

MINUTES OF A SPECIAL MEETING OF THE BOARD OF DIRECTORS
WEST BASIN MUNICIPAL WATER DISTRICT
MAY 5, 2008

A special meeting of the Board of Directors of West Basin Municipal Water District was held on Monday, May 5, 2008 at 12:00 p.m. at 17140 S. Avalon Blvd., Suite 210, Carson, CA 90746 and via a conference call at the Portola Hotel Lobby, Monterey, CA 93940.

President Dear called the meeting to order at 12:15 p.m. and presided thereover.

1. **DETERMINATION OF QUORUM.** The following Directors were present: Dear, Gray, Kwan, Little, and Smith. Also present was General Manager Nagel and District Counsel O'Neill via conference call.

2. **PUBLIC COMMENT.** (Members of the public are invited to present comments to the board on matters within the District's jurisdiction but not on the agenda. The public may present comments on agenda items when the matter is called.) None.

President Dear recessed to Closed Session at 12:15 p.m. without objection.

CLOSED SESSION

3. **PURSUANT TO GOVERNMENT CODE SECTION 54956.9 (a) Pending Litigation – 1 Item – West Basin vs. Rich Financial and 54956.9 (a) (b) Potential Litigation – 3 Items**

District Counsel reported that Board members Little, Dear, and Gray, and Smith and Kwan via conference call met in Closed Session with Rich Nagel, Margaret Moggia, and Charlene Jensen, West Basin staff and via conference call Steven O'Neill, West Basin Counsel and Ed Soong, West Basin Financial Consultant regarding one (1) potential litigation matter regarding the current SWAP and SPAA agreements with Rice Holdings and discussed the following recommended revisions to the agreements:

Amended SPAA

1. The insurance policy Rice Holdings acquired from Ambac Assurance Corporation insuring the swap payments from Rice Holdings to West Basin will be terminated. Rice Holdings will continue to be responsible for any negative payments.
2. Rice Holdings would deposit into a Collateral Account (Collateral Account is a true collateral account, not a payment account) the following amounts:
 - a) At Closing: \$1.625 million;
 - b) 08/01/2008: Rice Holding's share of swap (between Rice Financial Products Corporation (RFPC) and West Basin) savings (50% of total swap savings, directly deposited by West Basin), if any;
 - c) 1st year anniversary: \$1.125 million offset by 2.b);
 - d) 08/01/2009: Rice Holding's share of swap (between RFPC and West Basin) savings (50% of total swap savings, directly deposited by West Basin), if any;
 - e) 2nd year anniversary: \$1.125 million offset by 2.d);
 - f) 08/01/2010: Rice Holding's share of swap (between RFPC and West Basin) savings (50% of total swap savings, directly deposited by West Basin), if any;
 - g) 3rd year anniversary: \$1.125 million offset by 2.f); and

- h) 08/01/2011 and annually thereafter: Rice Holding's share of swap (between RFPC and West Basin) savings (50% of total swap savings, directly deposited by West Basin), if any.
- 3. West Basin would deposit its share of swap (between RFPC and West Basin) savings (50% of total swap savings) into the Collateral Account starting 08/01/2008 and annually thereafter.
- 4. All interest earnings generated in the Collateral Account are retained in the Collateral Account subject to 5. below.
- 5. Automatic termination of the Amended SPAA and the RFPC swap, when the funding in the Collateral Account equals the sum of:
 - a) The termination value of the RFPC swap;
 - b) Rice's contribution under 2.a), 2.c), 2.e), 2.g);
 - c) At least \$500,000; and
 - d) Cash contributions, if any, by Rice Holdings or West Basin upon termination.
- 6. The distribution of any funds resulting from the termination described in 5. will be the following:
 - a) 5.a): termination payment to RFPC;
 - b) 5.b): return of net Rice Holdings collateral (i.e. no interest earnings on collateral posting nor Rice Holdings savings plus interest will be returned to Rice Holdings; and
 - c) 5.c): remaining balance (of at least \$500,000) divided evenly between Rice Holdings and West Basin.
- 7. A failure of Rice Holdings to make any future payment obligations (under 1. or 2.) (subject to standard swap payment cure provisions) or Rice Holdings bankruptcy would result in Rice Holdings' immediate loss of the entire Collateral Account, including all rights to 6. (distribution of Collateral Account proceeds from a termination).

ACTION: Upon a motion duly made by Director Kwan and seconded by Director Gray, the Board unanimously approved revisions to the current SWAP and SPAA agreements with Rice Holdings/Rice Financial Products as submitted above, and authorized the General Manager to execute such revisions.

District Counsel reported that no other matters were discussed.

ADJOURNMENT. There being no further business to come before the Board, President Dear adjourned the meeting at 12:55 p.m.

President

ATTEST:

Secretary