

● **Board of Directors**
Budget, Finance and Investment Committee

September 10, 2002 Board Meeting

9-1

Subject

Approve annual authorization for purchase or tender of Metropolitan's bonds in the secondary market and adopt Supplemental Resolution

Description

Bond Purchase Program. In September 1995, the Board approved the update to the Long Range Finance Plan which included a recommendation authorizing the Chief Executive Officer to purchase Metropolitan bonds in the secondary market subject to the following conditions:

- Maximum purchase price not to exceed 100 percent of par value;
- No restrictions on maturity dates of the bonds subject to purchase;
- Aggregate amount of the authorization not to exceed \$75 million;
- Purchased bonds must be canceled and retired, and may not be held for investment or resold;
- The authorization was valid for 12 calendar months, following the month of adoption; and
- A report would be presented to the Board in the month following each use of the authority.

The original authorization to purchase Metropolitan bonds in the secondary market expired in August 1996 without use of this authority. Since that time re-authorizations have been renewed at the end of each fiscal year until June 2001, when the authorization expired.

This strategy was also included in the 1999 update to the Long Range Finance Plan. While Metropolitan has never utilized this strategy, this authority would allow Metropolitan to take advantage of certain market conditions whereby outstanding Metropolitan debt would sell at a discount to par for reasons generally unrelated to Metropolitan. The authorization for bond purchases would allow Metropolitan to quickly enter the secondary market to purchase Metropolitan debt that is selling at deep discounts (discounts of greater than 5 percent). Therefore, it is recommended that the Chief Executive Officer be authorized to use unrestricted funds in an amount not to exceed \$75 million to be used to purchase discounted debt. This authorization would expire September 30, 2003.

Bond Tender Program. In June 2000, the Board approved a number of financing transactions, including a \$500 million bond tender program. The authorization for the bond tender program expired on May 31, 2001. A bond tender program is a formal process of identifying and notifying holders of Metropolitan's debt in the secondary market that Metropolitan seeks to buy back some of its debt. Tendered bonds could be funded with variable rate debt, helping to reduce interest costs while meeting board-approved variable rate debt objectives.

In the coming year, market conditions for Metropolitan bonds in the secondary market may offer Metropolitan the opportunity to take advantage of a bond tender program. Providing another authorization for tendered bonds will allow Metropolitan to take full advantage of interest rate and other market conditions that could cause a reduction in the price of Metropolitan's bonds in the secondary market.

In order to take maximum advantage of changes in market conditions, it is also recommended that the Board adopt the supplemental resolution ([Attachment 1](#)) authorizing the issuance of variable rate water revenue bonds in an aggregate amount not to exceed \$500 million, to be used to purchase tendered bonds and fund all related

cost of issuance. The supplemental resolution, consistent with past practice, establishes an Ad Hoc Committee with authority to set the size of any debt offering, determine the date of a debt offering, sell bonds to an underwriting syndicate, and to pursue the financing options. The Ad Hoc Committee will be comprised of the Chairman of the Board, the Chairman of the Budget, Finance and Investment Committee, and the Chief Executive Officer.

The marketing of variable rate revenue bonds, used for the purchase of tendered bonds, will require the selection of one or more underwriters to underwrite the original issuance and to remarket the variable rate debt as it comes due at nominal daily or weekly maturities. As is typical with Metropolitan's issuance of variable rate debt, a bank will be selected to provide standby liquidity in case the bonds are not successfully remarketed. In addition, Metropolitan would use a Tender Agent to identify and contact owners of Metropolitan's debt and manage the formal bond tender process. The supplemental resolution authorizes the Ad Hoc Committee to approve the selection of the underwriters, standby bank and Tender Agent. The supplemental resolution will expire on September 30, 2003, unless extended by action of the Board.

Increase in Equity. In both the bond purchase and tender bond programs, the buyback of Metropolitan's outstanding bonds at a discount would reduce outstanding debt of Metropolitan and increase Metropolitan's equity. For example, Metropolitan could purchase an outstanding bond in the principal amount of \$100 at 95 percent of par value. Either by using cash or debt, \$100 of debt would be retired with either a reduction of \$95 in cash or an increase in \$95 in new debt. The \$5 differential would result in an increase in the equity of Metropolitan.

Policy

To take advantage of market opportunities to reduce Metropolitan's debt service costs

California Environmental Quality Act (CEQA)

CEQA determination for Option #1:

The proposed actions are not defined as a project under CEQA, because they involve continuing administrative activities, such as general policy and procedure making (Section 15378(b)(2) of the State CEQA Guidelines). In addition, the proposed actions are not subject to CEQA because they involve the creation of government funding mechanisms or other government fiscal activities, which do not involve any commitment to any specific project which may result in a potentially significant physical impact on the environment (Section 15378(b)(4) of the State CEQA Guidelines).

The CEQA determination for Option #1 is: Determine that the proposed actions are not subject to CEQA pursuant to Sections 15378(b)(2) and 15378(b)(4) of the State CEQA Guidelines.

CEQA determination for Option #2:

None required

Board Options/Fiscal Impacts

Option #1

Adopt the CEQA determination and

- a. Authorize the Chief Executive Officer to use up to \$75 million of unrestricted funds in an amount not to exceed \$75 million to purchase discounted Metropolitan bonds in the secondary market; and
- b. Adopt the form of Supplemental Resolution ([Attachment 1](#)) of the Master Revenue Bond Resolution authorizing the issuance of variable rate bonds to be used to purchase outstanding bonds with a formal bond tender program. These authorizations will expire on September 30, 2003.

Fiscal Impact: Reduction of Metropolitan's revenue bond debt service


Option #2

Do not re-authorize the Chief Executive Officer to purchase Metropolitan bonds in the secondary market nor authorize the issuance of variable rate bonds for purchase of Metropolitan bonds through a bond tender program.

Fiscal Impact: Metropolitan may not be able to take advantage of market conditions to reduce debt obligations.

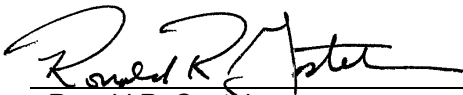
Staff Recommendation

Option #1



Brian G. Thomas
Chief Financial Officer

8/13/2002
Date



Ronald R. Gastelum
Chief Executive Officer

8/17/2002
Date

Attachment 1 – Resolution

BLA #1815

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA

RESOLUTION _____

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUTHORIZING THE PURCHASE OF CERTAIN OUTSTANDING WATER REVENUE
BONDS AND AUTHORIZING THE ISSUANCE OF UP TO
\$500,000,000 WATER REVENUE BONDS
AND PROVIDING THE TERMS AND CONDITIONS
FOR THE PURCHASE AND SALE OF SAID BONDS
(FOURTEENTH SUPPLEMENTAL RESOLUTION)

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THE METROPOLITAN WATER DISTRICT OF
SOUTHERN CALIFORNIA

RESOLUTION _____

RESOLUTION OF THE BOARD OF DIRECTORS
OF THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
AUTHORIZING THE PURCHASE OF CERTAIN OUTSTANDING WATER REVENUE
BONDS AND AUTHORIZING THE ISSUANCE OF UP TO
\$500,000,000 WATER REVENUE BONDS
AND PROVIDING THE TERMS AND CONDITIONS
FOR THE PURCHASE AND SALE OF SAID BONDS
(FOURTEENTH SUPPLEMENTAL RESOLUTION)

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 (the "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;

WHEREAS, by Resolution 8698 adopted by the District on May 17, 2000, the District was authorized to tender for and purchase a portion of its outstanding fixed rate Bonds (the "Tendered Bonds") and to pay for said Tendered Bonds using the proceeds of one or more series of Bonds authorized under the Eleventh Supplemental Resolution;

WHEREAS, the authorization provided in Resolution 8698 expired without being utilized;

WHEREAS, the District is informed and believes that it again will be financially advantageous to authorize the District to tender for and purchase Tendered Bonds using the proceeds of one or more series of Bonds authorized under this Fourteenth Supplemental Resolution;

WHEREAS, the public interest and necessity require the District to proceed under the Master Resolution and issue and sell Water Revenue Bonds, 2002 Authorization (the "2002 Authorization Bonds") in an aggregate principal amount not to exceed \$500,000,000 secured by and payable from the Net Operating Revenues for the purpose of, among other things, paying all or a portion of the purchase price of the Tendered 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 1.01. Fourteenth Supplemental Resolution; Determinations.

This Fourteenth Supplemental Resolution is adopted in accordance with the provisions of the Master Resolution. The District hereby determines that the issuance of the 2002 Authorization Bonds is advisable from an economic and financial viewpoint.

SECTION 1.02. Definitions.

All terms which are defined in Section 1.01 of the Master Resolution or the Act shall, unless otherwise defined herein, have the same meanings, respectively, in this Fourteenth Supplemental Resolution. Unless the context otherwise requires, the terms defined in this Section shall, for all purposes of this Fourteenth 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.

"2002 Authorization Bonds" means the Bonds described in Section 2.01 hereof, authorized and issued pursuant to the Master Resolution, as supplemented by this Fourteenth Supplemental Resolution, and includes Fixed Rate Bonds and Variable Rate Bonds.

"Ad Hoc Committee" has the meaning set forth in Section 5.01 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 Fourteenth Supplemental Resolution permitting deposit of a Reserve Fund Credit Policy, the amount to be deposited in a Reserve Fund established for a Series of 2002 Authorization Bonds, which shall be set forth in the terms of the Sales Documents or Trust Agreement with respect to such Series pursuant to the terms of Section 3.04 hereof.

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

“Continuing Disclosure Certificate” means, with respect to a Series of 2002 Authorization Bonds, the Continuing Disclosure Certificate of the District, if any, delivered by the District in connection with the issuance of such Series of 2002 Authorization 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 the 2002 Authorization Bonds or the purchase of the Tendered 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, fees and expenses of one or more bondholder communications groups, financial advisor fees and expenses, rating agency fees, fees and charges for preparation, execution, transportation and safekeeping of the 2002 Authorization Bonds, and any other cost, charge or fee in connection with the delivery of the 2002 Authorization Bonds or the purchase of the Tendered Bonds.

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

“Excess Earnings Fund” means, with respect to a Series of 2002 Authorization Bonds, the Water Revenue Bonds 2002 Authorization Excess Earnings Fund established for such Series pursuant to Section 3.04 hereof.

“Fiscal Agent” means the fiscal agent appointed pursuant to Section 4.01.

“Fixed Rate Bonds” means 2002 Authorization Bonds other than Variable Rate Bonds.

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

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

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

“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 4.01 of this Fourteenth Supplemental Resolution.

“Purchase Fund” means, with respect to a Series of 2002 Authorization Bonds, the Water Revenue Bonds 2002 Authorization Purchase Fund established for such Series pursuant to Section 3.03 hereof.

“Record Date” means, with respect to 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.

“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 2.09 hereof.

“Reserve Fund” means, with respect to a Series of 2002 Authorization Bonds, the Water Revenue Bonds 2002 Authorization Reserve Fund established for such Series pursuant to Section 3.04 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 3.04(D) hereof.

“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 2002 Authorization 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 2002 Authorization 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 2002 Authorization Bonds, the Tax and Nonarbitrage Certificate of the District delivered by the District in connection with the issuance of such Series of 2002 Authorization Bonds.

“Tender Documents” means those invitation(s) to tender, dealer manager agreement(s) and related documents approved by the Ad Hoc Committee for the tender of the Tendered Bonds pursuant to Section 5.03 of this Fourteenth Supplemental Resolution.

“Tender Price” means the purchase price(s) to be paid by the District for the Tendered Bonds determined pursuant to the Tender Documents.

“Tendered Bonds” means that portion of the District’s Outstanding Bonds which are tendered for and purchased under Section 5.03 of this Fourteenth Supplemental Resolution and as set forth in the Tender Documents.

“Trust Agreement” means the trust agreement, paying agent 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 2002 Authorization Bonds, in the case of a negotiated sale, the original purchaser or purchasers of such Series of

2002 Authorization Bonds; or, in the case of a competitive sale, the successful bidder or bidders for such Series of 2002 Authorization Bonds.

“Variable Rate Bonds” means 2002 Authorization 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 2002 AUTHORIZATION BONDS

SECTION 2.01. 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, 2002 Authorization (Tender Purchase Program)” (the “2002 Authorization Bonds”). The 2002 Authorization Bonds may be issued in one or more Series at one time or from time to time in accordance with the terms hereof, and each Series of 2002 Authorization Bonds shall bear such additional designation as may be ascribed thereto in the Sales Documents for such Series. A Series of 2002 Authorization Bonds may be issued as Fixed Rate Bonds or Variable Rate Bonds and shall be issued in the aggregate principal amount specified in the Sales Documents for such Series; provided, however, in no event shall the total aggregate principal amount of 2002 Authorization Bonds exceed \$500,000,000.

SECTION 2.02. Terms of the 2002 Authorization Bonds.

Each Series of 2002 Authorization Bonds shall be Current Interest Bonds as described in the Master Resolution and 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. Each Series of 2002 Authorization 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 date or dates and in the principal amount or 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 2002 Authorization Bonds shall designate which, if any, of the 2002 Authorization Bonds of such Series shall be Term Bonds.

SECTION 2.03. Interest.

The Fixed Rate Bonds of any Series, if any, shall bear interest at the rates set forth in the Sales Documents for such Series (calculated on the basis of a 360-day year consisting of twelve 30-day months), payable initially on the date set forth in such Sales Documents and semiannually thereafter on January 1 and July 1 of each year. The Variable Rate Bonds of any Series, if any, shall bear interest as determined pursuant to the Trust Agreement for 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 2002 Authorization Bond shall bear interest from the interest payment date before 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 2002 Authorization Bonds specified in the 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.

Each 2002 Authorization Bond shall bear interest until the principal sum thereof has been paid; provided, however, that if at the maturity date of any 2002 Authorization Bond or if on the redemption date thereof if the same has been fully called for redemption, in each case, funds are available for the payment thereof in full in accordance with the terms of Article IX of the Master Resolution, such 2002 Authorization Bond shall then cease to bear interest.

SECTION 2.04. Place of Payment.

Subject to Section 2.08 hereof, 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 2002 Authorization 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 2002 Authorization 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 2.05. 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 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 Term Bonds of any Series, if any, 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 2002 Authorization Bonds may contain provisions with respect to the sale or disposition of the right of the District to redeem any 2002 Authorization Bonds of such Series.

SECTION 2.06. Form of 2002 Authorization Bonds.

Except as otherwise provided in the applicable Sales Documents, the Fixed Rate Bonds of each Series shall be issued in substantially the form set forth in Exhibit A hereto, which exhibit is incorporated herein by this reference as if set forth in full. 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 2002 Authorization Bonds.

SECTION 2.07. CUSIP Identification Numbers.

CUSIP identification numbers shall be ordered by the Underwriters and caused by the District to be printed on the 2002 Authorization Bonds, but such numbers shall not be deemed a part of the 2002 Authorization 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 2.08. Book-Entry System.

Except as otherwise provided in the Trust Agreement with respect to Variable Rate Bonds of any Series, the 2002 Authorization Bonds shall be initially issued in the form of a single (unless more than a single 2002 Authorization Bond is required by the Securities Depository), separate, fully registered 2002 Authorization Bond (which may be typewritten) for each of the maturities of the 2002 Authorization Bonds. Upon initial issuance, the ownership of each such 2002 Authorization 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, the ownership of each Outstanding 2002 Authorization Bond shall be registered in the Bond Register of the Fiscal Agent in the name of the Nominee.

With respect to the 2002 Authorization 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 2002 Authorization 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 2002 Authorization 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 2002 Authorization 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 2002 Authorization Bonds. The District and the Fiscal Agent may treat and consider the person in whose name each 2002 Authorization Bond is registered in the Bond Register of the Fiscal Agent as the holder and absolute Owner of such 2002 Authorization Bond for the purpose of payment of principal and interest on such 2002 Authorization Bond, for the purpose of giving notices and other matters with respect to such 2002 Authorization Bond, and for all other purposes whatsoever.

The Fiscal Agent shall pay all principal of and interest on the 2002 Authorization 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 2002 Authorization 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 2002 Authorization Bond evidencing the obligation to make payments of principal and interest and premium, if any, pursuant to this Fourteenth 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 Fourteenth Supplemental Resolution shall refer to such new nominee of the Securities Depository.

SECTION 2.09. Representation Letter.

In order to qualify the 2002 Authorization Bonds for the Securities Depository's book-entry system, the Authorized Representative is hereby authorized to execute and deliver on behalf of the District to such Securities Depository a letter from the District representing such matters as shall be necessary to so qualify the 2002 Authorization Bonds (the "Representation Letter"). The execution and delivery of the Representation Letter shall not in any way limit the provisions of Section 2.08 hereof or in any other way impose upon the District any obligation whatsoever with respect to persons having interests in the 2002 Authorization Bonds other than the Owners, as shown on the Bond Register of the Fiscal Agent. In the Representation Letter, the Fiscal Agent shall agree to take all actions necessary to comply with all representations of the District in the Representation Letter. In addition to the execution and delivery of the Representation Letter, each Authorized Representative of the District is hereby authorized to take any other actions, not inconsistent with this Fourteenth Supplemental Resolution, to qualify the 2002 Authorization Bonds 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 the 2002 Authorization 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 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 2002 Authorization Bond for each of the maturities of the 2002 Authorization Bonds, 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 this Fourteenth Supplemental Resolution. If the District fails to identify another qualified securities depository to replace the Securities Depository, then the 2002 Authorization 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 Fourteenth Supplemental Resolution to the contrary, so long as any 2002 Authorization Bond is registered in the name of the Nominee, all payments with respect to principal of and interest and premium, if any, on such 2002 Authorization Bond and all notices with respect to such 2002 Authorization Bond shall be made and given, respectively, as provided in the Representation Letter or as otherwise instructed by the Securities Depository.

SECTION 2.12. Initial Depository and Nominee.

The initial Securities Depository under this Fourteenth Supplemental Resolution shall be DTC. The initial Nominee shall be Cede & Co., as Nominee of DTC.

ARTICLE III

APPLICATION OF BOND PROCEEDS; ESTABLISHMENT OF FUNDS; COVENANTS

SECTION 3.01. Application of Proceeds of 2002 Authorization Bonds.

The proceeds of the sale of a Series of 2002 Authorization Bonds and such other moneys as are available and necessary to accomplish the purposes of this Fourteenth 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, shall be set aside by the Treasurer as follows:

- (a) The Treasurer shall deposit in the Bond Service Fund the amount of such proceeds representing interest accrued, if any, on such Series of 2002 Authorization Bonds to the date of delivery thereof.

(b) Subject to the provisions of this Fourteenth Supplemental Resolution permitting deposit of a Reserve Fund Credit Policy, the Treasurer shall deposit in the Reserve Fund for such Series of 2002 Authorization Bonds an amount equal to the Bond Reserve Requirement for such Series of 2002 Authorization Bonds.

(c) The Treasurer shall deposit in the Costs of Issuance Fund the amount of such proceeds necessary to pay all Costs of Issuance that are not to be paid from other sources.

(d) The remaining proceeds shall be deposited in the Purchase Fund for such Series of 2002 Authorization Bonds.

SECTION 3.02. 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 2002 Authorization Bonds, which shall be designated as the “Water Revenue Bonds 2002 Authorization Costs of Issuance Fund” and shall bear such additional designation as shall be determined 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 2002 Authorization 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 3.03. Establishment and Application of Purchase Funds.

(A) The District shall establish, and the Treasurer shall maintain and hold in trust a separate fund with respect to each Series of 2002 Authorization Bonds, which shall be designated as the “Water Revenue Bonds 2002 Authorization Purchase Fund” and shall bear such additional designation as shall be determined by an Authorized Representative. The moneys in each such Purchase Fund shall be used and withdrawn by the Treasurer to pay all or a portion of the Tender Price. All investment earnings on funds held in each such Purchase Fund shall be credited to such fund unless otherwise specified in a Certificate of an Authorized Representative.

(B) The Treasurer shall keep a record of all payments from each Purchase Fund. Any moneys remaining in a Purchase Fund after the applicable Tender Price has been paid shall, upon a Certificate of an Authorized Representative, be transferred to the Bond Service Fund.

SECTION 3.04. Establishment, Pledge, Funding and Application of Reserve Funds.

(A) In connection with the issuance of a Series of 2002 Authorization Bonds pursuant to this Fourteenth Supplemental Resolution, the District shall establish and the Treasurer shall maintain and hold in trust a separate fund designated as the “Water Revenue Bonds 2002 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 3.01 hereof and applied as set forth in this Section 3.04. All amounts held by the Treasurer in the Reserve Fund established with respect to such Series of 2002 Authorization Bonds shall be pledged to secure the payment of the principal of and interest on such Series of 2002 Authorization 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 2002 Authorization 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 2002 Authorization 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 2002 Authorization 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 2002 Authorization Bonds in the event moneys in the Bond Service Fund are insufficient, or (ii) for the payment of the final principal and interest payment on such Series of 2002 Authorization Bonds. Any amounts in the Reserve Fund established with respect to a Series of 2002 Authorization Bonds in excess of the Bond Reserve Requirement for such Series shall be transferred to the Bond Service Fund 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 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 Series of 2002 Authorization Bonds 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 2002 Authorization 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 3.05. Establishment and Application of Excess Earnings Funds.

To ensure proper compliance with the tax covenants contained in Section 3.06 hereof, the District shall establish and the Treasurer maintain a fund for each Series of 2002 Authorization Bonds issued hereunder, which fund shall be separate from any other fund or account established and maintained hereunder or under the Master Resolution designated as the “Water Revenue Bonds 2002 Authorization Excess Earnings Fund” and shall bear such additional designation as shall be determined by an Authorized Representative. All money at any time deposited in the Excess Earnings Fund with respect to a Series of 2002 Authorization 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 2002 Authorization 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 Fourteenth 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 2002 Authorization Bonds except in accordance with the Tax and Nonarbitrage Certificate with respect to such Series.

SECTION 3.06. Tax Covenants.

In order to maintain the exclusion from gross income of the interest on the 2002 Authorization 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 Fourteenth 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 2002 Authorization Bonds shall be entitled to exercise any right or remedy provided to the Owners under the Master Resolution or this Fourteenth Supplemental Resolution on the basis of the District’s failure to observe, or refusal to comply with, such covenant.

SECTION 3.07. Establishment and Application of Additional Funds.

In addition to the funds established pursuant to the Master Resolution and this Fourteenth 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 5.04 hereof and as shall be set forth in the Tender Documents with respect to the tender for and purchase of the Tender Bonds.

ARTICLE IV**FISCAL AGENT AND PAYING AGENT****SECTION 4.01. Fiscal Agent and Paying Agent.**

The Treasurer of the District is hereby appointed as Fiscal Agent with respect to the 2002 Authorization 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**SALE OF 2002 AUTHORIZATION BONDS; APPROVAL OF SALES DOCUMENTS AND TRUST AGREEMENTS****SECTION 5.01. 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, Finance and Investment Committee of the Board (or in the event the Budget, Finance and Investment Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Budget, Finance and Investment 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, Finance and Investment Committee is renamed, dissolved, or reorganized, such other committee of the Board which shall have substantially all of the duties of the Budget, Finance and Investment 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 5.02. Approval of Sales Documents and Trust Agreements.

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 2002 Authorization Bonds, and the terms and conditions of the sale of each Series of

2002 Authorization 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 2002 Authorization Bonds, and the terms and conditions of the sale of each Series of 2002 Authorization 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 Fourteenth Supplemental Resolution, and shall be so empowered solely to implement the fundamental policies established by this Fourteenth Supplemental Resolution in a manner that is most advantageous to the District, and to deem the preliminary official statement relating to each Series of 2002 Authorization Bonds as being final within the meaning of Rule 15c2-12 promulgated under the Securities Exchange Act of 1934, as amended; provided, however, that such authorization shall expire on August 31, 2003 unless otherwise directed by the Board.

Such aggregate principal amount, terms and conditions of each Series of 2002 Authorization Bonds and the terms and conditions of their sale shall be set forth in the Sales Documents with respect to such Series of 2002 Authorization 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 2002 Authorization Bonds set forth in this Fourteenth 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 2002 Authorization Bonds, as if all such terms and conditions were fully set forth in this Fourteenth Supplemental Resolution.

The provisions of the Sales Documents, and Trust Agreement if any, pertaining to the terms of each Series of 2002 Authorization Bonds are hereby incorporated by reference into this Fourteenth Supplemental Resolution with the same force and effect as if set forth herein.

In connection with the sale of 2002 Authorization Bonds which are Variable Rate Bonds, the Ad Hoc Committee is further hereby authorized to negotiate, execute and deliver on behalf of the District, one or more remarketing agreements providing for the remarketing of such Variable Rate Bonds, and one or more liquidity or credit agreements, standby bond purchase agreements and/or similar agreements providing liquidity or credit support for remarketing the Variable Rate Bonds, all upon such terms and conditions as the Ad Hoc Committee shall determine to be in the best interests of the District.

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.

The Ad Hoc Committee shall file a report concerning its actions pursuant to this Fourteenth Supplemental Resolution with the Board along with a copy of the Sales Documents and any Trust Agreement for each Series of 2002 Authorization Bonds. The Executive Secretary of the District shall maintain true and correct copies of such documents in the files of the District.

SECTION 5.03. Approval of Tender and Tender Documents.

The Ad Hoc Committee is authorized and directed to determine on behalf of the District the aggregate principal amount, terms and conditions of the tender for and purchase of such portion of the District's Outstanding Bonds as the Ad Hoc Committee deems prudent and in the best interests of the District. The Ad Hoc Committee is hereby empowered to establish on behalf of the District the aggregate principal amount of Tendered Bonds purchased, the maturities and other identifying characteristics of the Bonds selected as Tendered Bonds, and the terms and conditions of the tender for and purchase of each Tendered Bond, 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, the Master Resolution and of this Fourteenth Supplemental Resolution, and shall be so empowered solely to implement the fundamental policies established by this Fourteenth Supplemental Resolution in a manner that is most advantageous to the District. The Ad Hoc Committee, on behalf of the District, shall authorize payment for the Tendered Bonds from the proceeds of the 2002 Authorization Bonds authorized in Section 2.01 of this Fourteenth Supplemental Resolution. The Ad Hoc Committee, on behalf of the District, may authorize the use of available moneys in the applicable Reserve Fund(s), Redemption Fund(s), Interest and Principal Fund(s) or similar funds previously created for the Tendered Bonds to pay a portion of the Tender Price to the extent that such use is not prohibited under the Master Resolution and the applicable Supplemental Resolution(s). Nothing in this Fourteenth Supplemental Resolution shall preclude the District from paying a portion of the Tender Price from any other lawfully available moneys of the District.

Such aggregate principal amount, terms and conditions of each tender for a portion of the District's Outstanding Bonds and the terms and conditions of the purchase of the Tendered Bonds shall be set forth in the Tender Documents. Such terms and conditions as so set forth shall, upon approval of the Tender Documents by the Ad Hoc Committee, or its designee, on behalf of the District, be all the terms and conditions of the tender for and purchase of the Tendered Bonds, as if all such terms and conditions were fully set forth in this Fourteenth Supplemental Resolution, and the provisions of said Tender Documents are hereby incorporated by reference into this Fourteenth Supplemental Resolution with the same force and effect as if set forth herein.

The Ad Hoc Committee shall file a report concerning its actions pursuant to any and all tenders for Tendered Bonds initiated pursuant to this Fourteenth Supplemental Resolution with the Board along with a copy of the Tender Documents.

SECTION 5.04. 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 2002 Authorization Bonds upon such terms and conditions as the Ad Hoc Committee shall determine to be in the best interests of the District.

SECTION 5.05. Further Action.

The Chairman of the Board, the General Manager and the Chief Financial Officer 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 Fourteenth Supplemental Resolution. Without limitation of the foregoing, the General Counsel of the District, or in the event of a vacancy, the Acting General Counsel or his or her designee, 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 6.01. Municipal Securities Disclosure.**

The District hereby agrees to provide or cause to be provided certain annual financial information and notices of certain material events to the extent required by Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934 (as amended from time to time) with respect to each Series of 2002 Authorization Bonds in accordance with the terms of the Continuing Disclosure Certificate, if any, delivered by the District in connection with such Series of 2002 Authorization Bonds.

SECTION 6.02. 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 6.03. 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 2002 Authorization Bonds.

ARTICLE VII**MISCELLANEOUS****SECTION 7.01. 2002 Authorization Bonds Subject to Master Resolution.**

Except as expressly provided in this Fourteenth Supplemental Resolution, every term and condition contained in the Master Resolution shall apply to this Fourteenth Supplemental Resolution and to the 2002 Authorization 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 Fourteenth Supplemental Resolution.

SECTION 7.02. Severability of Invalid Provisions.

If any one or more of the provisions contained in this Fourteenth Supplemental Resolution or in the 2002 Authorization 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 Fourteenth Supplemental Resolution and such invalidity, illegality or unenforceability shall not affect any other provision of this Fourteenth Supplemental Resolution, and this Fourteenth Supplemental Resolution shall be construed as if such invalid, illegal or unenforceable provision had never been contained herein. The District hereby declares that it would have adopted this Fourteenth Supplemental Resolution and each and every other Section, paragraph, sentence, clause or phrase hereof and authorized the issuance of the 2002 Authorization Bonds pursuant thereto irrespective of the fact that any one or more Sections, paragraphs, sentences, clauses or phrases of this Fourteenth Supplemental Resolution may be held illegal, invalid or unenforceable.

SECTION 7.03. 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 Fourteenth Supplemental Resolution.

All references herein to "Article," "Sections" and other subdivisions are to the corresponding Articles, Sections or subdivisions of this Fourteenth Supplemental Resolution; the words "herein," "hereof," "hereby," "hereunder" and other words of similar import refer to this Fourteenth 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 7.04. Governing Law.

This Fourteenth 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 meeting held on September __, 2002.

Executive Secretary
The Metropolitan Water District of
Southern California

EXHIBIT A

**FORM OF 2002 AUTHORIZATION BOND
(FIXED RATE BOND)**

UNITED STATES OF AMERICA

No. _____

\$ _____

THE METROPOLITAN WATER DISTRICT OF SOUTHERN CALIFORNIA
WATER REVENUE BONDS, 2002 AUTHORIZATION
(TENDER PURCHASE PROGRAM)

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 #
____%	July 1, ____	_____	_____

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 2002 Authorization Bond is authenticated during the period after a record date but on or before the next interest payment date, in which event this 2002 Authorization Bond shall bear interest from that interest payment date, or unless this

2002 Authorization Bond is authenticated prior to the first record date, in which event this 2002 Authorization Bond shall bear interest from _____, 200_ 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 _____ 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 2002 Authorization Bond is payable to the registered holder hereof in lawful money of the United States of America upon presentation and surrender of this 2002 Authorization Bond at the corporate office of the Treasurer of the District. Interest on this 2002 Authorization 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 2002 Authorization 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 2002 Authorization Bond is one of a duly authorized issue of "The Metropolitan Water District of Southern California Water Revenue Bonds, 2002 Authorization (Tender Purchase Program)" (the "2002 Authorization 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 amended and supplemented, the "Master Resolution") and Resolution ____ adopted by the District on September __, 2002 (the "Fourteenth Supplemental Resolution"; the Master Resolution as supplemented by the Fourteenth Supplemental Resolution is referred to herein as the "Resolution"). Reference is hereby made to the Master Resolution, the Fourteenth Supplemental Resolution and to the Act for a description of the terms on which the 2002 Authorization 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 2002 Authorization Bond, and by acceptance hereof the registered holder of this 2002 Authorization Bond assents to said terms and conditions. The Resolution is adopted under, and this 2002 Authorization Bond is issued under, and all are to be construed in accordance with, the laws of the State of California.

This 2002 Authorization 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 2002 Authorization 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 2002 Authorization 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 this 2002 Authorization Bond or any interest hereon.

The 2002 Authorization 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 Fourteenth Supplemental Resolution.

This 2002 Authorization Bond is one of the Issue of 2002 Current Interest Bonds described in the Resolution.

[Redemption provisions to be inserted]

This 2002 Authorization 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 or her duly authorized attorney, upon surrender of this 2002 Authorization Bond for cancellation, accompanied by delivery of a written instrument of transfer, duly executed in a form approved by the Fiscal Agent. Whenever any 2002 Authorization Bond is surrendered for transfer, the District shall execute and the Fiscal Agent shall authenticate and deliver a new 2002 Authorization Bond or Bonds, of the same tenor and maturity and for a like aggregate principal amount. This 2002 Authorization Bond may be exchanged without charge at the office of the Fiscal Agent in Los Angeles, California for 2002 Authorization Bonds of authorized denominations having the same aggregate principal amount, tenor and maturity. The Fiscal Agent need not transfer registration or exchange any 2002 Authorization Bond later than 15 days prior to the date of selection of 2002 Authorization Bonds for redemption or any portion thereof for redemption. The Fiscal Agent may require the holder of any 2002 Authorization 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 2002 Authorization 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 2002 Authorization 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 reduce the percent of 2002 Authorization 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 the lien created by the Resolution, or deprive the holders of the 2002 Authorization 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 2002 Authorization Bonds then outstanding.

This 2002 Authorization 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

2002 Authorization 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 2002 Authorization 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 2002 Authorization Bonds permitted to be issued under the Resolution.

IN WITNESS WHEREOF, the District has caused this 2002 Authorization Bond to be signed by the Chairman of the Board of Directors and the Secretary of the Board of Directors of the District, and countersigned by the Controller of the District, each by their facsimile or manual signatures, and sealed with the corporate seal of said District as of the Original Issue Date specified above.

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

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

COUNTERSIGNED:

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, 2002 Authorization (Tender Purchase Program) delivered pursuant to the within mentioned Master Resolution and Fourteenth 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 2002 Authorization 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 TEN: 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 2002 Authorization 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: _____

SIGNATURE GUARANTEED:

Note: The signature(s) to this Assignment must correspond with the name(s) as written on the face of the within 2002 Authorization Bond in every particular, without alteration or enlargement or any change whatsoever.

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