Metropolitan has a vacancy with regards to one of these five offices, the "acting," "interim," or "replacement" officer shall serve as director until the Board of Directors of Metropolitan designates a permanent successor to the vacant office.

Section 5. Resignation and Removal. Subject to the provisions of Section 5226 of the California Nonprofit Public Benefit Corporation Law, any director may resign effective upon giving written notice to the President, the Secretary or any director, unless the notice specifies a later time for the effectiveness of such resignation.

The Board may declare vacant the office of a director who has been declared of unsound mind by a final order of court, or convicted of a felony, or been found by a final order or judgment of any court to have breached any duty arising under Article 3 of the California Nonprofit Public Benefit Corporation Law.

No reduction of the authorized number of directors shall have the effect of removing any director prior to the expiration of the director's term of office.

Section 6. Place of Meeting. Meetings of the Board shall be held at any place within or without the State of California which has been designated from time to time by the Board. In the absence of such designation, regular meetings shall be held at the principal office of the corporation.

Section 7. Organizational Meetings. Subject to Section 10 hereof, the Board shall hold a regular meeting each year for the purpose of organization, election of officers, and the transaction of other business.

Section 8. Other Regular Meetings. Subject to Section 10 hereof, other regular meetings of the Board shall be held on such dates and at such times as the Board shall fix by resolution.

Section 9. Special Meetings. Special meetings of the Board for any purpose or purposes may be called at any time by the President, any Vice-President, the Secretary or any two directors. Any person calling such meeting shall cause notice of the meeting to be given pursuant to the requirements set forth below and subject to the requirements of Section 10 hereof.

Special Meetings of the Board shall be held upon four (4) days' written notice by first class mail or forty-eight (48) hours' written notice given personally or by telex, facsimile, or other similar means of communication. Any such notice shall be addressed or delivered to each director of the corporation or as may have been given to the corporation by the director for purposes of notice or, if such address is not shown on such records or is not readily ascertainable, at the place in which meetings of the directors are regularly held. Such notice shall also be addressed and delivered to the Board of Directors of Metropolitan and to any newspaper of general circulation, radio

station, or television station requesting such notice in writing. Such notice shall further be posted at least twenty-four (24) hours prior to the special meeting in a location that is freely accessible to members of the public. The call and notice shall specify the time and place of the special meeting and the business to be transacted or discussed. No other business shall be considered at such meetings.

Notice must be received at least twenty-four (24) hours before the time of the meeting. Written notice other than by first class mail shall be deemed to have been given at the time it is personally delivered to the recipient or is delivered to a common carrier for transmission or actually transmitted by the person giving the notice by electronic means, to the recipient.

Section 10. Ralph Brown Act. All meetings of the Board and any committee thereof shall be called, noticed, held and conducted in accordance with the provisions of the Ralph M. Brown Act (commencing with Section 54950 of the Government Code of the State of California).

Section 11. Quorum. A majority of the authorized number of directors constitutes a quorum of the Board for the transaction of business, except to adjourn as provided in Section 13 of this Article III. Every act or decision done or made by a majority of the directors present at a meeting duly held at which a quorum is present shall be regarded as the act of the Board, unless a greater number be required by law or by the Articles of Incorporation, except as provided in the next sentence. A meeting at which a quorum is initially present may continue to transact business notwithstanding the withdrawal of directors, if any action taken is approved by at least a majority of the required quorum for such meeting.

Section 12. Waiver of Notice. Notice of a meeting need not be given to any director who signs a waiver of notice or a written consent to holding the meeting or an approval of the minutes thereof, whether before or after the meeting, or who attends the meeting without protesting, prior thereto or at its commencement, the lack of notice to such director. All such waivers, consents, and approvals shall be filed with the corporate records or made a part of the minutes of the meetings.

Section 13. Adjournment. The directors present, whether or not a quorum is present, may adjourn any directors' meeting to another time and place as specified in an order of adjournment. If no directors are present, the Secretary or an Assistant Secretary may adjourn any directors' meeting to another time and place as specified in a notice of adjournment. Such order or notice of adjournment shall be conspicuously posted on or near the door of the place where the meeting was held within twenty-four (24) hours of the adjournment.

Section 14. Rights of Inspection. Every director and every member of the Board of Directors of Metropolitan shall have the absolute right at any reasonable time to inspect and copy all books, records and documents of every kind and to inspect the

physical properties of the corporation. Agendas of public meetings or other documents or writings distributed for discussion or consideration at a public meeting shall be disclosable to the public upon request without delay subject to the provisions of the Public Records Act (commencing with Section 6250 of the Government Code of the State of California).

Section 15. Committees. The Board may appoint one or more committees, each consisting of two or more directors, and delegate to such committees any of the authority of the Board except with respect to:

- (a) The approval of any action for which the California Nonprofit Public Benefit Corporation Law also requires approval of the members or approval of a majority of all members (such limitation of committee action shall apply whether or not the corporation has members);
- (b) The filling of vacancies on the Board or in any committee;
- (c) The amendment or repeal of Bylaws or the adoption of new Bylaws;
- (d) The amendment or repeal of any resolution of the Board which by its express terms is not so amenable or repealable; or
- (e) The appointment of other committees of the Board of the members thereof.

Any such committee must be created, and the members thereof appointed, by resolution adopted by a majority of the authorized number of directors then in office, provided a quorum is present, and any such committee may be designated an Executive Committee or by such other name as the Board shall specify. The Board may appoint, in the same manner, alternate members of any committee who may replace any absent member at any meeting of the committee. The Board shall have the power to prescribe the manner in which proceedings of any such committees shall be conducted. In the absence of any such prescription, such committee shall have the power to prescribe the manner in which its proceedings shall be conducted. Unless the Board or such committee shall otherwise provide, the regular and special meetings and other actions of any such committee shall be governed by the provisions of this Article III applicable to meetings and actions of the Board. Minutes shall be kept of each meeting of each committee.

Section 16. Fees and Compensation. Directors and members of committees shall not receive compensation for their services; provided, however, directors and members of committees may be reimbursed for expenses, as may be fixed or determined by the Board and ratified by the Board of Directors of Metropolitan.

## ARTICLE IV. OFFICERS.

Section 1. Officers. The officers of the corporation shall be a President, a Secretary and a Treasurer. The corporation may also have, at the discretion of the Board, a Chairman of the Board, one or more Vice Presidents, one or more Assistant Secretaries, one or more Assistant Treasurers, and such other officers as may be elected or appointed in accordance with the provisions of Section 3 of this Article IV. Any number of offices may be held by the same person except as provided in the Articles of Incorporation or in these Bylaws and except that neither the Secretary nor the Treasurer may serve concurrently as the President or Chairman of the Board.

Section 2. Election. The officers of the corporation, except such officers as may be elected by or appointed in accordance with the provisions of Section 3 or Section 5 of this Article IV, shall be chosen annually by, and shall serve at the pleasure of, the Board, and shall hold their respective offices until their resignation, removal, or other disqualification from service, or until their respective successors shall be elected.

Section 3. Subordinate Officers. The Board may elect, and may empower the President to appoint, such other officers, who need not be directors of the corporation, as the business of the corporation may require, each of whom shall hold office for such period, have such authority and perform such duties as are provided in these Bylaws or as the Board may from time to time determine.

Section 4. Removal and Resignation. Any officer may be removed, either with or without cause, by the Board at any time or, except in the case of an officer chosen by the Board, by any officer upon whom such power of removal may be conferred by the Board. Any such removal shall be without prejudice to the rights, if any, of the officer under any contracts of employment of the officer.

Any officer may resign at any time by giving written notice to the corporation, but without prejudice to the rights, if any, of the corporation under any contract to which the officer is a party. Any such resignation shall take effect at the date of the receipt of such notice or at any later time specified therein and, unless otherwise specified therein, the acceptance of such resignation shall not be necessary to make it effective.

Section 5. Vacancies. A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed in these Bylaws for regular election or appointment to such office, provided that such vacancies shall be filled as they occur and not on an annual basis.

Section 6. Chairman of the Board. The Chairman of the Board, if there shall be such an officer, shall, if present, preside at all meetings of the Board and exercise and perform such other powers and duties as may be from time to time assigned by the Board.

Section 7. President. Subject to such powers, if any, as may be given by the Board to the Chairman of the Board, if there be such an officer, the President is the general manager and chief executive officer of the corporation and has, subject to the control of the Board, general supervision, direction and control of the business and officers of the corporation. In the absence of the Chairman of the Board, or if there be none, the President shall preside at all meetings of the Board. The President has the general powers and duties of management usually vested in the office of president and general manager of a corporation and such other powers and duties as may be prescribed by the Board.

Section 8. Vice Presidents. In the absence or disability of the President, the Vice Presidents, if any be appointed, in order of their rank as fixed by the Board or, if not ranked, the Vice President designated by the Board, shall perform all the duties of the President and, when so acting, shall have all the powers of, and be subject to all the restrictions upon, the President. The Vice Presidents shall have such other powers and perform such other duties as from time to time may be prescribed for them respectively by the Board.

Section 9. Secretary. The Secretary shall keep or cause to be kept, at the principal office or such other place as the Board may order, a book of minutes of all meetings of the Board and its committees, with the time and place of holding, whether regular or special, and if special, how authorized, the notice thereof given, the names of those present at Board and committee meetings, and the proceedings thereof. The Secretary shall keep, or cause to be kept, at the principal office in the State of California the original or a copy of the corporation's Articles of Incorporation and Bylaws, as amended to date.

The Secretary shall give, or cause to be given, notice of all meetings of the Board and any committees thereof required by these Bylaws or by law to be given, shall keep the seal of the corporation in safe custody, and shall have such other powers and perform such other duties as may be prescribed by the Board.

Section 10. Treasurer. The Treasurer is the chief financial officer of the corporation and shall keep and maintain, or cause to be maintained, adequate and correct accounts of the properties and business transactions of the corporation. The books of account shall at all times be open to inspection by any director.

The Treasurer shall deposit all moneys and other valuables in the name and to the credit of the corporation with such depositories as may be designated by the Board. The Treasurer shall disburse the funds of the corporation as may be ordered by the Board, shall render to the President and the directors, whenever they request it, an account of all transactions as Treasurer and of the financial condition of the corporation, and shall have such other powers and perform such other duties as may be prescribed by the Board.

## ARTICLE V. OTHER PROVISIONS.

Section 1. Endorsement of Documents; Contracts. Subject to the provisions of applicable law, any note, mortgage, evidence of indebtedness, contract, conveyance or other instrument in writing and any assignment or endorsement thereof executed or entered into between the corporation and any other person, when signed by the President or any Vice President and the Secretary or any Assistant Secretary of the corporation shall be valid and binding on the corporation in the absence of actual knowledge on the part of the other person that the signing officers had no authority to execute the same. Any such instruments may be signed by any other person or persons and in such manner as from time to time shall be determined by the Board, and, unless so authorized by the Board, no officer, agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it liable for any purpose or amount.

Section 2. Representation of Shares of Other Corporations. The President or any other officer or officers authorized by the Board or the President are each authorized to vote, represent and exercise on behalf of the corporation all rights incident to any and all shares of any other corporation or corporations standing in the name of the corporation. The authority herein granted may be exercised either by any such officer in person or by any other person authorized so to do by proxy or power of attorney duly executed by said officer.

Section 3. Indemnification. The Corporation shall, to the maximum extent permitted by the California Nonprofit Public Benefit Corporation Law, and in accordance with that law, indemnify each of its agents against expenses, judgments, fines, settlements and other amounts actually and reasonably incurred in connection with any proceeding arising by reason of the fact any such person is or was an agent of the corporation. For purposes of this section, an "agent" of the corporation includes any person who is or was a director, officer, employee or other agent of the corporation and is or was acting within the scope of his or her employment or his or her designated or reasonably implied responsibilities.

Section 4. Construction and Definitions. Unless the context otherwise requires, the general provisions, rules of construction and definitions contained in the General Provisions and Definitions of the California Nonprofit Corporation Law and in the California Nonprofit Public Benefit Corporation Law shall govern the construction of these Bylaws.

## ARTICLE VI. NOTICE AND REPORTING TO METROPOLITAN.

Section 1. Notice of Meetings. Notice of all meetings of the Board, and any committees thereof, shall be given to the Board of Directors of Metropolitan in writing in the same manner as notices are given to the directors of the corporation. Notices shall be directed to the Board of Directors of The Metropolitan Water District of Southern California, 350 South Grand Avenue, Los Angeles, CA 90071, Attention: Executive Secretary. Failure to give such notice shall not in any way invalidate any action taken by the Board at any such meeting.

Section 2. Participation of the Board of Directors of Metropolitan. Members or their designees of the Board of Directors of Metropolitan shall have the right to attend meetings of the Board, and committees thereof, and to make recommendations thereto.

Section 3. Quarterly Reports to Metropolitan. The corporation shall provide to the Board of Directors of Metropolitan a report of the corporation on a quarterly basis. Such report shall describe such matters as, but not be limited to, the status of the financial affairs of the corporation, including the status of any existing or proposed obligations or contractual arrangements of the corporation, the status of the operations and management of the corporation's facilities and assets, the proposed transfer or encumbrance of any of the corporation's facilities or assets, the activities of any committee of the corporation, and the status of any vacancies on the Board or in any committee.

## ARTICLE VII. EMERGENCY PROVISIONS.

In the case of an emergency situation involving matters upon which prompt action is necessary due to the disruption or threatened disruption of public facilities, the directors of the Board or the Executive Committee may hold an emergency meeting without complying with the notice and posting requirements for special meetings set forth in Article II, Section 9 hereof. Such emergency meeting may be called by a director or an officer and notice need be given only to such of the directors, officers or members of the committee, as the case may be, as it may be feasible to reach at the time and by such means as may be feasible at the time including, without limitation, publication or radio.

The director or directors in attendance at the meeting of the Board, and the member or members of the Executive Committee, if any, in attendance at the meeting of the committee, shall constitute a quorum. If none is in attendance at the meeting, the officers or other persons designated on a list approved by the Board before the emergency, all in such order of priority and subject to such conditions and for such period of time (not longer than reasonably necessary after the termination of the emergency) as may be provided in the resolution approving the list, shall, to the extent required to provide a quorum at any meeting of the Board or of the Executive

Committee, be deemed directors or members of the committee, as the case may be, for such meeting.

The Board, either before or during any such emergency, may provide, and from time to time modify, lines of succession in the event that during such emergency any or all officers or agents of the corporation shall for any reason be rendered incapable of discharging their duties. The Board, either before or during any such emergency, may, effective in the emergency, change the principal office or designate several alternative offices or authorize the officers to do so.

ARTICLE VIII. AMENDMENTS.

Except as otherwise provided by the Articles of Incorporation or Bylaws, new Bylaws may be adopted or these Bylaws may be amended or repealed by the Board; provided, however, that these Bylaws shall not be amended or repealed without the consent of the Board of Directors of Metropolitan.

APPROVED AS TO FORM:

N. GREGORY TAYLOR  
GENERAL COUNSEL

By \_\_\_\_\_  
Deputy General Counsel

CERTIFICATE OF SECRETARY  
of  
METROPOLITAN WATER DISTRICT ASSET FINANCING CORPORATION  
(a California nonprofit public benefit corporation)

I hereby certify that I am the duly elected and acting Secretary of said corporation and that the foregoing Bylaws, comprising 10 pages, constitute the Bylaws of said corporation as duly adopted at a meeting of the Board of Directors thereof held on \_\_\_\_\_, 1996.

\_\_\_\_\_  
Secretary