

EAST WENATCHEE WATER DISTRICT  
DOUGLAS COUNTY, WASHINGTON  
RESOLUTION NO. 362

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; authorizing the issuance and sale of \$160,000 par value Water Revenue Bonds, 1987; creating a special bond redemption fund and a special construction fund; fixing the date, form, maturities, interest rates, terms and covenants of those bonds; and providing for the sale and delivery of the bonds to Harper, McLean & Company of Seattle, Washington.

WHEREAS, the original comprehensive scheme or plan of water supply for the District was adopted by the Board of Water Commissioners of East Wenatchee Water District, Douglas County, Washington, 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 said date; and

WHEREAS, in order to provide for the future needs of the District the Board of Water Commissioners of the District 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;

WHEREAS, the Board of Water Commissioners of the District, pursuant to Resolution No. 70, adopted June 9, 1955, ordered the carrying out of a plan providing for additions and betterments to the original comprehensive scheme or plan of water supply for the District and, to pay the cost thereof, issued and sold \$150,000.00 par value of Water Revenue Bonds, 1955 (the "1955 Bonds"), all of which bonds have been paid and redeemed; and

WHEREAS, pursuant to Section 14 of Resolution No. 70, the District reserved the right to issue additional water revenue

bonds which shall constitute a lien or charge upon the revenues of the water system of the District, including all additions thereto and betterments, replacements and extensions thereof at any time made, on a parity with the 1955 Bonds if the following conditions were met and complied with at the time of the issuance of such additional bonds:

"(a) No default exists in the payment of principal of or interest on any outstanding water revenue bonds of the District, and the amounts then required to have been paid into the 'Water Revenue Bond Fund, 1955,' both as to the 'Principal and Interest Account' and as to the 'Reserve Account,' shall have been paid and maintained intact therein; and

"(b) The District is furnished a certificate by a professional engineer registered in the State of Washington certifying that in his professional opinion the gross revenues from the water supply system of the District, together with the anticipated revenues to be derived from additional users resulting from the proposed improvement and from the anticipated collection of special assessments to be levied in Utility Local Improvement District or Districts, if any, formed in connection with the issuance of such additional bonds, shall, after deducting normal maintenance and operation costs, be equal to at least 1.4 times the average annual debt service requirements for all then outstanding water revenue bonds heretofore issued, the Water Revenue Bonds, 1955, to maturity, together with that of any water revenue bonds hereafter issued on a parity therewith, plus the average annual debt service requirement to maturity of the additional bonds proposed to be so issued; provided, however, that this certificate shall not be required in the event that the additional bonds proposed to be so issued are issued for the purpose of refunding outstanding water revenue bonds and the average annual debt service requirements of such proposed additional water revenue bonds are not increased over the requirements for the bonds being so refunded; and

"(c) The Resolution authorizing the issuance of such additional bonds shall provide that an amount shall be set aside as a reserve in the bond redemption fund created for such additional bonds which, together with other reserve fund accumulations for other outstanding bonds, the payment of which constitutes a lien or charge upon the gross revenues of the water system of the District prior to or on a parity with the lien or charge upon such gross revenues for the outstanding 'Water Revenue Bonds, 1955,' shall make a total reserve fund available equal to the maximum debt service requirements in any one year for said outstanding bonds, including the additional bonds to be issued, said amount to be accumulated by monthly deposits commencing one month after the date

of issuance of said additional bonds and to be accumulated within not more than five years after said date of issuance;"

and

WHEREAS the Board of Water Commissioners of the District, pursuant to Resolution No. 146, issued and sold \$1,400,000 par value Water Revenue Bonds, 1976 (the "1976 Bonds"), on a parity of lien with the then outstanding 1955 Bonds pursuant to the provisions of Section 14 of Resolution No. 70; and

WHEREAS, the Board of Water Commissioners of the District, pursuant to Resolution No. 118, adopted November 13, 1973, issued and sold \$125,000.00 par value of Water Revenue Bonds, 1973, junior and inferior to the prior lien or charge against the gross revenues of the water system of the district then or thereafter owned by it for the then outstanding Water Revenue Bonds, 1955, Water Revenue Bonds, 1959, Water Revenue Bonds, 1963, and any additional and/or refunding water revenue bonds thereafter issued on a parity of lien therewith in accordance with the provisions of Section 14 of Resolution No. 70 of the District, specifically reserving in Section 7 of that Resolution No. 118 the right to issue additional first lien parity bonds for the purposes and subject to the conditions of Section 14 of Resolution No. 70; and

WHEREAS the Board of Water Commissioners of the District has determined it is in the best interest of the District to issue its water revenue bonds for the purpose of carrying out the plan of additions to and betterments and extensions of the existing water supply and distribution system adopted herein and Harper, McLean & Company has offered to purchase those bonds on the terms and conditions set forth herein; NOW, THEREFORE

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

Section 1. Definitions. The following words shall have the following meaning:

(a) "Annual Debt Service" for the Bonds and any Future Parity Bonds shall mean, in any year, that year's total of principal and interest requirements for the then outstanding bonds (except the principal maturity of Term Bonds) to which the term annual debt service refers, plus any mandatory sinking fund or mandatory bond redemption requirement for that year, less interest payable that year from those bonds.

(b) "Average Annual Debt Service" for the Bonds, the Outstanding Parity Bonds and any Future Parity Bonds shall mean, in any year, the sum of the average annual debt service of each of the then outstanding bonds to which average annual debt service refers divided by the number of years those bonds are scheduled to remain outstanding.

(c) "Bond Fund" shall mean that special fund of the District known as a Water Revenue Bond Fund, 1987, created by Section 12 of this resolution for the payment of the principal of and interest on the Bonds.

(d) "1976 Bonds" shall mean the District's outstanding Water Revenue Bonds, 1976, issued pursuant to Resolution No. 146.

(e) "Future Parity Bonds" shall mean 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 and lien equal to that of the Outstanding Parity Bonds and the Bonds.

(f) "Gross Revenue of the Water System" shall mean all revenues collected from any source whatever, except from the sale of property of the District and assessment payments received.

registered owners at the addresses appearing on the Bond Register on the fifteenth 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.

Section 9. Optional Redemption and Open Market Purchase of Bonds. Bonds maturing in the years 1991 through 1997, 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 the Bonds maturing on or after December 1, 1998, prior to their stated maturity dates, as a whole, or in part in inverse order of maturity (and by lot within a maturity in such manner as the Bond Registrar shall determine), on December 1, 1997, or on any interest payment date thereafter, at par plus accrued interest to the date fixed for redemption.

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 a price not in excess of par plus accrued interest to the date of purchase.

(g) "Net Revenue of the Water System" shall mean Gross Revenue of the Water System less Operating and Maintenance Expenses.

(h) "Operating and Maintenance Expenses" shall mean all reasonable expenses incurred by the District in operating and maintaining the Water System in good repair, working order and condition and all payments made to another agency for the acquisition of water, but shall not include depreciation, non-recurring capital expenses or taxes levied or imposed by the District.

(i) "Outstanding Parity Bonds" shall mean the outstanding 1976 Bonds.

(j) "Plan and System" shall mean the plan or system for additions to and betterments and extensions of the Water System specified and adopted herein.

(k) "Principal and Interest Account" shall mean the account of that name created in the Bond Fund for the payment of principal of and interest on the Bonds.

(l) "Reserve Account" shall mean the account of that name created in the Bond Fund for the purpose of securing the payment of principal of and interest on the bonds.

(m) "Terms Bonds" shall mean any maturity of bonds of any one issue or series now or hereafter scheduled to mature (regardless of any reservation of prior redemption rights) that is more than 1.25 times the annual average principal maturity of the bonds of that issue or series for the maturity years immediately preceding that year.

(n) "Water System" shall mean the existing water system of the District as the same shall be added to the, bettered, improved and extended for as long as the Bonds are outstanding and also shall include the sewer system of the District or any other utility or system if a sewer system or

other system is established hereafter and combined with the Water System.

Section 2. Plan and System. The District specifies and adopts a plan and system providing for additions to and betterments of the original comprehensive scheme or plan of water supply for the District, as amended and supplemented, consisting of the construction of a 1,000,000 gallon reservoir.

There shall be included in the foregoing plan of additions and betterments the acquisition and installation of all necessary valves, fillings, 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 above-described additions, improvements and extensions to the water system of the District shall be connected to the existing water system of the District wherever necessary with the installation of all necessary appurtenances therefor.

It is further provided that the above-described plans shall be subject to such modifications of details and other changes not affecting the main general plans and as shall be authorized by the Board of Water Commissioners either prior to or during the actual course of construction.

Section 3. Estimated Cost. The estimated cost, as nearly as may be, of the aforesaid plan providing for additions and betterments, is declared to be \$260,000 and the average life of the proposed improvements will be not less than twenty years.

Section 4. Sources of Payment. The cost of acquiring, constructing and completing the foregoing plan providing for additions and betterments shall be paid from the following sources:

(a) from a contribution from Fancher Place Associates pursuant to a contract between the District and Fancher Place Associates;

(b) from the proceeds received from the issuance and sale of \$160,000 par value of water revenue bonds of the District.

Section 5. Findings. The Board of Water Commissioners finds that all amounts required to have been paid into the Water Revenue Bond Fund, 1976, have been paid and maintained intact therein; that provision is made herein for the payment of the additional required amount into the Reserve Account for the Bonds; and that there is on file with the District a certificate of a professional engineer registered in the State of Washington certifying that the required coverage provision has been met.

Section 6. Description of Bonds. For the purpose of paying part of the cost of carrying out the Plan and System and paying the costs of issuing the Bonds, the District shall issue its Water Revenue Bonds, 1987, in the principal amount of \$160,000. The Bonds shall be dated December 1, 1987; 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 (collectively, the fiscal agencies of the State of Washington located in Seattle, Washington, and New York, New York) deems necessary for purposes of identification; shall bear interest at the rates set forth below (computed on the basis of a 360-day year of twelve 30-day months), payable on June 1, 1988, and semiannually thereafter on each succeeding December 1 and June 1; and shall bear interest at the rates and mature on December 1 in years and amounts as follows:



<u>Maturity Years</u>	<u>Amounts</u>	<u>Interest Rates</u>
1991	\$ 5,000	6.75%
1992	5,000	6.90
1993	5,000	7.10
1994	5,000	7.25
1995	5,000	7.40
1996	5,000	7.50
1997	10,000	7.60
1998	10,000	7.70
1999	10,000	7.80
2000	10,000	7.90
2001	10,000	8.00
2002	10,000	8.10
2003	10,000	8.15
2004	15,000	8.20
2005	15,000	8.20
2006	15,000	8.20
2007	15,000	8.20

Section 7. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and be recorded on books or records maintained by the Bond Registrar (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 8. 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 on the interest payment date to the

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

Section 10. 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 Harper, McLean & Company, at its principal office in Seattle, Washington, or its successor, and to such other persons 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 11. 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 12. Creation of and Payments into Bond Fund.

There is created and established in the office of the Treasurer of Douglas County, Washington, as ex-officio treasurer of the District, a special fund for the District to be known as Water Revenue Bond Fund, 1987, which fund is to be drawn on for the sole purpose of paying the principal of and interest on the Bonds as the same shall become due and payable. That fund is divided into a Principal and Interest Account and a Reserve Account. So long as Bonds are outstanding against that fund, the District shall set aside and pay into that fund out of the Gross Revenue of the Water System a fixed amount, 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 January, 1988, 1/5 of the interest due on the Bonds on June 1, 1988, and, beginning with the month of June, 1988, 1/6 of the next ensuing six months' interest requirements on the Bonds, and, beginning with the month of December, 1990, 1/12 of the next ensuing twelve months' requirements for principal of the Bonds, and continuing thereafter until the Bonds, both principal and interest, are paid in full;

(b) Into the Reserve Account, monthly, in regular installments beginning on January 1, 1988, an amount which, together with the Reserve Account accumulation on hand in the bond redemption fund for the Outstanding Parity Bonds, will equal the maximum debt service requirements in any one year for the Outstanding Parity Bonds and the Bonds, which additional amount shall be accumulated within the Reserve Account by no later than December 1, 1992.

The Reserve Account may be accumulated from any other money which the District may have available for such purposes in addition to using revenues therefor. The District further agrees that when the total reserve has been accumulated, it will at all times, except for withdrawals from the respective reserve accounts as authorized herein and in the bond resolution pertaining to the Outstanding Parity Bonds, maintain that total amount in the Principal and Interest Account and Reserve Account

in the respective bond funds to pay the principal of and interest to maturity on all of the Outstanding Parity Bonds.

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, such 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 therefrom shall then be made up from the Gross Revenue of the Water 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.

All money in the Reserve Account may be kept on deposit in the official bank depository of Douglas County or may be invested and reinvested in any lawful investments permitted for water district funds, maturing no later than the last maturity of the outstanding Bonds. Interest earned on any such deposits or investments shall be deposited in the Principal and Interest Account.

The Gross Revenue of the Water System is pledged to those payments, which shall constitute a lien or charge on the Gross Revenue of the Water System prior and superior to all other charges whatsoever, subject only to Operating and Maintenance Expenses, except that the lien or charge upon the Gross Revenue of the Water System for the Bonds shall be on a parity with the lien or charge on such Gross Revenue of the Water System for the Outstanding Parity Bonds and any Future Parity Bonds.

Section 13. Sufficiency of Revenue. The Commissioners of the District declare that in fixing the amounts to be paid into the Bond Fund as aforesaid they have exercised due regard for the Operating and Maintenance Expenses and the debt service

requirements for all presently outstanding water revenue bonds, and they have not obligated the District to set aside and pay into that fund a greater amount or proportion of the Gross Revenue of the Water System than in their judgment will be available over and above Operating and Maintenance Expenses and the debt service requirements for all presently outstanding water revenue bonds.

Section 14. Creation of Construction Fund. There is created and established another special fund for the District to be kept in the office of the Treasurer of Douglas County, Washington, as ex-officio treasurer of the District, to be known as 1987 Construction Fund, into which fund shall be deposited the principal proceeds received from the sale of the Bonds. All costs of carrying out the Plan and System, including all costs incident to the issuance and sale of the Bonds, shall be paid out of that fund. Investment earnings from money on deposit in that fund shall be retained therein and used for the purpose of that fund.

Section 15. The District covenants and agrees with the owner of each of the Bonds as follows:

(a) It will establish, maintain and collect such rates and charges for water as will make available for the payment of the principal and interest, as the same shall become due, on the Bonds, the Outstanding Parity Bonds and any Future Parity Bonds at any time outstanding, an amount which shall be equal, after deducting Operating and Maintenance Expenses, to at least 1.4 times the Average Annual Debt Service up to and including the final maturity date of all of those water revenue bonds at any time outstanding;

(b) It will not sell, lease, mortgage or in any manner encumber or dispose of all of the property of the Water System, including any additions, extensions, betterments and replacements thereof at any time acquired, constructed or installed, unless provision is made for payment into the Bond Fund of an amount sufficient to pay the principal of and interest on all the outstanding Bonds in accordance with the terms thereof; and that it will not sell, lease, mortgage or in any manner encumber or dispose of any part of the property of the Water System that is used, useful or material to the operation thereof unless provision is made for replacement thereof or for payment into the Bond Fund of an amount which shall bear the same ratio to the amount

of outstanding Bonds as the revenue available for debt service for the Bonds for the twelve months preceding that sale, lease, encumbrance or disposal from the portion of the Water System so leased, encumbered or disposed of, bears to the revenue available for debt service for the Bonds from the entire Water System for the same period. Any such money so paid into the Bond Fund shall be used to retire outstanding Bonds at the earliest possible date;

(c) It will at all times maintain and keep the Water System and all additions thereto and betterments, replacements and extensions thereof in good repair, working order and condition, and also will at all times operate the Water System and the business in connection therewith in an efficient manner and at a reasonable cost and will establish, maintain and collect such rates for water as will produce Gross Revenue of the Water System sufficient to meet the obligations of the District as herein set forth;

(d) It will carry the types of insurance on the Water System in the amounts normally carried by private water companies engaged in the operation of water supply systems, and the cost of such insurance shall be considered a part of the cost of operating and maintaining the Water System. If, as, and when, the United States of America or some agency thereof shall provide for war risk insurance, the District further agrees to take out and maintain such insurance on all or such portions of the properties of the Water System on which such war risk insurance may be written in an amount or amounts to cover adequately the value thereof.

(e) It will not furnish water to any customer whatsoever free of charge, and, not later than sixty days after the end of each calendar year, it shall take such legal action as may be feasible to enforce collection of all collectible delinquent accounts.

(f) It will, while any of the Bonds remains outstanding, keep proper books of accounts and records, separate and apart from other accounts and records, in which complete and correct entries will be made of all transactions relating to the Water System, and it will furnish the original purchaser of the Bonds and any subsequent owner or owners thereof at the written request of such owner or owners complete operating and income statements of the Water System in reasonable detail covering any fiscal year, not more than ninety days after the close of such fiscal year, and it will grant any owner or owners of at least twenty-five percent of the outstanding Bonds the right at all reasonable times to inspect the Water System and all records, accounts and data of the District relating thereto.

(g) It will establish, maintain and collect such rates and charges for water as will produce gross revenues sufficient to meet all the obligations of the District as herein set forth.

(h) It will take all actions necessary to prevent the 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 at any time during the term of the Bonds which will cause the interest on the Bonds to be included in gross income for federal income tax purposes. 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 16. 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 United States Internal Revenue Code of 1986, as amended (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) 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)(C) of the Code and designates the Bonds as "qualified tax-exempt obligations" for the purposes of Section 265(b)(3) of the Code.

Section 17. Flow of Funds. The District covenants that it will spend the Gross Revenue of the Water System in the following order of priority:

(1) To pay Operating and Maintenance Expenses;

(2) To pay principal of and interest on the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds hereafter issued and make all required payments into the respective bond redemption funds and reserve accounts;

(3) To pay principal of and interest on the Water Revenue Bonds, 1973, any future bonds hereafter issued on a parity with the Water Revenue Bonds, 1973, and make all required payments into the respective bond redemption funds and reserve accounts;

(4) To purchase necessary equipment, make necessary repairs or replacements to the Water System of the District and for other necessary capital improvements thereto;

(5) To construct and install additions and improvements to and extensions of that Water System that are economically sound; and

(6) To redeem outstanding bonds prior to their fixed maturities or purchase the same in the open market for retirement only.

Section 18. Form and Execution of Bonds. The Bonds shall be in a form consistent with the provisions of this resolution and shall be printed or lithographed on good bond paper. The Bonds shall be signed in the corporate name of the District by the President and Secretary of the Board of Water Commissioners, 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 Revenue Bonds, 1987, described in the Bond Resolution.

WASHINGTON STATE FISCAL AGENCY  
Bond Registrar

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Authorized Officer

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, 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 the date of issuance of the Bonds.

Section 19. 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 20. Bonds Negotiable. The Bonds shall be negotiable instruments to the extent provided by RCW 62A.8-102 and 62A.8-105.

Section 21. Advance Refunding Bonds. The District may issue advance refunding bonds pursuant to the laws of the State of Washington and 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 or refund 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 or refund the defeased Bonds in accordance with their terms, are set aside irrevocably in a special fund for and

pledged irrevocably to such redemption and retirement (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 Water System, 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 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 annual determination of compliance with rate covenants and for the issuance of Future Parity Bonds.

Section 22. Approval of Bond Purchase Contract. Harper, McLean & Company of Seattle, Washington, has presented a purchase contract dated December 7, 1987 (the "Purchase Contract"), to the District offering to purchase the Bonds under the terms

and conditions provided in the Purchase Contract, which written Purchase Contract is on file with the Secretary of the Board of Water Commissioners and is incorporated herein by this reference. The Board of Water Commissioners finds that entering into the 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 Purchase Contract, with the approving legal opinion of Roberts & Shefelman, municipal bond counsel of Seattle, Washington, regarding the Bonds printed on each Bond. Bond counsel shall not be required to review and shall express no 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.

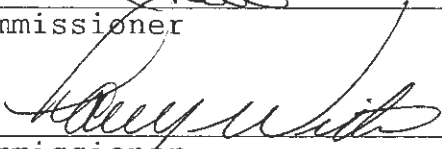
The proper District officials are authorized and directed to do everything necessary for the prompt delivery of the Bonds to the purchaser and for the proper application and use of the proceeds of the sale thereof.

Section 21. Temporary Bond. Pending the printing, execution and delivery to the purchaser of 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 otherwise shall be in a form acceptable to the purchaser. The temporary Bond shall be exchanged for definitive Bonds as soon as they are printed, authenticated 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 thereof this 7th day of December,  
1987.

  
\_\_\_\_\_  
President and Commissioner

  
\_\_\_\_\_  
Commissioner

  
\_\_\_\_\_  
Commissioner

ATTEST:

  
\_\_\_\_\_  
Secretary and Commissioner

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