

October 27, 1998

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

**From:** General Manager \_\_\_\_\_

**Submitted by:** Chief Financial Officer \_\_\_\_\_

**Subject:** Ninth Supplemental Resolution to the Master Revenue Bond Resolution, Authorizing the Issuance of Water Revenue Bonds to Retire Commercial Paper Notes, and Appropriation No.15349, in the Amount of \$495,000, to Pay Costs of Issuance

## RECOMMENDATION

It is recommended that the Board of Directors:

1. By a vote of two-thirds of the total vote of the Board, adopt the Ninth Supplemental Resolution to Metropolitan's Master Revenue Bond Resolution, in the form attached hereto, authorizing the sale of Water Revenue Bonds, 1998 Authorization, Series A, for the purpose of purchasing and retiring up to \$180 million of Metropolitan's outstanding short-term revenue certificates (commercial paper). The authorization will be effective through December 31, 1999.
2. Authorize Appropriation No.15349, in the amount of \$495,000 from the General Fund, for the costs of issuance arising from the sale of refunding bonds; and
3. Authorize the reimbursement of expenses paid from the General Fund from bond proceeds, if deemed appropriate, and authorize the General Manager to effect such reimbursement to the extent permitted under federal laws and regulations in accordance with instructions from bond counsel.

## EXECUTIVE SUMMARY

Financial conditions in the municipal bond markets have improved to historically favorable levels. The benchmark 30-year treasury bond is currently selling at historically low levels. The yield curve has flattened and the spread between short term interest rates and long term interest rates is extremely narrow. This provides a good opportunity for Metropolitan to lock in low long-term fixed rates by issuing water revenue bonds to purchase and retire a substantial portion of its outstanding short-term revenue certificates (commercial paper).

Metropolitan currently has \$300 million in outstanding commercial paper. Of this amount, \$60 million was issued and has been remarketed without benefit of a back-up line of credit. The other \$240 million is backed by a line of credit. Metropolitan uses the services of two

remarketing agents for its commercial paper program. It is proposed to retire \$180 million of the secured \$240 million in commercial paper, leaving each remarketing agent with \$60 million to manage. The \$180 million would thereby be converted to low fixed-rate long term debt.

Attached is the Ninth Supplemental Resolution (the Resolution) to Metropolitan's Master Revenue Bond Resolution, authorizing either a competitive or negotiated sale of Water Revenue Bonds, 1998 Authorization, Series A, for the purpose of purchasing and retiring up to \$180 million of Metropolitan's outstanding commercial paper. The Resolution, if adopted by your Board, establishes an Ad Hoc Committee with authority to set the size of the issue, determine the date of sale and to sell the bonds through either a negotiated or competitive sale. The Ad Hoc Committee consists of the Chairman of the Board, the Chairman of the Budget and Finance Committee and the General Manager. Because of market volatility and to insure a low cost sale, staff and Metropolitan's financial advisor are recommending a negotiated sale. The Ad Hoc Committee will make the final determination on the method of sale.

An appropriation is required against which to charge costs of issuance incurred and to be incurred in connection with the potential bond sale. It is recommended that the Board of Directors authorize Appropriation No. 15349, in the amount of \$495,000, from the General Fund, to pay the costs of issuance arising from the sale. The projected costs of issuance were derived from past experience and the best estimates of staff and the District's financial advisor. In order to maintain financing flexibility, your Board is being asked to authorize reimbursement of the costs of issuance to be paid from the General Fund, from bond proceeds, if deemed appropriate.

## **DETAILED REPORT**

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As described in the Long Range Finance Plan, an important part of the commercial paper strategy is to ramp up the program when funding is required, then periodically retire the commercial paper by issuing long-term debt (particularly when long-term interest rates are relatively low). Current conditions in the tax-exempt bond market are very favorable. The benchmark 30-year treasury bond is currently selling at historically low levels. The yield curve has flattened and the spread between short term interest rates and long term interest rates has narrowed. This provides an excellent opportunity to convert a portion of the outstanding commercial paper program to low fixed-rate long-term debt, consistent with the overall program strategy.

Metropolitan currently has \$300 million in outstanding commercial paper. Of this amount, \$60 million was issued and has been remarketed without benefit of a back-up line of credit. The other \$240 million is backed by lines of credit. Due to the size of our program and to encourage competition, Metropolitan uses the services of two remarketing agents. It is proposed to retire \$180 million of the secured \$240 million in commercial paper, leaving each remarketing agent with \$60 million to manage. The \$180 million would thereby be converted to low fixed-rate long-term debt.

Transmitted with this letter is the Ninth Supplemental Resolution (the Resolution) to Metropolitan's Master Revenue Bond Resolution, authorizing either a competitive or negotiated sale of Water Revenue Bonds, 1998 Authorization, Series A, for the purpose of purchasing and retiring up to \$180 million of Metropolitan's outstanding commercial paper. The Resolution, if adopted by your Board, establishes an Ad Hoc Committee with authority to set the size of the issue, determine the date of sale and to sell through either a competitive or negotiated sale. The Ad Hoc Committee consists of the Chairman of the Board, the Chairman of the Budget and Finance Committee and

the General Manager. To provide needed financial flexibility it is recommended that the authority to sell the bonds extend through December 31, 1999.

As discussed in the Long Range Finance Plan, there are certain conditions under which a negotiated bond sale is more advantageous than the use of the competitive bond sale process. A negotiated sale, with an underwriting team in place, allows for precise market timing, development of an optimal structure to improve marketability and the ability to obtain presale commitments from investors for the purchase of most or all of the bonds. Staff and our financial advisor are recommending that a negotiated process be used for the proposed sale to ensure a successful low cost sale. However, the Resolution authorizes either a competitive or negotiated sale providing the flexibility to use either process depending on market conditions. Section 225 of the Metropolitan Water District Act requires a two-thirds vote of the total vote of the Board to authorize a negotiated bond sale; therefore, the Board is asked to approve the Resolution by a two-thirds vote. The Ad Hoc Committee will make the final determination on the method of sale.

Estimates for the costs of issuance for the sale are derived from past experience and the best estimates of staff and the District's financial advisor. It is estimated that an appropriation in the amount of \$495,000 from the General Fund will be required. The following table shows the breakdown of estimated expenses:

Bond Counsel	\$100,000
Co-Bond Counsel	\$ 40,000
Disclosure Counsel	\$ 40,000
Bond Rating Agencies	\$140,000
Typesetting, Printing, Mailing	\$ 65,000
Auditing Services	\$ 10,000
Contingency	\$ 20,000
Surety Bond	<u>\$ 80,000</u>
Total	\$495,000

The appropriation for this purpose will be designated Appropriation No.15349. In order to maintain financing flexibility, your Board is being asked to authorize the reimbursement of expenses paid from the General Fund from bond proceeds, if deemed appropriate, and authorize the General Manager to effect such reimbursement to the extent permitted under federal laws and regulations in accordance with instructions from bond counsel.

If the bonds are sold through a negotiated sale, the bond sale will be managed by Metropolitan's current team of underwriters. The lead senior underwriter will be PaineWebber Incorporated. Co-senior managers will be Artemis Capital Group, Inc., Bear, Stearns & Co. Inc. and Salomon Smith Barney Inc. The co-managers will be determined by the Ad Hoc Committee.

Consideration is also being given to using an interest rate “swap” to convert \$180 million of Metropolitan’s commercial paper from a variable rate mode to a fixed rate mode. Historically, there have been municipal market conditions under which variable rate to fixed rate “swaps” have resulted in significant savings. Metropolitan’s financial advisor, O’Brien Partners, Inc., is analyzing the use of a “swap” to take advantage of the market’s current low fixed interest rates.

## **ENVIRONMENTAL**

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The recommendations made in this letter are exempt from the California Environmental Quality Act (CEQA) by the State CEQA Guidelines, 15378(b)(5) since they constitute the creation of government funding mechanisms which do not involve commitment to any specific project which may result in a potentially significant physical impact on the environment.

CGP:mb

**Attachment 8-2A**

**Attachment 8-2A**

**THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA**

**RESOLUTION \_\_\_\_\_**

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**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS  
AND PROVIDING THE TERMS AND CONDITIONS OF SAID BONDS  
(NINTH SUPPLEMENTAL RESOLUTION)**

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**(ADOPTED NOVEMBER 10, 1998)**

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**THE METROPOLITAN WATER DISTRICT OF  
SOUTHERN CALIFORNIA**

**RESOLUTION \_\_\_\_\_**

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**RESOLUTION OF THE BOARD OF DIRECTORS  
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA  
AUTHORIZING THE ISSUANCE OF WATER REVENUE BONDS  
AND PROVIDING THE TERMS AND CONDITIONS OF SAID BONDS  
(NINTH SUPPLEMENTAL RESOLUTION)**

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**(ADOPTED NOVEMBER 10, 1998)**

WHEREAS, pursuant to the Act (as defined in the hereinafter defined Master Resolution), the Board of Directors of The Metropolitan Water District of Southern California (the "District") may authorize the issuance of revenue bonds for any purpose permitted under the Act;

WHEREAS, pursuant to Resolution 8329 adopted by the District on July 9, 1991 (as heretofore and as hereby amended and supplemented, the "Master Resolution"), the District has heretofore authorized the issuance of Water Revenue Bonds on behalf of the District by adoption of supplemental resolutions from time to time, with the payment of the principal of, interest on, and any redemption premiums thereon being secured by and payable solely from the Net Operating Revenues (as defined in the Master Resolution) of the District and such other moneys, assets or security as may be provided for in the supplemental resolution pursuant to which such Bonds are issued;

WHEREAS, the public interest and necessity require the District to proceed under the Master Resolution and issue and sell Water Revenue Bonds, 1998 Authorization (the "Refinancing Bonds") in Series secured by and payable from the Net Operating Revenues or such other moneys, assets or security as may be provided pursuant to this Ninth Supplemental Resolution for the purpose of refunding certain Notes (each as defined in the Master Note



Resolution) issued pursuant to Resolution 8322 adopted by the District on May 14, 1991 (as heretofore amended and supplemented, the "Master Note Resolution"), which are to be more particularly described in the Escrow Instructions with respect to any Series of Refinancing Bonds; and

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

## ARTICLE I

### AUTHORIZATION OF BONDS; DEFINITIONS

**SECTION 1.1** Ninth Supplemental Resolution; Determinations. This Ninth Supplemental Resolution (this "Ninth Supplemental Resolution") is adopted in accordance with the provisions of the Master Resolution. The District hereby determines that the issuance of the Refinancing Bonds in Series from time to time is advisable from an economic and financial viewpoint.

**SECTION 1.2** Definitions. All terms which are defined in Section 1.01 of the Master Resolution shall, unless otherwise defined herein, have the same meanings, respectively, in this Ninth Supplemental Resolution. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Ninth Supplemental Resolution and of any certificate, opinion or other document herein mentioned, have the meanings herein specified, to be equally applicable to both the singular and the plural forms of any of the terms herein defined. Unless otherwise defined in this Ninth Supplemental Resolution, all terms used herein shall have the meanings assigned to such terms by the Act.

"Ad Hoc Committee" has the meaning ascribed to such term in Section 5.1 hereof.

"Authorized Denominations" means, with respect to the Fixed Rate Bonds, \$5,000 and integral multiples thereof, and with respect to the Variable Rate Bonds, except as otherwise set forth in the applicable Trust Agreement, \$100,000 and integral multiples thereof.

"Bond Reserve Requirement" means, subject to the provisions of this Ninth Supplemental Resolution permitting deposit of a Reserve Fund Credit Policy, the amount to be deposited in a Reserve Fund established for a Series of Refinancing Bonds, which shall be set forth in the terms of the Sales Documents with respect to such Series pursuant to the terms of Section 3.4(b) hereof.

"Code" means the Internal Revenue Code of 1986, as amended.

"Commercial Paper Notes" shall have the meaning ascribed to such term in the Master Note Resolution.

"Continuing Disclosure Certificate" means, with respect to a Series of Refinancing Bonds, the Continuing Disclosure Certificate of the District delivered by the District in connection with the issuance of such Series of Refinancing Bonds.

“Costs of Issuance” means all items of expense directly or indirectly payable by or reimbursable to the District and related to the authorization, execution, sale and delivery of any Series of Refinancing Bonds, including but not limited to advertising and printing costs, costs of preparation and reproduction of documents, filing and recording fees, initial fees and charges of any Fiscal Agent or Paying Agent, legal fees and charges, fees and disbursements of consultants and professionals, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of such Series of Refinancing Bonds, and any other cost, charge or fee in connection with the issuance and delivery of such Series of Refinancing Bonds.

“Costs of Issuance Fund” means, with respect to a Series of Refinancing Bonds, the Water Revenue Bonds 1998 Authorization Costs of Issuance Fund established for such Series of Refinancing Bonds pursuant to Section 3.2 hereof.

“DTC” means The Depository Trust Company, New York, New York, and its successors and assigns.

“Escrow Agent” means, with respect to a Series of Refinancing Bonds, the escrow agent selected and appointed by an Authorized Representative in accordance with Section 3.3 hereof to act in accordance with and to carry out the Escrow Instructions relating to such Series of Refinancing Bonds.

“Escrow Fund” means, with respect to a Series of Refinancing Bonds, the Water Revenue Bonds 1998 Authorization Escrow Fund established for such Series of Refinancing Bonds pursuant to Section 3.3 hereof.

“Escrow Instructions” means the escrow instructions relating to a Series of Refinancing Bonds authorized or required by Section 3.3 hereof to be given by an Authorized Representative to the Escrow Agent in accordance with Section 3.3 hereof.

“Escrow Requirements” means, with respect to a Series of Refinancing Bonds, those amounts necessary from time to time to pay when due the redemption price of the applicable Refinanced Notes, calculated in accordance with the provisions of the Master Note Resolution authorizing the issuance of such Refinanced Notes on the redemption date or other date specified in the applicable Escrow Instructions, and the principal, if any, and interest to become due on the Refinanced Notes on or prior to such redemption date.

“Excess Earnings Fund” means, with respect to a Series of Refinancing Bonds, the Water Revenue Bonds 1998 Authorization Excess Earnings Fund established for such Series of Refinancing Bonds pursuant to Section 3.5 hereof.

“Fiscal Agent” means the Treasurer.

“Fixed Rate Bonds” means Refinancing Bonds other than Variable Rate Bonds.

“Master Resolution” means Resolution 8329 adopted by the District on July 9, 1991, as heretofore amended and supplemented.

“Master Note Resolution” means Resolution 8322 adopted by the District on May 14, 1991, as amended and supplemented from time to time.

“Ninth Supplemental Resolution” means this resolution of the District, and any amendments, modifications or supplements hereto.

“Nominee” means the nominee of the Securities Depository, which may be the Securities Depository, as determined from time to time pursuant hereto.

“Notes” shall mean either the Commercial Paper Notes or Revolving Notes.

“Participants” means those broker-dealers, banks and other financial institutions for which the Securities Depository holds certificates as securities depository.

“Paying Agent” means, with respect to a Series of Variable Rate Bonds, the paying agent appointed pursuant to Section 4.1 of this Ninth Supplemental Resolution.

“Record Date” means, with respect to the Fixed Rate Bonds of a Series, the close of business on the fifteenth (15th) day of each month preceding an interest payment date, and with respect to Variable Rate Bonds of a Series, means the record date established pursuant to the Trust Agreement.

“Refinanced Notes” has the meaning ascribed thereto in Section 3.3 hereof.

“Refinancing Bonds” means the Bonds described in Section 2.1 hereof, authorized and issued pursuant to the Master Resolution, as supplemented by this Ninth Supplemental Resolution, and includes Fixed Rate Bonds and Variable Rate Bonds.

“Refinancing Capital Appreciation Bonds” means the Refinancing Bonds described in Section 2.2(b) of this Ninth Supplemental Resolution.

“Refinancing Current Interest Bonds” means the Refinancing Bonds described in Section 2.2(a) of this Ninth Supplemental Resolution.

“Remarketing Agent” means the remarketing agent appointed by the District from time to time pursuant to the Trust Agreement.

“Representation Letter” means a representation letter from the District to the Securities Depository as described in Section 2.9 hereof.

“Reserve Fund” means, with respect to a Series of Refinancing Bonds, a Water Revenue Bonds 1998 Authorization Reserve Fund established for such Series pursuant to Section 3.4 hereof.

“Reserve Fund Credit Policy” means an insurance policy, surety bond, letter of credit or other credit facility deposited with the Fiscal Agent pursuant to Section 3.4(d) hereof.

“Revolving Note” shall have the meaning ascribed to such term in the Master Note Resolution.

“Sales Documents” means, in the case of a negotiated sale, that certain bond purchase contract or other agreement for the purchase of one or more Series of Refinancing Bonds between the District and the Underwriters for such Series; or, in the case of a competitive sale, the notice of sale, bid form and other documents providing for the sale of one or more Series of Refinancing Bonds by the District to the Underwriters.

“Securities Depository” means the Securities Depository acting as such hereunder and which may be the District.

“Tax and Nonarbitrage Certificate” means, with respect to a Series of Refinancing Bonds, the Tax and Nonarbitrage Certificate of the District delivered by the District in connection with the issuance of such Series of Refinancing Bonds.

“Trust Agreement” means such trust agreement or such other instrument or instruments executed and delivered in connection with the issuance of a Series of Variable Rate Bonds which sets forth the terms and conditions of such Variable Rate Bonds and which appoints a Paying Agent in respect of such Series of Variable Rate Bonds.

“Underwriters” means, with respect to a Series of Refinancing Bonds, the original purchasers of such Series of Refinancing Bonds, as selected by the General Manager or his or her designee, or in the event of a vacancy, the Acting General Manager or his or her designee; or in the case of a competitive sale, the successful bidder for such Series of Refinancing Bonds.

“Variable Rate Bonds” means Refinancing Bonds bearing interest as determined from time to time by the Remarketing Agent or otherwise in accordance with the provisions of the Trust Agreement.

## ARTICLE II

### THE REFINANCING BONDS

**SECTION 2.1** Authorization. Bonds are hereby authorized to be issued pursuant to the Act and the Master Resolution, which Bonds are designated as “The Metropolitan Water District of Southern California Water Revenue Bonds, 1998 Authorization” (the “Refinancing Bonds”). Refinancing Bonds may be issued in one or more Series from time to time in accordance with the terms hereof, and each Series of Refinancing Bonds shall bear such additional designation as may be ascribed thereto in the Sales Documents for such Series. A Series of Refinancing Bonds may consist of Current Interest Bonds and Capital Appreciation Bonds, as provided in Section 2.2 of this Ninth Supplemental Resolution. A Series of Refinancing Bonds may be issued as Fixed Rate Bonds or Variable Rate Bonds and shall be issued in the aggregate principal amount and Initial Amount, if any specified in the Sales Documents for such Series.

**SECTION 2.2** Terms of the Refinancing Bonds.

(a) Refinancing Current Interest Bonds. The Refinancing Current Interest Bonds of each Series, if any, shall be Current Interest Bonds as described in the Master Resolution and, if any shall be issued, shall be issued in the aggregate principal amount set forth in the Sales Documents for such Series, shall be delivered in fully registered form in Authorized Denominations, and shall be numbered in such manner as the Fiscal Agent determines. The Refinancing Current Interest Bonds shall be dated such date as shall be specified in the Sales Documents for such Series, shall bear interest from such dated date at the rates and shall mature on the dates and in the principal amounts set forth in such Sales Documents, or Trust Agreement if any, for such Series.

The Sales Documents, or Trust Agreement if any, with respect to a Series of Refinancing Bonds shall designate which, if any, of the Refinancing Current Interest Bonds of such Series shall be Term Bonds.

(b) Refinancing Capital Appreciation Bonds. The Refinancing Capital Appreciation Bonds of each Series, if any, shall be Capital Appreciation Bonds as described in the Master Resolution and, if any shall be issued, shall be issued in the aggregate Initial Amount, shall mature on the dates and have a yield to maturity as set forth in the Sales Documents for such Series. The Refinancing Capital Appreciation Bonds, if any shall be issued, shall be dated the date of delivery thereof, shall be delivered in fully registered form in Authorized Denominations, and shall be numbered in such manner as the Fiscal Agent determines.

The Accreted Value for a Refinancing Capital Appreciation Bond having a \$5,000 Final Compounded Amount shall be illustrated by the Accreted Value Table set forth as an exhibit to the Sales Documents for such Series.

(c) Sources of Payment. The payment of the principal of, interest on, and any redemption premiums on the Refinancing Bonds shall be secured by and payable solely from Net Operating Revenues.

**SECTION 2.3** Interest.

(a) Refinancing Current Interest Bonds. Any Series of Refinancing Current Interest Bonds which are Fixed Rate Bonds shall bear interest at the rates set forth in the applicable Sales Documents (calculated on the basis of a 360-day year consisting of twelve 30-day months or otherwise as may be set forth in such Sales Documents), payable initially on the date set forth in such Sales Documents and semiannually thereafter on the dates set forth in such Sales Documents. Any Series of Refinancing Current Interest Bonds which are Variable Rate Bonds shall bear interest as determined pursuant to the Trust Agreement of such Series (calculated on the basis of a 365 or 366 day year, as applicable, and actual days elapsed) payable as provided in such Trust Agreement. Each Refinancing Current Interest Bond shall bear interest from the interest payment date next preceding the date of authentication thereof unless it is authenticated during the period after a Record Date but on or before the next interest payment date, in which event it shall bear interest from that interest payment date, or unless it is authenticated prior to the first Record Date, in which event it shall bear interest from the dated date of the Refinancing Current Interest Bonds specified in the applicable Sales Documents, or Trust Agreement if any, or

unless at the time of authentication interest is in default, in which event it shall bear interest from the interest payment date to which interest has been paid or provided for.

(b) Refinancing Capital Appreciation Bonds. Interest with respect to the Refinancing Capital Appreciation Bonds of any maturity shall be compounded at the original yield thereof set forth in the applicable Sales Documents commencing on the date specified in such Sales Documents and, unless otherwise provided in such Sales Documents, semi-annually thereafter on January 1 and July 1 of each year, computed using a year of 360 days comprised of twelve months of 30 days and shall be payable only at maturity or upon redemption as part of the Accreted Value. Accreted Value on any date other than January 1 and July 1 shall be calculated by straight line interpolation of the Accreted Value as of the immediately preceding and succeeding January 1 and July 1.

(c) Payment of Interest. Each Refinancing Bond shall bear or accrue interest until the principal or Accreted Value thereof has been paid; provided, however, that if at the maturity date of any Refinancing Bond or on the redemption date thereof if the same has been duly called for redemption, funds are available for the payment thereof in full in accordance with the terms of Article IX of the Master Resolution, such Refinancing Bond shall then cease to bear or accrue interest.

**SECTION 2.4** Place of Payment. Subject to Section 2.8 of this Ninth Supplemental Resolution, for so long as the Treasurer is the Fiscal Agent, the principal of the Fixed Rate Bonds shall be payable in lawful money of the United States of America upon presentation and surrender of such Fixed Rate Bonds at the corporate office of the District. Interest on the Refinancing Bonds shall be paid by check or draft mailed by first class mail to the persons whose names appear on the registration books of the Fiscal Agent as the registered Owners of such Refinancing Bonds as of the close of business on the Record Date at such persons' addresses as they appear on such registration books, except that an Owner of \$1,000,000 or more in principal amount of Fixed Rate Bonds may be paid interest by wire transfer to an account in the United States if such Owner makes a written request of the Fiscal Agent at least thirty (30) days preceding any interest payment date specifying the wire transfer instructions for such Owner. Such notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice. Payments of default interest shall be paid by check, draft or wire transfer to the Owners as of a special record date to be fixed by the Fiscal Agent, notice of which special record date shall be given to the Owners by the Fiscal Agent not less than ten (10) days prior thereto. Principal of and interest on the Variable Rate Bonds shall be payable as provided in the Trust Agreement.

**SECTION 2.5** Redemption.

(a) Optional Redemption. The Fixed Rate Bonds of any Series shall be subject to call and redemption prior to maturity, at the option of the District, in the amounts, at the redemption prices and on the dates as set forth in the Sales Documents with respect to such Series. The Variable Rate Bonds of any Series shall be subject to call or redemption as provided in the Trust Agreement with respect to such Series.

(b) Mandatory Sinking Account Payments. The Outstanding Refinancing Bonds of any Series which are Term Bonds shall be called before maturity and redeemed at a redemption price equal to the par amount thereof from Mandatory Sinking Account Payments



which have been deposited in the Bond Service Fund, in the amounts and upon the dates established for each such maturity, as set forth in the Sales Documents or Trust Agreement, as the case may be, with respect to such Series.

(c) Disposition of Redemption Rights. The Sales Documents applicable to a Series of Refinancing Bonds may contain provisions with respect to the sale or disposition of the right of the District to redeem any Refinancing Bonds of such Series.

**SECTION 2.6** Form of Refinancing Bonds. Except as otherwise provided in the applicable Sales Documents, the Refinancing Capital Appreciation Bonds and Refinancing Current Interest Bonds of each Series shall be issued in substantially the forms set forth in Appendix A hereto, with such insertions, variations, omissions and endorsements as may be necessary or required. The Variable Rate Bonds of each Series shall be issued in substantially the form set forth in the Trust Agreement relating to such Series of Refinancing Bonds.

**SECTION 2.7** CUSIP Identification Numbers. CUSIP identification numbers shall be ordered by the Underwriters and caused by the District to be printed on the Refinancing Bonds, but such numbers shall not be deemed a part of the Refinancing Bonds or a part of the contract evidenced thereby and no liability shall attach to the District or its officers, employees or agents because of or on account of such CUSIP identification numbers.

**SECTION 2.8** Book-Entry System. Except as otherwise provided in the Trust Agreement with respect to the Variable Rate Bonds of any Series, the Refinancing Current Interest Bonds and the Refinancing Capital Appreciation Bonds of each Series shall be initially issued in the form of a separate single fully registered Refinancing Current Interest Bond and Refinancing Capital Appreciation Bond, respectively, for each of the maturities of the Refinancing Current Interest Bonds and the Refinancing Capital Appreciation Bonds (each of which may be typewritten). Upon initial issuance, the ownership of each such Refinancing Bond shall be registered in the Bond Register of the Fiscal Agent in the name of Cede & Co., as nominee of the Securities Depository. Except as provided in Section 2.10 hereof, all of the Outstanding Refinancing Bonds shall be registered in the Bond Register of the Fiscal Agent in the name of the Nominee.

With respect to the Refinancing Bonds registered in the Bond Register of the Fiscal Agent in the name of the Nominee, the District and the Fiscal Agent shall have no responsibility or obligation to any such Participant or to any person on behalf of which such a Participant holds an interest in the Refinancing Bonds. Without limiting the immediately preceding sentence, the District and the Fiscal Agent shall have no responsibility or obligation (unless the Fiscal Agent is at such time the Securities Depository) with respect to (i) the accuracy of the records of the Securities Depository, the Nominee or any Participant with respect to any ownership interest in the Refinancing Bonds, (ii) the delivery to any Participant or any other person, other than an Owner as shown in the Bond Register of the Fiscal Agent, of any notice with respect to the Refinancing Bonds, or (iii) the payment to any Participant or any other person, other than an Owner as shown in the Bond Register of the Fiscal Agent, of any amount with respect to principal of or interest and premium (if any) on the Refinancing Bonds. The District and the Fiscal Agent may treat and consider the person in whose name each Refinancing Bond is registered in the Bond Register of the Fiscal Agent as the holder and absolute Owner of such Refinancing Bond for the purpose of payment of principal and interest on such Refinancing Bond,

for the purpose of giving notices and other matters with respect to such Refinancing Bond, and for all other purposes whatsoever.

The Fiscal Agent shall pay all principal and Accreted Value of and interest on the Refinancing Bonds only to or upon the order of the respective Owners, as shown in the Bond Register of the Fiscal Agent, or their respective attorneys, duly authorized in writing, and all such payments shall be valid and effective to fully satisfy and discharge the obligations hereunder with respect to the payment of principal of and interest on the Refinancing Bonds to the extent of the sum or sums so paid. No person other than an Owner, as shown in the Bond Register of the Fiscal Agent, shall receive a Refinancing Bond evidencing the obligation to make payments of principal, Accreted Value and interest and premium (if any) pursuant to this Ninth Supplemental Resolution. Upon delivery by the Securities Depository to the Fiscal Agent and the District of written notice to the effect that the Securities Depository has determined to substitute a new nominee in place of the Nominee, and subject to the provisions herein with respect to record dates, the word Nominee in this Ninth Supplemental Resolution shall refer to such new nominee of the Securities Depository.

**SECTION 2.9 Representation Letter.** In order to qualify the Refinancing Bonds of each Series for the Securities Depository's book-entry system, the Authorized Representative is hereby authorized to execute, seal, countersign and deliver on behalf of the District to such Securities Depository a letter or letters from the District representing such matters as shall be necessary to so qualify the Refinancing Bonds of such Series (each, a "Representation Letter"). The execution and delivery of a Representation Letter shall not in any way limit the provisions of Section 2.8 hereof or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the Refinancing Bonds other than the Owners, as shown on the Bond Register of the Fiscal Agent. In the written acceptance of the Fiscal Agent of a Representation Letter, such Fiscal Agent shall agree to take all actions necessary for all representations of the District in the Representation Letter with respect to the Fiscal Agent to at all times be complied with. In addition to the execution and delivery of a Representation Letter, each Authorized Representative of the District is hereby authorized to take any other actions, not inconsistent with this Ninth Supplemental Resolution, to qualify the Refinancing Bonds of each Series for the Securities Depository's book-entry program.

**SECTION 2.10 Transfers Outside Book-Entry System.** In the event (i) the Securities Depository determines not to continue to act as securities depository for a Series of Refinancing Bonds, or (ii) the District determines that the Securities Depository shall, subject to the provisions of the Trust Agreement with respect to Variable Rate Bonds of such Series, no longer so act and delivers a written certificate to the Fiscal Agent to that effect, then the District will discontinue the book-entry system for such Series with the Securities Depository. Subject to the provisions of the Trust Agreement with respect to Variable Rate Bonds of any Series, if the District determines to replace the Securities Depository with another qualified securities depository, the District shall prepare or direct the preparation of a new, single, separate, fully registered Refinancing Bond for each of the maturities of the Refinancing Bonds of such Series, registered in the name of such successor or substitute qualified securities depository or its nominee, or make such other arrangement acceptable to the District and the Securities Depository as are not inconsistent with the terms of the Ninth Supplemental Resolution. If the District fails to identify another qualified securities depository to replace the Securities Depository, then the Refinancing Bonds shall no longer be restricted to being registered in the Bond Register of the Fiscal Agent in the name of the Nominee, but shall be registered in whatever name or names the



Participants transferring or exchanging certificates shall designate, in accordance with the provisions of Article II of the Master Resolution and, with respect to the Variable Rate Bonds, the provisions of the applicable Trust Agreement.

**SECTION 2.11 Payments and Notices to the Nominee.** Notwithstanding any other provision of this Ninth Supplemental Resolution to the contrary, so long as any Refinancing Bond is registered in the name of the Nominee, all payments with respect to principal and Accreted Value of and interest and premium (if any) on such Refinancing Bond and all notices with respect to such Refinancing Bond shall be made and given, respectively, as provided in the respective Representation Letter or as otherwise instructed by the Securities Depository.

**SECTION 2.12 Initial Depository and Nominee.** The initial Securities Depository under this Ninth Supplemental Resolution shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

### ARTICLE III

#### **SALE OF REFINANCING BONDS; APPLICATION; FUNDS; COVENANTS**

**SECTION 3.1 Application of the Proceeds of the Refinancing Bonds.** The proceeds of the sale of a Series of Refinancing Bonds and such other moneys as are available and necessary to accomplish the purposes of this Ninth Supplemental Resolution from time to time shall be deposited with the Treasurer and shall be held in trust and, unless otherwise specified in a certificate of an Authorized Representative, be set aside by the Treasurer in the following accounts and funds, as applicable:

(a) The Treasurer shall deposit in the Bond Service Fund the amount of such proceeds representing interest accrued, if any, on such Series of the Refinancing Bonds to the date of delivery thereof.

(b) The Treasurer shall deposit in the Escrow Fund established with respect to such Series of Refinancing Bonds an amount which, together with other amounts transferred to such fund, will be sufficient to satisfy the Escrow Requirements with respect to such series of Refinanced Notes when due, as set forth in the Escrow Instructions with respect to such Series of Refinancing Bonds.

(c) Subject to the provisions of this Ninth Supplemental Resolution permitting deposit of a Reserve Fund Credit Policy, the Treasurer shall deposit in the Reserve Fund for such Series of Refinancing Bonds an amount equal to the Bond Reserve Requirement for such Series of Refinancing Bonds.

(d) The remaining proceeds shall be deposited in the Costs of Issuance Fund for such Series of Refinancing Bonds.

**SECTION 3.2 Establishment and Application of Costs of Issuance Funds.**

(a) The District shall establish, and the Treasurer shall maintain and hold in trust a separate fund with respect to each Series of the Refinancing Bonds, which shall be designated as the "Water Revenue Bonds 1998 Authorization Costs of Issuance Fund" and shall bear such additional designation as shall be ascribed thereto by an Authorized Representative.

The moneys in each such Costs of Issuance Fund shall be used and withdrawn by the Treasurer to pay Costs of Issuance incurred in connection with the issuance of the applicable Series of Refinancing Bonds. The Treasurer shall hold moneys in each such Costs of Issuance Fund uninvested until expended unless directed otherwise by a certificate of an Authorized Representative.

(b) The Treasurer shall keep a record of all payments from each Costs of Issuance Fund, which record shall state: (i) the item number of such payment; (ii) the name and address of the person to whom each such payment is due, which may be the District in the case of reimbursement for costs theretofore paid by the District; and (iii) the purpose by general classification for which each obligation to be paid was incurred.

### **SECTION 3.3 Establishment and Application of Escrow Funds.**

(a) Establishment of Escrow Funds. In connection with the issuance of a Series of Refinancing Bonds, the District shall establish a special trust fund with respect to the Notes to be refunded by such Series of Refinancing Bonds. Such special fund shall be designated as the "Water Revenue Bonds 1998 Authorization Escrow Fund" and shall bear such additional designation as shall be ascribed thereto by an Authorized Representative. Each Escrow Fund established pursuant to the terms of this Section 3.3(a) shall include such accounts as shall be necessary to accomplish the refunding of the Notes to be refunded in accordance with the terms of the Escrow Instructions for such Series of Refinancing Bonds, and shall be held by the Escrow Agent for such Series of Refinancing Bonds pursuant to the Escrow Instructions for such Series of Refinancing Bonds. Moneys in the Escrow Fund for such Series of Refinancing Bonds shall be applied solely as provided in the Escrow Instructions for such Series of Refinancing Bonds.

(b) Establishment of Escrow Instructions and Appointment of Escrow Agent. An Authorized Representative is hereby authorized and directed to execute and deliver Escrow Instructions for each Series of Refinancing Bonds, and to select and appoint the Escrow Agent for each such Series. The Escrow Agent may be any bank or trust company within or without the State of California, or both within and without said State. The selection and appointment of the Escrow Agent shall be subject to such terms and conditions, and the Escrow Instructions shall contain such terms, conditions and provisions, as such Authorized Representative, acting in his or her sole discretion, shall deem to be in the best interests of the District in providing for the refunding of all or a portion of the Notes from time to time.

The Escrow Instructions for each Series of Refinancing Bonds shall specify which Notes are to be refunded by such Series. The Notes which are specified by the Escrow Instructions for such Series of Refinancing Bonds as the Notes to be refunded by a Series of Refinancing Bonds are referred to herein as the "Refinanced Notes." The Escrow Instructions for each Series of Refinancing Bonds may provide that upon receipt of certificate from an Authorized Representative directing the Escrow Agent with respect to such Series to do so, the Escrow Agent may substitute other Federal Securities or Authorized Investments for those initially purchased for the Escrow Fund with respect to such Series only if (i) a nationally recognized firm of independent certified public accountants shall certify that the Federal Securities or Authorized Investments to be substituted, together with the Federal Securities or Authorized Investments and uninvested amounts which will continue to be held in such funds will mature at such times and in such amounts to satisfy the applicable escrow requirements when due, and (ii) the District shall have received an Opinion of Bond Counsel to the effect that the sale, transfer, redemption or

other disposition and substitution of such Federal Securities or Authorized Investments does not cause interest on either the Refinanced Notes or the Refinancing Bonds to be included in gross income for purposes of federal income taxation under relevant provisions of the Code.

**SECTION 3.4 Establishment, Pledge, Funding and Application of Reserve Funds.** (a) In connection with the issuance of a Series of Refinancing Bonds pursuant to this Ninth Supplemental Resolution, the District shall establish and the Treasurer shall maintain and hold in trust a separate fund which shall be designated as the “Water Revenue Bonds 1998 Authorization Reserve Fund” and shall bear such additional designation as shall be determined by an Authorized Representative. Each Reserve Fund shall be funded as set forth in Section 3.1 hereof and applied as set forth in this Section 3.4. All amounts held by the Treasurer in the Reserve Fund established with respect to such Series of Refinancing Bonds shall be pledged to secure the payment of the principal of and interest on such Series of Refinancing Bonds in accordance with their terms.

(b) The District shall at all times maintain an amount equal to the applicable Bond Reserve Requirement in the Reserve Fund established with respect to a Series of Refinancing Bonds until such Series is discharged in accordance with the provisions of Article IX of the Master Resolution. The amount of the Bond Reserve Requirement applicable to a designated Series of Refinancing Bonds shall be set forth in the Sales Documents for such Series. In the event of any deficiency in a Reserve Fund, the Treasurer shall replenish such deficiency in accordance with the provisions of Section 5.07 of the Master Resolution.

(c) All amounts in the Reserve Fund established with respect to a Series of Refinancing Bonds shall be used and withdrawn by the Treasurer, as hereinafter provided, solely for the purpose of (i) paying principal of and interest on such Series of Refinancing Bonds in the event moneys in the Bond Service Fund established for such Series are insufficient, or (ii) for the payment of the final principal and interest payment on such Series of Refinancing Bonds. Any amounts in the Reserve Fund established with respect to a Series of Refinancing Bonds in excess of the Bond Reserve Requirement for such Series shall be transferred to the Bond Service Fund established for such Series unless otherwise specified in a Certificate of an Authorized Representative.

All Authorized Investments credited to a Reserve Fund shall be valued as of June 30 of each year (or the next preceding or succeeding Business Day, as determined by the District, if such day is not a Business Day) at their fair market value determined to the extent practical by reference to the closing bid price thereof published in The Wall Street Journal or any other financial publication or quotation service selected by the Treasurer at his or her discretion.

(d) Notwithstanding anything herein or in Section 3.1(c) to the contrary, at the option of the District amounts required to be held in a Reserve Fund may be substituted, in whole or in part, by the deposit with the Fiscal Agent of a Reserve Fund Credit Policy in a stated amount equal to the amounts so substituted, provided that prior to the substitution of such Reserve Fund Credit Policy, the Rating Agencies shall have been notified of such proposed substitution and the substitution shall not result in a downgrading or withdrawal of any rating of such Reserve Fund then in effect by the Rating Agencies. Any such substituted moneys shall be applied as provided in a Certificate of an Authorized Representative.

So long as a Reserve Fund Credit Policy shall be in force and effect with respect to such Series of Refinancing Bonds, any deposits required to be made with respect to the applicable Reserve Fund pursuant to Section 5.07 of the Master Resolution shall include any amounts due to the provider of such Reserve Fund Credit Policy resulting from a draw on such Reserve Fund Credit Policy (which amounts shall constitute a “deficiency” or “withdrawal” from the applicable Reserve Fund within the meaning of Section 5.07 of the Master Resolution). Any such amounts shall be paid to the provider of such Reserve Fund Credit Policy as provided in such Reserve Fund Credit Policy or any related agreement.

**SECTION 3.5 Establishment and Application of Excess Earnings Funds.**

To ensure proper compliance with the tax covenants contained in Section 3.6 hereof, the District shall establish and the Treasurer shall maintain a fund for each Series of Refinancing Bonds issued hereunder, which fund shall be separate from any other fund or account established and maintained hereunder or under the Master Resolution and shall be designated as the “Water Revenue Bonds 1998 Authorization Excess Earnings Fund” and shall bear such additional designation as shall be ascribed thereto by an Authorized Representative. All money at any time deposited in the Excess Earnings Fund with respect to a Series of Refinancing Bonds in accordance with the provisions of the Tax and Nonarbitrage Certificate applicable to such Series shall be held by the Treasurer for the account of the District in trust for payment to the federal government of the United States of America, and neither the District nor the Owner of any bonds of such Series of Refinancing Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in any such Excess Earnings Fund shall be governed by this Ninth Supplemental Resolution and by the applicable Tax and Nonarbitrage Certificate. The Treasurer shall invest all amounts held in any such Excess Earnings Fund in accordance with the applicable Tax and Nonarbitrage Certificate. Money shall not be transferred from the Excess Earnings Fund established for a Series of Refinancing Bonds except in accordance with the Tax and Nonarbitrage Certificate with respect to such Series.

**SECTION 3.6 Tax Covenants.** In order to maintain the exclusion from gross income of the interest on the Refinancing Bonds for federal income tax purposes, the District covenants to comply with each applicable requirement of Section 103 and Sections 141 through 150 of the Code and the District agrees to comply with the covenants contained in, and the instructions given pursuant to, each Tax and Nonarbitrage Certificate which by this reference is incorporated herein, as a source of guidance for compliance with such provisions.

Notwithstanding any other provisions of the Master Resolution or this Ninth Supplemental Resolution to the contrary, upon the District’s failure to observe, or refusal to comply with, the foregoing covenant, no Person other than the Owners of the Refinancing Bonds shall be entitled to exercise any right or remedy provided to the Owners under the Master Resolution or this Ninth Supplemental Resolution on the basis of the District’s failure to observe, or refusal to comply with, such covenant.

**SECTION 3.7** **Establishment and Application of Additional Funds With Respect to Refinancing Bonds.** In addition to the Funds established pursuant to the Master Resolution and this Ninth Supplemental Resolution, there shall be established and maintained such additional funds and/or accounts as shall be set forth in the Trust Agreement, if any, with respect to (i) the purchase and remarketing of the Variable Rate Bonds and (ii) the payments to be made by the District under any interest rate swap agreement or agreements entered into by the District pursuant to Section 5.3 herein.

## ARTICLE IV

### FISCAL AGENT AND PAYING AGENT

**SECTION 4.1** **Fiscal Agent and Paying Agent.** The Treasurer is hereby appointed as Fiscal Agent with respect to the Refinancing Bonds. In addition, with respect to a Series of Variable Rate Bonds, if any, an Authorized Representative shall appoint a Paying Agent, which shall have such duties as shall be set forth in the respective Trust Agreement.

## ARTICLE V

### APPROVAL OF SALES DOCUMENTS

**SECTION 5.1** **Ad Hoc Committee.** The Chairman of the Board, or in the event of a vacancy, the Acting Chairman of the Board, the Chairman of the Budget and Finance Committee of the Board (or in the event the Budget and Finance Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Budget and Finance Committee prior to such renaming, dissolution, or reorganization), or in the event of a vacancy, the Acting Chairman of the Budget and Finance Committee of the Board (or in the event the Budget and Finance Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Budget and Finance Committee prior to such renaming, dissolution, or reorganization), and the General Manager or his or her designee, or in the event of a vacancy, the Acting General Manager or his or her designee, acting jointly, are hereby constituted an ad hoc committee (the "Ad Hoc Committee").

**SECTION 5.2** **Approval of Sales Documents.** The Ad Hoc Committee is authorized and directed to determine on behalf of the District the aggregate principal amount, terms and conditions of each Series of Refinancing Bonds, and the terms and conditions of the sale of each Series of Refinancing Bonds at either a private sale to one or more purchasers or a competitive sale. The Ad Hoc Committee is hereby empowered to establish on behalf of the District such aggregate principal amount, terms and conditions of each Series of Refinancing Bonds, and of the sale of each Series of Refinancing Bonds to the Underwriters, as the members of the Ad Hoc Committee shall agree upon in their sole discretion as being in the best interests of the District, subject only to the provisions of the Act and of this Ninth Supplemental Resolution, and shall be so empowered solely to implement the fundamental policies established by this Ninth Supplemental Resolution in a manner that is most advantageous to the District, and to deem the official statement relating to each Series of Refinancing Bonds as being final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended. Such aggregate principal amount, terms and conditions of each Series of Refinancing Bonds and their sale shall be set forth in the Sales Documents with respect to such Series of Refinancing Bonds



and, with respect to Variable Rate Bonds of a Series, if any, in the respective Trust Agreement. Such terms and conditions as so set forth, together with the other terms and conditions of each Series of Refinancing Bonds set forth in this Ninth Supplemental Resolution, shall, upon execution and delivery of the Sales Documents with respect to such Series and, if any, the Trust Agreement, by the Ad Hoc Committee, or its designee, on behalf of the District, be all the terms and conditions of each Series of Refinancing Bonds, as if all such terms and conditions were fully set forth in this Ninth Supplemental Resolution.

The provisions of the Sales Documents, and the Trust Agreement if any, pertaining to the terms of each Series of Refinancing Bonds are hereby incorporated by reference into this Ninth Supplemental Resolution with the same force and effect as if set forth herein.

The Board hereby finds and determines that the interests of the District and the public interest and necessity require that the provisions of Section 225 and of Section 226 of the Act be waived.

Each Series of Refinancing Bonds may be sold pursuant to the applicable Sales Documents at a discount not to exceed one percent (1%) (excluding original issue discount, if any). In addition, in no event may the true interest cost for any Series of Refinancing Bonds exceed six percent (6%).

**SECTION 5.3** [Interest Rate Swap Agreements.](#) The Ad Hoc Committee is hereby authorized to negotiate and execute on behalf of the District an interest rate swap agreement or agreements or similar contracts, if any, including without limitation, interest rate floors or caps, options, puts or calls to hedge payment, rate, spread or similar exposure with respect to a Series of Refinancing Bonds upon such terms and conditions as the Ad Hoc Committee shall determine to be in the best interests of the District.

**SECTION 5.4** [Further Action.](#) The Chairman of the Board, the General Manager and Director of Finance of the District shall be and each of them is hereby authorized, empowered and directed to execute such other documents in addition to those enumerated herein and take such other actions as they deem necessary or advisable in order to carry out and perform the purposes of this Ninth Supplemental Resolution. Without limitation of the foregoing, the General Counsel of the District is hereby authorized, empowered and directed, without the necessity of any further Board action or approval, to amend and supplement Section 5200 of Division V of Chapter 2 of The Metropolitan Water District Administrative Code to provide for the establishment of the funds created hereunder and under any Supplemental Resolution previously adopted by the Board with respect to the issuance of its water revenue bonds.

## ARTICLE VI

### UNDERTAKINGS

**SECTION 6.1** [Municipal Securities Disclosure.](#) The District hereby agrees to provide or cause to be provided certain annual financial information and notices of certain material events with respect to each Series of Refinancing Bonds in accordance with the terms of the Continuing Disclosure Certificate delivered by the District in connection with such Series of Refinancing Bonds.

**SECTION 6.2** **Default.** A default under this Article VI shall not be deemed an Event of Default under the Master Resolution. The sole remedy under this Article VI in the event of any failure of the District to comply with this Article VI shall be an action to compel performance, and no person or entity shall be entitled to recover monetary damages hereunder under any circumstances.

**SECTION 6.3** **Amendment.** This Article VI may be amended, supplemented, modified or deleted, from time to time and at any time, as the District may determine without the consent of any Owner of the Refinancing Bonds.

## ARTICLE VII

### MISCELLANEOUS

**SECTION 7.1** **Refinancing Bonds Subject to the Master Resolution.** Except as expressly provided in this Ninth Supplemental Resolution, every term and condition contained in the Master Resolution shall apply to this Ninth Supplemental Resolution and to the Refinancing Bonds with the same force and effect as if it were herein set forth at length, with such omissions, variations and modifications thereof as may be appropriate to make the same conform to this Ninth Supplemental Resolution. The Master Resolution, as amended and supplemented by this Ninth Supplemental Resolution, is in all respects ratified and approved.

**SECTION 7.2** **Severability of Invalid Provisions.** If any one or more of the provisions contained in this Ninth Supplemental Resolution or in the Refinancing Bonds shall for any reason be held to be invalid, illegal or unenforceable in any respect, then such provision or provisions shall be deemed severable from the remaining provisions contained in this Ninth Supplemental Resolution and such invalidity, illegality or unenforceability shall not affect any other provision of this Ninth Supplemental Resolution, and this Ninth Supplemental Resolution shall be construed as if such invalid or illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have adopted this Ninth Supplemental Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the Refinancing Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Ninth Supplemental Resolution may be held illegal, invalid or unenforceable.

**SECTION 7.3** **Article and Section Headings and References; Interpretation.** The headings or titles of the several Articles and Sections hereof shall be solely for convenience of reference and shall not affect the meaning, construction or effect of this Ninth Supplemental Resolution.

All references herein to "Article," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Ninth Supplemental Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Ninth Supplemental Resolution as a whole and not to any particular Article, Section or subdivision hereof; and words of the masculine gender shall mean and include words of the feminine and neuter genders.

**SECTION 7.4** **Governing Law.** This Ninth Supplemental Resolution shall be construed and governed in accordance with the laws of the State of California.

**I HEREBY CERTIFY** that the foregoing is a full, true and correct copy of a Resolution adopted by a two-thirds (2/3) vote of the total vote of the Board of Directors of The Metropolitan Water District of Southern California at its regular meeting held on November 10, 1998.

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Executive Secretary  
The Metropolitan Water District  
of Southern California



**EXHIBIT A-1**

**FORM OF REFINANCING CURRENT INTEREST BOND  
(FIXED RATE BOND)**

**UNITED STATES OF AMERICA**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**THE METROPOLITAN WATER DISTRICT**

**OF SOUTHERN CALIFORNIA**

**WATER REVENUE BOND, 1998 AUTHORIZATION [ADDITIONAL DESIGNATION]**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY (AS DEFINED IN THE MASTER RESOLUTION) TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

INTEREST RATE      MATURITY DATE      ORIGINAL ISSUE DATE      CUSIP#

\_\_\_\_\_ %

REGISTERED OWNER:      \*\*\*\*\*CEDE & CO.\*\*\*\*\*

PRINCIPAL AMOUNT:

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, FOR VALUE RECEIVED, hereby promises to pay, solely from Net Operating Revenues, as hereinafter provided, to the registered owner named above, or registered assigns, on the maturity

date set forth above, unless redeemed prior thereto as hereinafter provided, the principal amount set forth above, and to pay interest (calculated on the basis of a 360-day year consisting of twelve 30-day months) on such principal amount from the interest payment date before the date of authentication hereof (unless this Bond is authenticated during the period after a record date but on or before the next interest payment date, in which event this Bond shall bear interest from that interest payment date, or unless this Bond is authenticated prior to the first record date, in which event this Bond shall bear interest from \_\_\_\_\_ 1, 199\_\_, or unless at the time of authentication interest is in default, in which event it shall bear interest from the interest payment date to which interest has been paid or provided for), semi-annually on January 1 and July 1 of each year, commencing \_\_\_\_\_ 1, 199\_\_ at the interest rate set forth above, until the principal amount hereof is paid or made available for payment. For so long as the Treasurer of the District is the Fiscal Agent (the "Fiscal Agent"), the principal of this Bond is payable to the registered holder hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate office of the Treasurer of the District. Interest on this Bond shall be paid by check or draft of the Fiscal Agent mailed by first class mail to the registered holder hereof as of the close of business on the 15th day of the month immediately preceding an interest payment date (a "record date") at such registered holder's address as it appears on the registration books maintained by the Fiscal Agent, except that a registered holder of \$1,000,000 or more in principal amount of the Bonds may be paid interest by wire transfer to an account in the United States if such registered owner makes a written request of the Fiscal Agent at least 30 days preceding any interest payment date specifying the wire transfer instructions for such registered owner. Such notice may provide that it will remain in effect for later interest payments until changed or revoked by another written notice.

This Bond is one of a duly authorized issue of "The Metropolitan Water District of Southern California Water Revenue Bonds, 1998 Authorization, [Additional Designation], (the "Bonds") issued in the aggregate principal amount of \$\_\_\_\_\_ pursuant to the Metropolitan Water District Act, California Statutes 1969, Chapter 209, as amended and supplemented (the "Act"), Resolution 8329 of the District adopted on July 9, 1991 (as heretofore amended and supplemented, the "Master Resolution") and Resolution \_\_\_\_\_ of the District adopted on \_\_\_\_\_, 1998 (the "Ninth Supplemental Resolution"; the Master Resolution as supplemented by the Ninth Supplemental Resolution is referred to herein as the "Resolution"). Reference is hereby made to the Master Resolution, the Ninth Supplemental Resolution and to the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Net Operating Revenues (as defined in the Master Resolution), and all of the terms of the Resolution and the Act are hereby incorporated herein and constitute a contract between the District and the registered owner from time to time of this Bond, and by acceptance hereof the registered holder of this Bond assents to said terms and conditions. The Resolution is adopted under, and this Bond is issued under, and all are to be construed in accordance with, the laws of the State of California.

This Bond is a special limited obligation of the District payable from and secured by a pledge of and a lien and charge upon the Net Operating Revenues on a parity with all Bonds and all other debt issued or incurred and payable from Net Operating Revenues on a parity with the Bonds. The principal of, premium (if any) and interest on this Bond is not a debt of the District, nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income, receipts or revenues, except the Net Operating Revenues. The general fund of the District is not liable for the payment of the Bonds or their interest, nor is the credit or

the taxing power of the District or the forfeiture of any of its property for the payment of the Bonds or any interest hereon. The Bonds are payable as to both principal and interest exclusively from the Net Operating Revenues and other funds pledged under the Master Resolution and the Ninth Supplemental Resolution.

The Bonds are payable as to both principal and interest exclusively from the Net Operating Revenues and other funds pledged under the Master Resolution and the Ninth Supplemental Resolution.

This Bond is one of the Current Interest Bonds described in the Resolution.

[Redemption provisions to be inserted]

This Bond may be transferred without charge upon the registration books required to be kept by the Fiscal Agent, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of this Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Fiscal Agent. Whenever any Bond is surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, of the same tenor and maturity and for a like aggregate principal amount. This Bond may be exchanged without charge at the office of the Fiscal Agent in Los Angeles, California for Bonds of authorized denominations having the same aggregate principal amount, tenor and maturity. The Fiscal Agent need not transfer registration or exchange any Bond later than 15 days prior to the date of selection of Bonds for redemption or any portion thereof for redemption. The Fiscal Agent may require the holder of any Bond requesting transfer of registration or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer of registration or exchange.

The rights and obligations of the District, the Fiscal Agent and of the owners of the Bonds may be modified or amended from time to time in the manner, to the extent and upon the terms provided in the Resolution, provided that no such modification or amendment shall extend the fixed maturity of this Bond, or reduce the amount of principal hereof, or extend the time of payment, or reduce the rate of interest hereon, or extend the time of payment of interest hereon, without the consent of the owner hereof, or (b) reduce the percent of Bonds the consent of the holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Operating Revenues and other assets pledged under the Resolution prior to or on a parity with the lien created by the Resolution, or deprive the holders of the Bonds of the lien created by the Resolution on such Net Operating Revenues and other assets, without the consent of the holders of all of the Bonds then outstanding.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Fiscal Agent.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond to exist, have happened, and have been performed in due time, form and manner as required by the Constitution and laws of the State of California and that this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by the Constitution and

laws of the State of California and the Act and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

IN WITNESS WHEREOF, the District has caused this Bond to be signed by the Chairman of the Board of Directors and the Secretary of the Board of Directors of the District by their facsimile signatures, signed by the Controller of the District by his manual signature, and sealed with the facsimile corporate seal of said District as of the Original Issue Date specified above.

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Chairman of the Board of Directors,  
The Metropolitan Water District  
of Southern California

COUNTERSIGNED

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Secretary of the Board of Directors,  
The Metropolitan Water District  
of Southern California

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Controller of The Metropolitan Water District  
of Southern California

**FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION  
AND REGISTRATION**

This Bond is one of The Metropolitan Water District of Southern California Water Revenue Bonds, 1998 Authorization [Additional Designation] delivered pursuant to the within mentioned Master Resolution and Ninth Supplemental Resolution.

Treasurer of The Metropolitan Water District  
of Southern California, as Fiscal Agent

By \_\_\_\_\_  
Authorized Signature

**ASSIGNMENT**

The following abbreviations, when used in the inscription on the face of the within-mentioned Bond and in the assignment below, shall be construed as though they were written out in full according to applicable laws or regulations.

TEN COM: as tenants in common

TEN ENT: as tenants by the entireties

JT TN: as joint tenants with right of survivorship and not as tenants in common

UNIF GIFT MIN ACT \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

Additional abbreviations may also be used though not in the above list.

FOR VALUE RECEIVED, the undersigned do(es) hereby sell, assign and transfer unto \_\_\_\_\_ the within-mentioned registered Bond and hereby irrevocably constitute(s) and appoint(s) \_\_\_\_\_ attorney, to transfer the same on the books of the Fiscal Agent with full power of substitution in the premises.

Dated: \_\_\_\_\_

\_\_\_\_\_  
Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

SIGNATURE GUARANTEED:

\_\_\_\_\_  
NOTICE: Signature(s) must be guaranteed by a member firm of the New York Stock Exchange or a commercial bank or trust company.

**EXHIBIT A-2**

**FORM OF REFINANCING CAPITAL APPRECIATION BOND**

**UNITED STATES OF AMERICA**

No. \_\_\_\_\_

\$ \_\_\_\_\_

**THE METROPOLITAN WATER DISTRICT**

**OF SOUTHERN CALIFORNIA**

**WATER REVENUE BOND, 1998 AUTHORIZATION [ADDITIONAL DESIGNATION]**

UNLESS THIS BOND IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY (AS DEFINED IN THE MASTER RESOLUTION) TO THE FISCAL AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE, OR PAYMENT, AND ANY BOND ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR IN SUCH OTHER NAME AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY (AND ANY PAYMENT IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF THE SECURITIES DEPOSITORY), ANY TRANSFER, PLEDGE, OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

YIELD TO MATURITY:

MATURITY DATE:

ORIGINAL ISSUE DATE:

CUSIP #:

REGISTERED OWNER: \*\*\*\*\*CEDE & CO.\*\*\*\*\*

INITIAL AMOUNT:

FINAL COMPOUNDED AMOUNT:

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA, FOR VALUE RECEIVED, hereby promises to pay, solely from Net Operating Revenues, as

hereinafter provided, to the registered owner named above, or registered assigns, on the maturity date set forth above, unless redeemed prior thereto as hereinafter provided, the Final Compounded Amount set forth above. Interest with respect to the Initial Amount hereof will accrete at the Yield to Maturity per annum shown above from the Original Issue Date above, shall be compounded on \_\_\_\_\_ 1, 199\_\_ and semiannually thereafter on January 1 and July 1 of each year until the maturity date specified above, but shall be payable only at maturity or the earlier redemption hereof as part of the Accreted Value hereof. The Accreted Value hereof as of any date of calculation shall equal to the sum of the Initial Amount hereof and the interest accreted and compounded semiannually hereon at the Yield to maturity set forth above, all as determined in accordance with the provisions of the Ninth Supplemental Resolution (as hereinafter defined). The Final Compounded Amount of this Bond is payable to the registered holder hereof in lawful money of the United States of America upon presentation and surrender of this Bond at the corporate office of the Treasurer of the District, as fiscal agent (the "Fiscal Agent").

This Bond is one of a duly authorized issue of "The Metropolitan Water District of Southern California Water Revenue Bonds, 1998 Authorization [Additional Designation]" (the "Bonds") issued in the aggregate principal amount of \$\_\_\_\_\_ pursuant to the Metropolitan Water District Act, California Statutes 1969, chapter 209, as amended and supplemented (the "Act"), Resolution 8329 of the District adopted on July 9, 1991 (as heretofore amended and supplemented, the "Master Resolution") and Resolution \_\_\_\_\_ of the District adopted on \_\_\_\_\_, 1998 (the "Ninth Supplemental Resolution"; the Master Resolution as supplemented by the Ninth Supplemental Resolution is referred to herein as the "Resolution"). Reference is hereby made to the Master Resolution, the Ninth Supplemental Resolution and to the Act for a description of the terms on which the Bonds are issued and to be issued, the provisions with regard to the nature and extent of the Net Operating Revenues (as defined in the Master Resolution), and all of the terms of the Resolution and the Act are hereby incorporated herein and constitute a contract between the District and the registered owner from time to time of this Bond, and by acceptance hereof the registered holder of this Bond assents to said terms and conditions. The Resolution is adopted under, and this Bond is issued under, and all are to be construed in accordance with, the laws of the State of California.

This Bond is a special limited obligation of the District payable from and secured by a pledge of and a lien and charge upon the Net Operating Revenues on a parity with all Bonds and all other debt issued or incurred and payable from Net Operating Revenues on a parity with the Bonds. The principal and Accreted Value of, premium (if any), and interest on this Bond is not debt of the District, nor a legal or equitable pledge, charge, lien or encumbrance upon any of its property or upon any of its income receipts or revenues, except the Net Operating Revenues. The general fund of the District is not liable for the payment of Bonds or their interest, nor is the credit or taxing power of the District or the forfeiture of any of its property for the payment of this Bond or any interest hereon.

The Bonds are payable as to principal, Accreted Value and interest exclusively from the Net Operating Revenues and other funds pledged under the Master Resolution and the Ninth Supplemental Resolution.

This Bond is one of the Capital Appreciation Bonds described in the Resolution.



[Redemption provisions to be inserted]

This Bond may be transferred without charge upon the registration books required to be kept by the Fiscal Agent, by the person in whose name it is registered, in person or by his duly authorized attorney, upon surrender of this Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Fiscal Agent. Whenever any Bond is surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new Bond or Bonds, of the same tenor and maturity and for a like Final Compounded Amount. This Bond may be exchanged without charge at the office of the Fiscal Agent in Los Angeles, California for Bonds of authorized denominations having the same Final Compounded Amount, tenor and maturity. The Fiscal Agent need not transfer registration or exchange any Bond later than 15 days prior to the date of selection of Bonds for redemption or any portion thereof for redemption. The Fiscal Agent may require the holder of any Bond requesting transfer of registration or exchange to pay any tax or other governmental charge required to be paid with respect to such transfer of registration or exchange.

The rights and obligations of the District, the Fiscal Agent and of the owners of the Bonds may be modified or amended from time to time in the manner, to the extent and upon the terms provided in the Resolution, provided that no such modification or amendment shall extend the fixed maturity of this Bond, or reduce the amount of Final Compounded Amount hereof, or extend the time of payment, or reduce the rate of interest hereon, or extend the time of payment of interest hereon, without the consent of the owner hereof, or (b) reduce the percent of Bonds the consent of the holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Net Operating Revenues and other assets pledged under the Resolution prior to or on a parity with the lien created by the Resolution, or deprive the holders of the Bonds of the lien created by the Resolution on such Net Operating Revenues and other assets, without the consent of the holders of all of the Bonds then outstanding.

This Bond shall not be entitled to any benefit under the Resolution, or become valid or obligatory for any purpose, until the certificate of authentication and registration hereon endorsed shall have been executed and dated by the Fiscal Agent.

It is hereby certified and recited that any and all acts, conditions and things required to exist, to have happened and to have been performed precedent to and in the issuance of this Bond to exist, have happened, and have been performed in due time, form and manner as required by the Constitution and laws of the State of California and that this Bond, together with all other indebtedness of the District, does not exceed any limit prescribed by the Constitution and laws of the State of California and the Act and is not in excess of the amount of Bonds permitted to be issued under the Resolution.

IN WITNESS WHEREOF, the District has caused this Bond to be signed by the Chairman of the Board of Directors and the Secretary of the Board of Directors of the District by their facsimile signatures, signed by the Controller of the District by his manual signature, and sealed with the facsimile corporate seal of said District as of the Original Issue Date specified above.

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Chairman of the Board of Directors,  
The Metropolitan Water District  
of Southern California

COUNTERSIGNED

---

Secretary of the Board of Directors,  
The Metropolitan Water District  
of Southern California

---

Controller of The Metropolitan Water District  
of Southern California

**FISCAL AGENT'S CERTIFICATE OF AUTHENTICATION  
AND REGISTRATION**

This Bond is one of The Metropolitan Water District of Southern California Water Revenue Bonds, 1998 Authorization [Additional Designation] delivered pursuant to the within mentioned Master Resolution and Ninth Supplemental Resolution.

Treasurer of The Metropolitan Water District  
of Southern California, as Fiscal Agent

By \_\_\_\_\_

Authorized Signature

**ASSIGNMENT**

The following abbreviations, when used in the inscription on the face of the within-mentioned Bond and in the assignment below, shall be construed as though they were written out in full according to applicable laws or regulations.

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UNIF GIFT MIN ACT \_\_\_\_\_ Custodian \_\_\_\_\_  
(Cust) (Minor)

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Dated: \_\_\_\_\_

\_\_\_\_\_  
Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within Bond in every particular, without alteration or enlargement or any change whatsoever.

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