

**KING COUNTY WATER DISTRICT NO. 90**

**KING COUNTY, WASHINGTON**

**RESOLUTION NO. 1103**

A RESOLUTION of the Board of Commissioners of King County Water District No. 90, King County, Washington, providing for the issuance of one or more series of water revenue bonds of the District in the aggregate principal amount of not to exceed \$5,200,000, for the purpose of providing a portion of the funds necessary to finance and/or refinance certain capital improvements of the District, and to pay the costs of issuance and sale of the bonds; providing the form, terms and covenants of the bonds; delegating certain authority to approve the final terms of the bonds; providing for other matters relating thereto.

**ADOPTED: AUGUST 3, 2021**

**PREPARED BY:**

**PACIFICA LAW GROUP LLP**  
Seattle, Washington

RESOLUTION NO. 1103

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**WHEREAS**, King County Water District No. 90, King County, Washington (the "District"), owns, operates and maintains a domestic water supply and distribution system (as further defined herein, the "System"); and

**WHEREAS**, the District desires to improve, construct and equip certain portions of the System as identified in the capital improvement programs of the District (as further defined herein, the "Projects"); and

**WHEREAS**, the District is authorized pursuant to chapters 39.46, 39.44, and 57.20 RCW to issue revenue bonds payable from revenues of the System for the purpose of financing and/or refinancing costs of the Projects; and

**WHEREAS**, the District's Board of Commissioners (the "Board") has determined that that it is in the best interests of the District and its ratepayers that it issue one or more series of water revenue bonds in the aggregate principal amount of not to exceed \$5,200,000 (the "Bonds") for the purpose of financing and/or refinancing the Projects, and paying costs of issuance for each series of Bonds; and

**WHEREAS**, the Board wishes to delegate authority to the District Manager and the Finance Manager (each, a "Designated Representative"), for a limited time, to approve the interest rates, maturity dates, redemption terms and principal maturities for the Bonds within the parameters set by this resolution; and

**WHEREAS**, the District expects to receive an offer from D.A. Davidson & Co. (the "Underwriter") and now desires to issue and sell the Bonds to the Underwriter as set forth herein;

BE IT RESOLVED BY THE BOARD OF COMMISSIONERS OF KING COUNTY WATER DISTRICT NO. 90, KING COUNTY, WASHINGTON, as follows:

Section 1. Definitions.

(a) *Definitions.* As used in this resolution, the following words shall have the following meanings:

***Adjusted Net Revenue*** means Net Revenue plus withdrawals from the Rate Stabilization Fund and less deposits into the Rate Stabilization Fund.

***Annual Debt Service*** means for the applicable series of the Parity Bonds for any year, all the interest, plus all principal (except principal of Term Bonds due in any Term Bond Maturity Year), plus all mandatory redemption and sinking fund installments due in that year, less all bond interest payable from the proceeds of any such bonds in that year.

If the interest rate on any Parity Bonds is other than a fixed rate, the rate applicable at the time of the computation shall be used, and for purposes of determining the actual compliance with the Coverage Requirement in any past calendar year, the actual amount of interest paid on any issue of such Parity Bonds shall be taken into account.

For purposes of satisfying the Parity Requirement, if more than 25% of the principal on any Parity Bonds is due in any fiscal year (for instance, a balloon bond), the District may amortize the principal of such obligation by either taking into account any scheduled or expected principal or redemption payments for such obligation, or by amortizing such obligation in approximately equal principal payments for the life of the project financed. For purposes of satisfying the Coverage Requirement, the actual amount of interest and/or principal on any issue of such Parity Bonds shall be taken into account.

For purposes of satisfying the Coverage Requirement and the Parity Requirement, Annual Debt Service for any fiscal year or calendar year shall exclude any Debt Service Offsets received or expected to be received in such fiscal year or calendar year.

***Average Annual Debt Service*** means, as of the date of calculation, the amount determined by dividing (a) the sum of all interest and principal to be paid on all Parity Bonds from the date of determination to the last maturity date of such Parity Bonds, by (b) the number of fiscal years or calendar years from and including the fiscal year or calendar year in which the determination is made to the last fiscal year or calendar year in which any of such Parity Bonds will be outstanding.

***Base Period*** means any consecutive 12-month period selected by the District out of the 24-month period next preceding the date of issuance of an additional series of Future Parity Bonds.

***Board*** means the Board of Commissioners of the District as the general legislative authority of the District, as duly and regularly constituted from time to time.

***Bond Counsel*** means Pacifica Law Group LLP or another law firm selected by the District that is nationally recognized in matters concerning bonds and other securities issued by states and local governments, including the tax status of interest on such bonds and other securities.

***Bond Purchase Contract*** means the contract between the District and the Underwriter for the purchase of the Bonds.

***Bond Register*** means the registration records for the Bonds maintained by the Bond Registrar.

***Bond Registrar*** means, initially, the fiscal agent of the State, for the purposes of registering and authenticating the Bonds, maintaining the Bond Register, effecting transfer of ownership of the Bonds and paying interest on and principal of the Bonds.

***Bondowners' Trustee*** means a trustee appointed by the owners of Parity Bonds pursuant to the provisions of Section 21 of this resolution.

***Bonds*** means the bonds of the District issued pursuant to and for the purposes provided in this resolution in one or more series and with such additional series and other designation as a Designated Representative may deem appropriate.

***CIP*** means the District's Capital Improvements Program, adopted by the Board in conjunction with the District's budget process, as such CIP may be adjusted by the Board from time to time.

***Closing*** means the date of delivery of the Bonds to the Underwriter.

***Code*** means the Internal Revenue Code of 1986 as in effect on the date of issuance of the Bonds or (except as otherwise referenced herein) as it may be amended to apply to obligations issued on the date of issuance of the Bonds, together with applicable proposed, temporary and final regulations promulgated, and applicable official public guidance published, under the Code.

***Common Reserve Bonds*** mean those Future Parity Bonds designated by the District in the resolution authorizing their issuance as Common Reserve Bonds secured by the Common Reserve Fund.

***Common Reserve Fund*** means that special fund of the District known as the Water Common Reserve Fund.

***Construction Fund*** means the special fund of the District previously created and established in the office of the Treasurer out of which is paid the costs of acquiring, constructing, installing and equipping improvements to and betterments and extensions of the System.

***Continuing Disclosure Certificate*** means the written undertaking for the benefit of the holders of the Bonds as required by Section (b)(5) of the Rule.

***Coverage Requirement*** in any calendar year means an amount of Adjusted Net Revenue in that calendar year, plus ULID Assessments due in that calendar year and not delinquent, at least equal to 1.25 times the Annual Debt Service in that calendar year on all outstanding Parity Bonds.

***Debt Service Offset*** means receipts of the District that are not included in Gross Revenue and that are legally available to pay debt service on Parity Bonds, including without limitation federal interest subsidy payments, designated as such by the District.

***Debt Service Fund*** means that special fund of the District known as the Water Revenue Debt Service Fund created by the District for the payment of the principal of and interest on the Parity Bonds and the accounts therein.

***Designated Representative*** means the District Manager and the Finance Manager, or their designee. The signature of one Designated Representative shall be sufficient to bind the District.

***District*** means King County Water District No. 90, King County, Washington, as presently existing or as may subsequently exist as a result of any change in corporate or service area boundaries or lawful merger or consolidation with or assumption of assets and liabilities by (1) any other special purpose sewer, water or sewer and water district under the provisions of Titles 56 or 57 RCW or the successor statutes, or (2) any public utility district created under the provisions of Title 54 RCW or successor statutes.

***District Manager*** means the General Manager of the District, including anyone serving in an interim capacity to such position, or the successor to such officer.

***DTC*** means The Depository Trust Company, New York, New York, a limited purpose trust company organized under the laws of the State of New York, as initial securities depository for the Bonds.

***Event of Default*** shall have the meaning set forth in Section 21 of this resolution.

***Fair Market Value*** means the price at which a willing buyer would purchase an investment from a willing seller in a bona fide, arm's-length transaction, except for specified investments as described in Treasury Regulation § 1.148-5(d)(6), including United States Treasury obligations, certificates of deposit, guaranteed investment contracts, and investments for yield restricted defeasance escrows. Fair Market Value is generally determined on the date on which a contract to purchase or sell an investment becomes binding, and, to the extent required by the applicable regulations under the Code, the term "investment" will include a hedge.

***Federal Tax Certificate*** means certificate of the District executed by a Designated Representative pertaining to the tax-exemption of interest on the Tax-Exempt Bonds, and attachments thereto.

***Finance Manager*** means the Finance Manager of the District, including anyone serving in an interim capacity to such position, or the successor to such officer.

***Future Parity Bonds*** means all water revenue bonds of the District issued after the date of the issuance of the Bonds and having a lien and charge on Net Revenue and ULID Assessments on a parity with the lien and charge on Net Revenue and ULID Assessments for the payment of the principal of and interest on the Bonds.

***Government Obligations*** means those obligations now or hereafter defined as such in chapter 39.53 RCW constituting direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America, as such chapter may be hereafter amended or restated.

***Gross Revenue or Gross Revenue of the System*** means all earnings and revenue received by the District from the maintenance and operation of the System from any source whatsoever, including the income from investments of money in the Water Revenue Fund and any bond fund or from any other investment thereof (except the income from investments irrevocably pledged to the payment of revenue bonds pursuant to a plan of retirement or refunding), and any connection and capital improvement charges collected and allocated to defray the cost of capital facilities of the System. The term "Gross Revenue" includes federal or state reimbursements of operating expenses to the extent that such expenses are included as "Maintenance and Operation Expense." The term "Gross Revenue" shall not include (a) ULID Assessments (if any), (b) revenues from any property taxes, (c) principal proceeds of bonds or other obligations and earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund System obligations (until commingled with other earnings and revenues of the System) or held in a special account for the purpose of paying a rebate to the United States Government under the Code, (d) income and revenue which may not legally be pledged for revenue bond debt service; (e) federal or state grants, and gifts from any source, allocated to capital projects; (f) insurance or condemnation proceeds used for the replacement of capital projects or equipment; (g) proceeds from the sale of System property; (h) earnings in any construction fund or bond redemption fund; (i) deposits to the Rate Stabilization Fund; or (j) revenue from any Separate System.

***Maintenance and Operation Expense*** means all reasonable expenses incurred by the District in causing the System to be operated and maintained in good repair, working order and condition, including without limitation payments of premiums for insurance on the System; costs incurred in connection with the acquisition of water or the securing of water rights; payments to any public or private entity for water service or other utility service in the event that the District combines such services and enters into a contract for such service, including pro-rata budget allocations or charges for the District's administration expenses where those represent a reasonable distribution and share of actual costs; and any State-imposed taxes. Maintenance and Operation Expense shall exclude depreciation, taxes or charges in lieu of taxes levied or imposed by the District, payments-in-lieu-of-taxes paid to the District, capital additions and capital replacements to the System.

***Maximum Annual Debt Service*** means, as of the date of calculation, the maximum amount of Annual Debt Service that will mature or come due in the current calendar year or any future calendar year on the outstanding Parity Bonds.

***Maximum Reserve Requirement*** means the maximum dollar amount permitted by the Code to be allocated to a reserve fund from tax-exempt bond proceeds without requiring a balance to be invested at a restricted yield.

***MSRB*** means the Municipal Securities Rulemaking Board or any successors to its functions.

**Net Revenue** means Gross Revenue less Maintenance and Operation Expense. In calculating Net Revenue, the District shall not take into account any non-cash gains or losses with respect to any real or personal property, investment or agreement that it may be required to recognize under generally accepted accounting principles, such as unrealized mark- to-market gains and losses.

**Official Statement** means the disclosure documents prepared and delivered in connection with the issuance of the Bonds.

**Parity Bond Reserve Fund** means any reserve fund or account established by the District for the purpose of securing the payment of the principal of and interest on one or more series of Parity Bonds. The Common Reserve Fund is a Parity Bond Reserve Fund.

**Parity Bonds** means the Bonds and any Future Parity Bonds.

**Parity Requirement** means Net Revenue equal to or greater than 1.25 times the Maximum Annual Debt Service in any future fiscal year for all Parity Bonds plus the Future Parity Bonds proposed to be issued (after deducting ULID Assessments from "Annual Debt Service," with ULID Assessments allocated to the years in which they would be received if the unpaid balance of each assessment roll were paid in the remaining number of installments with interest on the declining balance at the times and at the rate provided in the resolution confirming the assessment roll).

**Professional Utility Consultant** means an independent licensed professional engineer, certified public accountant or other independent person or firm selected by the District having a favorable reputation for skill and experience with municipal utilities of comparable size and character to the System in such areas as are relevant to the purposes for which such consultant is retained.

**Project or Projects** mean improving, constructing and equipping certain portions of the System as identified in the capital improvement plans of the District, as such plans may be amended, updated, supplemented or replaced from time to time by the District.

**Qualified Insurance** means any non-cancellable municipal bond insurance policy or surety bond issued by any insurance company licensed to conduct an insurance business in any state of the United States (or by a service corporation acting on behalf of one or more such insurance companies), which insurance company or companies, as of the time of issuance of such policy or surety bond, was rated in one of the two highest rating categories by at least one credit rating agency.

**Qualified Letter of Credit** means any irrevocable letter of credit issued by a financial institution for the account of the District on behalf of the owners of one or more series of Parity Bonds, which institution maintains an office, agency or branch in the United States and as of the time of issuance of such letter of credit was rated in one of the two highest rating categories by at least one credit rating agency.

**Rate Stabilization Fund** means the Rate Stabilization Fund of the District.



**Record Date** means the close of business for the Bond Registrar that is 15 days preceding any interest and/or principal payment or redemption date.

**Registered Owner** means the person named as the registered owner of a Bond in the Bond Register. For so long as the Bonds are held in book-entry only form, DTC or its nominee shall be deemed to be the sole Registered Owner.

**Reserve Requirement** is the dollar amount to be calculated with respect to all Common Reserve Bonds and separately with respect to other Parity Bonds.

(a) With respect to Common Reserve Bonds secured by the Common Reserve Fund, the Reserve Requirement means as of any date an amount equal to the lesser of (i) the Maximum Annual Debt Service for Common Reserve Bonds then outstanding, (ii) 125% of average Annual Debt Service for Common Reserve Bonds then outstanding, or (iii) 10% of the initial face amount of the Common Reserve Bonds then outstanding; provided, however, that the dollar amount required to be contributed, if any, as a result of the issuance of a series of Future Parity Bonds shall not be greater than the Maximum Reserve Requirement. If the dollar amount required to be contributed at the time of issuance of a series of Future Parity Bonds exceeds the Maximum Reserve Requirement, then the amount required to be contributed shall be equal to the Maximum Reserve Requirement.

(b) With respect to any other series of Parity Bonds that are not Common Reserve Bonds but are secured by a Parity Bond Reserve Fund, the Reserve Requirement shall be equal to the amount, if any, specified in the resolution authorizing the issuance of such Parity Bonds; provided, however, such Reserve Requirement shall not exceed the Maximum Reserve Requirement.

The Reserve Requirement may be calculated net of any Debt Service Offsets.

**Rule** means the SEC's Rule 15c2-12 under the Securities Exchange Act of 1934, as the same may be amended from time to time.

**SEC** means the Securities and Exchange Commission.

**Separate System** means any water or other utility service or facilities that may be created, acquired or constructed by the District as provided in this resolution.

**State** means the state of Washington.

**System** means the existing water supply and distribution system of the District, and any additional utility combined therein pursuant to law, as the same shall be added to, bettered, improved and extended, for as long as any of the Parity Bonds are outstanding.

**Tax-Exempt Bonds** means any series of Bonds issued pursuant to this resolution on a tax-exempt basis under the Code.

**Term Bonds** mean any Parity Bonds identified as such in the bond purchase contract or in the resolution authorizing the issuance thereof, the payment of which is provided for by a

requirement for mandatory deposits of money into the principal and interest account of the bond redemption fund created for the payment of such issue of Parity Bonds in accordance with a mandatory sinking fund requirement.

***Term Bond Maturity Year*** means any calendar year in which Term Bonds are scheduled to mature.

***Treasurer*** means the Office of Treasury Manager, Finance and Business Operations Division, Department of Executive Services, King County, Washington, as *ex officio* treasurer of the District, or any successor Treasurer who hereafter may be designated in accordance with applicable law.

***ULID*** means any utility local improvement district now existing or hereafter created for the acquisition or construction of additions, extensions or betterments of any portion of the System.

***ULID Assessments*** mean all assessments levied and collected in any ULID of the District created for the acquisition or construction of additions to and extensions and betterments of the System if such assessments are pledged to be paid into the Debt Service Fund established for the Parity Bonds (less any prepaid assessments permitted by law to be paid into a construction fund or account). ULID Assessments shall include installment payments thereof and any interest or penalties that may be due thereon.

***Underwriter*** means D.A. Davidson & Co., or its successors.

***Water Fund*** means the special water revenue fund designated as the Maintenance Fund of the District.

(b) ***Interpretation.*** In this resolution, unless the context otherwise requires:

(1) The terms “hereby,” “hereof,” “hereto,” “herein,” “hereunder” and any similar terms, as used in this resolution, refer to this resolution as a whole and not to any particular article, section, subdivision or clause hereof, and the term “hereafter” shall mean after, and the term “heretofore” shall mean before, the date of this resolution;

(2) Words of the masculine gender shall mean and include correlative words of any gender and words importing the singular number shall mean and include the plural number and vice versa;

(3) Words importing persons shall include firms, associations, partnerships (including limited partnerships), trusts, corporations and other legal entities, including public bodies, as well as natural persons;

(4) Any headings preceding the text of the several articles and sections of this resolution, and any table of contents or marginal notes appended to copies hereof, shall be solely for convenience of reference and shall not constitute a part of this resolution, nor shall they affect its meaning, construction or effect; and

(5) All references herein to “articles,” “sections” and other subdivisions or clauses are to the corresponding articles, sections, subdivisions or clauses hereof.

**Section 2. Findings.** The Board hereby finds it is in the best interest of the District and ratepayers of the System that it improve, construct, and equip certain portions of the System as identified in the capital improvement plans of the District, as such plans may be amended or modified from time to time, including but not limited to water main improvement projects (the “Project” or “Projects”), and the bonds authorized herein will be issued without further Board approval only if the parameters provided for herein are satisfied.

The Board further finds and determines that the Gross Revenue and benefits to be derived from the operation and maintenance of the System at the rates to be charged for services from the System will be more than sufficient to meet all Maintenance and Operation Expense and to permit the setting aside into the Debt Service Fund out of the Net Revenue of amounts sufficient to pay the principal of and interest on the Bonds when due. After the issuance of the Bonds, the Bonds will be the only Parity Bonds then outstanding.

**Section 3. Authorization and Description of Bonds.**

(a) *Authorization of Bonds.* The District is hereby authorized to issue one or more series of water revenue bonds (the “Bonds”) in the aggregate principal amount of not to exceed \$5,200,000 for the purpose of providing the funds to finance and/or refinance the Projects and to pay costs of issuance of the Bonds.

(b) *Description of Bonds.* The Bonds shall be designated the “King County Water District No. 90, King County, Washington, Water Revenue Bonds, 2021” with such series designation as set forth in the Bonds and approved by a Designated Representative. The Bonds of each series shall be dated as of Closing; shall be fully registered as to both principal and interest; shall be in the denomination of \$5,000 each, or any integral multiple thereof, within a series and maturity; shall be numbered separately in such manner and with any additional designation as the Bond Registrar deems necessary for purposes of identification; shall bear interest from their date payable on the dates and commencing as provided in the Bond Purchase Contract; and shall mature on the dates and in the principal amounts set forth in the Bond Purchase Contract, as approved and executed by a Designated Representative pursuant to this resolution.

(c) *Limited Obligations.* The Bonds shall be special limited obligations of the District payable only from the Debt Service Fund and shall be payable and secured as provided herein. The Bonds do not constitute an indebtedness of the District within the meaning of the constitutional provisions and limitations of the State or chapter 39.36 RCW. The full faith and credit of the District is not pledged to the repayment of the Bonds.

**Section 4. Redemption and Purchase.**

(a) *Mandatory Redemption of Term Bonds and Optional Redemption.* The Bonds shall be subject to mandatory redemption to the extent, if any, set forth in the Bond Purchase Contract and as approved by a Designated Representative pursuant to this resolution. The Bonds shall be subject to optional redemption on the dates, at the prices and under the terms set forth in the Bond Purchase Contract approved by a Designated Representative pursuant to this resolution.

(b) *Purchase of Bonds.* The District reserves the right to use at any time (i) any surplus Gross Revenue available after providing for the payments required by paragraphs FIRST through SIXTH of Section 6(a) of this resolution, or (ii) other legally available District funds, to purchase for retirement any of the Bonds offered to the District at any price deemed reasonable by the District.

(c) *Selection of Bonds for Redemption.* For as long as the Bonds are held in book-entry only form, the selection of particular Bonds within a series and maturity to be redeemed shall be made in accordance with the operational arrangements then in effect at DTC. If the Bonds are no longer held in book-entry form, the selection of such Bonds to be redeemed and the surrender and reissuance thereof, as applicable, shall be made as provided in the following provisions of this subsection (c) or as otherwise provided in the Official Statement for the Bonds. If the District redeems at any one time fewer than all of the Tax-Exempt Bonds having the same maturity date within a series, the particular Tax-Exempt Bonds or portions of Tax-Exempt Bonds of such series and maturity to be redeemed shall be selected by lot (or in such manner determined by the Bond Registrar) in increments of \$5,000. In the case of a Tax-Exempt Bond of a denomination greater than \$5,000, the District and the Bond Registrar shall treat each Tax-Exempt Bond of such series as representing such number of separate Tax-Exempt Bonds each of the denomination of \$5,000 as is obtained by dividing the actual principal amount of such Tax-Exempt Bonds of such series by \$5,000. In the event that only a portion of the principal sum of a Tax-Exempt Bond is redeemed, upon surrender of such Tax-Exempt Bond at the principal office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a Tax-Exempt Bond or Bonds of like maturity, series, and interest rate in any of the denominations herein authorized. To the extent the District optionally redeems or purchases for retirement any Term Bond, any remaining mandatory sinking fund payment or mandatory prior redemption requirements for such Term Bond shall be reduced on a pro rata basis. If the District redeems at any one time fewer than all of the Bonds of series issued as taxable obligations having the same maturity date, the particular taxable Bonds or portions of taxable Bonds of such series and maturity to be redeemed shall be selected on a pro rata pass-through distribution of principal basis. In the event that only a portion of the principal sum of a taxable Bond is redeemed, upon surrender of such taxable Bond at the designated office of the Bond Registrar there shall be issued to the Registered Owner, without charge therefor, for the then unredeemed balance of the principal sum thereof, at the option of the Registered Owner, a taxable Bond or Bonds of like series, maturity and interest rate in any of the denominations herein authorized.

(d) *Notice of Redemption.*

(1) Official Notice. For so long as the Bonds are held by DTC, and notwithstanding anything herein to the contrary, notice of redemption (which may be conditional) shall be given to the Registered Owners thereof in accordance with the operational arrangements of DTC as then in effect, and neither the District nor the Bond Registrar shall provide any notice of redemption to any beneficial owners. If the Bonds are no longer held in uncertificated form, the notice of redemption shall be given as follows. Unless waived by any owner of Bonds to be redeemed, official notice of any such redemption (which redemption may be conditioned on the receipt of sufficient funds for redemption or otherwise) shall be given by the Bond Registrar on behalf of the District by mailing a copy of an official redemption notice by first-class mail at least

20 days and not more than 60 days prior to the date fixed for redemption to the Registered Owner of the Bond or Bonds to be redeemed at the address shown on the Bond Register or at such other address as is furnished in writing by such Registered Owner to the Bond Registrar.

All official notices of redemption shall be dated and shall state: (A) the redemption date, (B) the redemption price, (C) if fewer than all outstanding Bonds are to be redeemed, the identification by maturity (and, in the case of partial redemption, the respective principal amounts) of the Bonds to be redeemed, (D) any conditions to redemption, (E) that (unless such notice is conditional) on the redemption date the redemption price will become due and payable upon each such Bond or portion thereof called for redemption, and that interest thereon shall cease to accrue from and after said date, and (F) the place where such Bonds are to be surrendered for payment of the redemption price, which place of payment shall be the designated office of the Bond Registrar.

On or prior to any redemption date, unless any condition to such redemption has not been satisfied or waived or notice of such redemption has been rescinded, the District shall deposit with the Bond Registrar an amount of money sufficient to pay the redemption price of all the Bonds or portions of Bonds which are to be redeemed on that date.

The District retains the right to rescind any redemption notice and the related optional redemption of Bonds by giving notice of rescission to the affected Registered Owners at any time on or prior to the scheduled redemption date. Any notice of optional redemption that is so rescinded shall be of no effect, and the Bonds for which the notice of optional redemption has been rescinded shall remain outstanding.

(2) Effect of Notice; Bonds Due. If an unconditional notice of redemption has been given and not rescinded, or if the conditions set forth in a conditional notice of redemption have been satisfied or waived, the Bonds or portions of Bonds to be redeemed shall, on the redemption date, become due and payable at the redemption price therein specified, and, if the Bond Registrar then holds sufficient funds to pay such Bonds at the redemption price, then from and after such date such Bonds or portions of Bonds shall cease to bear interest. Upon surrender of such Bonds for redemption in accordance with said notice, such Bonds shall be paid by the Bond Registrar at the redemption price. Installments of interest due on or prior to the redemption date shall be payable as herein provided for payment of interest. All Bonds which have been redeemed shall be canceled by the Bond Registrar and shall not be reissued.

(3) Additional Notice. In addition to the foregoing notice, further notice shall be given by the District as set out below, but no defect in said further notice nor any failure to give all or any portion of such further notice shall in any manner defeat the effectiveness of a call for redemption if notice thereof is given as above prescribed. Each further notice of redemption given hereunder shall contain the information required above for an official notice of redemption plus (A) the CUSIP numbers of all Bonds being redeemed; (B) the date of issue of the Bonds as originally issued; (C) the rate of interest borne by each Bond being redeemed; (D) the series and maturity date of each Bond being redeemed; and (E) any other descriptive information needed to identify accurately the Bonds being redeemed. Each further notice of redemption may be sent at least 20 days before the redemption date to each party entitled to receive notice pursuant to this resolution and the Continuing Disclosure Certificate and with such additional information as the

District shall deem appropriate, but such mailings shall not be a condition precedent to the redemption of such Bonds.

(4) Amendment of Notice Provisions. The foregoing notice provisions of this section 4, including but not limited to the information to be included in redemption notices and the persons designated to receive notices, may be amended by additions, deletions and changes deemed necessary in order to maintain compliance with duly promulgated regulations and recommendations regarding notices of redemption of municipal securities.

Section 5. Registration, Exchange and Payments.

(a) *Bond Registrar/Bond Register.* The District hereby specifies and adopts the system of registration approved by the Washington State Finance Committee from time to time through the appointment of a State fiscal agent. The District shall cause a Bond Register to be maintained by the Bond Registrar. So long as any Bonds remain outstanding, the Bond Registrar shall make all necessary provisions to permit the exchange or registration or transfer of Bonds at its designated office. The Bond Registrar may be removed at any time at the option of the Finance Manager upon prior notice to the Bond Registrar and a successor Bond Registrar appointed by the Finance Manager. No resignation or removal of the Bond Registrar shall be effective until a successor shall have been appointed and until the successor Bond Registrar shall have accepted the duties of the Bond Registrar hereunder. The Bond Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of such Bonds and this resolution and to carry out all of the Bond Registrar's powers and duties under this resolution. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication of the Bonds.

(b) *Registered Ownership.* The District and the Bond Registrar, each in its discretion, may deem and treat the Registered Owner of each Bond as the absolute owner thereof for all purposes (except as provided in the Continuing Disclosure Certificate), and neither the District nor the Bond Registrar shall be affected by any notice to the contrary. Payment of any such Bond shall be made only as described in Section 5(g), but such Bond may be transferred as herein provided. All such payments made as described in Section 5(g) shall be valid and shall satisfy and discharge the liability of the District upon such Bond to the extent of the amount or amounts so paid.

(c) *DTC Acceptance/Letters of Representations.* The Bonds initially shall be held by DTC acting as depository. The District has executed and delivered to DTC a Blanket Issuer Letter of Representations. Neither the District nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees (or any successor depository) with respect to the Bonds in respect of the accuracy of any records maintained by DTC (or any successor depository) or any DTC participant, the payment by DTC (or any successor depository) or any DTC participant of any amount in respect of the principal of or interest on Bonds, any notice which is permitted or required to be given to Registered Owners under this resolution (except such notices as shall be required to be given by the District to the Bond Registrar or to DTC (or any successor depository)), or any consent given or other action taken by DTC (or any successor depository) as the Registered Owner. For so long as any Bonds are held by a depository, DTC or its successor depository or its nominee shall be deemed to be the Registered Owner for all purposes hereunder, and all references herein to the Registered Owners shall mean

DTC (or any successor depository) or its nominee and shall not mean the owners of any beneficial interest in such Bonds.

(d) *Use of Depository.*

(1) The Bonds shall be registered initially in the name of "Cede & Co.", as nominee of DTC, with one Bond maturing on each of the maturity dates for each series of the Bonds in a denomination corresponding to the total principal therein designated to mature on such date. Registered ownership of such Bonds, or any portions thereof, may not thereafter be transferred except (A) to any successor of DTC or its nominee, provided that any such successor shall be qualified under any applicable laws to provide the service proposed to be provided by it; (B) to any substitute depository appointed by the Finance Manager pursuant to subsection (2) below or such substitute depository's successor; or (C) to any person as provided in subsection (4) below.

(2) Upon the resignation of DTC or its successor (or any substitute depository or its successor) from its functions as depository or a determination by the Finance Manager to discontinue the system of book-entry transfers through DTC or its successor (or any substitute depository or its successor), the Finance Manager may hereafter appoint a substitute depository. Any such substitute depository shall be qualified under any applicable laws to provide the services proposed to be provided by it.

(3) In the case of any transfer pursuant to clause (A) or (B) of subsection (1) above, the Bond Registrar shall, upon receipt of all outstanding Bonds together with a written request on behalf of the Finance Manager, issue a single new Bond for each maturity then outstanding, registered in the name of such successor or such substitute depository, or their nominees, as the case may be, all as specified in such written request of the Finance Manager.

(4) In the event that (A) DTC or its successor (or substitute depository or its successor) resigns from its functions as depository, and no substitute depository can be obtained, or (B) the Finance Manager determines that it is in the best interest of the beneficial owners of the Bonds that such owners be able to obtain physical Bond certificates, the ownership of such Bonds may then be transferred to any person or entity as herein provided, and shall no longer be held by a depository. The Finance Manager shall deliver a written request to the Bond Registrar, together with a supply of physical Bonds, to issue Bonds as herein provided in any authorized denomination. Upon receipt by the Bond Registrar of all then outstanding Bonds together with a written request on behalf of the Finance Manager to the Bond Registrar, new Bonds of such series shall be issued in the appropriate denominations and registered in the names of such persons as are requested in such written request.

(e) *Registration of Transfer of Ownership or Exchange; Change in Denominations.* The transfer of any Bond may be registered and Bonds may be exchanged, but no transfer of any such Bond shall be valid unless it is surrendered to the Bond Registrar with the assignment form appearing on such Bond duly executed by the Registered Owner or such Registered Owner's duly authorized agent in a manner satisfactory to the Bond Registrar. Upon such surrender, the Bond Registrar shall cancel the surrendered Bond and shall authenticate and deliver, without charge to the Registered Owner or transferee therefor, a new Bond (or Bonds at the option of the new

Registered Owner) of the same date, maturity, and interest rate and for the same aggregate principal amount in any authorized denomination, naming as Registered Owner the person or persons listed as the assignee on the assignment form appearing on the surrendered Bond, in exchange for such surrendered and cancelled Bond. Any Bond may be surrendered to the Bond Registrar and exchanged, without charge, for an equal aggregate principal amount of Bonds of the same date, maturity, and interest rate, in any authorized denomination. The Bond Registrar shall not be obligated to register the transfer of or to exchange any Bond during the period from the Record Date to the redemption or payment date.

(f) *Bond Registrar's Ownership of Bonds.* The Bond Registrar may become the Registered Owner of any Bond with the same rights it would have if it were not the Bond Registrar and, to the extent permitted by law, may act as depository for and permit any of its officers or directors to act as a member of, or in any other capacity with respect to, any committee formed to protect the right of the Registered Owners or beneficial owners of Bonds.

(g) *Place and Medium of Payment.* Both principal of and interest on the Bonds shall be payable in lawful money of the United States of America. Interest on the Bonds shall be calculated on the basis of a year of 360 days and twelve 30-day months. For so long as all Bonds are held by DTC, payments of principal thereof and interest thereon shall be made as provided in accordance with the operational arrangements of DTC referred to in the Letter of Representations. In the event that the Bonds are no longer held by DTC or other depository, interest on the Bonds shall be paid by check or draft mailed to the Registered Owners at the addresses for such Registered Owners appearing on the Bond Register on the Record Date, or upon the written request of a Registered Owner of more than \$1,000,000 of Bonds (received by the Bond Registrar at least by the Record Date), such payment shall be made by the Bond Registrar by wire transfer to the account within the United States designated by the Registered Owner. Principal of the Bonds shall be payable upon presentation and surrender of such Bonds by the Registered Owners at the designated office of the Bond Registrar.

If any Bond is duly presented for payment and funds have not been provided by the District on the applicable payment date, then interest will continue to accrue thereafter on the unpaid principal thereof at the rate stated on the Bond until the Bond is paid.

#### Section 6. Water Revenue Fund; Priority of Payment; Rate Stabilization Fund.

(a) *Water Revenue Fund.* A special fund of the District known as the "Water Revenue Fund" has been established in the office of the Treasurer. All of the Gross Revenue shall be deposited in the Water Revenue Fund as collected. All ULID Assessments (if any) shall be paid into the Debt Service Fund as provided by Section 7. The Water Revenue Fund shall be held separate and apart from all other funds and accounts of the District.

Gross Revenue on deposit in the Water Revenue Fund (other than in any bond redemption or federal rebate account) shall be used in the following order of priority:

FIRST, to pay the Maintenance and Operation Expense;

SECOND, to make all payments required to be made into the Debt Service Fund to pay the interest on any Parity Bonds;



THIRD, to make all payments required to be made into the Debt Service Fund to pay the maturing principal of any Parity Bonds and to make all payments required to be made into the Debt Service Fund to satisfy any sinking fund requirements for Term Bonds;

FOURTH, to make all payments required to be made pursuant to a reimbursement agreement or agreements (or other equivalent documents) in connection with Qualified Insurance or a Qualified Letter of Credit; provided that if there is not sufficient money to make all payments under such reimbursement agreements the payments will be made on a pro rata basis;

FIFTH, to make all payments required to be made into the Parity Bond Reserve Funds;

SIXTH, to make all payments required to be made into any revenue obligation redemption fund, debt service account or reserve account created to pay or secure the payment of the principal of and interest on any other revenue bonds, notes, warrants or other obligations of the District having a lien upon the revenue of the System junior and inferior to the lien thereon for the payment of the principal of and interest on the Parity Bonds; and

SEVENTH, to retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the System, to make necessary additions, betterments, improvements and repairs to or extensions and replacements of the System, to make deposits into the Rate Stabilization Fund, or for any other lawful System purpose, in the order and priority as determined by the District.

The District may transfer any money from any funds or accounts of the System legally available therefor, except bond redemption funds, refunding escrow funds or defeasance or other trust funds, to meet the required payments to be made into the Debt Service Fund.

(b) *Rate Stabilization Fund.* The District reserves the right to create and maintain in the office of the Treasurer, the Rate Stabilization Fund. The District may at any time, as determined by the Finance Manager and as consistent with this section, deposit Gross Revenue and any other money received by the System and available to be used therefor, excluding principal proceeds of Parity Bonds or other borrowing, into the Rate Stabilization Fund. The District may withdraw money from the Rate Stabilization Fund at any time and for inclusion in the Adjusted Net Revenue for any fiscal year of the District. Such deposits or withdrawals may be made up to and including the date 90 days after the end of the fiscal year for which the deposit or withdrawal will be included as Adjusted Net Revenue for that fiscal year. No deposit of Gross Revenue will be made into the Rate Stabilization Fund to the extent that such deposit would prevent the District from meeting the Coverage Requirement.

Earnings from investments in the Rate Stabilization Fund shall be deposited in that fund and shall not be included as Adjusted Net Revenue unless and until withdrawn from that fund as provided herein.

#### Section 7. Funds and Accounts.

(a) *Debt Service Fund.* The Debt Service Fund is hereby authorized to be established by the District in the office of the Treasurer. The Debt Service Fund shall be maintained for the purpose of paying the principal of and interest on the Parity Bonds. The District may create

accounts and subaccounts within the Debt Service Fund for the purpose of paying debt service on the Parity Bonds.

So long as any Parity Bonds are outstanding, the District shall set aside and pay into the Debt Service Fund all ULID Assessments (if any) on their collection and, out of the Net Revenue on deposit in the Water Revenue Fund, those amounts necessary, together with such other funds as are on hand and available in the Debt Service Fund, to pay the interest or principal and interest next coming due on the Parity Bonds. Such payments from the Water Revenue Fund to the Debt Service Fund shall be made in a fixed amount without regard to any fixed proportion following the closing and delivery of the Parity Bonds on or before each date on which an installment of interest or principal and interest falls due on the Parity Bonds equal to the installment of interest or principal and interest.

The Finance Manager is hereby authorized and directed and the District hereby obligates and binds itself to set aside and pay into the Debt Service Fund all ULID Assessments (if any) as the same are collected.

All money in any Debt Service Fund may be kept in cash or may be invested in any legal investment for District funds, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. Investments in the Debt Service Fund must mature prior to the date on which such money shall be needed for required interest or principal payments (for investments in the Debt Service Fund) or having a guaranteed redemption price prior to maturity.

(b) *Parity Bond Reserve Funds.* The Common Reserve Fund is hereby authorized to be established by the District in the office of the Treasurer as a Parity Bond Reserve Fund. If established, the Common Reserve Fund will be a common reserve, securing the payment of the principal of and interest on all Parity Bonds that are designated as Common Reserve Bonds in the resolution authorizing their issuance. The Bonds are not Common Reserve Bonds and will not be secured by any Parity Bond Reserve Fund.

The District may create separate reserve funds and/or accounts and establish separate Reserve Requirements, if any, to secure the payment of the principal of and interest on other Parity Bonds. Terms related to any other Parity Bond Reserve Fund shall be provided for in the resolution authorizing the issuance of the series of Future Parity Bonds secured by such fund, as applicable.

The Common Reserve Fund shall be maintained for the purpose of securing the payment of the principal of and interest on all Common Reserve Bonds. The Reserve Requirement may be maintained by deposits of cash, a Qualified Letter of Credit or Qualified Insurance, or a combination of the foregoing. The Reserve Requirement and the amount on deposit in the Common Reserve Fund shall be revalued in connection with the issuance of Future Parity Bonds, redemption or defeasance, and on December 1 of each year, and may be revalued at any time as determined to be necessary by the District. In computing the amount on hand in the Common Reserve Fund, Qualified Insurance and/or a Qualified Letter of Credit shall be valued at the face amount thereof, and all other obligations purchased as an investment of moneys therein shall be valued at cost. As used herein, the term "cash" shall include U.S. currency, cash equivalents and evidences thereof, including demand deposits, certified or cashier's check; and the deposit to the

Common Reserve Fund may be satisfied initially by the transfer of qualified investments to such account.

If the balances on hand in the Common Reserve Fund are sufficient to satisfy the Reserve Requirement, interest earnings shall be applied as provided in the following sentences. Whenever there is a sufficient amount in the Debt Service Fund and the Common Reserve Fund to pay the principal of and interest on all outstanding Common Reserve Bonds, the money in the Common Reserve Fund may be used to pay such principal and interest. As long as the money left remaining on deposit in the Common Reserve Fund is equal to the Reserve Requirement, money in the Common Reserve Fund may be transferred to the Debt Service Fund and used to pay the principal of and interest on Common Reserve Bonds as the same becomes due and payable. The District also may transfer out of the Common Reserve Fund any money required in order to prevent any Parity Bonds from becoming "arbitrage bonds" under the Code.

If a deficiency in the Debt Service Fund for the payment of debt service on Common Reserve Bonds shall occur, such deficiency shall be made up from the Common Reserve Fund by the withdrawal of cash therefrom for that purpose and by the sale or redemption of obligations held in the Common Reserve Fund, in such amounts as will provide cash in the Common Reserve Fund sufficient to make up any such deficiency with respect to Common Reserve Bonds, and if a deficiency still exists immediately prior to an interest payment date and after the withdrawal of cash, the District shall then draw from any Qualified Letter of Credit or Qualified Insurance for Common Reserve Bonds in sufficient amount to make up the deficiency. Such draw shall be made at such times and under such conditions as the agreement for such Qualified Letter of Credit or such Qualified Insurance shall provide.

In making the payments and credits to the Common Reserve Fund required by this section, to the extent that the District has obtained Qualified Insurance or a Qualified Letter of Credit for specific amounts required pursuant to this section to be paid out of the Common Reserve Fund, such amounts so covered by Qualified Insurance or a Qualified Letter of Credit shall be credited against the amounts required to be maintained in the Common Reserve Fund by this section to the extent that such payments and credits to be made are insured by an insurance company, or guaranteed by a letter of credit from a financial institution.

Any deficiency created in the Common Reserve Fund by reason of any such withdrawal shall then be made up within three years of the date of withdrawal from Net Revenue or from ULID Assessments (or out of any other money on hand legally available for such purpose), after making necessary provision for the payments required to be made into the Debt Service Fund within each year.

Any Qualified Letter of Credit or Qualified Insurance shall not be cancelable on less than 30 days' notice to the District. In the event of any cancellation, the Common Reserve Fund shall be funded as if the Common Reserve Bonds that remain outstanding had been issued on the date of such notice of cancellation.

In the event that the District elects to meet the Reserve Requirement through the use of a Qualified Letter of Credit, Qualified Insurance or other equivalent credit enhancement device, the District may contract with the entity providing such Qualified Letter of Credit, Qualified Insurance

or other equivalent credit enhancement device that the District's reimbursement obligation, if any, to such entity shall be made in accordance with the priority of payments set forth in Section 6 of this resolution.

Money in any Parity Bond Reserve Fund may be kept in cash or invested as permitted by law, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. Investments in any Parity Bond Reserve Fund shall mature not later than the last maturity of any then outstanding Parity Bonds secured by such fund.

(c) *Pledge of Revenue and Lien Position.* The Net Revenue and all ULID Assessments deposited into the Debt Service Fund are hereby pledged to the payment of the Parity Bonds, and the Parity Bonds shall constitute a lien and charge upon such Net Revenue and ULID Assessments prior and superior to any other charge whatsoever.

All Parity Bonds are special limited obligations of the District payable from and secured solely by a charge and lien as set forth in this section. There are hereby pledged as security for the payment of the principal of, premium, if any, and interest on all Parity Bonds in accordance with the provisions of this resolution, subject to the provisions of this resolution restricting or permitting the application thereof, (a) Net Revenue and ULID Assessments and (b) the money and assets credited to the Debt Service Fund and the income therefrom. The pledge of Net Revenue, ULID Assessments and money and assets credited to the Debt Service Fund constitutes a lien and charge on the Net Revenue, ULID Assessments and the Debt Service Fund superior to all other charges of any kind or nature.

All Parity Bonds hereafter outstanding shall be equally and ratably payable and secured hereunder without priority by reason of date of adoption of the resolution providing for their issuance or by reason of their number or date of sale, issuance, execution or delivery, or by the liens, pledges, charges, trusts, assignments and covenants made herein, except as otherwise expressly provided or permitted in this resolution and except as to insurance which may be obtained by the District to insure the repayment of one or more series or maturities within a series.

Parity Bonds shall not in any manner or to any extent constitute general obligations of the District or of the State, or any political subdivision of the State, or a charge upon any general fund or upon any money or other property of the District or of the State, or of any political subdivision of the State, not specifically pledged thereto by this resolution.

(d) *Regarding Sufficiency of Gross Revenue.* The Board hereby finds that in fixing the amounts to be paid into the Debt Service Fund out of Gross Revenue, it has exercised due regard for the Maintenance and Operation Expense and has not obligated the District to set aside and pay into such Fund a greater amount of such Gross Revenue than in its judgment will be available over and above the Maintenance and Operation Expense.

Section 8. Covenants. The District covenants and agrees with the owners of the Parity Bonds as follows:

(a) *Maintenance and Operation.* It will at all times maintain, preserve and keep the properties of the System in good repair, working order and condition, will make all necessary and proper additions, betterments, renewals and repairs thereto, and improvements, replacements and

extensions thereof, and will at all times operate or cause to be operated the properties of the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(b) *Establishment and Collection of Rates and Charges.* It will establish, maintain and collect rates and charges for all services and facilities provided by the System that will be fair and nondiscriminatory, and will adjust those rates and charges from time to time so that:

(i) The Gross Revenue together with ULID Assessments collected will at all times be sufficient to (A) pay all Maintenance and Operation Expense on a current basis, (B) pay when due all amounts that the District is obligated to pay into the Debt Service Fund and the accounts therein, and (C) pay all taxes, assessments or other governmental charges lawfully imposed on the System or the Gross Revenue or payments in lieu thereof and any and all other amounts that the District may now or hereafter become obligated to pay from the Gross Revenue by law or contract, and

(ii) The Adjusted Net Revenue in each calendar year will be at least equal to the Coverage Requirement.

The failure of the District to comply with paragraph (b) above will not be an Event of Default if the District promptly retains a Professional Utility Consultant to recommend to the Board adjustments in the rates of the System necessary to meet these requirements and if the Board adopts the recommended modifications within 180 days of the date the failure became known to the Board.

(c) *Sale or Disposition of the System.* It will not sell or otherwise dispose of the System in its entirety unless, simultaneously with such sale or other disposition, all Parity Bonds are defeased and/or refunded pursuant to the provisions of the resolution authorizing their issuance.

It will not sell, lease, mortgage or in any manner encumber or otherwise dispose of any part of the System (other than timber), including all additions and improvements thereto and extensions thereof at any time made, that are used, useful or material in the operation of the System, unless provision is made for the replacement thereof or for payment into the Debt Service Fund of an amount which will be in the same proportion to the net amount of any Parity Bonds then outstanding (defined as the total amount of those bonds less the amount of cash and investments in the Debt Service Fund and accounts therein) that the Gross Revenue from the portion of the System sold or disposed of for the preceding calendar year bears to the total Gross Revenue for that period. Any such money paid into the Debt Service Fund shall be used to pay the outstanding Parity Bonds at the earliest possible date.

Notwithstanding any other provision of this subsection, (i) the District in its discretion may sell or otherwise dispose of any of the works, plant, properties or facilities of the System or any real or personal property comprising a part of the same which shall have become unserviceable, inadequate, obsolete or unfit to be used in the operation of the System, or no longer necessary, material to or useful to the operation of the System, or whose depreciated cost value in any given year is less than 5% of the total assets of the System, without making any deposits in the Debt Service Fund, and (ii) the District may transfer the System to another municipal corporation so long as ULID Assessments and Net Revenue of the portion of the System so transferred are used

for payment of debt service on the Parity Bonds prior to any other purpose. In no event shall such proceeds be treated as Gross Revenue for purposes of this resolution.

(d) *No Free Service.* Except as otherwise permitted by law, it will not furnish or supply or permit the furnishing or supplying of any service or facility in connection with the operation of the System free of charge to any person, firm or corporation, public or private, other than the District, so long as any Parity Bonds are outstanding.

(e) *Collection of Delinquent Accounts.* To the extent permitted by law, it will promptly collect all rates, charges and ULID Assessments, determine in a timely manner all delinquencies, and take all necessary legal action to enforce collection of such delinquencies.

(f) *Insurance.* It at all times will carry fire and extended coverage and such other forms of insurance with responsible insurers and with policies payable to or on behalf of the District and any additional insureds on such of the buildings, equipment, works, plants, facilities and properties of the System and against such claims for damages as are ordinarily carried by municipal or privately owned utilities engaged in the operation of like systems, or will implement and maintain a self-insurance or an insurance pool program with reserves adequate, in the reasonable judgment of the District, to protect the System and the owners of the Parity Bonds against loss. The premiums on such insurance policies are declared to be a normal part of Maintenance and Operation Expense.

(g) *Books and Accounts.* It will keep proper books, records and accounts with respect to the operations, income and expenditures of the System in accordance with proper accounting procedures and any applicable rules and regulations prescribed by the State. It will prepare annual financial and operating statements of each fiscal year showing in reasonable detail the financial condition of the System as of the close of the previous fiscal year, and the income and expenses for such year, including the amounts paid into the Debt Service Fund and into any and all special funds or accounts created pursuant to the provisions of this resolution, the status of all funds and accounts as of the end of such fiscal year, and the amounts expended for maintenance, renewals, replacements and capital additions to the System.

(h) *Liens Upon the System.* It will not at any time create or permit to accrue or to exist any lien or other encumbrance or indebtedness upon the Net Revenue, or any part thereof, prior or superior to the lien thereon for the payment of the Parity Bonds, and will pay and discharge, or cause to be paid and discharged, any and all lawful claims for labor, materials or supplies which, if unpaid, might become a lien or charge upon the Net Revenue, or any part thereof, prior to or superior to the lien of the Parity Bonds, or which might impair the security of the Parity Bonds.

(i) *ULID Assessments.* All ULID Assessments shall be paid into the Debt Service Fund as collected and used to pay the principal or interest on any Parity Bonds without those assessments being particularly allocated to the payment of principal of or interest on any particular series of Parity Bonds.

Section 9. Tax Covenants. The District will take all actions necessary to assure the exclusion of interest on the Tax-Exempt Bonds from the gross income of the owners of the Tax-Exempt Bonds to the same extent as such interest is permitted to be excluded from gross income

under the Code as in effect on the date of issuance of the Tax-Exempt Bonds, including but not limited to the following:

(a) *Private Activity Bond Limitation.* The District will assure that the proceeds of the Tax-Exempt Bonds are not so used as to cause the Tax-Exempt Bonds to satisfy the private business tests of Section 141(b) of the Code or the private loan financing test of Section 141(c) of the Code.

(b) *Limitations on Disposition of Project.* The District will not sell or otherwise transfer or dispose of (i) any personal property components of the Projects financed and/or refinanced with proceeds of Tax-Exempt Bonds other than in the ordinary course of an established government program under Treasury Regulation § 1.141-2(d)(4) or (ii) any real property components of the Projects financed and/or refinanced with proceeds of Tax-Exempt Bonds, unless it has received an opinion of nationally recognized bond counsel to the effect that such disposition will not adversely affect the treatment of interest on the Tax-Exempt Bonds as excludable from gross income for federal income tax purposes.

(c) *Federal Guarantee Prohibition.* The District will not take any action or permit to suffer any action to be taken if the result of such action would be to cause any of the Tax-Exempt Bonds to be "federally guaranteed" within the meaning of Section 149(b) of the Code.

(d) *Rebate Requirement.* The District will take any and all actions necessary to assure compliance with Section 148(f) of the Code, relating to the rebate of excess investment earnings, if any, to the federal government, to the extent that such section is applicable to the Tax-Exempt Bonds.

(e) *No Arbitrage.* The District will not take, or permit or suffer to be taken, any action with respect to the proceeds of the Tax-Exempt Bonds which, if such action had been reasonably expected to have been taken, or had been deliberately and intentionally taken, on the date of issuance of the Tax-Exempt Bonds would have caused the Tax-Exempt Bonds to be "arbitrage bonds" within the meaning of Section 148 of the Code.

(f) *Registration Covenant.* The District will maintain a system for recording the ownership of each Tax-Exempt Bond that complies with the provisions of Section 149 of the Code until all Tax-Exempt Bonds have been surrendered and canceled.

(g) *Record Retention.* The District will retain its records of all accounting and monitoring it carries out with respect to the Tax-Exempt Bonds for at least three years after the Tax-Exempt Bonds mature or are redeemed (whichever is earlier); however, if the Tax-Exempt Bonds are redeemed and refunded, the District will retain its records of accounting and monitoring at least three years after the earlier of the maturity or redemption of the obligations that refunded the Tax-Exempt Bonds.

(h) *Compliance with Federal Tax Certificate.* The District will comply with the provisions of the Federal Tax Certificate with respect to the Tax-Exempt Bonds, which are incorporated herein as if fully set forth herein. In the event of any conflict between this section and the Federal Tax Certificate, the provisions of the Federal Tax Certificate will prevail.

(i) *Bank Qualification.* The District hereby authorizes each Designated Representative to designate any Tax-Exempt Bonds as “qualified tax-exempt obligations” under Section 265(b)(3) of the Code for investment by financial institutions.

The covenants of this section will survive payment in full or defeasance of the Tax-Exempt Bonds.

**Section 10. Future Parity Bonds.** The District reserves the right to issue Future Parity Bonds from time to time as may be required for any lawful purpose of the District relating to the System, including but not limited to, acquiring, constructing and installing additions and improvements to and extensions of, acquiring necessary equipment for, or making necessary renewals, replacements or repairs and capital improvements to the System and refunding any outstanding indebtedness.

The District covenants that Future Parity Bonds shall be issued only upon compliance with the following conditions:

(a) At the time of the issuance of such Future Parity Bonds there is no deficiency in the Debt Service Fund or any Parity Bond Reserve Fund.

(b) The resolution providing for the issuance of the Future Parity Bonds shall provide that all assessments and interest thereon that may be levied in any ULID created for the purpose of paying, in whole or in part, the principal of and interest on those Future Parity Bonds, shall be paid directly into the Debt Service Fund, except for any prepaid assessments permitted by law to be paid into a construction fund or account.

(c) The resolution providing for the issuance of such Future Parity Bonds shall provide for the payment of the principal thereof and interest thereon out of the Debt Service Fund and the accounts held therein.

(d) With respect to Common Reserve Bonds, the resolutions authorizing the issuance of the Future Parity Bonds shall require that there shall be paid into the Common Reserve Fund (A) from the proceeds of such Future Parity Bonds an amount such that the amount on deposit in the Common Reserve Fund is equal to the Reserve Requirement, or (B) from the Water Revenue Fund in approximately equal monthly payments, such amounts and at such times so that by no later than five years from the date of issuance of such Future Parity Bonds or by the final maturity established for such series of Future Parity Bonds, whichever occurs first, there will be credited to the Common Reserve Fund an amount equal to the Reserve Requirement. Upon the issuance of any series of Future Parity Bonds, the District shall recalculate the Reserve Requirement, which recalculated Reserve Requirement shall become effective as of such date of recalculation.

(e) There shall be on file with the District either:

(1) a certificate of the Finance Manager demonstrating that Net Revenue for the Base Period, as determined from the financial statements of the System (which may or may not be audited), without regard to deposits into or withdrawals from the Rate Stabilization Fund, is equal to at least the Parity Requirement. The Finance Manager, in estimating Net Revenue available for debt service for purposes of this subparagraph, may adjust Net Revenue to reflect any changes in rates in effect and being charged or expressly committed by resolution to be made in the future; or



(2) a certificate of a Professional Utility Consultant that in such Consultant's opinion Net Revenue for the Base Period, as determined from the financial statements of the System (which may or may not be audited), as adjusted, without regard to deposits into or withdrawals from the Rate Stabilization Fund, shall be equal to at least the Parity Requirement. The Professional Utility Consultant, in estimating Net Revenue available for debt service for purposes of this subparagraph, may adjust Net Revenue to reflect:

(A) Any changes in rates in effect and being charged or expressly committed by resolution to be made in the future;

(B) Income derived from customers of the System who have become customers during the 12 consecutive month period or thereafter adjusted to reflect one year's Net Revenue from those customers;

(C) Income from any customers to be connected to the System who have paid the required connection charges;

(D) The Professional Utility Consultant's estimate of the Net Revenue to be derived from customers anticipated to connect for whom building permits have been issued;

(E) Income received or to be received which is derived from any person, firm corporation or municipal corporation under any executed contract for water, sewage disposal or other utility service, which revenue was not included in the historical Net Revenue;

(F) The Professional Utility Consultant's estimate of the Net Revenue to be derived from customers with existing homes or buildings which will be required to connect to any additions to and improvements and extensions of the System constructed and to be paid for out of the proceeds of the sale of the additional Future Parity Bonds or other additions to and improvements and extensions of the System when such additions, improvements and extensions are not completed; and

(G) Any increases or decrease in Net Revenue as a result of any actual or reasonably anticipated changes in Maintenance and Operation Expense subsequent to the 12-month period.

(f) *No Acceleration.* Future Parity Bonds shall not be subject to acceleration under any circumstances, including, without limitation, upon the occurrence and continuance of an Event of Default. This prohibition against acceleration shall not be deemed to prohibit mandatory tender or other tender provisions with respect to variable rate obligations.

(g) *Refunding Obligations.* If Future Parity Bonds proposed to be so issued are for the sole purpose of refunding outstanding bonds payable from the Debt Service Fund, such certification of coverage shall not be required if the amount required for the payment of the principal and interest in each year for the refunding bonds is not increased more than \$5,000 over the amount for that same year required for the bonds or the portion of that bond issue to be refunded thereby and if the maturities of such refunding bonds are not extended beyond the maturities of the bonds to be refunded thereby.

Nothing contained herein shall prevent the District from issuing Future Parity Bonds to refund maturing Parity Bonds, money for the payment of which is not otherwise available.

(h) *Subordinate Lien Obligations.* Nothing contained herein shall prevent the District from issuing revenue bonds that are a charge upon Net Revenue subordinate to the payments required to be made therefrom into the Debt Service Fund or from pledging the payment of utility local improvement district assessments into a bond redemption fund created for the payment of the principal of and interest on those junior lien bonds as long as such utility local improvement district assessments are levied for improvements constructed from the proceeds of those junior lien bonds. In the event the District issues revenue bonds or other revenue obligations having a lien upon the Net Revenue junior and inferior to the lien on the Parity Bonds, the District covenants that a default on such junior lien bonds will not constitute an Event of Default on the Parity Bonds. Subordinate lien obligations shall not be subject to acceleration in the event of a default on such bonds.

Section 11. Form of Bond. The Bonds shall be in substantially the form set forth in Exhibit A, which is incorporated herein by this reference, with such changes thereto as may be approved by a Designated Representative, consistent with the provisions of Section 14 hereof.

Section 12. Execution of Bonds. The Bonds of each series shall be executed on behalf of the District by the facsimile or manual signatures of the President and Secretary of the Board and shall have the seal of the District impressed or a facsimile thereof imprinted, or otherwise reproduced thereon.

In the event any officer who shall have signed or whose facsimile signatures appear on any of the Bonds shall cease to be such officer of the District before said Bonds shall have been authenticated or delivered by the Bond Registrar or issued by the District, such Bonds may nevertheless be authenticated, delivered and issued and, upon such authentication, delivery and issuance, shall be as binding upon the District as though said person had not ceased to be such officer. Any Bond may be signed and attested on behalf of the District by such persons who, at the actual date of execution of such Bond shall be the proper officer of the District, although at the original date of such Bond such persons were not such officers of the District.

Only such Bonds as shall bear thereon a Certificate of Authentication manually executed by an authorized representative of the Bond Registrar shall be valid or obligatory for any purpose or entitled to the benefits of this resolution. Such Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered hereunder and are entitled to the benefits of this resolution. The Bond Registrar shall be responsible for its representations contained in the Certificate of Authentication on the Bonds.

Section 13. Defeasance. In the event that the District, in order to effect the payment, retirement or redemption of any Bond, sets aside in the Debt Service Fund or in another special account, cash or noncallable Government Obligations, or any combination of cash and/or noncallable Government Obligations, in amounts and maturities which, together with the known earned income therefrom, are sufficient to redeem or pay and retire such Bond in accordance with its terms and to pay when due the interest and redemption premium, if any, thereon, and such cash and/or noncallable Government Obligations are irrevocably set aside and pledged for such

purpose, then no further payments need be made into the Debt Service Fund for the payment of the principal of and interest on such Bond. The owner of a Bond so provided for shall cease to be entitled to any lien, benefit or security of this resolution except the right to receive payment of principal, premium, if any, and interest from the Debt Service Fund or such special account, and such Bond shall be deemed to be not outstanding under this resolution. The District shall give written notice of defeasance of the Bonds in accordance with the Continuing Disclosure Certificate.

#### Section 14. Sale of Bonds.

(a) *Bond Sale.* The Bonds shall be sold by negotiated public sale to the Underwriter pursuant to the terms of a Bond Purchase Contract. The Board has determined that it would be in the best interest of the District to delegate to each Designated Representative, for a limited time, the authority to determine the number of series, to designate one or more series of Bonds as Tax-Exempt Bonds, and to approve the final interest rates, maturity dates, redemption terms and principal maturities for each series of Bonds.

(b) *Sale Parameters.* Subject to the terms and conditions set forth in this section, each Designated Representative is hereby authorized to approve the number of series of Bonds, to designate each series as taxable or Tax-Exempt Bonds, and to approve the final interest rates, aggregate principal amount, principal maturities, and redemption rights for each series of Bonds so long as:

(1) the aggregate principal amount (face amount) of all Bonds issued under this resolution does not exceed \$5,200,000,

(2) the final maturity date for the Bonds is no later than December 1, 2047,

(3) the aggregate purchase price for the Bonds shall not be less than 95% of the aggregate stated principal amount of the Bonds,

(4) the true interest cost for the Bonds (in the aggregate) does not exceed 3.30%,  
and

(5) the Bonds conform to all other terms of this resolution.

Subject to the terms and conditions set forth in this section, each Designated Representative is hereby authorized to execute the Bond Purchase Contract on behalf of the District. The signature of one Designated Representative shall be sufficient to bind the District.

Following the execution of the Bond Purchase Contract, a Designated Representative shall provide a report to the Board describing the final terms of the Bonds approved pursuant to the authority delegated in this section. The authority granted to each Designated Representative by this section shall expire 365 days after the effective date of this resolution. If a Bond Purchase Contract for the Bonds has not been executed within 365 days after the effective date of this resolution, the authorization for the issuance of the Bonds shall be rescinded, and the Bonds shall not be issued nor their sale approved unless such Bonds are re-authorized by resolution of the Board. The resolution re-authorizing the issuance and sale of such Bonds may be in the form of a

new resolution repealing this resolution in whole or in part or may be in the form of an amendatory resolution approving a Bond Purchase Contract or establishing terms and conditions for the authority delegated under this section.

(c) *Delivery of Bonds; Documentation.* Upon the adoption and approval of this resolution and execution of the Bond Purchase Contract, the proper officials of the District, including the Designated Representatives, are authorized and directed to undertake all action necessary for the prompt execution and delivery of the Bonds to the Underwriter and further to execute all closing certificates and documents required to effect the closing and delivery of the Bonds in accordance with the terms of the Bond Purchase Contract. Such documents may include, but are not limited to, documents related to a municipal bond insurance policy delivered by an insurer to insure the payment when due of the principal of and interest on all or a portion of the Bonds as provided therein, if such insurance is determined by a Designated Representative to be in the best interest of the District.

(d) *Preliminary and Final Official Statements.* Each Designated Representative is hereby authorized to approve and to deem final the preliminary Official Statement relating to the Bonds for the purposes of the Rule. Each Designated Representative is further authorized to approve for purposes of the Rule, on behalf of the District, the final Official Statement relating to the issuance and sale of the Bonds and the distribution of the final Official Statement pursuant thereto with such changes, if any, as may be deemed to be appropriate.

Section 15. Application of Bond Proceeds. Proceeds of the Bonds, net of any Underwriter's discount and fees, shall be applied as follows:

(a) If determined to be in the best interest of the District by a Designated Representative, a portion of the proceeds of the Bonds shall be used to satisfy the Reserve Requirement with respect to the Bonds by depositing a portion of the proceeds of the Bonds into the Common Reserve Fund and/or by paying the premium related to Qualified Insurance.

(b) The remaining proceeds of the Bonds shall be deposited into the Construction Fund to pay, refinance and/or reimburse the District for costs of the Projects and to pay costs of issuance of the Bonds in the amounts specified in the closing memorandum prepared in connection with the issuance of the Bonds. All money in any Construction Fund may be kept in cash or may be invested in any legal investment for District funds, but only to the extent that the same are acquired, valued and disposed of at Fair Market Value. After all costs of the Projects and costs of issuance have been paid, any remaining proceeds of the Bonds (including interest earnings thereon) shall be transferred to the Debt Service Fund and used to pay debt service on the Bonds.

Section 16. Ongoing Disclosure; Additional Covenants. The District covenants to execute and deliver at the time of Closing a Continuing Disclosure Certificate. Each Designated Representative is hereby authorized to execute and deliver such Continuing Disclosure Certificate upon the issuance, delivery and sale of the Bonds with such terms and provisions as such officer shall deem appropriate and in the best interests of the District. The Finance Manager (or such individual's designee) is hereby designated to carry out the obligations of the District in the Continuing Disclosure Certificate in accordance with the Rule.

**Section 17. Separate Systems.** The District may create, acquire, construct, finance, own and operate one or more additional systems for water supply, water transmission, treatment or other commodity or utility service (a "Separate System"). The revenue of that Separate System, and any assessments payable solely with respect to improvements to a Separate System, shall not be included in Gross Revenue and may be pledged to the payment of revenue obligations issued to purchase, construct, condemn or otherwise acquire or expand the Separate System.

**Section 18. Changes in Accounting.** The calculation of the Coverage Requirement and the Parity Requirement and the District's compliance therewith may be made solely with reference to this resolution without regard to future changes in generally accepted accounting principles. If the District has changed one or more of the accounting principles used in the preparation of its financial statements, because of a change in generally accepted accounting principles or otherwise, then a default relating to the Coverage Requirement shall not be considered an Event of Default hereunder if the Coverage Requirement ratio would have been complied with had the District continued to use those accounting principles employed at the date of the most recent audited financial statements prior to the date of this resolution.

**Section 19. Lost, Stolen or Destroyed Bond.** In case any of the Bonds shall be lost, stolen or destroyed, the Bond Registrar may at the request of the Registered Owner execute and deliver a new Bond of like date, number and tenor to the Registered Owner thereof upon the Registered Owner's paying the expenses and charges of the District and the Bond Registrar in connection therewith and upon its filing with the District written certification that such Bond was actually lost, stolen or destroyed and of its ownership thereof. In the case the Bonds shall be lost, stolen, or destroyed while in the Registered Owner's possession, the Registered Owner may elect upon final payment of principal and interest of the Bond to surrender a photocopy of the Bond for cancellation at the office of the Bond Registrar together with written certification that such Bond was actually lost, stolen or destroyed and of its ownership thereof.

**Section 20. Amendments.**

(a) *Amendments Without the Consent of Bondowners.* The Board may adopt a resolution or resolutions supplemental hereof, which resolution or resolutions thereafter shall become a part of this resolution, for any one or more or all of the following purposes:

(i) To add to the covenants and agreements of the District in this resolution, other covenants and agreements thereafter to be observed, that shall not adversely affect the interests of the owners of any Parity Bonds, or to surrender any right or power herein reserved; or

(ii) To make such provisions for the purpose of curing any ambiguities or of curing, correcting or supplementing any defective provision contained in this resolution or any resolution authorizing Future Parity Bonds in regard to matters or questions arising under such resolution as the Board may deem necessary or desirable and not inconsistent with such resolutions and that shall not adversely affect, in any material respect, the interest of the owners of Parity Bonds.

Any such supplemental resolution may be adopted without the consent of the owners of any Parity Bonds at any time outstanding, notwithstanding any of the provisions of subsection (b) of this section.

(b) *Amendments With the Consent of Bondowners.* With the consent of the owners of not less than 51% in aggregate principal amount of the Parity Bonds at the time outstanding, which may include the consent of Future Parity Bond holders who are deemed to have consented to such amendments by their purchase of such Parity Bonds, the Board may adopt a resolution or resolutions supplemental hereto for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of this resolution or of any supplemental resolution; provided, however, that no such supplemental resolution shall:

(i) Extend the fixed maturity of any Parity Bonds, or reduce the rate of interest thereon, or extend the time of payment of interest from their due date, or reduce the amount of the principal thereof, or reduce any premium payable on the redemption thereof, without the consent of the holder of each Parity Bond so affected; or

(ii) Reduce the percentage of bondowners required to approve any such supplemental resolution, without the consent of owners of all of the Parity Bonds then outstanding.

It shall not be necessary for the consent of bondowners under this subsection (b) to approve the particular form of any proposed supplemental resolution, but it shall be sufficient if such consent shall approve the substance thereof. Consent of any bond insurer insuring the Future Parity Bonds may be required in lieu of bondholder consent from owners of any Future Parity Bonds.

(c) *Effect of Amendment.* Upon the adoption of any supplemental resolution pursuant to the provisions of this section, this resolution shall be deemed to be modified and amended in accordance therewith, and the respective rights, duties and obligations of the District under this resolution and all owners of Parity Bonds outstanding hereunder shall thereafter be determined, exercised and enforced thereunder, subject in all respects to such modification and amendments, and all terms and conditions of any such supplemental resolution shall be deemed to be part of the terms and conditions of this resolution for any and all purposes.

#### Section 21. Events of Default.

(a) *Defaults.* Any one or more of the following events shall constitute an "Event of Default" under this resolution:

(i) If default shall be made in the punctual payment of the principal of and premium, if any, on any of the Parity Bonds when the same shall become due, either at maturity or by proceedings for mandatory redemption or otherwise;

(ii) A default in the due and punctual payment of any installment of interest on any Parity Bond;

(iii) If the District shall fail to purchase or redeem Term Bonds in an aggregate principal amount at least equal to the mandatory sinking fund requirements for the applicable calendar year; or

(iv) If the District shall default in the observance and performance of any other of the covenants on the part of the District contained in this resolution and such default or defaults shall have continued for a period 60 days after the District shall have received from the Bondowners' Trustee or from the owners of not less than 25% in principal amount of Parity Bonds outstanding, a written notice specifying and demanding the cure of such default.

(b) *Remedies Upon Default.* The remedies of the owners of Parity Bonds during the continuance of an Event of Default shall, to the extent permitted by law, be governed by this section.

So long as such Event of Default has not been remedied, a Bondowners' Trustee may be appointed by the owners of 25% in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Parity Bonds or by their attorneys-in-fact duly authorized and delivered to such Bondowners' Trustee, notification thereof being given to the District. That appointment shall become effective immediately upon acceptance thereof by the Bondowners' Trustee. Any Bondowners' Trustee appointed under the provisions of this section shall be a bank or trust company organized under the laws of the State of New York or a national banking association. The bank or trust company acting as Bondowners' Trustee may be removed at any time, and a successor Bondowners' Trustee may be appointed, by the registered owners of a majority in principal amount of the Parity Bonds, by an instrument or concurrent instruments in writing signed and acknowledged by such registered owners of the Bonds or by their attorneys-in-fact duly authorized. The Bondowners' Trustee may require such security and indemnity as may be reasonable against the costs, expenses and liabilities that may be incurred in the performance of its duties.

In the event that any Event of Default in the sole judgment of the Bondowners' Trustee is cured and the Bondowners' Trustee furnishes to the District a certificate so stating, that Event of Default shall be conclusively deemed to be cured and the District, the Bondowners' Trustee and the owners of the Parity Bonds shall be restored to the same rights and position which they would have held if no Event of Default had occurred.

The Bondowners' Trustee appointed in the manner herein provided, and each successor thereto, is declared to be a trustee for the owners of all the Parity Bonds and is empowered to exercise all the rights and powers herein conferred on the Bondowners' Trustee.

(c) *Suits at Law or in Equity.* Upon the happening of an Event of Default and during the continuance thereof, the Bondowners' Trustee may, and upon the written request of the registered owners of not less than 25% in principal amount of the Parity Bonds outstanding shall, take such steps and institute such suits or other proceedings, all as it may deem appropriate for the protection and enforcement of the rights of the registered owners of the Parity Bonds, to collect any amounts due and owing to or from the District, or to obtain other appropriate relief, and may enforce the specific performance of any covenant, agreement or condition contained in this resolution or in any of the Parity Bonds.

Nothing contained in this section shall, in any event or under any circumstance, be deemed to authorize the acceleration of maturity of principal on any Parity Bonds, and the remedy of acceleration is expressly denied to the owners of all Parity Bonds under any circumstances including, without limitation, upon the occurrence and continuance of an Event of Default.

Any action, suit or other proceedings instituted by the Bondowners' Trustee hereunder shall be brought in its name as trustee for the Bondowners and all such rights of action upon or under any of the Parity Bonds or the provisions of this resolution may be enforced by the Bondowners' Trustee without the possession of any of those Parity Bonds and without the production of the same at any trial or proceedings relative thereto except where otherwise required by law. Any such suit or proceeding instituted by the Bondowners' Trustee shall be brought for the ratable benefit of all of the registered owners of those Parity Bonds, subject to the provisions of this resolution. The respective owners of the Parity Bonds, by taking and holding the same, shall be conclusively deemed irrevocably to appoint the Bondowners' Trustee the true and lawful trustee of the respective owners of those Parity Bonds, with authority to institute any such suit or proceeding; to receive as trustee and deposit in trust any sums becoming distributable on account of those Parity Bonds; to execute any paper or documents for the receipt of money; and to do all acts with respect thereto that the Registered Owner himself or herself might have done in person. Nothing herein shall be deemed to authorize or empower the Bondowners' Trustee to consent to accept or adopt, on behalf of any Registered Owner of the Parity Bonds, any plan of reorganization or adjustment affecting the Parity Bonds or any right of any Registered Owner thereof, or to authorize or empower the Bondowners' Trustee to vote the claims of the owners thereof in any receivership, insolvency, liquidation, bankruptcy, reorganization or other proceeding to which the District is a party.

(d) *Application of Money Collected by Bondowners' Trustee.* Any money collected by the Bondowners' Trustee at any time pursuant to this resolution shall be applied in the following order of priority:

FIRST, to the payment of the charges, expenses, advances and compensation of the Bondowners' Trustee and the charges, expenses, counsel fees, disbursements and compensation of its agents and attorneys; and

SECOND, to the payment to the persons entitled thereto first of required interest, and then of unpaid principal amounts on any Parity Bonds which shall have become due (other than Parity Bonds previously called for redemption for the payment of which money is held pursuant to the provisions hereto), whether at maturity or by proceedings for redemption or otherwise, in the order of their due dates and, if the amount available shall not be sufficient to pay in full the principal amounts due on the same date, then to the payment thereof ratably, according to the principal amounts due thereon to the persons entitled thereto, without any discrimination or preference.

(e) *Duties and Obligation of Bondowners' Trustee.* The Bondowners' Trustee shall not be liable except for the performance of such duties as are specifically set forth herein. During an Event of Default, the Bondowners' Trustee shall exercise such of the rights and powers vested in it hereby, and shall use the same degree of care and skill in its exercise as a prudent person would exercise or use under the circumstances in the conduct of such individual's own affairs. The Bondowners' Trustee shall have no liability for any act or omission to act hereunder except



for the Bondowners' Trustee's own negligent action, its own negligent failure to act or its own willful misconduct. The duties and obligations of the Bondowners' Trustee shall be determined solely by the express provisions of this resolution, and no implied powers, duties or obligations of the Bondowners' Trustee shall be read into this resolution.

The Bondowners' Trustee shall not be required to expend or risk its own funds or otherwise incur individual liability in the performance of any of its duties or in the exercise of any of its rights or powers as the Bondowners' Trustee, except as may result from its own negligent action, its own negligent failure to act or its own willful misconduct. The Bondowners' Trustee shall not be bound to recognize any person as a registered owner of any Bond until such person's title thereto, if disputed, has been established to its reasonable satisfaction.

The Bondowners' Trustee may consult with counsel and the opinion of such counsel shall be full and complete authorization and protection in respect of any action taken or suffered by it hereunder in good faith and in accordance with the opinion of such counsel. The Bondowners' Trustee shall not be answerable for any neglect or default of any person, firm or corporation employed and selected by it with reasonable care.

(f) *Suits by Individual Bondowners Restricted.* Neither the registered owner nor the beneficial owner of any one or more of Parity Bonds shall have any right to institute any action, suit or proceeding at law or in equity for the enforcement of same unless:

- (i) an Event of Default has happened and is continuing; and
- (ii) a Bondowners' Trustee has been appointed; and
- (iii) such owner previously shall have given to the Bondowners' Trustee written notice of the Event of Default on account of which such suit, action or proceeding is to be instituted; and
- (iv) the owners of 25% in principal amount of the Parity Bonds, after the occurrence of such Event of Default, has made written request of the Bondowners' Trustee and have afforded the Bondowners' Trustee a reasonable opportunity to institute such suit, action or proceeding; and
- (v) there have been offered to the Bondowners' Trustee security and indemnity satisfactory to it against the costs, expenses and liabilities to be incurred therein or thereby; and
- (vi) the Bondowners' Trustee has refused or neglected to comply with such request within a reasonable time.

No registered owner nor the beneficial owner of any Parity Bond shall have any right in any manner whatever by such individual's action to affect or impair the obligation of the District to pay from the Net Revenue the principal of and interest on such Parity Bonds to the respective owners thereof when due.

Section 22. Contract; Savings Clause. The covenants contained in this resolution and in the Bonds shall constitute a contract between the District and the Registered Owners of the

Bonds. If any one or more of the covenants or agreements provided in this resolution to be performed on the part of the District shall be declared by any court of competent jurisdiction to be contrary to law, then such covenant or covenants, agreement or agreements, shall be null and void and shall be deemed separable from the remaining covenants and agreements of this resolution and shall in no way affect the validity of the other provisions of this resolution or of the Bonds. All acts taken pursuant to the authority granted in this resolution but prior to its effective date are hereby ratified and confirmed.

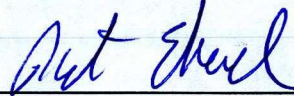
Section 23. General Authorization; Ratification of Prior Acts. The Designated Representatives and other appropriate officers of the District are authorized to take any actions and to execute documents as in their judgment may be necessary or desirable in order to carry out the terms of, and complete the transactions contemplated by, this resolution. All acts taken pursuant to the authority of this resolution but prior to its effective date are hereby ratified.

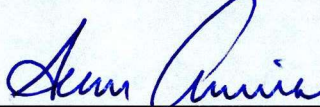
Section 24. Corrections. Upon approval of the District General Counsel and Bond Counsel, the Finance Manager is hereby authorized to make necessary corrections to this resolution, including but not limited to the correction of clerical errors; references to other local, state or federal laws, codes, rules, or regulations; resolution numbering and section/subsection numbering; and other similar necessary corrections.

Section 25. Effective Date of Resolution. This resolution shall take effect and be in force immediately upon its adoption.

ADOPTED by the Board of Commissioners of King County Water District No. 90, King County, Washington, at a regular open public meeting thereof this 3rd day of August, 2021.

KING COUNTY WATER DISTRICT NO. 90,  
KING COUNTY, WASHINGTON

 8/3/2021  
\_\_\_\_\_  
President and Commissioner

 8/3/2021  
\_\_\_\_\_  
Vice-President and Commissioner

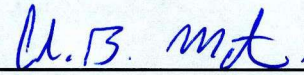
 8/3/2021  
\_\_\_\_\_  
Secretary and Commissioner



Exhibit A

Form of Bond

[DTC LANGUAGE]

UNITED STATES OF AMERICA

NO. 1103

\$5,200,000

STATE OF WASHINGTON  
KING COUNTY WATER DISTRICT NO. 90  
KING COUNTY, WASHINGTON  
WATER REVENUE BOND, 2021

INTEREST RATE: MATURITY DATE: CUSIP NO:

REGISTERED OWNER: CEDE & CO.

PRINCIPAL AMOUNT: FIVE MILLION & TWO HUNDRED THOUSAND DOLLARS

King County Water District No. 90, King County, Washington (the "District"), for value received hereby promises to pay to the Registered Owner identified above, or registered assigns, on the Maturity Date set forth above the Principal Amount set forth above, and to pay interest thereon from the date hereof, or the most recent date to which interest has been paid or duly provided for, at the Interest Rate set forth above payable on the first days of each [June] and [December], commencing on [June/December] 1, 2022. Both principal of and interest on this bond are payable in lawful money of the United States of America. The fiscal agent of the State of Washington (the "State") has been appointed by the District as the authenticating agent, paying agent and registrar for the bonds of this issue (the "Bond Registrar"). For so long as the bonds of this issue are held in fully immobilized form, payments of principal and interest thereon shall be made as provided in accordance with the operational arrangements of The Depository Trust Company ("DTC") referred to in the Blanket Issuer Letter of Representations (the "Letter of Representations") from the District to DTC.

The bonds of this issue are issued under and in accordance with the provisions of the Constitution and applicable statutes of the State and Resolution No. 1103 duly adopted by the Board of Commissioners of the District on August 3, 2021 (the "Bond Resolution"). Capitalized terms used in this bond have the meanings given such terms in the Bond Resolution. Reference is made to the Bond Resolution and any and all modifications and amendments thereto for a description of the nature and extent of the security for this bond, the funds or revenues pledged, and the terms and conditions upon which such bond is issued.

Proceeds of the bonds of this issue will be used to finance and/or refinance certain improvements to the System and to pay costs of issuance of the bonds.

The bonds of this issue are subject to redemption as provided in the Bond Resolution and the Bond Purchase Contract.

The bonds of this issue have been designated by the District as "qualified tax-exempt obligations" within the meaning of Section 265(b) of the Internal Revenue Code of 1986, as amended (the "Code").

This bond is payable solely from the Debt Service Fund. The District has irrevocably obligated and bound itself to pay into the Debt Service Fund out of the Net Revenue and ULID Assessments, if any, or from such other money as may be provided therefor certain amounts necessary to pay and secure the payment of the principal and interest on this bond.

The District does hereby pledge and bind itself to set aside from the Water Revenue Fund out of the Gross Revenue and ULID Assessments, if any, and to pay into the Debt Service Fund the various amounts required by the Bond Resolution to be paid into and maintained in such Fund, all within the times provided by the Bond Resolution. To the extent more particularly provided by the Bond Resolution, the amounts so pledged to be paid from the Water Revenue Fund out of the Gross Revenue and from ULID Assessments, if any, into the Debt Service Fund shall be a lien and charge thereon equal in rank to the lien and charge upon said revenue and assessments of the amounts required to pay and secure the payment of any revenue bonds of the District hereafter issued on a parity with such bond and this bond and superior to all other liens and charges of any kind or nature except Maintenance and Operation Expense.

The bonds of this issue are special fund obligations of the District payable solely from and secured solely by the sources identified in the Bond Resolution. The bonds of this issue do not constitute an indebtedness or general obligation of the District or the State, either general or special, within the meaning of the constitutional provisions and limitations of the State, but are special obligations of the District payable solely out of the funds and revenues identified in the Bond Resolution. Owners of the bonds of this issue shall not have any claim for the payment thereof against the District except for payment from the funds and revenues identified therein. Owners of the Bonds do not have any claim against the State for the payment for the principal of or interest on the bonds of this issue. Tax revenues of the District shall not be used directly or indirectly to secure or guarantee the payment of the principal of or interest on the bonds of this issue.

This bond is issued under and in accordance with the provisions of the Constitution and applicable statutes of the State and duly adopted resolutions of the District. The District hereby covenants and agrees with the owner of this bond that it will keep and perform all the covenants of this bond and of the Bond Resolution to be by it kept and performed, and reference is hereby made to the Bond Resolution for a complete statement of such covenants.

This bond shall not be valid or become obligatory for any purpose or be entitled to any security or benefit under the Bond Resolution until the Certificate of Authentication hereon shall have been manually signed by the Bond Registrar.

It is hereby certified that all acts, conditions, and things required by the Constitution and statutes of the State to exist, to have happened, been done, and performed precedent to and in the issuance of this bond have happened, been done, and performed.

IN WITNESS WHEREOF, King County Water District No. 90, King County Washington, has caused this bond to be signed by the manual or facsimile signature of its President of the Board of Commissioners, attested by the manual or facsimile signature of the Secretary of the Board of Commissioners, and seal of the District to be impressed or reproduced hereon, all as of August 3, 2021.

KING COUNTY WATER DISTRICT NO.  
90, KING COUNTY, WASHINGTON

( S E A L )

By Aut Eberl 8/3/2021  
President, Board of Commissioners

Attest:

U. B. Mt. 8/3/2021

Secretary, Board of Commissioners

The Bond Registrar's Certificate of Authentication on the Bonds shall be in substantially the following form:

#### CERTIFICATE OF AUTHENTICATION

This is one of the Water Revenue Bonds, 2021, of King County Water District No. 90, King County, Washington, dated August 3, 2021, as described in the within mentioned Bond Resolution.

WASHINGTON STATE FISCAL AGENT,  
as Bond Registrar

By \_\_\_\_\_



# CERTIFICATE

I, the undersigned, Secretary of the Board of Commissioners (the "Board") of King County Water District No. 90, King County, Washington (the "District"), hereby certify as follows:

1. The attached copy of Resolution No. 1103 (the "Resolution") is a full, true and correct copy of a resolution duly adopted at a regular meeting of the Board held at the regular meeting place thereof on August 3, 2021, as that resolution appears on the minute book of the District; and the resolution is now in full force and effect.

2. That said meeting was duly convened and held in all respects in accordance with law, including but not limited to Washington State Governor Inslee's emergency proclamation No. 20-28 issued on March 24, 2020, as amended and supplemented, temporarily suspending portions of the Open Public Meetings Act (chapter 42.30 RCW), and due and proper notice of such meeting was given; that a legal quorum was present throughout the meeting and a legally sufficient number of members of the Board voted in the proper manner for the adoption of said Resolution; that all other requirements and proceedings incident to the proper adoption of said Resolution have been fully fulfilled, carried out and otherwise observed; and that I am authorized to execute this certificate; and

3. That the Resolution has not been amended, supplemented or rescinded since its adoption and is in full force and effect and that I am authorized to execute this certificate.

IN WITNESS WHEREOF, I have hereunto set my hand this 3rd day of August, 2021.

KING COUNTY WATER DISTRICT NO. 90  
KING COUNTY, WASHINGTON

*A. B. Mot. 8/3/2021*

Secretary of the Board