

EAST WENATCHEE WATER DISTRICT

DOUGLAS COUNTY, WASHINGTON

RESOLUTION NO. 406

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EAST WENATCHEE WATER DISTRICT

DOUGLAS COUNTY, WASHINGTON

RESOLUTION NO. 406

A RESOLUTION of the Board of Water Commissioners of East Wenatchee Water District, Douglas County, Washington, specifying and adopting a plan providing for additions and betterments to the original comprehensive scheme or plan of water supply for the District; declaring the estimated cost thereof, as near as may be; providing the method of financing the same; providing for the issuance of Water Improvement and Refunding Revenue Bonds, 1993, in the principal amount of \$2,210,000 to obtain part of the funds required to pay the cost of such plan of additions and betterments, to call, pay and refund all of the existing water revenue bonds of the District and to pay the costs of issuance and sale of those bonds; fixing the date, form, maturities, interest rates, terms, covenants and uses of the proceeds of those bonds; creating a bond redemption fund and a construction fund; providing for and authorizing the purchase of certain obligations out of the proceeds of the sale of the bonds herein authorized and for the use and application of the money derived from those investments; authorizing the execution of an agreement with Seattle-First National Bank; providing for the call, payment and redemption of the outstanding bonds to be refunded; and approving the sale and providing for the delivery of these bonds to Dain Bosworth Incorporated of Seattle, Washington.

WHEREAS, the original comprehensive scheme or plan of water supply for East Wenatchee Water District, Douglas County, Washington (the "District"), was adopted by the Board of Water Commissioners of the District (the "Board") by Resolution No. 2 and ratified by the qualified voters of the District at an election held on August 27, 1940, which original comprehensive scheme or plan of water supply has been supplemented by additions and betterments thereto at various times since that date; and

WHEREAS, pursuant to Resolution No. 146, the District issued its \$1,400,000 par value Water Revenue Bonds, 1976 (the "1976

Bonds"), of which \$1,075,000 par value presently are outstanding maturing on February 1 of each of the years 1994 through 2006, inclusive, and bearing interest at the rate of 7.50% per annum, and by such resolution, reserved the right to redeem prior to their maturity the 1976 Bonds on February 1, 1987, or on any interest payment date thereafter, at various redemption prices reducing to par on or after February 1, 1992; and

WHEREAS, pursuant to Resolution No. 362, the District issued its \$160,000 par value Water Revenue Bonds, 1987 (the "1987 Bonds"), of which \$150,000 par value presently are outstanding maturing on December 1 of each of the years 1993 through 2007, inclusive, and bearing interest at various rates ranging from 7.10% to 8.20% per annum, and by such resolution, reserved the right to redeem prior to their maturity the 1987 Bonds on December 1, 1997, or on any interest payment date thereafter, at par plus accrued interest to the date fixed for redemption; and

WHEREAS, the 1976 Bonds and the 1987 Bonds (collectively, the "Refunded Bonds") were issued on a parity of lien upon the revenues of the water system of the District in accordance with the parity provisions of Resolution No. 70 and are the only outstanding revenue obligations of the District pledged against such revenues; and

WHEREAS, after due consideration, it appears to the Board that the Refunded Bonds may be refunded by the issuance and sale of the water refunding revenue bonds authorized herein (the "Bonds") so that certain restrictive covenants can be revised and debt service restructured so that the District can realize a debt service

savings effected by the difference between the principal and interest cost of the Bonds and the principal and interest cost over the life of the Refunded Bonds but for such refunding, which refunding will be effected by:

- (a) The issuance of the Bonds and the payment of the costs of the issuance of the Bonds and the costs of the refunding;
- (b) The call, payment and redemption on August 1, 1993, of all of the outstanding 1976 Bonds at a price of par plus accrued interest; and
- (c) The payment of the principal of and interest on the 1987 Bonds when due up to and including December 1, 1997, and, on December 1, 1997, the call, payment and redemption of all of the outstanding 1987 Bonds at a price of par plus accrued interest;

and

WHEREAS, in order to effect such refunding in the manner that will be most advantageous to the District it is found necessary and advisable that certain Acquired Obligations (hereinafter defined) bearing interest and maturing at such time or times as necessary to accomplish the refunding as aforesaid be purchased out of a portion of the proceeds of the Bonds and other money of the District legally available therefor; and

WHEREAS, in order to provide for the future needs of the District, the Board has determined that it is in the best interest of the District that certain additions to and betterments and extensions of the existing water supply and distribution system be made; and

WHEREAS, the Board has determined to issue the Bonds to provide the funds to pay part of the cost of effecting the refunding of the Refunded Bonds, to pay the cost of carrying out

the plan of additions to and betterments and extensions of the system adopted herein and to pay the cost of issuance and sale of the Bonds; and

WHEREAS, Dain Bosworth Incorporated has offered to purchase the Bonds under the terms and conditions hereinafter set forth; NOW, THEREFORE,

BE IT RESOLVED BY THE BOARD OF WATER COMMISSIONERS OF EAST WENATCHEE WATER DISTRICT, DOUGLAS COUNTY, WASHINGTON, as follows:

Section 1. Definitions. As used in this resolution the following words shall have the following meanings:

"Acquired Obligations" means those United States Treasury Certificates of Indebtedness, Notes and Bonds--State and Local Government Series and other direct, noncallable obligations of the United States of America purchased to accomplish the refunding of the Refunded Bonds as authorized by this resolution.

"Alternate Security" means any bond insurance, collateral, security, letter of credit, guaranty, surety bond or similar credit enhancement device providing for or securing the payment of all or part of the principal of and interest on the Bonds or any Future Parity Bonds, issued by an institution which has been assigned a credit rating at the time of issuance of the Bonds or Future Parity Bonds, respectively, secured by such Alternate Security equal to or better than the highest then-existing rating for any of the Bonds or Future Parity Bonds.

"Annual Debt Service" for the applicable series of the Bonds and Future Parity Bonds for any year means all the interest, plus all principal (except principal of Term Bonds due in any Term

Bond Maturity Year), plus all mandatory redemption sinking fund installments for that year, less all bond interest payable from the proceeds of any such bonds in that year.

"Assessment Bonds" means the original principal amount of any issue of Future Parity Bonds equal to the total remaining unpaid principal amount (at the time of adoption of the resolution providing for the issuance and sale of those bonds) of ULID Assessments on any final assessment roll or rolls of one or more ULIDs formed in connection with the improvements being financed by that issue of Future Parity Bonds (or bonds being refunded by those Future Parity Bonds). The original principal amount of such issue of bonds in excess of Assessment Bonds shall be referred to as "bonds that are not Assessment Bonds." Assessment Bonds shall be allocated to each \$5,000 of bonds in proportion to their percentage of the entire issue of bonds. When a bond of any issue of bonds containing Assessment Bonds is redeemed or purchased, and retired, the same percentage of that bond as the percentage of Assessment Bonds is to that total issue of bonds shall be treated as being redeemed or purchased, and retired.

"Average Annual Debt Service" means, at the time of its calculation, the sum of the Annual Debt Service for the remaining years to the last scheduled maturity of the applicable issue or issues of bonds divided by the number of those years. For purposes of computing the Reserve Requirement the estimated amount of Bonds to be redeemed prior to maturity may be taken into account if required under federal arbitrage regulations.

"Board" means the Board of Water Commissioners of the District.

"Bond Fund" means the Water Revenue Bond Fund, 1993, of the District created and established by this resolution in the office of the Treasurer for the payment of the principal of and interest on the Bonds and Future Parity Bonds.

"Bond Register" means the books or records maintained by the Bond Registrar on which are recorded the names and addresses of the owners of each of the Bonds.

"Bond Registrar" means the Fiscal Agency.

"Bonds" means the \$2,210,000 par value Water Improvement and Refunding Revenue Bonds, 1993, authorized to be issued by this resolution.

"1976 Bonds" means the outstanding Water Revenue Bonds, 1976, issued for the purposes provided in and pursuant to Resolution No. 146, irrevocable provision for the payment of which is made herein.

"1987 Bonds" means the outstanding Water Revenue Bonds, 1987, issued for the purposes provided in and pursuant to Resolution No. 362, irrevocable provision for the payment of which is made herein.

"Code" means the Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

"Construction Fund" means the Special Construction Fund, 1993, of the District created and established by this resolution in the office of the Treasurer.

"Coverage Requirement" in any year means (1) an amount of Net Revenue of the System at least equal to 1.20 times the Maximum Annual Debt Service on all outstanding bonds payable from the Bond Fund that are not Assessment Bonds and (2) an amount of Net Revenue of the System together with ULID Assessments at least equal to the Maximum Annual Debt Service on all outstanding bonds payable from the Bond Fund which are Assessment Bonds.

"District" means East Wenatchee Water District, Douglas County, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

"Fiscal Agency" means either of the fiscal agencies of the State of Washington located in Seattle, Washington, and New York, New York, as the same may be designated from time to time.

"Future Parity Bonds" means any and all water revenue bonds of the District issued after the date of the issuance of the Bonds, the payment of the principal of and interest on which constitutes a charge or lien on the Gross Revenue of the System and ULID Assessments equal in rank with the charge and lien upon such revenue and assessments required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Bonds.

"Government Obligations" means those government obligations defined by RCW 39.53.010(9) as it now reads or hereafter may be amended and which are otherwise Legal Investments of the District at the time of such investment.

"Gross Revenue of the System" or "Gross Revenue" means all earnings, revenues and money received by the District from or

on account of the operation of the System, including income from investments of money in the Maintenance Fund and the Bond Fund or from any other investment thereof and shall also include any federal or state reimbursements of operating expenses to the extent such expenses are included as Operating and Maintenance Expense, but shall not include grants in aid of construction, District-levied taxes, ULID Assessments, proceeds from the sale of District property, principal proceeds of bonds and earnings or proceeds from any investments in a trust, defeasance or escrow fund created to defease or refund District obligations (until commingled with other earnings and revenues of the District) or held in a special account for the purpose of paying a rebate to the United States Government under the Code.

"Legal Investments" means any investments now or hereafter authorized for the District under the laws of the State of Washington.

"Maintenance Fund" means the Maintenance Fund of the District created and maintained in the office of the Treasurer.

"Maximum Annual Debt Service" means at the time of calculation, the maximum amount of Annual Debt Service that will mature or come due in the current year or any future year on the outstanding Bonds and any outstanding Future Parity Bonds.

"Net Revenue of the System" or "Net Revenue" means the Gross Revenue less Operating and Maintenance Expense.

"Operating and Maintenance Expense" means all reasonable expenses incurred by the District in causing the System of the District to be operated and maintained in good repair, working

order and condition, including payments made to any other municipal corporation or private entity for water service or for sewage treatment and disposal service or other utility service in the event the District combines such service into the System and enters into a contract for such service, but not including any depreciation or taxes levied or imposed by the District or payments to the District in lieu of taxes, or capital additions or capital replacements to the System.

"Plan and System" means the plan or system for additions to and betterments and extensions of the System specified, adopted and ordered to be carried out herein.

"Principal and Interest Account" means the account of that name created in the Bond Fund for the payment of the principal of and interest on the Bonds and Future Parity Bonds.

"Refunded Bonds" means all of the outstanding 1976 Bonds and 1987 Bonds.

"Refunding Plan" means:

(a) the placement of sufficient proceeds of the Bonds which, with other money of the District, if necessary, will acquire the Acquired Obligations to be deposited, with cash, if necessary, with the Refunding Trustee;

(b) the call, payment and redemption on August 1, 1993, of all of the outstanding 1976 Bonds at a price of par plus accrued interest; and

(c) the payment of the principal of and interest on the 1987 Bonds when due up to and including December 1, 1997, and, on December 1, 1997, the call, payment and redemption of all of the outstanding 1987 Bonds at a price of par plus accrued interest; and

(d) the payment of the costs of issuing the Bonds and the costs of carrying out the foregoing elements of the Refunding Plan.

"Refunding Trust Agreement" means a Refunding Trust Agreement between the District and the Refunding Trustee substantially in the form of that which is on file with the Secretary of the Board and by this reference incorporated herein.

"Refunding Trustee" means Seattle-First National Bank of Seattle, Washington, or any successor trustee.

"Reserve Account" means the account of that name created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Bonds and Future Parity Bonds.

"Reserve Insurance" means, in lieu of cash and investments, insurance obtained by the District equal to part or all of the Reserve Requirement for any Bonds or Future Parity Bonds then outstanding for which such insurance is obtained.

"Reserve Requirement" means:

(1) For the Bonds, the least of (a) 10% of the issue price of the Bonds, (b) Maximum Annual Debt Service on the Bonds, and (c) 1.25 times Average Annual Debt Service on the Bonds.

(2) For any Future Parity Bonds, an amount equal to the difference between the Reserve Requirement for the Bonds and any Future Parity Bonds then outstanding and the least of (a) 10% of the issue price of the Bonds, any Future Parity Bonds then outstanding and the Future Parity Bonds proposed to be issued, (b) Maximum Annual Debt Service on the Bonds then outstanding, any outstanding Future Parity Bonds and the Future Parity Bonds proposed to be issued, and (c) 1.25 times Average Annual Debt Service on the Bonds, any outstanding Future Parity Bonds and the Future Parity Bonds proposed to be issued, but in no event to exceed an amount equal to the least of 10% of the issue price of the proposed Future Parity Bonds, Maximum Annual Debt Service on those bonds and 1.25 times Average Annual Debt Service on the proposed bonds. For the purposes of determining Maximum Annual Debt Service and Average Annual Debt Service for calculating the Reserve Requirement, all bonds payable or proposed to be paid from the Bond Fund shall be treated as a single issue and the last scheduled maturity for any of those issues shall be used as the denominator.

"System" means the existing water supply and distribution system of the District as the same shall be added to, bettered, improved and extended (including any sewer system hereafter acquired which is lawfully combined into the System) for as long as any of the Bonds and Future Parity Bonds are outstanding.


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

"Term Bonds" means the Bonds maturing in 2012 and those bonds designated as such in the resolution authorizing the issuance and sale of those bonds.

"Treasurer" means the Treasurer of Douglas County, Washington, ex officio treasurer for the District, or any successor treasurer who hereafter may be designated in accordance with applicable law.

"ULID" means utility local improvement district.

"ULID Assessments" means 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 Bond Fund (less any prepaid assessments permitted by law to be paid into a construction fund or account). ULID Assessments shall include installments thereof and any interest or penalties that may be due thereon.

 Section 2. Plan and System. The District specifies and adopts a plan and system providing for additions to and betterments and extensions of the original comprehensive scheme or plan of water supply for the District, as amended and supplemented,

consisting of the projects set forth in Exhibit A attached hereto and by this reference incorporated herein (the "Plan and System"). There shall be included in the Plan and System the acquisition and installation of all necessary valves, fittings, couplings, connections, equipment and appurtenances, and there shall be included the performance of such work as may be incidental and necessary to the foregoing construction and installation.

The Plan and System shall be connected to the existing System wherever necessary with the installation of all necessary appurtenances therefor.

The Plan and System shall be subject to such modifications of details and other changes not affecting the main general plans as shall be authorized by the Board either prior to or during the actual course of construction.

Section 3. Estimated Cost; Source of Payment. The estimated cost, as nearly as may be, of carrying out the Plan and System is declared to be \$900,000, to be met and defrayed from the proceeds received from the issuance and sale of the Bonds authorized herein.

The life of the Plan and System improvements are declared to be more than the term of the Bonds.

Section 4. Authorization and Description of Bonds. For the purpose of providing part of the money required to pay the cost of carrying out the Refunding Plan and the Plan and System, and paying the costs of issuance and sale of the Bonds, the District shall issue the Bonds in the principal amount of \$2,210,000. The Bonds shall be designated Water Improvement and Refunding Revenue Bonds, 1993; shall be dated June 1, 1993; shall be in the denomination of

\$5,000 or any integral multiple thereof within a single maturity; shall be numbered separately, in the manner and with any additional designation as the Bond Registrar deems necessary for the purpose of identification; shall bear interest (computed on the basis of a 360-day year of twelve 30-day months), payable semiannually on each February 1 and August 1, commencing February 1, 1994; and shall mature on February 1 in years and amounts and bear interest at the rates per annum as follows:

<u>Maturity Dates</u>	<u>Amounts</u>	<u>Interest Rates</u>
1994	\$ 60,000	3.25%
1995	75,000	3.75
1996	80,000	4.00
1997	90,000	4.25
1998	90,000	4.50
1999	95,000	4.70
2000	95,000	4.90
2001	100,000	5.15
2002	100,000	5.35
2003	110,000	5.45
2004	120,000	5.55
2005	125,000	5.65
2006	135,000	5.75
2007	135,000	5.85
2008	145,000	5.875
**	**	**
2012	655,000	6.00

The new money and refunding portions of the Bonds are allocated to the various maturities and mandatory redemption years as set forth in Exhibit B attached hereto and by this reference incorporated herein. Such allocation shall be applicable proportionately to each Bond within each maturity, or at such later time as may be allocated within a maturity or mandatory redemption year by the District to individual \$5,000 increments of Bonds by lot.

Section 5. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and recorded on the Bond Register. The Bond Register shall contain the name and mailing address of the owner of each Bond and the principal amount and number of each of the Bonds held by each owner.

Bonds surrendered to the Bond Registrar may be exchanged for Bonds in any authorized denomination of an equal aggregate principal amount and of the same interest rate and maturity. Bonds may be transferred only if endorsed in the manner provided thereon and surrendered to the Bond Registrar. Any exchange or transfer shall be without cost to the owner or transferee. The Bond Registrar shall not be obligated to exchange or transfer any Bond during the fifteen days preceding any principal payment or redemption date.

Section 6. Payment of Bonds. 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 paid by checks or drafts mailed by the Bond Registrar on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either of the principal offices of the Bond Registrar at the option of the owners. The Bonds shall be payable solely out of the Bond Fund and shall not be general obligations of the District.

Section 7. Redemption and Open Market Purchase of Bonds.

Bonds maturing in the years 1994 through 2004, inclusive, shall be issued without the right or option of the District to redeem those Bonds prior to their stated maturity dates. The District reserves the right and option to redeem Bonds maturing on or after February 1, 2005, prior to their stated maturity dates, on or after February 1, 2004, as a whole at any time, or in part on any interest payment date within one or more maturities selected by the District (and by lot within a maturity in such manner as the Bond Registrar shall determine), at par plus accrued interest to the date fixed for redemption.

Bonds maturing in 2012 are Term Bonds and, if not redeemed under the optional redemption provisions set forth above or purchased in the open market under the provisions set forth below, shall be called for redemption by lot (in such manner as the Bond Registrar shall determine) at par plus accrued interest on February 1 in years and amounts as follows:

<u>Mandatory Redemption Years</u>	<u>Mandatory Redemption Amounts</u>
2009	\$150,000
2010	155,000
2011	170,000
2012*	180,000

*maturity

In the event that the District shall redeem Term Bonds under the optional redemption provisions set forth above or purchase Term Bonds in the open market as set forth below, the Term Bonds so redeemed or purchased (irrespective of their redemption or purchase

price) shall be credited at the par amount thereof against last scheduled mandatory redemption amount.

Portions of the principal amount of any Bond, in installments of \$5,000 or any integral multiple thereof, may be redeemed. If less than all of the principal amount of any Bond is redeemed, upon surrender of that Bond at either of the principal offices of the Bond Registrar, there shall be issued to the registered owner, without charge therefor, a new Bond (or Bonds, at the option of the registered owner) of the same maturity and interest rate in any of the denominations authorized by this resolution in the aggregate total principal amount remaining unredeemed.

The District further reserves the right and option to purchase any or all of the Bonds in the open market at any time at any price acceptable to the District plus accrued interest to the date of purchase.

All Bonds purchased or redeemed under this section shall be cancelled.

Section 8. Notice of Redemption. The District shall cause notice of any intended redemption of Bonds to be given not less than 30 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the registered owner of any Bond to be redeemed at the address appearing on the Bond Register at the time the Bond Registrar prepares the notice, and the requirements of this sentence shall be deemed to have been fulfilled when notice has been mailed as so provided, whether or not it is actually received by the owner of any Bond. Interest on Bonds called for redemption shall cease to accrue on the date fixed

for redemption unless the Bond or Bonds called are not redeemed when presented pursuant to the call. In addition, the redemption notice shall be mailed within the same period, postage prepaid, to Moody's Investors Service, Inc., and Standard & Poor's Corporation at their offices in New York, New York, or their successors, to Dain Bosworth Incorporated at its principal office in Seattle, Washington, or its successor, and to such other person and with such additional information as the District shall determine, but these additional mailings shall not be a condition precedent to the redemption of Bonds.

Section 9. Failure to Redeem Bonds. If any Bond is not redeemed when properly presented at its maturity or call date, the District shall be obligated to pay interest on that Bond at the same rate provided in the Bond from and after its maturity or call date until that Bond, both principal and interest, is paid in full or until sufficient money for its payment in full is on deposit in the Bond Fund and the Bond has been called for payment by giving notice of that call to the registered owner of each of those unpaid Bonds.

Section 10. Form and Execution of Bonds. The Bonds shall be printed or lithographed on good bond paper in a form consistent with the provisions of this resolution and state law, shall be signed by the President and Secretary of the Board, either or both of whose signatures may be manual or in facsimile, and the seal of the District or a facsimile reproduction thereof shall be impressed or printed thereon.

Only Bonds bearing a Certificate of Authentication in the following form, manually signed by the Bond Registrar, shall be valid or obligatory for any purpose or entitled to the benefits of this resolution:

CERTIFICATE OF AUTHENTICATION

This bond is one of the fully registered East Wenatchee Water District, Douglas County, Washington, Water Improvement and Refunding Revenue Bonds, 1993, described in the Bond Resolution.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

By _____
Authorized Signer

The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bonds so authenticated have been duly executed, authenticated and delivered and are entitled to the benefits of this resolution.

If any officer whose facsimile signature appears on the Bonds ceases to be an officer of the District authorized to sign bonds before the Bonds bearing his or her facsimile signature are authenticated or delivered by the Bond Registrar or issued by the District, those Bonds nevertheless may be authenticated, delivered and issued and, when authenticated, issued and delivered, shall be as binding on the District as though that person had continued to be an officer of the District authorized to sign bonds. Any Bond also may be signed on behalf of the District by any person who, on the actual date of signing of the Bond, is an officer of the District authorized to sign bonds, although he or she did not hold the required office on the date of issuance of the Bonds.

Section 11. Bond Registrar. The Bond Registrar shall keep, or cause to be kept, at its principal corporate trust office, sufficient books for the registration and transfer of the Bonds which shall at all times be open to inspection by the District. The Bond Registrar is authorized, on behalf of the District, to authenticate and deliver Bonds transferred or exchanged in accordance with the provisions of the Bonds and this resolution, to serve as the District's paying agent for the Bonds and to carry out all of the Bond Registrar's powers and duties under this resolution and District Resolution No. 361 establishing a system of registration for the District's bonds and obligations.

The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on the Bonds. The Bond Registrar may become the owner of Bonds 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 members of, or in any other capacity with respect to, any committee formed to protect the rights of Bond owners.

Section 12. Construction Fund. The Construction Fund is created in the office of the Treasurer to be known as the Special Construction Fund, 1993, into which fund shall be deposited approximately \$900,000 of principal proceeds of the Bonds and out of which fund shall be paid the costs of carrying out the Plan and System. The District may use any money remaining in the Construction Fund after the payment of all such costs to carry out any other capital improvements to the System. Bond proceeds

deposited in the Construction Fund may be invested temporarily in any legal investment, and the investment earnings may be retained in the Construction Fund and used for the purpose of that fund.

Section 13. Disposition and Use of Bond Proceeds. The accrued interest, if any, received from the sale of the Bonds shall be paid into the Principal and Interest Account and used to pay interest on the Bonds on their first interest payment date. Principal proceeds of the Bonds shall be deposited in the Construction Fund in accordance with Section 12. The remaining principal proceeds of the Bonds shall be deposited and used in accordance with the provisions of Section 14 of this resolution.

Section 14. Refunding of the Refunded Bonds.

(a) Appointment of Refunding Trustee. Seattle-First National Bank is appointed the Refunding Trustee.

(b) Acquisition and Substitution of Acquired Obligations. Immediately upon the receipt of the proceeds of the sale of the Bonds, the District shall deposit with the Refunding Trustee an amount sufficient to carry out the Refunding Plan by providing for the payment of the amounts required to be paid by the Refunding Plan. The Refunding Plan shall be carried out and proceeds of the Bonds allocable to the refunding shall be applied in accordance with the provisions of Chapter 39.53 RCW. To the extent practicable, such obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of the Acquired Obligations, bearing such interest and maturing as to principal and interest in such amounts and at such times so as to provide, together with a beginning cash balance of \$15.08 (which amount may

be increased or decreased), for the payment of the amounts required to be paid by the Refunding Plan. The Acquired Obligations are listed and more particularly described in Schedule A attached to the Refunding Trust Agreement between the District and the Refunding Trustee, but are subject to substitution as set forth below.

Prior to the purchase of any such Acquired Obligations, the District reserves the right to substitute other direct, noncallable Government Obligations for any of the Acquired Obligations and to use any savings created thereby for any lawful District purpose if, (a) in the opinion of Foster Pepper & Shefelman, the District's bond counsel, the interest on the Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148 and 149(d) of the Code, and (b) such substitution shall not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized firm of certified public accountants.

After the purchase of the Acquired Obligations by the Refunding Trustee, the District reserves the right to substitute therefor cash or direct, noncallable Government Obligations subject to the conditions that such money or securities held by the Refunding Trustee shall be sufficient to carry out the Refunding Plan, that such substitution will not cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code and regulations thereunder in effect on the date of such substitution and applicable to obligations issued on the issue date of the Bonds, and obtains, at its expense: (1) verification by a

nationally recognized certified public accounting firm acceptable to the Refunding Trustee confirming that the payments of principal of and interest on the substitute Acquired Obligations, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (2) an opinion from Foster Pepper & Shefelman, bond counsel to the District, its successor, or other nationally recognized bond counsel to the District, to the effect that the disposition and substitution or purchase of such securities, under the statutes, rules and regulations then in force and applicable to the Bonds, will not cause the interest on the Bonds or the Refunded Bonds to be included in gross income for federal income tax purposes and that such disposition and substitution or purchase is in compliance with the statutes and regulations applicable to the Bonds. Any surplus money resulting from the sale, transfer, other disposition or redemption of the Acquired Obligations and the substitutions therefor shall be released from the trust estate and transferred to the District to be used for any lawful District purpose.

(c) Administration of Refunding Plan. The Refunding Trustee is authorized and directed to purchase the Acquired Obligations (or substitute obligations) and to make the payments required to be made by the Refunding Plan from the Acquired Obligations (or substitute obligations) and money deposited with the Refunding Trustee pursuant to this resolution. All Acquired Obligations (or substitute obligations) and the money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions

of Resolutions Nos. 146 and 362, this resolution, Chapter 39.53 RCW and other applicable statutes of the State of Washington and the Refunding Trust Agreement. All necessary and proper fees, compensation and expenses of the Refunding Trustee for the Bonds and all other costs incidental to the setting up of the escrow to accomplish the refunding of the outstanding Refunded Bonds and costs related to the issuance and delivery of the Bonds allocable to the Refunding Plan, including bond printing, rating service fees, verification fees, bond counsel's fees and other related expenses, shall be paid out of the proceeds of the Bonds.

(d) Authorization for Refunding Trust Agreement. In order to carry out the Refunding Plan provided for by this resolution, the President or Secretary of the Board is authorized and directed to execute and deliver to the Refunding Trustee a Refunding Trust Agreement substantially in the form on file with the Secretary of the Board and by this reference made a part hereof, setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption and retirement of the outstanding Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation and expenses of such Refunding Trustee set forth therein are satisfactory to it. Prior to executing the Refunding Trust Agreement, the President or Secretary of the Board is authorized to make such changes therein which do not change the substance and purpose thereof or which assure that the escrow provided therein and the Bonds are in compliance with the

requirements of federal law governing the exclusion of interest on the Bonds from gross income for federal income tax purposes.

Section 15. Calls for Redemption of the Refunded Bonds. The District calls for redemption on August 1, 1993, all of the outstanding 1976 Bonds at par plus accrued interest to the date of redemption, and on December 1, 1997, all of the outstanding 1987 Bonds at par plus accrued interest to the date of redemption. The dates on which the Refunded Bonds are called for redemption are the earliest dates, respectively, on which those Refunded Bonds may be called for redemption.

Such calls for redemption shall be irrevocable after the delivery of the Bonds to the initial purchaser thereof.

The proper District officials are authorized and directed to give or cause to be given such notices as required, at the times and in the manner required by Resolution No. 146 in order to effect the redemption prior to their maturity of the 1976 Bonds and by Resolution No. 362 in order to effect the redemption prior to their maturity of the 1987 Bonds.

Section 16. District Findings with Respect to Refunding. The Board finds and determines that the issuance and sale of the Bonds at this time will effect a saving to the District and its ratepayers and is in the best interest of the District and in the public interest. In making such finding and determination, the Board has given consideration to the fixed maturities of the Bonds and the Refunded Bonds, the costs of issuance of the Bonds and the known earned income from the investment of the proceeds of the issuance and sale of the Bonds and other money of the District used

in the Refunding Plan pending payment and redemption of the Refunded Bonds.

The Board further finds and determines that the money to be deposited with the Refunding Trustee for the Refunded Bonds in accordance with Section 14 of this resolution will discharge and satisfy the obligations of the District under Resolution No. 146 with respect to the 1976 Bonds and Resolution No. 362 with respect to the 1987 Bonds, and the pledges, charges, trusts, covenants and agreements of the District therein made or provided for as to those Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under their respective resolutions immediately upon the deposit of such money with the Refunding Trustee.

Section 17. Bond Fund. The Bond Fund is created in the office of the Treasurer be known as the Water Revenue Bond Fund, 1993, which fund is divided into two accounts: the Principal and Interest Account and the Reserve Account. So long as any Bonds or Future Parity Bonds are outstanding against the Bond Fund, the District shall set aside and pay into the Bond Fund all ULID Assessments on their collection and, out of the Net Revenue of the System, certain fixed amounts without regard to any fixed proportion, namely:

(a) Into the Principal and Interest Account, monthly, on or before the first day of each month beginning with the month of July, 1993, an amount, together with other money on deposit therein, sufficient to pay 1/8 of the principal and interest requirement on the Bonds due February 1, 1994, and thereafter on or before the first day of each succeeding month, an amount, together with other money on deposit therein, sufficient to pay 1/6 of the next ensuing interest requirement on

the Bonds and 1/12 of the next ensuing principal requirement on the Bonds; and

(b) Into the Reserve Account, on the date of issue, \$162,445 transferred from the reserve account for the Refunded Bonds, and thereafter annually, in regular installments beginning June 1, 1994, an amount which, together with other money on deposit therein, will equal the Reserve Requirement for the Bonds, which additional amount shall be accumulated by no later than June 1, 1998.

(c) Notwithstanding clauses (a) and (b) above, the deposit to be made into the Reserve Account, and Reserve Requirement, each may be decreased for any issue of Future Parity Bonds when and to the extent that the District has provided for Reserve Insurance or Alternate Security.

Except for withdrawals therefrom as authorized herein, the Reserve Account shall be maintained at the Reserve Requirement amount for all bonds payable from the Bond Fund at all times so long as any of such bonds are outstanding. When the total amount in the Bond Fund shall equal the total amount of principal and interest for all outstanding bonds payable out of the Bond Fund to the last maturity thereof, no further payment need be made into the Bond Fund. Notwithstanding the first sentence of this paragraph, the Reserve Requirement may be decreased for the Bonds or any issue of Future Parity Bonds when and to the extent the District has provided for an Alternate Security or Reserve Insurance.

In the event that there shall be a deficiency in the Principal and Interest Account in the Bond Fund to meet maturing installments of either principal or interest, as the case may be, that deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from ULID Assessment payments and the Net

Revenue of the System first available after making necessary provisions for the required payments into the Principal and Interest Account. The money in the Reserve Account otherwise shall be held intact and may be applied against the last outstanding bonds payable out of the Bond Fund, except that if the Reserve Account is fully funded, any money in excess of the Reserve Requirement may be withdrawn and deposited in the Principal and Interest Account and spent for the purpose of retiring bonds payable from the Bond Fund or may be deposited in any other fund and spent for any other lawful System purpose.

The District may provide for the purchase, redemption or defeasance of bonds payable from the Bond Fund by the use of money on deposit in any account in the Bond Fund as long as the money remaining in those accounts is sufficient to satisfy the required deposits in those accounts for the remaining bonds outstanding payable from the Bond Fund.

All money in the Bond Fund may be kept in cash or invested in Legal Investments maturing not later than the date when the funds are required for the payment of principal of or interest on the outstanding bonds payable from the Bond Fund (for investments in the Principal and Interest Account) or having a guaranteed redemption price prior to maturity and, in no event, maturing later than the last maturity of any remaining outstanding bonds payable from the Bond Fund (for investments in the Reserve Account). Earnings from investments in the Principal and Interest Account shall be deposited in that account. Income from investments in the Reserve Account shall be deposited in that account until the amount

therein is equal to the Reserve Requirement of all bonds payable from the Bond Fund and thereafter shall be deposited in the Principal and Interest Account.

The District may create sinking fund accounts or other accounts in the Bond Fund for the payment or securing the payment of bonds payable from the Bond Fund as long as the maintenance of such accounts does not conflict with the rights of the owners of bonds payable from the Bond Fund.

If the District fails to set aside and pay into the Bond Fund the amounts set forth above, the owner of any of the outstanding bonds payable out of the Bond Fund may bring action against the District and compel such setting aside and payment.

Section 18. Finding as to Sufficiency of Revenue, Pledge of Revenue and Lien Position. The Board finds and determines that the Gross Revenue and benefits to be derived from the operation and maintenance of the System of the District at the rates to be charged for water service from the System will be more than sufficient to meet all Operating and Maintenance Expense and to permit the setting aside into the Bond Fund out of the Gross Revenue of amounts sufficient to pay the principal of and interest on the Bonds when due. The Net Revenue of the System and ULID Assessments are pledged to the payment of the Bonds and any Future Parity Bonds, and the Bonds and those Future Parity Bonds, if any, shall constitute a lien and charge upon such Net Revenue and ULID Assessments prior and superior to any other charges whatsoever, subject only to the charge and lien upon such Net Revenue and ULID Assessments for the Refunded Bonds being defeased pursuant to the

provisions of Section 10 of Resolution No. 146 and Section 21 of Resolution No. 362.

Section 19. Revocation of Right to Issue Prior Lien Bonds.

The right of the District to issue bonds on a parity of lien with the Refunded Bonds in accordance with the provisions of Section 14 of Resolution No. 70 is permanently revoked.

Section 20. Covenants. The District covenants and agrees with the owner of each Bond at any time outstanding, 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 which will be fair and nondiscriminatory, and will adjust those rates and charges from time to time so that:

(1) The Gross Revenue of the System will at all times be sufficient to (i) pay all Operating and Maintenance Expense on a current basis, (ii) pay when due all amounts that the District is obligated to pay into the Bond Fund and the accounts therein, and (iii) pay all taxes, assessments or other governmental charges lawfully imposed on the System or the revenue therefrom or payments in lieu thereof and any and all other amounts which the District may now or hereafter become obligated to pay from the Gross Revenue of the System by law or contract.

(2) The Net Revenue of the System in each calendar year will be at least equal to the Coverage Requirement.

To the extent allowable by law, those to which service of the System is available will be charged for that service at the prevailing rate within 30 days of the availability of that service.

(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 Bonds and any Future Parity Bonds are defeased under Section 26 of this resolution.

It will not sell, lease, mortgage or in any manner encumber or otherwise dispose of any part of the System, 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 Bond Fund of the greatest of the following:

(1) An amount which will be in the same proportion to the net amount of Bonds and Future Parity Bonds then outstanding (defined as the total amount of the Parity Bonds less the amount of cash and investments in the Bond Fund and accounts therein) that the Gross Revenue of the System from the portion of the System sold or disposed of for the preceding year bears to the total Gross Revenue of the System for that period; or

(2) An amount which will be in the same proportion to the net amount of Bonds and Future Parity Bonds then outstanding (as defined above) that the Net Revenue from the portion of the System sold or disposed of for the preceding year bears to the total Net Revenue of the System for such period; or

(3) An amount which will be in the same proportion to the net amount of Bonds and Future Parity Bonds then outstanding (as defined above) that the depreciated cost value of the facilities sold or disposed of bears to the depreciated cost value of the entire System immediately prior to such sale or disposition.

Notwithstanding any other provision of this subsection, 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, without making any deposit into the Bond Fund. In no event shall such proceeds be treated as Gross Revenue of the System for purposes of this resolution.

(d) 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 Gross Revenue of the System, or any part thereof, prior or superior to the lien thereon for the payment of the Bonds and any Future 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 Gross Revenue of the System, or any part thereof, prior to or superior to the lien of the Bonds and any Future Parity Bonds, or which might impair the security of the Bonds and any Future Parity Bonds.

(e) 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 of Washington. It will prepare annual financial and operating statements within 90 days of the close of each fiscal year showing in reasonable detail the financial condition of the System as of the close of the previous year, and the income and expenses for such year, including the amounts paid into the Bond 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 year, and the amounts expended for maintenance, renewals, replacements and capital additions to the System. Such statements shall be sent to the owner of any Bonds and Future Parity Bonds upon written request therefor being made to the District.

(f) No Free Service. Except to aid the poor or infirm, to provide for resource conservation or to provide for the proper handling of hazardous materials, 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 Bonds and Future Parity Bonds are outstanding.

(g) Collection of Delinquent Accounts. On at least an annual basis, it will determine all accounts that are delinquent and will take all necessary action to enforce payment of such accounts against those property owners whose accounts are delinquent.

(h) Fire and Extended Coverage 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 the District on such of the buildings, equipment, works, plants, facilities and properties of the District 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 Bonds and any Future Parity Bonds against loss.

(i) Public Liability and Property Damage Insurance. It at all times will keep or arrange to keep in full force and effect such policies of public liability and property damage insurance with responsible insurers and with policies payable to the District 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 Board, to protect the District and the owners of the Bonds and any Future Parity Bonds against loss.

Section 21. Preservation of Tax Exemption for Interest on Bonds. The District covenants that it will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the District treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes. The District certifies that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that it is a bond issuer whose arbitrage certifications may not be relied upon.

Section 22. Flow of Funds. All ULID Assessments shall be paid into the Bond Fund as provided by Section 17. The Gross Revenue of the System shall be used for the following purposes only and shall be applied in the following order of priority:

- (a) To pay the Operating and Maintenance Expense;

(b) To pay the principal of and interest on the Bonds and any Future Parity Bonds as they come due or as the principal is required to be paid and to make all payments required to be made into any mandatory redemption or sinking fund account created to provide for the payment of the principal of Term Bonds;

(c) To make all payments required to be made into the Reserve Account;

(d) To make all payments required to be made into any revenue bond, note, warrant or other 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 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 Bonds and any Future Parity Bonds; and

(e) To retire by redemption or purchase in the open market any outstanding revenue bonds or other revenue obligations of the District, to make necessary additional betterments, improvements and repairs to or extensions and replacements of the System, or for any other lawful District purposes.

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

Section 23. Provisions for Future Parity Bonds. The District reserves the right to issue Future Parity Bonds if the following conditions are met and complied with at the time of the issuance of those Future Parity Bonds:

(a) There shall be no deficiency in the Bond 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 Bond 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 Bond Fund.

(d) The resolution providing for the issuance of such Future Parity Bonds shall provide for the deposit into the Reserve Account of (i) an amount equal to the Reserve Requirement for those Future Parity Bonds from the Future Parity Bond proceeds or other money legally available, or (ii) Reserve Insurance or Alternate Security or an amount plus Reserve Insurance or Alternate Security equal to the Reserve Requirement for those Future Parity Bonds, or (iii) to the extent that the Reserve Requirement is not funded from Future Parity Bond proceeds, other legally available money or Reserve Insurance or Alternate Security at the time of issuance of those Future Parity Bonds, within five years from the date of issue of the Future Parity Bonds from ULID Assessments, if any, levied and first collected for the payment of the principal of and interest on those Future Parity Bonds and, to the extent that ULID Assessments are insufficient, then from the Net Revenue of the System in five approximately equal annual payments. No Reserve Insurance or Alternate Security may be used to satisfy the Reserve Requirement for Future Parity Bonds unless (i) the insurance policy or Alternate Security is non-cancelable and (ii) the insurer or provider of the Alternate Security as of the time of issuance of such insurance or Alternate Security is rated in the highest rating categories by both Moody's Investors Service, Inc., and Standard & Poor's Corporation.

(e) The resolution authorizing the issuance of such Future Parity Bonds shall provide for the payment of mandatory redemption or sinking fund requirements into the Bond Fund for any Term Bonds to be issued and for regular payments to be made for the payment of the principal of such Term Bonds on or before their maturity, or, as an alternative, the mandatory redemption of those Term Bonds prior to their maturity date from money in the Principal and Interest Account.

(f) There shall be on file from a licensed professional engineer experienced in the design, construction and operation of municipal utilities, or from an independent certified public accountant, a certificate showing that in his or her professional opinion the Net Revenue of the System for any 12 consecutive calendar months out of the immediately preceding 24 calendar months shall be equal to the Coverage Requirement for each year thereafter. The certificate, in estimating the Net Revenue of the System

available for debt service, may adjust Net Revenue of the System to reflect:

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

(2) 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;

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

(4) The engineer's or accountant's estimate of the Net Revenue of the System to be derived from customers anticipated to connect for whom building permits have been issued;

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

(6) The engineer's or accountant's estimate of the Net Revenue of the System 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 then under construction and not fully connected to the facilities of the System when such additions, improvements and extensions are completed; and

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

If Future Parity Bonds proposed to be so issued are for the sole purpose of refunding outstanding bonds payable from the Bond 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 Bonds or Future Parity Bonds then outstanding, money for the payment of which is not otherwise available.

Nothing contained herein shall prevent the District from issuing revenue bonds that are a charge upon the Gross Revenue of the System of the District subordinate to the payments required to be made therefrom into the Bond Fund for the payment of the Bonds and any Future Parity Bonds 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.

Section 24. Small Governmental Issuer Arbitrage Rebate Exemption and Designation of Bonds as "Qualified Tax-Exempt Obligations." The District finds and declares that (a) it is a duly organized and existing governmental unit of the State of Washington and has general taxing power; (b) no Bond which is part of this issue of Bonds is a "private activity bond" within the meaning of Section 141 of the Code; (c) at least 95% of the net proceeds of the Bonds will be used for local governmental activities of the District (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the

District); (d) the aggregate face amount of all tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) issued by the District and all entities subordinate to the District (including any entity which the District controls, which derives its authority to issue tax-exempt obligations from the District or which issues tax-exempt obligations on behalf of the District) during the calendar year in which the Bonds are issued is not reasonably expected to exceed \$5,000,000; and (e) the amount of tax-exempt obligations, including the Bonds, designated by the District as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bonds are issued does not exceed \$10,000,000. The District therefore certifies that the Bonds are eligible for the arbitrage rebate exemption under Section 148(f)(4)(D) of the Code and designates the Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

Section 25. Bonds Negotiable. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 26. Advance Refunding or Defeasance of Bonds. The District may issue advance refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay the principal of and interest on the Bonds, or such portion thereof included in a refunding or defeasance plan, as the same become due and payable and to redeem and retire, release, refund or defease all such then-outstanding Bonds (hereinafter collectively called the "defeased Bonds") and to pay the costs of

such refunding or defeasance. In the event that money and/or Government Obligations sufficient in amount, together with known earned income from the investments thereof, to redeem and retire, release, refund or defease the defeased Bonds in accordance with their terms, are set aside irrevocably in a special fund for and pledged irrevocably to such redemption, retirement or defeasance (hereinafter called the "trust account"), then all right and interest of the owners of the defeased Bonds in the covenants of this resolution and in the Gross Revenue of the System, ULID Assessments, funds and accounts obligated to the payment of such defeased Bonds, other than the right to receive the funds so set aside and pledged, thereafter shall cease and become void. Such owners thereafter shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account.

After the establishing and full funding of such a trust account, the District then may apply any money in any other fund or account established for the payment or redemption of the defeased Bonds to any lawful purposes as it shall determine, subject only to the rights of the owners of any other Bonds or bonds then outstanding.

In the event that the refunding plan provides that the defeased Bonds or the refunding bonds to be issued be secured by money and/or Government Obligations pending the prior redemption of the defeased Bonds and if such refunding plan also provides that certain money and/or Government Obligations are pledged irrevocably for the prior redemption of the defeased Bonds included in that

refunding plan, then only the debt service on the Bonds which are not defeased Bonds and the refunding bonds, the payment of which is not so secured by the refunding plan, shall be included in the computation of the Coverage Requirement for the issuance of Future Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

Section 27. Approval of Bond Purchase Contract and Preliminary Official Statement Deemed Final. Dain Bosworth Incorporated of Seattle, Washington (the "Purchaser"), has presented a bond purchase agreement (the "Bond Purchase Contract") to the District offering to purchase the Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract is on file with the Secretary of the Board and is incorporated herein by this reference. The Board finds that entering into the Bond Purchase Contract is in the District's best interest and, therefore, accepts the offer contained therein and authorizes its execution by District officials.

The Bonds will be printed at District expense and will be delivered to the Purchaser in accordance with the terms of the Bond Purchase Contract with the approving legal opinion of Foster Pepper & Shefelman, municipal bond counsel of Seattle, Washington, relative to the issuance of the Bonds, printed on each Bond. Bond counsel has not been retained to and shall not be required to review or express any opinion concerning the completeness or accuracy of any official statement, offering circular or other sales material issued or used in connection with the Bonds, and bond counsel's opinion shall so state.

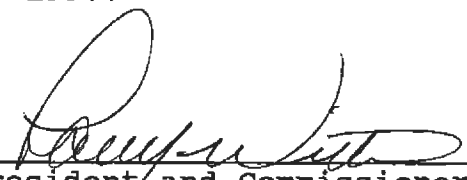
The Board has been provided with copies of a preliminary official statement dated June 3, 1993 (the "Preliminary Official Statement"), prepared in connection with the sale of the Bonds. For the sole purpose of the Purchaser's compliance with Securities and Exchange Commission Rule 15c2-12(b)(1), the District "deems final" that Preliminary Official Statement as of its date, except for the omission of information as to offering prices, interest rates, selling compensation, aggregate principal amount, principal amount per maturity, maturity dates, options of redemption, delivery date, ratings and other terms of the Bonds dependent on such matters.

The proper District officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the Purchaser and for the proper application and use of the proceeds of the sale thereof.

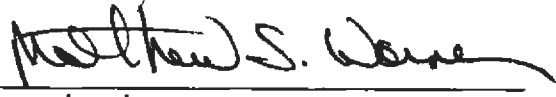
Section 28. Temporary Bond. Pending the printing, execution and delivery to the Purchaser of the definitive Bonds, the District may cause to be executed and delivered to the Purchaser a single temporary Bond in the total principal amount of the Bonds. The temporary Bond shall bear the same date of issuance, interest rates, principal payment dates and terms and covenants as the definitive Bonds, shall be issued as a fully registered Bond in the name of the Purchaser, and shall be in such form as acceptable to the Purchaser. Such temporary Bond shall be exchanged for the definitive Bonds as soon as the same are printed, executed and available for delivery.

ADOPTED by the Board of Water Commissioners of East Wenatchee
Water District, Douglas County, Washington, at a regular open
public meeting this ¹⁷16th day of June, 1993.

MSW.



President and Commissioner



Commissioner

Secretary and Commissioner

Exhibit A

East Wenatchee Water District
Project Plan 1993-1994

1993 Projects

- ✓ 1. Engineering for Well No. 7 in developing a new source of water at Cascade and 19th Street.
- ✓ 2. Construction of a new pumphouse and excavation and relating piping to serve Well No. 7.
- ✓ 3. Acquisition and construction of pumps and electrical switch gear for Well No. 7.
- ✓ 4. Installation of telemetering system for Well No. 7.
- 5. Installation of 660 feet of 6-inch water main on SE 10th Street between Union and Van Sickle.
- 6. Installation of 1,800 feet of 8-inch water main on NE 5th Street between Hanford and Keller Streets.
- 7. Installation of 230 feet of 6-inch water main on Pace Drive and connection into Ridgement Avenue.
- 8. Installation of 600 feet of 8-inch water main on 27th Street between Cascade and Columbia Streets.
- 9. Installation of 350 feet of 8-inch water main on Jonathan Street off 6th Street to fire hydrant.

1994 Projects

- ✓ 1. Installation of 1,350 feet of 10-inch water main on Kentucky Street for 4th to 6th Streets.
- ✓ 2. Installation of 2,700 feet of 12-inch water main on Kentucky Street from Grant Road to 5th Street.
- ✓ 3. Installation of 800 feet of 8-inch water main on 6th Street from Kentucky Street to Lyle Avenue.
- No* 4. Installation of a 16-inch casing (approximately 245 feet in Well No. 8).
- ✓ 5. Engineering fees for preparation of a new 5-year Comprehensive Plan.

Exhibit B

Allocation of Bonds

<u>Maturity Years</u>	<u>New Money</u>	<u>Current Refunding</u>	<u>Advance Refunding</u>	<u>Total Bond Amount</u>
1994	--	\$ 55,000	\$ 5,000	\$ 60,000
1995	--	70,000	5,000	75,000
1996	--	75,000	5,000	80,000
1997	--	80,000	10,000	90,000
1998	--	80,000	10,000	90,000
1999	--	85,000	10,000	95,000
2000	--	85,000	10,000	95,000
2001	--	90,000	10,000	100,000
2002	--	90,000	10,000	100,000
2003	--	100,000	10,000	110,000
2004	--	105,000	15,000	120,000
2005	--	110,000	15,000	125,000
2006	--	120,000	15,000	135,000
2007	\$130,000	--	5,000	135,000
2008	140,000	--	5,000	145,000
2009	150,000	--	--	150,000
2010	155,000	--	--	155,000
2011	170,000	--	--	170,000
2012	<u>180,000</u>	<u>--</u>	<u>--</u>	<u>180,000</u>
	\$925,000	\$1,145,000	\$140,000	\$2,210,000