

**RESOLUTION NO. 1832**

RESOLUTION OF THE BOARD OF TRUSTEES OF THE METROPOLITAN WATER DISTRICT OF SALT LAKE & SANDY APPROVING THE EXECUTION AND DELIVERY OF NOTICES OF TERMINATION OF SWAP AGREEMENTS RELATING TO CERTAIN OF THE DISTRICT'S OUTSTANDING WATER REVENUE BONDS, APPROVING THE EXECUTION AND DELIVERY OF CERTAIN REPLACEMENT SWAP AGREEMENTS, DESIGNATING A PRICING COMMITTEE FOR THE PURPOSE OF APPROVING THE FINAL TERMS OF THE REPLACEMENT SWAP AGREEMENTS, AND PROVIDING FOR RELATED MATTERS.

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WHEREAS, the Metropolitan Water District of Salt Lake & Sandy (the "*District*") has previously issued its \$135,400,000 original aggregate principal amount of Water Revenue Refunding Bonds, Series 2008B-3 (the "*District Bonds*") corresponding to the Utah Water Finance Agency's (the "*Agency*") \$135,400,000 original aggregate principal amount of Program Revenue Bonds, Series B-3 (the "*Agency Bonds*" and, collectively with the District Bonds, the "*Bonds*");

WHEREAS, the Agency, on behalf of the District, has entered into interest rate swap agreements (the "*AFS Swap Agreements*") with Ambac Financial Services, LLC ("*AFS*") with respect to a portion of the Bonds for the purpose of controlling or managing the cost of debt service on the Bonds;

WHEREAS, the credit ratings of AFS and Ambac Assurance Corporation ("*Ambac*"), the guarantor of AFS's obligations under the AFS Swap Agreements, have been downgraded to

“junk” status by certain rating agencies, and it is expected that AFS and Ambac will become insolvent;

WHEREAS, in order to manage the cost of debt service with respect to certain portions of the outstanding principal amount of the Bonds (collectively, the “*Swap Amounts*”), the District has determined to (i) approve and cause the execution and delivery of notices of termination of the AFS Swap Agreements (the “*Termination Notices*”) to AFS and Ambac pursuant to the terms of the AFS Swap Agreements, and (ii) approve the execution and delivery of a replacement interest rate swap agreement between the Agency and Deutsche Bank or The Bank of New York (each, a “*Swap Provider*”) with respect to each Swap Amount, pursuant to which the District will be obligated to pay the Swap Provider a fixed rate of interest on the respective Swap Amount and the Swap Provider will be obligated to pay the District a variable rate of interest on the Swap Amount;

WHEREAS, the District is authorized by Section 51-7-17(3), Utah Code Annotated 1953, as amended, and Rule 628-18-5 of the State Money Management Council (collectively, the “*Act*”) to enter into interest rate contracts for the control or management of debt or the cost of servicing debt;

WHEREAS, the District has engaged Lewis Young Robertson & Burningham, Inc. as financial advisor (the “*Financial Advisor*”), George K. Baum & Company as swap structuring Agent (the “*Structuring Agent*” and, collectively with the Financial Advisor, the “*Swap Advisors*”), and Chapman and Cutler LLP as special counsel in connection with the termination

of the AFS Swap Agreements and the execution and delivery of the Replacement Swap Agreements;

WHEREAS, the Board of Trustees (the “*Board*”), the Treasurer, the General Manager, and other officers of the District have consulted with the Swap Advisors regarding the risks and benefits of the Termination Notices and the Replacement Swap Agreements; and

WHEREAS, the Board desires now to approve the execution and delivery of the Termination Notices and the Replacement Swap Agreements;

NOW, THEREFORE, Be It Resolved by the Board of Trustees of the Metropolitan Water District of Salt Lake & Sandy, as follows:

*Section 1. Findings; Approval of Termination Notices and Swap Agreements.*

(a) The Board hereby finds and determines that it is necessary, convenient, or appropriate, and in the best interests of the District and its water users, for the District to cause the Termination Notices to be executed and delivered to AFS and Ambac (with copies to any other applicable parties) and, to the extent payable under the AFS Swap Agreements, to pay swap termination payments with respect to the AFS Swap Agreements.

(b) The Board hereby finds and determines that it is necessary, convenient, or appropriate, and in the best interests of the District and its water users for the District to approve the execution and delivery by the Agency, on behalf of the District, of the Replacement Swap

Agreements, for the purpose of controlling and managing the debt service on the Bonds (and not for the purpose of speculation).

(c) In connection with the termination of the AFS Swap Agreements and the execution and delivery of the Replacement Swap Agreements, there is hereby appointed a Pricing Committee (the "*Pricing Committee*"), comprised of \_\_\_\_\_.

(d) The Board hereby approves the execution and delivery of the Termination Notices and the payment of any swap termination payments payable under the Swap Agreements, from proceeds of the Upfront Payments (defined below), District funds, or a combination of such sources, provided that the aggregate net amount of the swap termination payments with respect to all of the AFS Swap Agreements shall not exceed \$\_\_\_\_\_, the final amounts of such swap termination payments to be approved by the Pricing Committee in consultation with the Swap Advisors.

(e) The Board hereby approves the execution and delivery by the Agency of the Replacement Swap Agreements, which shall consist of a 1992 ISDA Master Agreement, a schedule to the ISDA Master Agreement, a Credit Support Annex, and a Confirmation with each Swap Provider. The notional amounts of each Replacement Swap Agreement shall not exceed the notional amounts under the AFS Swap Agreements that it replaces. Subject to the limitations described in this paragraph (e), the Pricing Committee is hereby authorized to approve the final terms of the Replacement Swap Agreements in consultation with the Swap Advisors, including (i) the identity of the Swap Provider with respect to each Replacement Swap

Agreement, which shall be either Deutsche Bank or The Bank of New York, (ii) the fixed rates to be paid by the District to the Swap Providers, *provided* that (A) none of the fixed rates payable by the District under the Replacement Swap Agreements shall exceed 5.0%, and (B) the fixed rate payable by the District under each Replacement Swap Agreements shall be established at a rate that approximates the fixed rates payable under the related AFS Swap Agreements that are being replaced, plus an additional component of the fixed interest rate that is sufficient to generate an up-front payment by the Swap Provider to the District (an “*Upfront Payment*”) in an amount sufficient to provide for the payment of the applicable swap termination payment plus expenses relating to the execution and delivery of the related Termination Notices and Replacement Swap Agreement, (iii) the variable rates payable by the Swap Providers, which may be based on the LIBOR or the SIFMA Municipal Swap Index currently payable under the related AFS Swap Agreement that is being replaced, and (iii) the stated termination dates, *provided* that the stated termination date of each Replacement Swap Agreement shall not extend beyond the latest stated termination date of the related AFS Swap Agreements that are being replaced.

(f) The Chair of the Board (the “*Chair*”) and the Treasurer of the District (the “*Treasurer*”) are each hereby authorized to execute and deliver any approvals or other instruments that may be necessary in connection with the execution and delivery of the Termination Notices.

(g) The Chair and the Treasurer are hereby authorized to execute and deliver any approvals or other instruments that may be necessary in connection with the execution and

delivery of the Replacement Swap Agreements, with such changes as the Chair and the Treasurer shall approve in consultation with the Pricing Committee and the Swap Advisors (the execution and delivery of written approvals to the Replacement Swap Agreements by the Chair and Treasurer to constitute conclusive evidence of such approval).

*Section 2. Other Actions with Respect to the Termination Notices and Replacement Swap Agreements.* The officers and employees of the District, including the Chair and the Treasurer, shall take all action necessary or reasonably required to carry out, give effect to, and consummate the approval, execution and delivery of the Termination Notices and Replacement Swap Agreements, and shall take all action necessary in conformity with the Act to carry out such approval, execution and delivery of the Termination Notices and Replacement Swap Agreements, including, without limitation, the execution and delivery of any certificates or other documents required to be delivered in connection therewith. If the Chair shall be unavailable to execute any documents that he is hereby authorized to execute, the same may be executed by the Vice Chair; *provided, however,* that the Treasurer shall execute the forms of written approval to the Replacement Swap Agreements in any event.

*Section 3. Acts Ratified, Approved and Confirmed.* All acts of the officers and employees of the District in connection with the Termination Notices and the Replacement Swap Agreements are hereby ratified, approved and confirmed.

*Section 4. Repealer.* All resolutions or parts thereof in conflict herewith are, to the extent of such conflict, hereby repealed.

*Section 5. Severability.* If any section, paragraph, clause, or provision of this resolution shall for any reason be held to be invalid or unenforceable, the invalidity or unenforceability of such section, paragraph, clause, or provision shall not affect any of the remaining provisions of this resolution.

*Section 6. Effective Date.* This resolution shall be effective immediately upon its approval and adoption.

PASSED and APPROVED by the Board of Trustees of the Metropolitan Water District of Salt Lake & Sandy, this 10th day of August, 2009.

METROPOLITAN WATER DISTRICT OF SALT  
LAKE & SANDY

By \_\_\_\_\_  
Chair, Board of Trustees

ATTEST AND COUNTERSIGN:

By \_\_\_\_\_  
Clerk

[SEAL]

BOARD MEMBER	VOTE
Leland J. Myers	_____
John Kirkham	_____
David L. Buhler	_____
Tom Godfrey	_____
Lee Kapaloski	_____
Kathy W. Loveless	_____
Donald Y. Milne	_____

**EXHIBIT A**

[FORMS OF REPLACEMENT SWAP AGREEMENTS]