

ORIGINAL

EAST WENATCHEE WATER DISTRICT

DOUGLAS COUNTY, WASHINGTON

RESOLUTION NO. 647

A RESOLUTION of the Board of Water Commissioners of East Wenatchee Water District, Douglas County, Washington, providing for the issuance, sale and delivery of not to exceed \$5,550,000 aggregate principal amount of water revenue improvement and refunding bonds to provide funds to (i) pay the cost of carrying out a portion of the District's capital improvement program, (ii) refund a portion of the District's outstanding Water Revenue Refunding Bonds, 2004, (iii) provide for the reserve requirement, and (iv) pay the costs of issuance and sale of the bonds; fixing or setting parameters with respect to certain terms and covenants of the bonds; providing for and authorizing the purchase of certain obligations out of certain proceeds of the sale of the bonds and for the use and application of the money derived from those investments; authorizing the execution of a refunding trust agreement; providing for the call, payment and redemption of the outstanding bonds to be refunded; appointing the District's designated representative to approve the final terms of the sale of the bonds and to take certain other actions with respect to carrying out the refunding and issuance of the bonds; and providing for other related matters.

Adopted December 18, 2013

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**The cover page, table of contents and section headings of this resolution are for convenience of reference only, and shall not be used to resolve any question of interpretation of this resolution.*

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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 capitalized terms shall have the following meanings:

(a) "2004 Bond Resolution" means Resolution No. 536 of the District, adopted on January 21, 2004, authorizing the issuance of the 2004 Bonds.

(b) "2004 Bonds" means the District's Water Revenue Refunding Bonds, 2004.

(c) "2010 Bonds" means the District's Water Revenue Bonds, 2010.

(d) "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.

(e) "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 Parity Bonds, issued by an institution which has been assigned a credit rating at the time of issuance of those Parity Bonds,

respectively, secured by such Alternate Security equal to or better than the highest then-existing rating for any Parity Bonds.

(f) “Annual Debt Service” for the applicable series of 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.

(g) “Assessment Bonds” means the original principal amount of any issue of 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 Parity Bonds (or bonds being refunded by those 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.

(h) “Authorized Denomination” means \$5,000 or any integral multiple thereof within a maturity.

(i) “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 Parity Bonds divided by the number of those years. For purposes of computing the Reserve Requirement the estimated amount of Parity Bonds to be redeemed prior to maturity may be taken into account if required under federal arbitrage regulations.

(j) “Beneficial Owner” means, with respect to a Bond, the owner of any beneficial interest in that Bond.

(k) “Board” means the Board of Water Commissioners of the District.

(l) “Bond” means each bond issued pursuant to and for the purposes provided in this resolution.

(m) “Bond Counsel” means the firm of Foster Pepper PLLC, its successor, or any other attorney or firm of attorneys selected by the District with a nationally recognized standing as bond counsel in the field of municipal finance.

(n) “Bond Fund” means the East Wenatchee Water District Revenue Bond Fund of the District previously created and established in the office of the Treasurer for the payment of the principal of and interest on the Parity Bonds.

(o) “Bond Purchase Contract” means an offer to the Bonds, setting forth certain terms and conditions of the issuance, sale and delivery of the Bonds, which offer is authorized to be

accepted by the Designated Representative on behalf of the District, if consistent with this resolution.

(p) “Bond Register” means the books or records maintained by the Bond Registrar for the purpose of identifying ownership of each Bond.

(q) “Bond Registrar” means the Fiscal Agent, or any successor bond registrar selected by the District.

(r) “Code” means the United States Internal Revenue Code of 1986, as amended, and applicable rules and regulations promulgated thereunder.

(s) “Comprehensive Plan” means the 2009 Comprehensive Water System Plan of the District adopted December 2, 2009 by Resolution No. 606.

(t) “Construction Fund” means the 2014 Bond Construction Fund created and established in the office of the Treasurer.

(u) “Coverage Requirement” in any year means (1) an amount of Net Revenue at least equal to 1.25 times the Maximum Annual Debt Service on all outstanding Parity Bonds that are not Assessment Bonds and (2) an amount of Net Revenue, together with ULID Assessments, at least equal to the Maximum Annual Debt Service on all outstanding Parity Bonds which are Assessment Bonds.

(v) “Designated Representative” means the officer of the District appointed in Section 4 to serve as the District’s designated representative in accordance with RCW 39.46.040(2).

(w) “District” means East Wenatchee Water District, Douglas County, Washington, a municipal corporation duly organized and existing under the laws of the State of Washington.

(x) “District Contribution” means legally available money of the District, in addition to proceeds of the Bonds, necessary or advisable to carry out the Refunding Plan, as determined by the Designated Representative.

(y) “District Manager” means the District Manager or such other officer of the District who succeeds to substantially all of the responsibilities of that office.

(z) “DTC” means The Depository Trust Company, New York, New York, or its nominee.

(aa) “Final Terms” means the terms and conditions for the sale of the Bonds including the amount, date or dates, denominations, interest rate or rates (or mechanism for determining interest rate or rates), payment dates, final maturity, redemption rights, price, and other terms or covenants, including minimum savings for refunding bonds (if the refunding bonds are issued for savings purposes).

(bb) “Fiscal Agent” means the fiscal agent of the State, as the same may be designated by the State from time to time.

(cc) “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 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.

(dd) “Government Obligations” has the meaning given in RCW 39.53.010, as now in effect or as may hereafter be amended.

(ee) “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 meter sales and 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.

(ff) “Improvements” means the improvements set forth in the Comprehensive Plan and amendments to and substitutions for such improvements by other improvements to the System set forth in the Comprehensive Plan adopted by resolution of the Board.

(gg) “Issue Date” means, with respect to a Bond, the date of initial issuance and delivery of that Bond to the Purchaser in exchange for the purchase price of that Bond.

(hh) “Legal Investments” means any investments now or hereafter authorized for the District under the laws of the State of Washington.

(ii) “Letter of Representations” means the Blanket Issuer Letter of Representations between the District and DTC, dated February 18, 1999, as it may be amended from time to time, and any successor or substitute letter relating to the operational procedures of the Securities Depository.

(jj) “Maintenance Fund” means the Maintenance Fund of the District created and maintained in the office of the Treasurer.

(kk) “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 Parity Bonds.

(ll) “MSRB” means the Municipal Securities Rulemaking Board.

(mm) “Net Revenue” means the Gross Revenue minus (1) Operating and Maintenance Expense, (2) deposits into the Rate Stabilization Account and (3) proceeds from the sale of property of the System, and plus withdrawals from the Rate Stabilization Account.

(nn) “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.

(oo) “Owner” means, without distinction, the Registered Owner and the Beneficial Owner.

(pp) “Parity Bonds” means the 2004 Bonds, the 2010 Bonds, the Bonds and any Future Parity Bonds.

(qq) “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 Parity Bonds.

(rr) “Purchaser” means D.A. Davidson & Co. of Seattle, Washington, or any other corporation, firm, association, partnership, trust, or other legal entity or group of entities selected by the Designated Representative to serve as underwriter for a negotiated sale of the Bonds.

(ss) “Rate Stabilization Account” means the account of that name previously created in the Maintenance Fund of the District.

(tt) “Rating Agency” means any nationally recognized rating agency then maintaining a rating on the Bonds at the request of the District.

(uu) “Record Date” means the Bond Registrar’s close of business on the 15th day of the month preceding an interest payment date. With respect to redemption of a Bond prior to its maturity, the Record Date shall mean the Bond Registrar’s close of business on the date on which the Bond Registrar sends the notice of redemption in accordance with Section 8.

(vv) “Redemption Date” means a date selected by the Designated Representative that is not less than 30 days or more than 60 days after the Issue Date.

(ww) “Refunded Bonds” means the portion of the outstanding 2004 Bonds selected by the Designated Representative to be refunded with the proceeds of the Bonds.

(xx) “Refunding Plan” means:

(a) the deposit with the Refunding Trustee of an amount of proceeds of the Bonds sufficient (together with the District Contribution, if necessary) to

acquire the Acquired Obligations to be held, with cash, if necessary, by the Refunding Trustee;

(b) the call, payment, and redemption on the Redemption Date of the Refunded Bonds at a price of par; and

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

(yy) “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.

(zz) “Refunding Trustee” means U.S. Bank National Association of Seattle, Washington, serving as trustee or escrow agent or any successor trustee or escrow agent.

(aaa) “Registered Owner” means, with respect to a Bond, the person in whose name that Bond is registered on the Bond Register. For so long as the District utilizes the book-entry only system for the Bonds under the Letter of Representations, Registered Owner shall mean the Securities Depository.

(bbb) “Reserve Account” means the account of that name previously created in the Bond Fund for the purpose of securing the payment of the principal of and interest on the Parity Bonds.

(ccc) “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 Parity Bonds then outstanding for which such insurance is obtained.

(ddd) “Reserve Requirement” means, as of any date, the least of (1) Maximum Annual Debt Service, (2) 125% of Average Annual Debt Service and (3) 10% of the issue price of the then-outstanding Parity Bonds.

(eee) “Rule 15c2-12” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934, as amended.

(fff) “SEC” means the United States Securities and Exchange Commission.

(ggg) “Securities Depository” means DTC, any successor thereto, any substitute securities depository selected by the District that is qualified under applicable laws and regulations to provide the services proposed to be provided by it, or the nominee of any of the foregoing.

(hhh) “State” means the State of Washington.

(iii) “Surety Bond” means the Reserve Insurance in the form of a surety bond issued by MBIA Insurance Corporation guaranteeing certain payments into the Reserve Account with

respect to the 2004 Bonds as provided in and subject to the limitations set forth in the Surety Bond.

(jjj) "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 Parity Bonds are outstanding.

(kkk) "System of Registration" means the system of registration for the District's bonds and other obligations set forth in Resolution No. 361 of the District.

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

(mmm)"Term Bonds" means those Bonds designated as such and subject to mandatory redemption in the years and amounts set forth in the Bond Purchase Contract.

(nnn) "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.

(ooo) "ULID" means utility local improvement district.

(ppp) "ULID Assessments" means all assessments levied and collected in ULID No. 1, ULID No. 2, and any other 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.

(qqq) "ULID No. 1" means Utility Local Improvement District No. 1 created by Resolution No. 471 of the District, adopted September 3, 1998.

(rrr) "ULID No. 2" means Utility Local Improvement District No. 2 created by Resolution No. 588 of the District, adopted April 16, 2008.

(sss) "Undertaking" means the undertaking to provide continuing disclosure entered into pursuant to Section 20.

Section 2. Findings and Determinations. The District takes note of the following facts and makes the following findings and determinations:

(a) The District now owns, operates and maintains the System.

(b) The original comprehensive scheme or plan of water supply for the District was adopted by 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.

(c) By the 2004 Bond Resolution, the District issued \$8,245,000 par value of 2004 Bonds and provided for the issuance of future bonds if the parity conditions described in Section 16 of that resolution were met and complied with at the time of issuance of those future bonds.

(d) There is presently \$5,215,000 aggregate principal amount of the 2004 Bonds outstanding, and by Section 16 of the 2004 Bond Resolution the District reserved the right to redeem the 2004 Bonds prior to their maturity on or after February 1, 2014, at a price of par plus accrued interest to the date fixed for redemption.

(e) By Resolution No. 564, adopted March 15, 2006, the Board adopted the Comprehensive Plan, which plan has received all required approvals.

(f) By Resolution No. 609 adopted January 7, 2010, the District issued \$2,740,000 par value of 2010 Bonds to carry out a portion of the Comprehensive Plan, of which \$2,365,000 par value remains outstanding, and provided for the issuance of future bonds if the parity conditions described in Section 16 of that resolution were met and complied with at the time of issuance of those future bonds.

(g) After due consideration, it appears to the Board that the Refunded Bonds may be refunded by the issuance and sale of the Bonds so that a substantial savings will be effected by the difference between the principal and interest cost over the life 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 carrying out the Refunding Plan.

(h) To carry out the Refunding Plan in the manner that will be most advantageous to the District it is found necessary and advisable that certain Acquired Obligations bearing interest and maturing at such time or times as necessary to carry out the Refunding Plan be purchased out of a portion of the proceeds of the Bonds and the District Contribution, if necessary.

(i) The District is in need of funds with which to carry out the Improvements.

(j) The Board deems it to be in the best interests of the District to issue and sell the Bonds to pay part of the cost of carrying out the Improvements and the Refunding Plan and to provide for the Reserve Requirement.

(k) D.A. Davidson & Co. of Seattle, Washington, is expected to offer to purchase the Bonds under the terms and conditions set forth in this resolution.

Section 3. Authorization of Bonds. The District is authorized to borrow money on the credit of the District and issue negotiable water revenue improvement and refunding bonds evidencing indebtedness in the amount of not to exceed \$5,550,000 to provide funds necessary to pay part of the cost of carrying out the Improvements and the Refunding Plan and to provide for the Reserve Requirement.

Section 4. Description of the Bonds; Appointment of Designated Representative. The District Manager is appointed as the Designated Representative of the District and is authorized and directed to conduct the sale of the Bonds in the manner and upon the terms deemed most

advantageous to the District, and to approve the Final Terms of the Bonds, with such additional terms and covenants as the Designated Representative deems advisable, within the parameters set forth in Exhibit A, which is attached to this resolution and incorporated by this reference.

Section 5. Bond Registrar; Registration and Transfer of Bonds.

(a) *Registration of Bonds.* Each Bond shall be issued only in registered form as to both principal and interest, and the ownership of each Bond shall be recorded on the Bond Register.

(b) *Bond Registrar; Duties.* The Fiscal Agent is appointed as initial Bond Registrar. The Bond Registrar shall keep, or cause to be kept, sufficient books for the registration and transfer of the Bonds, which shall be open to inspection by the District at all times. 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 the System of Registration. The Bond Registrar shall be responsible for its representations contained in the Bond Registrar's Certificate of Authentication on each Bond. The Bond Registrar may become an Owner 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 Owners.

(c) *Bond Register; Transfer and Exchange.* The Bond Register shall contain the name and mailing address of each Registered Owner and the principal amount and number of each Bond held by each Registered Owner. A Bond surrendered to the Bond Registrar may be exchanged for a Bond or Bonds in any Authorized Denomination of an equal aggregate principal amount and of the same interest rate and maturity. A Bond 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 any Bond or transfer registered ownership during the period between the applicable Record Date and the next upcoming interest payment or redemption date.

(d) *Securities Depository; Book-Entry Only Form.* DTC is appointed as initial Securities Depository. Each Bond initially shall be registered in the name of Cede & Co., as the nominee of DTC. Each Bond registered in the name of the Securities Depository shall be held fully immobilized in book-entry only form by the Securities Depository in accordance with the provisions of the Letter of Representations. Registered ownership of any Bond registered in the name of the Securities Depository may not be transferred except: (i) to any successor Securities Depository; (ii) to any substitute Securities Depository appointed by the District; or (iii) to any person if the Bond is no longer to be held in book-entry only form. Upon the resignation of the Securities Depository, or upon a termination of the services of the Securities Depository by the District, the District may appoint a substitute Securities Depository. If (i) the Securities Depository resigns and the District does not appoint a substitute Securities Depository, or (ii) the District terminates the services of the Securities Depository, the Bonds no longer shall be held in book-entry only form and the registered ownership of each Bond may be transferred to any person as provided in this resolution.

Neither the District nor the Bond Registrar shall have any obligation to participants of any Securities Depository or the persons for whom they act as nominees regarding accuracy of any records maintained by the Securities Depository or its participants. Neither the District nor the Bond Registrar shall be responsible for any notice that is permitted or required to be given to a Registered Owner except such notice as is required to be given by the Bond Registrar to the Securities Depository.

Section 6. Form and Execution of Bonds.

(a) *Form of Bonds; Signatures and Seal.* Each Bond shall be prepared in a form consistent with the provisions of this resolution and State law. Each Bond 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. If any officer whose manual or facsimile signature appears on a Bond ceases to be an officer of the District authorized to sign bonds before the Bond bearing his or her manual or facsimile signature is authenticated by the Bond Registrar, or issued or delivered by the District, that Bond nevertheless may be authenticated, issued and delivered 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 its Issue Date.

(b) *Authentication.* Only a Bond bearing a Certificate of Authentication in substantially 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 Revenue Improvement and Refunding Bonds, 2014." The authorized signing of a Certificate of Authentication shall be conclusive evidence that the Bond so authenticated has been duly executed, authenticated and delivered and is entitled to the benefits of this resolution.

Section 7. Payment of Bonds. Principal of and interest on each Bond shall be payable in lawful money of the United States of America. Principal of and interest on each Bond registered in the name of the Securities Depository is payable in the manner set forth in the Letter of Representations. Interest on each Bond not registered in the name of the Securities Depository is payable by electronic transfer on the interest payment date, or by check or draft of the Bond Registrar mailed on the interest payment date to the Registered Owner at the address appearing on the Bond Register on the Record Date. However, the District is not required to make electronic transfers except pursuant to a request by a Registered Owner in writing received on or prior to the Record Date and at the sole expense of the Registered Owner. Principal of each Bond not registered in the name of the Securities Depository is payable upon presentation and surrender of the Bond by the Registered Owner to the Bond Registrar. The Bonds are not subject to acceleration under any circumstances.

Section 8. Redemption Provisions and Purchase of Bonds.

(a) *Optional Redemption.* The Bonds shall be subject to redemption at the option of the District on terms acceptable to the Designated Representative, as set forth in the Bond Purchase Contract, consistent with the parameters set forth in Exhibit A.

(b) *Mandatory Redemption.* Each Bond that is designated as a Term Bond in the Bond Purchase Contract, consistent with the parameters set forth in Exhibit A and except as set forth below, shall be called for redemption at a price equal to the stated principal amount to be redeemed, plus accrued interest, on the dates and in the amounts as set forth in the Bond Purchase Contract. If a Term Bond is redeemed under the optional redemption provisions, defeased or purchased by the District and surrendered for cancellation, the principal amount of the Term Bond so redeemed, defeased or purchased (irrespective of its actual redemption or purchase price) shall be credited against one or more scheduled mandatory redemption installments for that Term Bond. The District shall determine the manner in which the credit is to be allocated and shall notify the Bond Registrar in writing of its allocation prior to the earliest mandatory redemption date for that Term Bond for which notice of redemption has not already been given.

(c) *Selection of Bonds for Redemption; Partial Redemption.* If fewer than all of the outstanding Bonds are to be redeemed at the option of the District, the District shall select the maturities to be redeemed. If fewer than all of the outstanding Bonds of a maturity are to be redeemed, the Securities Depository shall select Bonds registered in the name of the Securities Depository to be redeemed in accordance with the Letter of Representations, and the Bond Registrar shall select all other Bonds to be redeemed randomly in such manner as the Bond Registrar shall determine. All or a portion of the principal amount of any Bond that is to be redeemed may be redeemed in any Authorized Denomination. If less than all of the outstanding principal amount of any Bond is redeemed, upon surrender of that Bond to the Bond Registrar, there shall be issued to the Registered Owner, without charge, a new Bond (or Bonds, at the option of the Registered Owner) of the same maturity and interest rate in any Authorized Denomination in the aggregate principal amount to remain outstanding.

(d) *Notice of Redemption.* Notice of redemption of each Bond registered in the name of the Securities Depository shall be given in accordance with the Letter of Representations. Notice of redemption of each other Bond, unless waived by the Registered Owner, shall be given by the Bond Registrar not less than 20 nor more than 60 days prior to the date fixed for redemption by first-class mail, postage prepaid, to the Registered Owner at the address appearing on the Bond Register on the Record Date. The requirements of the preceding sentence shall be satisfied when notice has been mailed as so provided, whether or not it is actually received by an Owner. In addition, the redemption notice shall be mailed or sent electronically within the same period to the MSRB (if required under the Undertaking), to each Rating Agency, and to such other persons and with such additional information as the District Manager shall determine, but these additional mailings shall not be a condition precedent to the redemption of any Bond.

(e) *Rescission of Optional Redemption Notice.* In the case of an optional redemption, the notice of redemption may state that the District retains the right to rescind the redemption notice and the redemption by giving a notice of rescission to the affected Registered Owners at

any time on or prior to the date fixed for redemption. Any notice of optional redemption that is so rescinded shall be of no effect, and each Bond for which a notice of redemption has been rescinded shall remain outstanding.

(f) *Effect of Redemption.* Interest on each Bond called for redemption shall cease to accrue on the date fixed for redemption, unless either the notice of optional redemption is rescinded as set forth above, or money sufficient to effect such redemption is not on deposit in the Bond Fund or in a trust account established to refund or defease the Bond.

(g) *Purchase of Bonds.* The District reserves the right to purchase any or all of the Bonds offered to the District at any time at any price acceptable to the District plus accrued interest to the date of purchase.

Section 9. Failure To Pay Bonds. If the principal of any Bond is not paid when the Bond is properly presented at its maturity date or date fixed for redemption, 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 date fixed for redemption 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, or in a trust account established to refund or defease the Bond, and the Bond has been called for payment by giving notice of that call to the Registered Owner.

Section 10. Bond Fund. There has been established in the office of the Treasurer a special fund known as the East Wenatchee Water District Revenue Bond Fund (the "Bond Fund"), which fund is divided into two accounts: the Principal and Interest Account and the Reserve Account. So long as any 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, 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 first month after the Issue Date, the amount, together with other money on deposit therein, sufficient to accrue in approximately equal monthly installments the interest on the Bonds due on the first interest payment date, and thereafter, on or before the first day of each month, the amount, together with other money on deposit therein, sufficient to pay 1/6 of the interest on the Bonds due on the next interest payment date;

(b) Into the Principal and Interest Account, monthly, on or before the first day of each month, beginning with the first month after the Issue Date, the amount, together with other money on deposit therein, sufficient to accrue in approximately equal monthly installments the principal of the Bonds due on the first principal payment date, and thereafter, on or before the first day of each month, the amount, together with other money on deposit therein, sufficient to pay 1/12 of the principal of the Bonds due on the next principal payment date; and

(b) Into the Reserve Account, at the time of delivery of the Bonds, the amount, if any, needed to satisfy the Reserve Requirement for the Bonds. The District may provide all or any part of the Reserve Requirement through Reserve

Insurance, and the amount available to be drawn upon under that Reserve Insurance shall be credited against the Reserve Requirement for the Bonds.

Except for withdrawals therefrom as authorized herein, the Reserve Account shall be maintained at the Reserve Requirement, as it is adjusted from time to time, at all times so long as any Parity Bonds are outstanding. When the total amount in the Bond Fund shall equal the total amount of principal and interest for all outstanding Parity Bonds to the last maturity thereof, no further payment need be made into the Bond Fund.

If 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 and after all cash has been depleted, then by draws on the Surety Bond 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 first available after making necessary provisions for the required payments into the Principal and Interest Account. Any provider of Alternate Security shall be reimbursed first, within one year, to reinstate the Alternate Security on a pro rata basis, before the balance of the Reserve Requirement is restored. The money in the Reserve Account otherwise shall be held intact and may be applied against the last outstanding Parity Bonds, 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 Parity Bonds 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 Parity Bonds 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 Parity Bonds outstanding.

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 Parity Bonds (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 Parity Bonds (for investments in the Reserve Account). Earnings from investments in the Principal and Interest Account shall be deposited in that account. Earnings from investments in the Reserve Account shall be deposited in that account until the amount therein is equal to the Reserve Requirement of all Parity Bonds and thereafter shall be deposited in the Principal and Interest Account. Notwithstanding the provisions for the deposit of earnings, any earnings that are subject to federal arbitrage rebate requirements may be withdrawn from the Bond Fund for deposit into a separate fund or account created for the purpose of compliance with those rebate requirements.

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

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 Parity Bonds may bring action against the District and compel such setting aside and payment.

Section 11. Rate Stabilization Account. There has been created and established a Rate Stabilization Account in the Maintenance Fund of the District. The District may at any time, as determined by the District and as consistent with Section 14, deposit in the Rate Stabilization Account Gross Revenue and any other money received by the System during a fiscal year and available to be used therefor, excluding principal proceeds of Parity Bonds or other borrowing. The District may, by resolution, withdraw money from the Rate Stabilization Account for inclusion in the Net Revenue at any time for the current fiscal year, except that the total amount withdrawn from the Rate Stabilization Account in any fiscal year of the System may not exceed the total debt service of the System in that year. 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 Net Revenue for that fiscal year.

Upon the date when none of the 2004 Bonds remain outstanding under the provisions of the 2004 Bond Resolution, the preceding paragraph shall be amended to read as follows:

Rate Stabilization Account. There has been created and established a Rate Stabilization Account in the Maintenance Fund of the District. The District may at any time, as determined by the District and as consistent with Section 14, deposit in the Rate Stabilization Account Gross Revenue and any other money received by the System during a fiscal year and available to be used therefor, excluding principal proceeds of Parity Bonds or other borrowing. The District may, by resolution, withdraw money from the Rate Stabilization Account for inclusion in the Net Revenue at any time for the current fiscal year. 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 Net Revenue for that fiscal year.

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

No deposit of Gross Revenue shall be made into the Rate Stabilization Account to the extent that such deposit would prevent the District from meeting the Coverage Requirement in the relevant fiscal year.

Section 12. 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 and ULID Assessments are pledged to the payment of any 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 charges whatsoever.

Section 13. 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 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, including the payment of any amounts owing to a provider of Reserve Insurance, 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 by law or contract.

(2) The Net Revenue 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 Parity Bonds are defeased under the applicable sections of the resolution authorizing the issuance of those Parity Bonds.

It will not sell, lease, mortgage 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 simultaneously with such sale or disposition, Parity Bonds in a principal amount at least equal to the greatest of the following are defeased under the applicable sections of the resolutions authorizing the issuance of those Parity Bonds:

(1) An amount which will be in the same proportion to the net amount of 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 from the portion of the System sold or disposed of for the preceding year bears to the total Gross Revenue for that period; or

(2) An amount which will be in the same proportion to the net amount of 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 for such period; or

(3) An amount which will be in the same proportion to the net amount of 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, (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, without accomplishing a defeasance of Parity Bonds as otherwise required by this subsection, and (ii) the District may transfer without any such defeasance all or part of the System, if permitted by law, to Sewer District No. 1, Douglas County, Washington, so long as ULID Assessments and Net Revenue of the portion of the System so transferred are used for payment of debt service on any Parity Bonds prior to any other purpose.

(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, 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 Gross 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.

(e) Books and Accounts, and Application of Funds. 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 Parity Bonds upon written request therefor being made to the District.

In the event of a merger of the District with Sewer District No. 1, Douglas County, Washington, such statements for the activities of the System and the District shall continue to be prepared and made available, separately from the other books and accounts of the merger district, as they were prior to any such merger, and Gross Revenue and ULID assessments shall be applied in strict conformity with Section 14 for as long as any Bonds or Future Parity Bonds remain outstanding and undefeased.

(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 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 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 Parity Bonds against loss.

Section 14. Flow of Funds. All ULID Assessments shall be paid into the Bond Fund as provided by Section 10. The Gross Revenue 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 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 reimburse amounts advanced by any provider of Reserve Insurance or Alternate Security.
- (d) To make all payments required to be made into the Reserve Account;
- (e) To pay to any provider of Reserve Insurance or Alternate Security, interest on amounts advanced under a Reserve Insurance policy or Alternate Security;
- (f) 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 Parity Bonds; and
- (g) 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, to make deposits into the Rate Stabilization Account, 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 15. Provisions for Future Parity Bonds. The District reserves the right to issue Future Parity Bonds for purposes of the System or to refund a portion of the Parity Bonds if the following conditions were met and complied with at the time of 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 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, and, if rated by A.M. Best & Company, must also be rated in the highest rating category by A.M. Best & Company.

(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 a certificate of the District Manager or finance officer, or of a licensed professional engineer experienced in the design, construction and operation of municipal utilities, or of an independent certified public accountant, showing that in his or her professional opinion the Net Revenue 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 of the District Manager or finance officer shall be based on actual historical Net Revenue and no adjustments to that revenue shall be allowed. The certificate of the licensed professional engineer or

independent certified public accountant, in estimating the Net Revenue available for debt service, may adjust Net Revenue 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 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;

(6) The engineer's or accountant'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 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 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 District subordinate to the payments required to be made therefrom into the Bond Fund for the payment of the 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 16. Tax Covenants; Designation of Bonds as “Qualified Tax-Exempt Obligations.”

(a) *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 that will cause interest on the Bonds to be included in gross income for federal income tax purposes. The District also covenants that it will, to the extent the arbitrage rebate requirements of Section 148 of the Code are applicable to the Bonds, take all actions necessary to comply (or to be treated as having complied) with those requirements in connection with the Bonds.

(b) *Post-Issuance Compliance.* The District Manager is authorized and directed to adopt and implement the District’s written procedures to facilitate compliance by the District with the covenants in this resolution and the applicable requirements of the Code that must be satisfied after the Issue Date to prevent interest on the Bonds from being included in gross income for federal tax purposes.

(c) *Designation of Bonds as “Qualified Tax-Exempt Obligations.”* The Designated Representative may designate the Bonds as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code, if the following conditions are met:

- (1) the Bonds are not “private activity bonds” within the meaning of Section 141 of the Code;
- (2) the reasonably anticipated amount of tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) that the District and any entity subordinate to the District (including any entity that the District controls, that derives its authority to issue tax-exempt obligations from the District, or that issues tax-exempt obligations on behalf of the District) will issue during the calendar year in which the Bonds are issued will not exceed \$10,000,000; and
- (3) 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.

Section 17. Refunding or Defeasance of the Bonds. The District may issue refunding bonds pursuant to State law or use money available from any other lawful source to carry out a refunding or defeasance plan, which may include (a) paying when due the principal of and interest on any or all of the Bonds (the “defeased Bonds”); (b) redeeming the defeased Bonds prior to their maturity; and (c) paying the costs of the refunding or defeasance. If the District sets aside in a special trust fund or escrow account irrevocably pledged to that redemption or defeasance (the “trust account”), money and/or Government Obligations maturing at a time or times and bearing interest in amounts sufficient to redeem, refund or defease the defeased Bonds in accordance with their terms, then all right and interest of the Owners of the defeased Bonds in the covenants of this resolution and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void. Thereafter, the Registered Owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds solely from the trust account and the defeased Bonds shall be deemed no longer outstanding. In that event, the District may apply money remaining in any fund or account (other than the trust account) established for the payment or redemption of the defeased Bonds to any lawful purpose.

Unless otherwise specified by the District in a refunding or defeasance plan, notice of refunding or defeasance shall be given, and selection of Bonds for any partial refunding or defeasance shall be conducted, in the manner prescribed in this resolution for the redemption of Bonds.

Section 18. Deposit of Bond Proceeds. On the Issue Date, (a) the proceeds of the Bonds allocated to the Refunding Plan shall be deposited with the Refunding Trustee in accordance with Section 19, (b) the proceeds of the Bonds required to provide for the Reserve Requirement shall be deposited in the Reserve Account and (c) the remaining proceeds of the Bonds shall be deposited in the Construction Fund and used to pay the cost of carrying out the Improvements.

Section 19. Use of Bond Proceeds for Refunding Plan; Refunding of the Refunded Bonds.

(a) *Appointment of the Refunding Trustee; Selection of Refunded Bonds and Redemption Date.* U.S. Bank National Association is appointed as Refunding Trustee. The Designated Representative is authorized to select the Refunding Bonds to be refunded by the Bonds. The Refunded Bonds and the Redemption Date, as selected by the Designated Representative, shall be identified in the applicable Bond Purchase Contract and/or the applicable Refunding Trust Agreement.

(b) *Use of Bond Proceeds for Refunding Plan; Purchase of Acquired Obligations.* Proceeds from the sale of the Bonds allocated to the Refunding Plan shall be deposited immediately upon the receipt thereof with the Refunding Trustee and used to discharge the obligations of the District relating to the Refunded Bonds under the 2004 Bond Resolution by providing for the payment of the amounts required to be paid by the Refunding Plan. Such

obligations shall be discharged fully by the Refunding Trustee's simultaneous purchase of 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, if necessary, for the payment of the amounts required to be paid by the Refunding Plan. The Acquired Obligations shall be listed and more particularly described in the Refunding Trust Agreement, but are subject to substitution as set forth below. The Designated Representative is authorized and directed to approve the Acquired Obligations to be purchased. The District Manager is authorized to cause the District to transfer to the Refunding Trustee the District Contribution, if any, immediately preceding the Issue Date. Any Bond proceeds or other money deposited with the Refunding Trustee not needed to carry out the Refunding Plan shall be returned to the District as soon as reasonably practicable following the Issue Date. Any Bond proceeds allocated to the Refunding Plan but not needed to carry out the Refunding Plan shall be deposited in the Bond Fund and used to pay interest on the Bonds on the first interest payment date.

(c) *Substitution of Acquired Obligations.* Prior to the purchase of any Acquired Obligations, the District reserves the right to substitute other noncallable, nonprepayable Government Obligations ("Substitute Obligations") for any of such Acquired Obligations if, (i) in the opinion of Bond Counsel the interest on the Bonds and the Refunded Bonds will remain excluded from gross income for federal income tax purposes under Sections 103, 148 and 149(d) of the Code, and (ii) such substitution will not impair the timely payment of the amounts required to be paid by the Refunding Plan, as verified by a nationally recognized independent certified public accounting firm. The District may use any savings created by the foregoing substitution to pay interest on the Bonds on the first interest payment date.

After the purchase of Acquired Obligations by the Refunding Trustee, the District reserves the right to substitute therefor money and/or Substitute Obligations subject to the conditions that such money or Substitute Obligations held by the Refunding Trustee will be sufficient to carry out the Refunding Plan, that such substitution will not cause the Bonds and the Refunded 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, and that the District obtains, at its expense: (i) a verification by a nationally recognized independent certified public accounting firm confirming that the payments of principal of and interest on the Substitute Obligations, if paid when due, and any other money held by the Refunding Trustee will be sufficient to carry out the Refunding Plan; and (ii) an opinion from Bond Counsel to the effect that the disposition and substitution or purchase of such Substitute Obligations, under the statutes, rules and regulations then in force and applicable to the Bonds or the Refunded 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 or the Refunded 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 to pay debt service on the Bonds.

(d) *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 pursuant to the Refunding Plan from the Acquired Obligations (or

Substitute Obligations) and money deposited with the Refunding Trustee pursuant to this resolution and the Refunding Plan. All Acquired Obligations (or Substitute Obligations) and money deposited with the Refunding Trustee and any income therefrom shall be held irrevocably, invested and applied in accordance with the provisions of the 2004 Bond Resolution, this resolution, chapter 39.53 RCW and other applicable laws of the State and the Refunding Trust Agreement. All necessary and proper fees, compensation and expenses of the Refunding Trustee and all other costs incidental to the setting up of the escrow to accomplish the Refunding Plan and costs related to the issuance, sale and delivery of the Bonds, 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.

(e) *Authorization for Refunding Trust Agreement.* To carry out the Refunding Plan, the Designated Representative is authorized and directed to execute and deliver to the Refunding Trustee the Refunding Trust Agreement setting forth the duties, obligations and responsibilities of the Refunding Trustee in connection with the payment, redemption and retirement of the Refunded Bonds as provided herein and stating that the provisions for payment of the fees, compensation and expenses of the Refunding Trustee set forth therein are satisfactory to it.

(f) *Call for Redemption of the Refunded Bonds.* Effective upon the Issue Date, the District calls for redemption all of the Refunded Bonds on the Redemption Date, at par plus accrued interest. Such call for redemption shall be irrevocable after the delivery of the Bonds to the Purchaser. The date on which the Refunded Bonds are herein called for redemption is the first date after the Issue Date on which it is practicable to redeem the Refunded Bonds, as determined by the Designated Representative. The Refunding Trustee is authorized and directed to give or cause to be given such notices as required, at the times and in the manner required, pursuant to the 2004 Bond Resolution and the Refunding Trust Agreement in order to effect the redemption of the Refunded Bonds prior to their stated maturity dates.

(g) *Additional Findings.* Prior to the execution of the Bond Purchase Contract, the Designated Representative must determine, on behalf of the District, that the issuance, sale and delivery of the Bonds allocated to the Refunding Plan will effect a net present value savings to the District and its ratepayers as set forth in paragraph (i)(2) of Exhibit A attached hereto. The Board finds and determines that such net present value savings is a substantial savings and that achieving such net present value savings by issuing Bonds allocated to the Refunding Plan is in the best interest of the District and in the public interest. In making the finding and determination that the issuance, sale and delivery of the Bonds allocated to the Refunding Plan will effect the foregoing net present value savings, the Designated Representative shall give consideration to the fixed maturities of the Bonds allocated to the Refunding Plan and the Refunded Bonds to be refunded by the Bonds allocated to the Refunding Plan, the costs related to the issuance, sale and delivery of the Bonds allocated to the Refunding Plan and the known earned income from the investment of the proceeds of the issuance and sale of the Bonds allocated to Refunding Plan and the District Contribution, if any, used in the Refunding Plan pending payment and redemption of the Refunded Bonds.

The Designated Representative further must find and determine that the money to be deposited with the Refunding Trustee to carry out the Refunding Plan will discharge and satisfy the obligations of the District under the 2004 Bond Resolution with respect to the Refunded

Bonds, and the pledges, charges, trusts, covenants and agreements of the District therein made or provided for as to the Refunded Bonds, and that the Refunded Bonds shall no longer be deemed to be outstanding under the 2004 Bond Resolution immediately upon the deposit of such money with the Refunding Trustee.

Section 20. Sale and Delivery of the Bonds.

(a) *Manner of Sale of Bonds; Delivery of Bonds.* The Designated Representative is authorized to sell the Bonds by negotiated sale based on the assessment of the Designated Representative of market conditions, in consultation with appropriate District officials and staff, Bond Counsel and other advisors. In determining the method of sale of the Bonds and accepting the Final Terms, the Designated Representative shall take into account those factors that, in the judgment of the Designated Representative, may be expected to result in the lowest true interest cost to the District.

(b) *Procedure for Negotiated Sale.* If the Designated Representative determines that the Bonds are to be sold by negotiated sale, the Designated Representative shall select one or more Purchasers with which to negotiate such sale. The Bond Purchase Contract for the Bonds shall set forth the Final Terms. The Designated Representative is authorized to execute the Bond Purchase Contract on behalf of the District, so long as the terms provided therein are consistent with the terms of this resolution.

(c) *Preparation, Execution and Delivery of the Bonds.* The Bonds will be prepared at District expense and will be delivered to the Purchaser in accordance with the Bond Purchase Contract, together with the approving legal opinion of Bond Counsel regarding the Bonds.

Section 21. Official Statement; Continuing Disclosure.

(a) *Preliminary Official Statement Deemed Final.* The Designated Representative shall review the form of the preliminary official statement prepared in connection with each sale of the Bonds to the public. For the sole purpose of the Purchaser's compliance with paragraph (b)(1) of Rule 15c2-12, the Designated Representative is authorized to deem that preliminary official statement final as of its date, except for the omission of information permitted to be omitted by Rule 15c2-12. The District approves the distribution to potential purchasers of the Bonds of a preliminary official statement that has been deemed final in accordance with this subsection.

(b) *Approval of Final Official Statement.* The District approves the preparation of a final official statement for the Bonds to be sold to the public in the form of the preliminary official statement, with such modifications and amendments as the Designated Representative deems necessary or desirable, and further authorizes the Designated Representative to execute and deliver such final official statement to the Purchaser. The District authorizes and approves the distribution by the Purchaser of that final official statement to purchasers and potential purchasers of the Bonds.

(c) *Undertaking to Provide Continuing Disclosure.* To meet the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds, the

Designated Representative is authorized to execute a written undertaking to provide continuing disclosure for the benefit of holders of the Bonds in substantially the form attached as Exhibit B.

Section 22. General Authorization and Ratification. The Designated Representative and other appropriate officers of the District are severally authorized to take such actions and to execute such documents as in their judgment may be necessary or desirable to carry out the transactions contemplated in connection with this resolution, and to do everything necessary for the prompt delivery of the Bonds to the Purchaser and for the proper application, use and investment of the proceeds of the Bonds. All actions taken prior to the effective date of this resolution in furtherance of the purposes described in this resolution and not inconsistent with the terms of this resolution are ratified and confirmed in all respects.

Section 23. Severability. The provisions of this resolution are declared to be separate and severable. If a court of competent jurisdiction, all appeals having been exhausted or all appeal periods having run, finds any provision of this resolution to be invalid or unenforceable as to any person or circumstance, such offending provision shall, if feasible, be deemed to be modified to be within the limits of enforceability or validity. However, if the offending provision cannot be so modified, it shall be null and void with respect to the particular person or circumstance, and all other provisions of this resolution in all other respects, and the offending provision with respect to all other persons and all other circumstances, shall remain valid and enforceable.

Section 24. Effective Date of Resolution. This resolution shall take effect and be in force immediately following its adoption.

ADOPTED by the Board of Water Commissioners of East Wenatchee Water District, Douglas County, Washington, at a regular open public meeting this 18th day of December, 2013.



Mike McCourt, President

ATTEST:



Terry Barnes, Secretary

EXHIBIT A
DESCRIPTION OF THE BONDS

- (a) Principal Amount. The Bonds shall not exceed the aggregate principal amount of \$5,550,000.
- (b) Date. Each Bond shall be dated the Issue Date, which date may not be later than one year after the effective date of this resolution.
- (c) Denominations, Name, etc. The Bonds shall be issued in Authorized Denominations and shall be numbered separately in the manner and shall bear any name and additional designation as deemed necessary or appropriate by the Designated Representative.
- (d) Interest Rate(s). Each Bond shall bear interest at a fixed rate per annum (computed on the basis of a 360-day year of twelve 30-day months) from the Issue Date or from the most recent date for which interest has been paid or duly provided for, whichever is later. One or more rates of interest may be fixed for the Bonds. No rate of interest for any Bond may exceed 6.00%, and the true interest cost to the District for the Bonds may not exceed 5.00%.
- (e) Payment Dates. Interest shall be payable at fixed rates semiannually on dates acceptable to the Designated Representative, commencing no later than one year following the Issue Date. Principal payments shall commence on a date acceptable to the Designated Representative and shall be payable at maturity or in mandatory redemption installments annually thereafter, on dates acceptable to the Designated Representative.
- (f) Final Maturity. The Bonds allocated to the Refunding Plan shall mature no later than the date that is 90 days after the last date on which the Refunded Bonds mature. The Bonds allocated to the Improvements shall mature no later than 15 years after the Issue Date.
- (g) Redemption Rights. The Designated Representative may approve in the Bond Purchase Contract provisions for the optional and mandatory redemption of Bonds, subject to the following:
- (1) Optional Redemption. Any Bond may be designated as being (A) subject to redemption at the option of the District prior to its maturity date on the dates and at the prices set forth in the Bond Purchase Contract; or

(B) not subject to redemption prior to its maturity date. If a Bond is subject to optional redemption prior to its maturity, it must be subject to such redemption on one or more dates occurring not more than 10½ years after the Issue Date.

- (2) Mandatory Redemption. Any Bond may be designated as a Term Bond, subject to mandatory redemption prior to its maturity on the dates and in the amounts set forth in the Bond Purchase Contract.

(h) Price.

The purchase price for the Bonds may not be less than 95% or more than 105% of the stated principal amount of the Bonds.

(i) Other Terms and Conditions.

- (1) The Designated Representative may determine whether it is in the District best interest to provide for bond insurance or other credit enhancement; and may accept such additional terms, conditions and covenants as he or she may determine are in the best interests of the District, consistent with this resolution.

- (2) The Bonds allocated to the Refunding Plan shall produce a minimum net present value savings to the District and its ratepayers of 3.00% (as a percentage of the Refunded Bonds). Net present value savings means the aggregate difference between (i) annual debt service on the Refunded Bonds, less (ii) annual debt service on the Bonds allocated to the Refunding Plan discounted to the Issue Date using the yield on the Bonds as the discount rate, plus (iii) excess cash (other than proceeds of the Bonds allocated to the Improvements), if any, distributed to the District on the Issue Date, and less (iv) the amount of the District Contribution, if any, made on the Issue Date.

- (3) The Designated Representative shall determine that the conditions to the issuance of Future Parity Bonds within the meaning of the resolutions authorizing the issuance of the 2004 Bonds and the 2010 Bonds have been satisfied.

[Form of]
UNDERTAKING TO PROVIDE CONTINUING DISCLOSURE

**East Wenatchee Water District, Douglas County, Washington
Water Revenue Improvement and Refunding Bonds, 2014**

East Wenatchee Water District, Douglas County, Washington (the “District”), makes the following written Undertaking for the benefit of holders of the above-referenced bonds (the “Bonds”), for the sole purpose of assisting the Purchaser in meeting the requirements of paragraph (b)(5) of Rule 15c2-12, as applicable to a participating underwriter for the Bonds. Capitalized terms used but not defined below shall have the meanings given in Resolution No. 647 of the District (the “Bond Resolution”).

(a) Undertaking to Provide Annual Financial Information and Notice of Listed Events. The District undertakes to provide or cause to be provided, either directly or through a designated agent, to the MSRB, in an electronic format as prescribed by the MSRB, accompanied by identifying information as prescribed by the MSRB:

- (i) Annual financial information and operating data of the type included in the final official statement for the Bonds and described in paragraph (b) (“annual financial information”);
- (ii) Timely notice (not in excess of 10 business days after the occurrence of the event) of the occurrence of any of the following events with respect to the Bonds: (1) principal and interest payment delinquencies; (2) non-payment related defaults, if material; (3) unscheduled draws on debt service reserves reflecting financial difficulties; (4) unscheduled draws on credit enhancements reflecting financial difficulties; (5) substitution of credit or liquidity providers, or their failure to perform; (6) adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notice of Proposed Issue (IRS Form 5701 – TEB) or other material notices or determinations with respect to the tax status of the Bonds; (7) modifications to rights of holders of the Bonds, if material; (8) bond calls (other than scheduled mandatory redemptions of Term Bonds), if material, and tender offers; (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds, if material; (11) rating changes; (12) bankruptcy, insolvency, receivership or similar event of the District, as such “Bankruptcy Events” are defined in Rule 15c2-12; (13) the consummation of a merger, consolidation, or acquisition involving the District or the sale of all or substantially all of the assets of the District other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and (14) appointment of a successor or additional trustee or the change of name of a trustee, if material.
- (iii) Timely notice of a failure by the District to provide required annual financial information on or before the date specified in paragraph (b).

(b) Type of Annual Financial Information Undertaken to be Provided. The annual financial information that the District undertakes to provide in paragraph (a):

- (i) Shall consist of (1) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles applicable to local governmental units of the State such as the District, as such principles may be changed from time to time, which statements may be unaudited, provided, that if and when audited financial statements are prepared and available they will be provided; (2) a statement of authorized, issued and outstanding bonded debt secured by the Net Revenue; (3) debt service coverage ratios; and (4) general customer statistics for the System;
- (ii) Shall be provided not later than the last day of the ninth month after the end of each fiscal year of the District (currently, a fiscal year ending December 31), as such fiscal year may be changed as required or permitted by State law, commencing with the District's fiscal year ending December 31, 2013; and
- (iii) May be provided in a single or multiple documents, and may be incorporated by specific reference to documents available to the public on the Internet website of the MSRB or filed with the SEC.

(c) Amendment of Undertaking. This Undertaking is subject to amendment after the primary offering of the Bonds without the consent of any holder of any Bond, or of any broker, dealer, municipal securities dealer, participating underwriter, Rating Agency or the MSRB, under the circumstances and in the manner permitted by Rule 15c2-12. The District will give notice to the MSRB of the substance (or provide a copy) of any amendment to the Undertaking and a brief statement of the reasons for the amendment. If the amendment changes the type of annual financial information to be provided, the annual financial information containing the amended financial information will include a narrative explanation of the effect of that change on the type of information to be provided.

(d) Beneficiaries. This Undertaking shall inure to the benefit of the District and the holder of each Bond, and shall not inure to the benefit of or create any rights in any other person.

(e) Termination of Undertaking. The District's obligations under this Undertaking shall terminate upon the legal defeasance of all of the Bonds. In addition, the District's obligations under this Undertaking shall terminate if the provisions of Rule 15c2-12 that require the District to comply with this Undertaking become legally inapplicable in respect of the Bonds for any reason, as confirmed by an opinion of Bond Counsel delivered to the District, and the District provides timely notice of such termination to the MSRB.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the District learns of any failure to comply with this Undertaking, the District will proceed with due diligence to cause such noncompliance to be corrected. No failure by the District or other obligated person to comply with this Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take action to compel the District or

other obligated person to comply with this Undertaking, including seeking an order of specific performance from an appropriate court.

(g) Designation of Official Responsible to Administer Undertaking. The District Manager or his or her designee is the person designated, in accordance with the Bond Resolution, to carry out the Undertaking in accordance with Rule 15c2-12, including, without limitation, the following actions:

- (i) Preparing and filing the annual financial information undertaken to be provided;
- (ii) Determining whether any event specified in paragraph (a) has occurred, assessing its materiality, where necessary, with respect to the Bonds, and preparing and disseminating any required notice of its occurrence;
- (iii) Determining whether any person other than the District is an “obligated person” within the meaning of Rule 15c2-12 with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of listed events for that person required under Rule 15c2-12;
- (iv) Selecting, engaging and compensating designated agents and consultants, including financial advisors and legal counsel, to assist and advise the District in carrying out this Undertaking; and
- (v) Effecting any necessary amendment of this Undertaking.


CERTIFICATION

I, the undersigned, Secretary of the Board of Water Commissioners (the "Board") of East Wenatchee Water District, Douglas County, Washington (the "District"), hereby certify as follows:

1. The attached copy of Resolution No. 647 (the "Resolution") is a full, true and correct copy of a resolution duly passed at a regular meeting of the Board held at the regular meeting place thereof on December 18, 2013, as that resolution appears on the minute book of the District and the Resolution is in full force and effect.

2. A quorum of the members of the Board was present throughout the meeting and a majority of the members voted in the proper manner for the adoption of the Resolution.

IN WITNESS WHEREOF, I have hereunto set my hand this 18th day of December, 2013



Terry Barnes, Secretary of the Board
East Wenatchee Water District

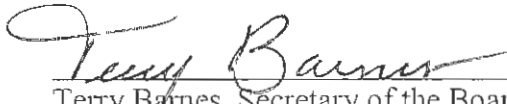
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Terry Barnes, Secretary of the Board
East Wenatchee Water District