PUBLIC UTILITY DISTRICT NO. 1  
OF  
JEFFERSON COUNTY, WASHINGTON  
RESOLUTION NO. 99-492  

A Resolution accepting the Eagle Ridge (Hadlock 37) Water System as a gift and contribution in aid of construction from the Developer and an agreement to commence operation and management of the water system.

WHEREAS, Tarboo Traders LLC, (Developers) have constructed a privately owned and operated public water system, Hadlock 37 Water System, which serves Eagle Ridge Large Lot Subdivision, which is located in Section 18, Township 29 North, Range 1 East, W.M., Jefferson County, Washington; and

WHEREAS, the Developer does not desire to continue to operate and maintain that public water system; and

WHEREAS, the PUD is empowered in Jefferson County as the Satellite System Management Agency, to accept, operate and maintain water systems from Developers or other owners; and

WHEREAS, the PUD has received executed agreements of transfer, a bill of sale from the Developer to transfer the ownership of all physical plant to the PUD;

NOW THEREFORE BE IT RESOLVED, that the PUD does hereby accept the Hadlock 37 Water System, which serves the Eagle Ridge Subdivision from the Developers in accordance with the terms and conditions of the executed transfer agreement and bill of sale and will operate and maintain this water system for the general benefit of the PUD's customers.

ADOPTED by the Commission of Public Utility District No. 1 of Jefferson County, Washington, at a regular open public meeting held this 5th day of May, 1999.

Kenneth A. McMillen,  
President  

Dan Titternes,  
Vice President  

Robert A. Krutenat,  
Secretary
PUBLIC UTILITY DISTRICT NO. 1
OF
JEFFERSON COUNTY, WASHINGTON

RESOLUTION NO. 99-491

A RESOLUTION of the Commission of Public Utility District No. 1 of Jefferson County, Washington, (the District) accepting the Shine Water System improvements in Local Utility District No. 11 (LUD #11) water supply and distribution system as constructed for the District by Lydel Construction Inc. of Poulsbo, Washington (the Constructor)

WHEREAS, Lydel Construction Inc. constructed with the District to construct of the LUD #11 water supply and distribution system know as LUD #11, and

WHEREAS, the Constructor has satisfactory completed construction of the LUD #11 water supply and distribution system, and

WHEREAS, James G. Parker, P.E., the Project Engineer for the District is satisfied that the Contractor has complied with all obligations of the Contract;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON, as follows; does hereby accept the Local Utility District No. 11 water supply and distribution system as constructed by Lydel Construction Inc. of Poulsbo.

ADOPTED by the Commission of Public Utility District No. 1 of Jefferson County, Washington, at the regular open meeting held this 5th day of May, 1999.

Kenneth A. McMillen,
President

Dan Titterness,
Vice President

Robert A. Krutenat,
Secretary
Effective September 9, 1983 the following Regulation applies: WAC 246-290-040(3) - A construction report will be submitted to and accepted by the department within sixty days of completion and prior to use of any project for which plans and specifications have been approved by the department for projects designed by a professional engineer. The construction report must be signed by a professional engineer. The report shall state in the opinion of the signee whether the project has been constructed in accordance with approved plans and specifications and the installation, testing and disinfection of the system were carried out in accordance with department regulations.

(a) If a project is being completed in staged construction, attach a map and description of portion of project being certified as completed as approved on date given below.

(b) As future portions of staged construction projects are completed, each must be certified as required by WAC 246-290-040(3).

(c) Additional certification forms are available upon request from DOH offices listed below.

BYWATER BAY

Name of Water System
C/O JEFFERSON COUNTY PUD 1
PO BOX 929
Mailing Address

orton Hadlock, WA 98339
City State Zip

PROJECT NAME AND DESCRIPTIVE TITLE:

BYWATER BAY
JEFFERSON COUNTY
LUD #11, SHINE WEST
SUBMITTAL NO. 96-1023

The undersigned engineer or his authorized agent has inspected the above-described project, which as to layout, size and type of pipe, valves and materials, reservoir and other designed physical facilities has been constructed in accordance with the plans and specifications approved by the Secretary, Department of Health, and in the opinion of the engineer, the installation, testing and disinfection of the system was carried out in accordance with the specifications approved by the Secretary for the project.

Please return completed form to DOH office checked below:

<table>
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<tr>
<td>No. (if any)</td>
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<tr>
<td>Date Plans and Specifications Approved by Department of Health</td>
<td>March 27, 1998</td>
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<tr>
<td>Date Project or Portions Thereof Completed</td>
<td>5 May 1999</td>
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Engineer's Seal

[Signature]

Engineer

[Signature]

Date

5 May 1999

NW Drinking Water
[ ] Environmental Health
1511 Third, Suite 719
Seattle, WA 98101

SW Drinking Water
[ ] Environmental Health
Mail Stop 7823
Olympia, WA 98504

Eastern Drinking Water
[ ] Environmental Health
1500 W Fourth, Suite 305
Spokane, WA 99204
RESOLUTION NO. 99-491

A RESOLUTION of the Commission of Public Utility District No. 1 of Jefferson County, Washington, (the District) accepting the Shine Water System improvements in Local Utility District No. 11 (LUD #11) water supply and distribution system as constructed for the District by Lydel Construction Inc. of Poulsbo, Washington (the Constructor)

WHEREAS, Lydel Construction Inc. constructed with the District to construct of the LUD #11 water supply and distribution system know as LUD #11, and

WHEREAS, the Constructor has satisfactory completed construction of the LUD #11 water supply and distribution system, and

WHEREAS, P.E., the Project Engineer of CH2M Hill is satisfied that the Contractor has complied with all obligations of the Contract;

NOW, THEREFORE, BE IT RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON, as follows; does hereby accept the Local Utility District No. 11 water supply and distribution system as constructed by Lydel Construction Inc. of Poulsbo.

ADOPTED by the Commission of Public Utility District No. 1 of Jefferson County, Washington, at the regular open meeting held this ____ day of __________, 1999.

Kenneth A. McMillen,  
President

Dan Titterness,  
Vice President

Robert A. Krutenat,  
Secretary
PUBLIC UTILITY DISTRICT NO. 1
Of
JEFFERSON COUNTY, WASHINGTON

RESOLUTION NO. 99-488

A RESOLUTION OF THE PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY WASHINGTON, PERTAINING TO THE INCREASE IN MONTHLY COMPENSATION OF THE BOARD OF COMMISSIONERS

WHEREAS, RCW 54.12.080 provides that Public Utility Districts may provide by resolution for the payment of commissioners' compensation; and

WHEREAS, District Resolution No. 97-463, provides for the current $400.00 per month Commissioner compensation; and

WHEREAS, the amount and complexity of the workload at the P.U.D. continues to increase significantly; and

WHEREAS, the Commissioners desire that any increases in salary provided by the State Legislature to be automatically implemented after January 1, 2000; and

WHEREAS, Resolution 97-463 is no longer applicable.

THEREFORE, it is hereby resolved that the Commissioners' compensation shall be the maximum salary provided for by RCW 54.12.0.0, as it may be amended in the future. The effective date of this resolution shall be January 1, 2000.

Passed and Adopted by the Commission of Public Utility District No. 1 of Jefferson County, at a regular open public meeting held this 3rd day of March, 1999.

Kenneth A. McMillen,
President

Dan Titterness,
Vice President

Rôbert A. Krutenat,
Secretary
PUBLIC UTILITY DISTRICT NO. 1  
OF  
JEFFERSON COUNTY, WASHINGTON  

RESOLUTION NO. 99-487  

A RESOLUTION of the Board of Commissioners setting the District Water Resource Manager’s compensation.

WHEREAS, the Water Resource Manager is a salary employee of the District; and

WHEREAS, the Water Resource Manager’s current annual salary is $26,000.00

WHEREAS, the 1999 budget provided for a COLA increase for the District employees.

NOW, THEREFORE, BE IT RESOLVED, that the Water Resource Manager is subject to the same standards and compensation as other PUD employees as defined in the PUD’s Personnel Manual adopted the 3rd day of June, 1992 and amended the 3rd of January 1996; and

LET IT BE FURTHER RESOLVED that the Water Resource Manager salary be increased by 100% of the Seattle Consumer Price Index for All Urban Consumers (CPI-U) AS DETERMINED BY THE Bureau of Labor Statistics, based on the second half semiannual index.

Adopted by the Commission of Public Utility District No. 1 of Jefferson County, Washington, at a regular open public meeting held this 3rd day of March 1999.

Kenneth A. McMillen,  
President

Dan Titterness,  
Vice President

Robert A. Krutenat,  
Secretary
PUBLIC UTILITY DISTRICT NO. 1
OF
JEFFERSON COUNTY, WASHINGTON

RESOLUTION NO. 99-486

A RESOLUTION of the Board of Commissioners setting the District Manager's compensation.

WHEREAS, RCW54.16.100 states that the commission by resolution shall fix the managers compensation; and

WHEREAS, the Manager is a salary employee of the District; and

WHEREAS, the Manager's current annual salary is $47,694.15

WHEREAS, the 1999 budget provided for a COLA increase for the District employees.

NOW, THEREFORE, BE IT RESOLVED, that the Manager is subject to the same standards and compensation as other PUD employees as defined in the PUD's Personnel Manual adopted the 3rd day of June, 1992 and amended the 3rd of January 1996; and

LET IT BE FURTHER RESOLVED that the Manager salary be increased by 100% of the Seattle Consumer Price Index for All Urban Consumers (CPI-U) AS DETERMINED BY THE Bureau of Labor Statistics, based on the second half semi-annual index.

Adopted by the Commission of Public Utility District No. 1 of Jefferson County, Washington, at a regular open public meeting held this 3rd day of March 1999.

Kenneth A. McMillen,  
President

Dan Titterness,  
Vice President

Robert A. Kruterlat,  
Secretary
PUBLIC UTILITY DISTRICT NO. 1 OF
JEFFERSON COUNTY, WASHINGTON

RESOLUTION NO. 99-489

A RESOLUTION of the Commission of Public Utility District No. 1 of Jefferson County, Washington, relating to the water supply and distribution system of the District; providing for the issuance of $1,090,000 par value of Water and Sewer Revenue Bonds, 1999, of the District for the purpose of providing funds with which to pay costs of carrying out additions and improvements to and betterments and extensions of the System within the boundaries of LUD No. 11 of the District and to fund a reserve for and pay the costs of issuance of the bonds; fixing the date, form, interest rates, maturities, terms and covenants of the bonds; fixing an assessment interest rate; and approving the sale and providing for the delivery of the bonds to Dain Rauscher Incorporated of Seattle, Washington.

Adopted March 31, 1999

Prepared By

FOSTER PEPPER & SHEFELMAN PLLC

1111 Third Avenue

Seattle, Washington 98101

(206) 447-4400
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PUBLIC UTILITY DISTRICT NO. 1 OF
JEFFERSON COUNTY, WASHINGTON

RESOLUTION NO. 99-489

A RESOLUTION of the Commission of Public Utility District No. 1 of Jefferson County, Washington, relating to the water supply and distribution system of the District; providing for the issuance of $1,090,000 par value of Water and Sewer Revenue Bonds, 1999, of the District for the purpose of providing funds with which to pay costs of carrying out additions and improvements to and betterments and extensions of the System within the boundaries of LUD No. 11 of the District and to fund a reserve for and pay the costs of issuance of the bonds; fixing the date, form, interest rates, maturities, terms and covenants of the bonds; fixing an assessment interest rate; and approving the sale and providing for the delivery of the bonds to Dain Rauscher Incorporated of Seattle, Washington.

WHEREAS, Public Utility District No. 1 of Jefferson County, Washington (the "District"), owns and operates a combined water supply and distribution system and sanitary sewerage system called the Water and Sewer Utility (herein defined as the "System"); and

WHEREAS, by Resolution No. 89-291 the District provided for the issuance and sale of its $824,100 par value Water Revenue Bond, 1989, Series A, and $120,700 par value Water Revenue Bond, 1989, Series B (collectively, the "1989 Bonds"), and, by Section 11 of that resolution, provided for the issuance of bonds on a parity of lien with the 1989 Bonds if the following conditions were met and complied with at the time of issuance of those bonds:

"(a) All payments then required by this resolution and all payments then required by any resolution pertaining to any Future Parity Bonds hereafter issued in accordance with the provisions of this section shall have been made into the Bond Fund and no deficiency exists therein.

(b) The resolution providing for the issuance of such Future Parity Bonds shall provide that all LUD Assessments and interest thereon which may be levied in any LUD hereafter created for the purpose of paying, in whole or in part, the principal of and interest on such Future Parity Bonds, shall be paid directly into the Bond Fund."
"(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 and shall further provide for the payment of the Required Reserve Amount for those Future Parity Bonds into the Reserve Account in the Bond Fund within five years from the date of issue of such Future Parity Bonds out of LUD Assessments, if any, levied and first collected for the payment of the principal of and interest on such Future Parity Bonds and, to the extent that such LUD Assessments are insufficient, then from the Gross Revenue of the System in five approximately equal annual payments.

"(d) There shall be on file a certificate from a licensed professional engineer experienced in the design, construction and operation of municipal utilities showing that in his professional opinion, the annual Net Revenue of the System will provide amounts annually at least equal to 1.1 times the portion of the Annual Debt Service payable from such sources, and not from LUD Assessments. In determining the amount of debt service subject to this coverage requirement, there shall be deducted from the Annual Debt Service an amount equal to the portion of the Annual Debt Service for the proposed issue of Future Parity Bonds and for each issue of outstanding Future Parity Bonds secured by LUD Assessments, if any, which portion is to be calculated by dividing the original total amount of the LUD Assessments specifically pledged or paid to the Bond Fund for that issue by the total principal amount of such issue.

"Such annual Net Revenue of the System available for revenue bond debt service shall be determined by using the following data and adjustments:

"(1) The historical Net Revenue of the System for any 12 consecutive months out of the 24 months immediately preceding the month of delivery of such additional Future Parity Bonds to the purchaser thereof.

"(2) That historical Net Revenue of the System shall be adjusted to reflect the water rates and charges (and any charges for sewage disposal service should any sanitary sewerage system of the District ever be combined with the System) effective on the date of the certificate if there has been any change in the effective rates and charges during or after the 12-month period.

"(3) The following amounts may be added to such adjusted Net Revenue of the System:

"(i) Any rate change that has taken place or has been approved prior to the issuance of the Future Parity Bonds may be reflected;

"(ii) Revenue may be added from customers actually added to the System subsequent to the beginning of the 12-month
base period, and a full year’s revenue may be allowed for customers
during such period;

“(iii) Revenue may be added from customers to be
served by the improvements under construction or proposed to be
under construction at the time of delivery of the Future Parity Bonds
if those customers are expected to be connected to the System’s
facilities within 180 days; and

“(iv) Actual or reasonably anticipated changes in the
Operating and Maintenance Expense subsequent to the 12-month
base period shall be added or deducted as applicable.

“In the case of refunding bonds, no engineer’s certificate shall be required if the
Annual Debt Service for the proposed refunding bonds is not increased in excess of
$5,000 for any year over the Annual Debt Service for the bonds being refunded. . . .”,

and

WHEREAS, by Resolution No. 94-387, adopted July 20, 1994, the District provided for the
issuance and sale of $420,000 par value Water and Sewer Revenue Bonds, 1994 (the “1994
Bonds”), which 1994 Bonds were issued on a parity of lien and charge on the Gross Revenue of the
System and LUD Assessments with the 1989 Bonds; and

WHEREAS, by Resolution No. 97-460, adopted October 22, 1997, the District provided for
the issuance and sale of $155,000 par value Water and Sewer Revenue Bonds, 1997 (the “1997
Bonds”), which 1997 Bonds were issued on a parity of lien and charge on the Gross Revenue of the
System and LUD Assessments with the 1989 Bonds and 1994 Bonds; and

WHEREAS, by Resolution No. 96-439, the Commission of the District ordered the
improvement of certain properties within the area of the district in the vicinity of Shine by
constructing a water storage tower, booster pumper, well, water mains, fire hydrants and water
meters, created Local Utility District (“LUD”) No. 11, and by Resolution No. 98-475, authorized
the issuance of a Water and Sewer Revenue Bond Anticipation Note, 1998 (LUD 11) (Line of
Credit), dated June 16, 1998, pending the issuance of such bonds (the “Note”); and
WHEREAS, by Resolution No. 99-485 the Commission approved and confirmed the final assessment roll for LUD No. 11 in the amount of $1,064,162, which roll has been filed for collection with the Jefferson County Treasurer; and

WHEREAS, the Commission has determined that it is necessary to issue and sell $1,090,000 par value of water and sewer revenue bonds to repay the Note, provide funds to pay costs of carrying out additions and improvements to and betterments and extensions of the System within the boundaries of LUD No. 11 of the District, to capitalize a reserve for and to pay the costs of issuance of those bonds; and

WHEREAS, Dain Rauscher Incorporated of Seattle, Washington, has offered to purchase the bonds authorized herein under the terms and conditions hereinafter set forth; NOW, THEREFORE,

BE IT RESOLVED BY THE COMMISSION OF PUBLIC UTILITY DISTRICT NO. 1 OF JEFFERSON COUNTY, WASHINGTON, as follows:

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

“Annual Debt Service" for the Outstanding Parity Bonds, Bonds and Future Parity Bonds means, in any year, that year’s total 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 requirements for that year, less all capitalized interest payable that year from the proceeds of those bonds.

“Average Annual Debt Service” for the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds means, in any year, the sum of the remaining Annual Debt Service of the
then outstanding bonds to which the term Average Annual Debt Service refers, divided by the number of years such bonds are scheduled to remain outstanding.

"Bond Fund" means the Water Revenue Bond Fund, 1989, created by Resolution No. 89-291 in the office of the Jefferson County Treasurer for the purpose of paying and securing the principal of and interest on the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds, which fund was renamed in Resolution No. 94-347 as the Water and Sewer Revenue Bond Fund, 1989.

"Bond Register" means the books or records maintained by the Bond Registrar containing the name and mailing address of the owner of each Bond and the principal amount and number of Bonds held by each owner.

"Bond Registrar" means either of the fiscal agencies of the State of Washington (currently Wells Fargo Bank, National Association, of Washington and The Bank of New York, respectively, or any fiscal agency of the State of Washington that may hereafter be designated as successors to such banks).

"Bonds" means the Water and Sewer Revenue Bonds, 1999, of the District issued pursuant to and for the purposes provided in this resolution.


"1994 Bonds" means the Water and Sewer Revenue Bonds, 1994, of the District issued to and for the purposes provided in Resolution 94-347.

"1997 Bonds" means the Water and Sewer Revenue Bonds, 1997, of the District issued to and for the purposes provided in Resolution 97-460.

“Commission” means the Board of Commissioners of the District.


“DTC” means The Depository Trust Company.

“Future Parity Bonds” means any and all water and sewer revenue bonds of the District issued after the date of issue of the Bonds, the payment of which, both principal and interest, constitutes a lien and charge upon the Gross Revenue of the System and LUD Assessments equal in rank with the lien and charge upon such Gross Revenue and LUD Assessments required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds and the Bonds.

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

“Gross Revenue of the System” means all of the earnings and revenue received by the System from any source whatsoever, except LUD Assessments, general ad valorem taxes, grants from state or federal governments, proceeds from the sale of District property, bond and warrant proceeds, and any money and investments on deposit in any refunding or defeasance escrow.

“Improvements” means the construction of a water storage tower, booster pumper, well, water mains, fire hydrants and water meters and all other improvements applicable to LUD No. 11 as specified, adopted and ordered to be carried out by Resolution No. 96-439.

“LUD” means local utility district.

“Commission” means the Board of Commissioners of the District.


“DTC” means The Depository Trust Company.

“Future Parity Bonds” means any and all water and sewer revenue bonds of the District issued after the date of issue of the Bonds, the payment of which, both principal and interest, constitutes a lien and charge upon the Gross Revenue of the System and LUD Assessments equal in rank with the lien and charge upon such Gross Revenue and LUD Assessments required to be paid into the Bond Fund to pay and secure the payment of the principal of and interest on the Outstanding Parity Bonds and the Bonds.

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

“Gross Revenue of the System” means all of the earnings and revenue received by the System from any source whatsoever, except LUD Assessments, general ad valorem taxes, grants from state or federal governments, proceeds from the sale of District property, bond and warrant proceeds, and any money and investments on deposit in any refunding or defeasance escrow.

“Improvements” means the construction of a water storage tower, booster pumper, well, water mains, fire hydrants and water meters and all other improvements applicable to LUD No. 11 as specified, adopted and ordered to be carried out by Resolution No. 96-439.

“LUD” means local utility district.
“LUD Assessments” means all assessments levied (including principal installments thereof and interest and any penalties thereon) in LUDs Nos. 1, 3, 5, 11 and 13 and any LUD which may be created pursuant to State law in connection with an improvement to the System, the assessments in which are payable into the Bond Fund.

“Maximum Annual Debt Service” means, at the time of calculation, the maximum amount of Annual Debt Service which will become due in the current calendar year or any future calendar year on any outstanding Outstanding Parity Bonds, Bonds and Future Parity Bonds.

“Net Revenue of the System” means the Gross Revenue of the System less the Operating and Maintenance Expense.

“Note” means the Water and Sewer Revenue Bond Anticipation Note, 1998 (LUD 11) (Line of Credit) dated June 16, 1998, in the principal amount not to exceed $1,500,000.

“Operating and Maintenance Expense” means all reasonable expenses incurred by the District in causing the System to be operated and maintained in good repair, working order and condition, including payments of premiums for insurance on such System, costs of self-insurance and any state-imposed taxes, but shall not include depreciation or taxes or charges in lieu of taxes levied or imposed by the District.


“Principal and Interest Account” means the account of that name created in the Bond Fund by Resolution No. 89-291 for the payment of the principal of and interest on the Outstanding Parity Bonds, Bonds and Future Parity Bonds.

“Required Reserve Amount” means an amount of cash and investments equal to $73,708 for the Series A Bond; $10,796 for the Series B Bond; $42,000 for the 1994 Bonds;
$15,500 for the 1997 Bonds; $109,000 for the Bonds (or such lesser amount as may be permitted by law) and for Future Parity Bonds the least of Maximum Annual Debt Service, 125% of Average Annual Debt Service or 10% of the issue price of the Future Parity Bonds; and, upon the redemption or irrevocable defeasance of all of the Outstanding Parity Bonds, Required Reserve Amount means for all bonds payable from the Bond Fund, the lesser of (i) Maximum Annual Debt Service on those bonds and (ii) 125% of Average Annual Debt Service on those bonds, but at no time shall the Required Reserve Amount exceed 10% of the proceeds of those bonds.

“Reserve Account” means the account of that name created in the Bond Fund by Resolution No. 89-291 for the purpose of securing the payment of the principal of and interest on the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds.

“Series A Bond” means the Water Revenue Bond, 1989, Series A, of the District issued pursuant to and for the purposes provided in Resolution No. 89-291.

“Series B Bond” means the Water Revenue Bond, 1989, Series B, of the District issued pursuant to and for the purposes provided in Resolution No. 89-291.

“System” means the combined water supply and distribution system and sanitary sewerage system of the District as acquired, constructed and installed, and to be acquired, constructed and installed out of the proceeds of the sale of the Bonds, and as the same shall be added to, bettered, improved and extended for as long as any of the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds are outstanding.

“Term Bond Maturity Year” means with respect to any one issue or series of bonds payable from the Bond Fund any calendar year in which Term Bonds are scheduled to mature (regardless of any reservation of prior redemption rights).
“Term Bonds” means the 1994 Bonds maturing in 2009 and any Future Parity Bonds of any single issue or series scheduled to mature in any year, the principal of which is more than 1.25 times the average annual principal maturity of the Future Parity Bonds of that issue or series for the three maturity years immediately preceding each year.

“Treasurer” means the Treasurer of Jefferson County, Washington, as ex officio treasurer of the District, or any successor treasurer of the District.

Section 2. Findings. The Commission finds that:

(a) All payments required to be made into the Bond Fund have been made and no deficiency exists therein;
(b) LUD No. 11 has been created for the purpose of paying part of the principal of or interest on the Bonds, and the LUD Assessments in that LUD have been pledged to be paid directly into the Bond Fund;
(c) Provision is made herein for the payment of the principal of and interest on the Bonds out of the Bond Fund;
(d) Provision is made herein for the payment of the Required Reserve Amount for the Bonds into the Reserve Account; and
(e) At the time of issuance of the Bonds, there will be on file with the District a certificate from a licensed professional engineer experienced in the design, construction and operation of municipal utilities showing that annual Net Revenue of the System available for revenue bond debt service will provide amounts annually at least equal to 1.1 times the portion of the Annual Debt Service payable from such sources, and not from LUD Assessments.

Therefore, the Commission finds that the Bonds shall be issued on a parity of lien with the Outstanding Parity Bonds.

Section 3. Authorization and Description of Bonds. For the purpose of providing the funds required to repay and redeem the Note issued to pay costs of carrying out the Improvements, to pay costs of carrying out additions and improvements to and betterments and extensions of the System within the boundaries of LUD No. 11 of the District, to capitalize the
reserve for the Bonds and to pay the costs of issuing the Bonds, the District shall issue the Bonds in the aggregate principal amount of $1,090,000. The Bonds shall be designated Water and Sewer Revenue Bonds, 1999; shall be dated April 1, 1999; shall be in the denomination of $5,000 or any integral multiple thereof within a single maturity; shall be numbered separately in the manner and with any additional designation as the Bond Registrar deems necessary for 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 May 1, 2000, and semiannually thereafter on each succeeding May 1 and November 1 to the maturity or earlier redemption of the Bonds; and shall mature on May 1 in years and amounts and bear interest at the rates per annum as follows:

<table>
<thead>
<tr>
<th>Maturity Years</th>
<th>Principal Amounts</th>
<th>Interest Rates</th>
</tr>
</thead>
<tbody>
<tr>
<td>2000</td>
<td>$ 30,000</td>
<td>4.50%</td>
</tr>
<tr>
<td>2001</td>
<td>30,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2002</td>
<td>40,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2003</td>
<td>40,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2004</td>
<td>40,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2005</td>
<td>40,000</td>
<td>4.50</td>
</tr>
<tr>
<td>2006</td>
<td>40,000</td>
<td>4.60</td>
</tr>
<tr>
<td>2007</td>
<td>40,000</td>
<td>4.70</td>
</tr>
<tr>
<td>2008</td>
<td>40,000</td>
<td>4.75</td>
</tr>
<tr>
<td>2009</td>
<td>40,000</td>
<td>4.80</td>
</tr>
<tr>
<td>2010</td>
<td>40,000</td>
<td>4.90</td>
</tr>
<tr>
<td>2011</td>
<td>40,000</td>
<td>5.00</td>
</tr>
<tr>
<td>2012</td>
<td>40,000</td>
<td>5.10</td>
</tr>
<tr>
<td>2013</td>
<td>40,000</td>
<td>5.10</td>
</tr>
<tr>
<td>2014</td>
<td>40,000</td>
<td>5.20</td>
</tr>
<tr>
<td>2015</td>
<td>45,000</td>
<td>5.25</td>
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<tr>
<td>2016</td>
<td>50,000</td>
<td>5.25</td>
</tr>
<tr>
<td>2017</td>
<td>50,000</td>
<td>5.25</td>
</tr>
<tr>
<td>2018</td>
<td>50,000</td>
<td>5.25</td>
</tr>
<tr>
<td>2019</td>
<td>315,000</td>
<td>5.25</td>
</tr>
</tbody>
</table>
Section 4. Registration and Transfer of Bonds. The Bonds shall be issued only in registered form as to both principal and interest and shall 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 15 days preceding any principal payment or redemption date.

The Bonds initially shall be registered in the name of CEDE & CO., as the nominee of The Depository Trust Company, New York, New York ("DTC"). The Bonds so registered shall be held in fully immobilized form by DTC as depository in accordance with the provisions of a Blanket Issuer Letter of Representations with DTC dated October 22, 1997, and by this reference made a part hereof (the "Letter of Representations"). Neither the District nor the Bond Registrar shall have any responsibility or obligation to DTC participants or the persons for whom they act as nominees with respect to the Bonds regarding accuracy of any records maintained by DTC or DTC participants of any amount in respect of principal or interest on the Bonds, or any notice which is permitted or required to be given to registered owners hereunder (except such notice as is required to be given by the Bond Registrar to DTC).

For so long as any Bonds are held in fully immobilized form, DTC or its successor depository shall be deemed to be the registered owner for all purposes hereunder and all references
to registered owners, bondowners, bondholders or the like shall mean DTC or its nominees and
shall not mean the owners of any beneficial interests in the Bonds. Registered ownership of such
Bonds, or any portions thereof, may not thereafter be transferred except: (i) to any successor of
DTC or its nominee, if that successor shall be qualified under any applicable laws to provide the
services proposed to be provided by it; (ii) to any substitute depository appointed by the District or
such substitute depository’s successor; or (iii) to any person if the Bonds are no longer held in
immobilized form.

Upon the resignation of DTC or its successor (or any substitute depository or its successor)
from its functions as depository, or a determination by the District that it no longer wishes to
continue the system of book entry transfers through DTC or its successor (or any substitute
depository or its successor), the District may appoint a substitute depository. Any such substitute
depository shall be qualified under any applicable laws to provide the services proposed to be
provided by it.

If (i) DTC or its successor (or substitute depository or its successor) resigns from its
functions as depository, and no substitute depository can be obtained, or (ii) the District determines
that the Bonds are to be in certificated form, the ownership of Bonds may be transferred to any
person as provided herein and the Bonds no longer shall be held in fully immobilized form.

Section 5. Redemption Provisions and Open Market Purchase of Bonds. Bonds
maturing in the years 2000 through 2009, inclusive, shall be issued without the right or option of
the District to redeem those Bonds prior to their stated maturity dates. The District reserves the
right and option to redeem Bonds maturing on or after May 1, 2010, prior to their stated maturity
dates on or after May 1, 2009, as a whole or in part at any time within one or more maturities
selected by the District (and by lot within a maturity in such manner as the Bond Registrar shall
determine), at par plus accrued interest to the date fixed for redemption.

The District further reserves the right to redeem the outstanding Bonds maturing May 1,
2019, in whole or in part (and by lot within that maturity in such manner as the Bond Registrar
shall determine) on May 1, 2001, and any interest payment date thereafter, at par plus accrued
interest to the date fixed for redemption from assessments of LUD No. 11 that exceeds the
scheduled debt service on the Bonds, provided that amounts sufficient shall be retained in the
Principal and Interest Account to pay the next principal and interest payments in the event some
assessments are delinquent.

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

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

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

Notwithstanding the foregoing, for so long as the Bonds are registered in the name of
Cede & Co., as nominee of DTC, selection of Bonds for redemption shall be in accordance with the
Letter of Representations (as it may be changed).
Section 6. **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 Ratings Group at their offices in New York, New York, or their successors, to Dain Rauscher Incorporated 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. Notwithstanding the foregoing, for so long as the Bonds are registered in the name of Cede & Co., as nominee of DTC, notice of redemption shall be given in accordance with the Letter of Representations (as it may be changed).
Section 7. 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 Bonds.

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 by the Bond Registrar on the interest payment date to the registered owners at the addresses appearing on the Bond Register on the 15th day of the month preceding the interest payment date. Principal of the Bonds shall be payable upon presentation and surrender of the Bonds by the registered owners at either of the principal offices of the Bond Registrar at the option of the owners.

Notwithstanding the foregoing, as long as the Bonds are registered in the name of DTC or its nominee, payment of principal of and interest on the Bonds shall be made in the manner set forth in the Letter of Representations.

Section 9. 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 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 District Resolution No. 93-355 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 10. Form and Execution of Bonds. The Bonds shall be printed or lithographed on good bond paper in a form consistent with the provisions of this resolution and state law, shall be signed by the President and Secretary of the Commission of the District, 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 Public Utility District No. 1 of Jefferson County, Washington, Water and Sewer Revenue Bonds, 1999, described in the Bond Resolution.

WASHINGTON STATE FISCAL AGENCY
Bond Registrar

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

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

Section 11. Bond Fund. There has been created in the office of the Treasurer a special fund of the District known and designated as the Water Revenue Bond Fund, 1989, and renamed in Resolution No. 94-387 as the Water and Sewer Revenue Bond Fund, 1989 (the “Bond Fund”), which fund has been divided into a Principal and Interest Account and a Reserve Account.

So long as the Bonds are outstanding against the Bond Fund, the District shall set aside and pay into the Bond Fund all LUD Assessments and, out of the Net Revenue of the System, in addition to the amounts required to be paid therein for the Outstanding Parity Bonds, a fixed amount without regard to any fixed proportion; namely:

(a) Principal and Interest Account. Into the Principal and Interest Account at least 15 days prior to each installment payment date, an amount which on each such installment payment date, together with LUD Assessments and other money on deposit therein, shall be sufficient to pay the interest or principal and interest, as the case may be, then falling due on the Bonds; and

(b) Reserve Account. Into the Reserve Account on the issue date of the Bonds the Required Reserve Amount for the Bonds.
The Reserve Account in the Bond Fund may be accumulated from any money which the District may have available for such purpose in addition to using LUD Assessments collected for payment into the Bond Fund.

The Reserve Account shall be maintained in the Required Reserve Amount for all bonds payable from the Bond Fund, except for withdrawals therefrom as authorized herein, at all times so long as any of those bonds are outstanding. When the total amount in the Bond Fund shall equal the total amount of principal and interest for all outstanding bonds payable out of the Bond Fund to the last maturity thereof, no further payment need be made into the Bond Fund. The amount in the Reserve Account may be reduced at any time prior to the redemption of all of the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds to an amount not less than Required Reserve Amount.

In the event that there shall be a deficiency in the Principal and Interest Account to meet maturing installments of either principal or interest, as the case may be, that deficiency shall be made up from the Reserve Account by the withdrawal of cash therefrom for that purpose. Any deficiency created in the Reserve Account by reason of any such withdrawal shall then be made up from the Net Revenue of the System and/or LUD Assessments payable into the Bond Fund first available after making necessary provision for the required payments into the Principal and Interest Account. The money and investments in the Reserve Account otherwise shall be held intact and may be applied against the last outstanding bonds payable out of the Bond Fund.

All money in the Bond Fund may be kept on deposit in the official bank depository of the District or in any national bank or may be invested and reinvested in Government Obligations or any other legal investment redeemable at a fixed price and maturing no later than one month prior to the next mandatory call date for bonds subject to mandatory redemption or, if no mandatory call is
applicable, one month prior to the final maturity date of the last outstanding bonds payable out of
the Bond Fund. In no event shall any money in the Bond Fund or any other money reasonably
expected to be used to pay principal of and/or interest on the Bonds be invested at a yield which
would cause the Bonds to be arbitrage bonds within the meaning of Section 148 of the Code.
Interest earned on any such investment or bank deposit shall become a part of the Gross Revenue of
the System and need not be deposited in the Bond Fund, except that interest earned on any
investment of money in the Principal and Interest Account for bonds having a mandatory call
 provision shall be retained in the Principal and Interest Account and used to call and redeem those
bonds.

If the District fails to set aside and pay into the Bond Fund the amounts above set forth, the
owners of the Bonds and/or any outstanding Outstanding Parity Bonds or Future Parity Bonds may
bring action against the District and compel the setting aside and payment.

If at the time all of the Bonds are redeemed, or are refunded or otherwise defeased as
provided in Section 19 hereof, Outstanding Parity Bonds or Future Parity Bonds are not outstanding
and there is money remaining in the Bond Fund, such remaining money may be used for such other
purpose of the System as the Commission may determine.

Section 12. Pledge of Revenue and LUD Assessments. The Gross Revenue of the
System and LUD Assessments are pledged for the payments required by this resolution, and this
pledge constitutes a lien and charge on such Gross Revenue and LUD Assessments prior and
superior to any other charges whatsoever, excluding Operating and Maintenance Expense
payable out of that Gross Revenue, except that the lien and charge of the Bonds on the Gross
Revenue of the System and LUD Assessments shall be on a parity with the lien and charge on
the Gross Revenue of the System and LUD Assessments of the Outstanding Parity Bonds and any Future Parity Bonds.

Section 13. Due Regard Finding. The Commission declares that in maintaining the Bond Fund and in fixing the amounts to be paid into it, as set forth herein, it has had due regard for the Operating and Maintenance Expense and the debt service requirements of the Outstanding Parity Bonds and is not setting aside into the Bond Fund a greater amount or proportion of the Gross Revenue of the System than in its judgment will be available over and above such Operating and Maintenance Expense.

Section 14. Bonds Not General Obligations. The Bonds are not obligations of the State of Washington or general obligations of the District, and no officer of the District or any member of its Commission shall be liable in any manner for the payment of the principal thereof and/or interest thereon.

Section 15. Flow of Funds. The Gross Revenue of the System shall be used for the following purposes only and shall be applied in the following order of priority:

(a) To pay Operating and Maintenance Expense;

(b) To make all payments, as required to be made, into the Bond Fund in amounts sufficient to pay the principal of and interest on the Outstanding Parity Bonds, the Bonds and any Future Parity Bonds as the same shall become due;

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

(d) To make all required payments into any other revenue bond redemption fund or funds and reserve account or accounts therein which may be later created for the purpose of paying and securing the payment of the principal of and interest on any junior lien revenue bonds of the District;

(e) To make necessary additions, betterments and improvements and repairs to or extensions and replacements of the System, or to expend such revenue for any other proper purposes connected with the operation of the System for which such money may be lawfully used; and
(f) To retire by redemption or purchase outstanding revenue bonds of the District as authorized in the various bond resolutions of the District.

Section 16. Bond Covenants. The District covenants and agrees with the owners of each of the Bonds as follows:

(a) All LUD Assessments shall be paid into the Bond Fund and may be used to accumulate the Required Reserve Amount in the Reserve Account and to pay principal of and interest on the Outstanding Parity Bonds, the Bonds and/or any Future Parity Bonds, without those LUD Assessments being particularly allocated to the payment of the principal of and interest on any particular issue of bonds.

(b) It will at all times maintain and keep the System in good repair, working order and condition, and also will at all times operate the System and the business in connection therewith in an efficient manner and at a reasonable cost.

(c) It will establish, maintain and collect such rates and charges for water and sewage disposal service furnished which, together with other Gross Revenue of the System and the LUD Assessments, including interest earned on money in the Bond Fund, shall be sufficient to pay the then current debt service on the Bonds and, if Outstanding Parity Bonds and/or Future Parity Bonds are outstanding, will be equal to at least 1.2 times the Average Annual Debt Service on the then outstanding Outstanding Parity Bonds, Bonds and Future Parity Bonds, excluding principal payments of Term Bonds (except that this “Coverage Requirement” may be waived or modified by written consent of the owners of 75% of the then outstanding principal amount of Outstanding Parity Bonds, Bonds and Future Parity Bonds) and shall otherwise conform to the requirements of Section 17 of this resolution.

(d) It will, while any of Outstanding Parity Bonds, Bonds and Future Parity Bonds remain outstanding, keep proper and separate accounts and records in which complete and separate entries shall be made of all transactions relating to the System and will furnish the original owner or owners of the Bonds or any subsequent owner or owners, at the written request of such owners, complete operating and income statements of the System in reasonable detail covering any fiscal year not more than 60 days after the close of such fiscal year, and will grant any owner or owners of the Bonds the right at all reasonable times to inspect the System and all records, accounts and data of the utility relating thereto.

(e) It will either self-insure in such manner and to such extent as the District shall determine to be necessary and appropriate or, to the extent insurance coverage is available at reasonable cost with responsible insurers, keep the System and the operation thereof insured, with policies payable to the District, against the risks of direct physical loss, damage to or destruction of the System or any part thereof, and against accidents, casualties or negligence, including liability insurance.
and employers’ liability, at least to the extent that similar insurance is usually carried by utilities operating like properties. The cost of such self-insurance and the premiums on such insurance policies are declared to be normal Operating and Maintenance Expense.

(f) It will not furnish water or other utility service of the System to any customer whatsoever free of charge, and it shall, not later than 60 days after the charges for that service are delinquent, take such legal action as may be feasible to enforce collection of all those delinquent charges, and if on the first day of January in any year, two installments of any LUD Assessment are delinquent, or the final installment of any LUD Assessment has been delinquent for more than one year, the District shall proceed with the foreclosure of the delinquent assessment or delinquent installments thereof in the manner provided by law.

(g) It will not mortgage, sell, lease or in any manner encumber or dispose of all of the property of the System, unless provision is made for the payment into the Bond Fund of sums sufficient to pay the principal of and interest on all bonds payable out of the Bond Fund at that time outstanding, and it will not mortgage, sell, lease or in any manner encumber or dispose of any part of the System that is used, useful and 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 payable out of the Bond Fund as the Gross Revenue of the System available for debt service for such outstanding bonds for the twelve months preceding such sale, lease, encumbrance or disposal from the portion of the System sold, leased, encumbered or disposed of bears to the Gross Revenue available for debt service for those bonds for the same period. Any such money so paid into the Bond Fund shall be used to retire such outstanding bonds at the earliest possible date.

(h) It will pay all Operating and Maintenance Expense and otherwise meet the obligations of the District as herein set forth.

(i) It will take all actions necessary to prevent interest on the Bonds from being included in gross income for federal income tax purposes, and it will neither take any action nor make or permit any use of proceeds of the Bonds or other funds of the District treated as proceeds of the Bonds at any time during the term of the Bonds which will cause interest on the Bonds to be included in gross income for federal income tax purposes.

The District further covenants that it has not been notified of any listing or proposed listing by the Internal Revenue Service to the effect that the District is a bond issuer whose arbitrage certifications may not be relied upon.
Section 17. Issuance of Future Parity Bonds. The District covenants that it will not create any special fund or funds for the payment of other revenue bonds, warrants or obligations, or authorize or issue any other revenue bonds, warrants or obligations, which will rank on a parity with or have any priority over the payments into the Bond Fund, except that it reserves the right for:

(1) The purpose of acquiring, constructing and installing additions and improvements to and extensions and betterments of, acquiring necessary equipment for or making necessary replacements of equipment or capital improvements to the System,

(2) The purpose of exchanging or purchasing and retiring prior to or at their maturity any outstanding revenue obligations of the District, or

(3) For other purposes permitted to the District by statute,

to issue additional and/or refunding Future Parity Bonds and to make payments into the Bond Fund for the payment of such Future Parity Bonds from the Gross Revenue of the System, together with LUD Assessments collected, sufficient to pay the principal of and interest on such Future Parity Bonds, which such payments may rank equally with the payment of the Outstanding Parity Bonds and the Bonds out of the Gross Revenue of the System and LUD Assessments if the District complies with the conditions set forth in Section 11 of Resolution No. 89-291, which section is incorporated herein by this reference.

Nothing contained in this resolution shall prevent the District (i) from issuing water and sewer revenue bonds which are a charge upon the Gross Revenue of the System junior or inferior to the payments required to be made therefrom into the Bond Fund, or (ii) from pledging the payment of LUD assessments into a fund or account created to pay and secure the payment of the principal of and interest on such junior lien bonds as long as those LUD assessments are levied for improvements constructed from the proceeds of the sale of such junior lien bonds, or (iii) from
issuing revenue bonds to refund maturing revenue bonds of the District for the payment of which money is not otherwise available.

Section 18. Refunding or Defeasance of the Bonds. The District may issue refunding bonds pursuant to the laws of the State of Washington or use money available from any other lawful source to pay when due the principal of and interest on the Bonds, or any portion thereof included in a refunding or defeasance plan, and to redeem and retire, refund or defease all such then-outstanding Bonds (hereinafter collectively called the “defeased Bonds”) and to pay the costs of the refunding or defeasance. If money and/or direct obligations of the United States or other legal investments maturing at a time or times and bearing interest in amounts (together with money, if necessary) sufficient to redeem and retire, refund or defease the defeased Bonds in accordance with their terms are set aside in a special trust fund irrevocably pledged to that redemption and retirement of defeased Bonds (hereinafter called the “trust account”), then all right and interest of the owners of the defeased Bonds in the covenants of this resolution, in the Gross Revenue of the System and LUD Assessments and in the funds and accounts obligated to the payment of the defeased Bonds shall cease and become void, except such owners of defeased Bonds shall have the right to receive payment of the principal of and interest on the defeased Bonds from the trust account and, in the event the funds in the trust account are not available for such payment, shall have the residual right to receive payment of the principal of and interest on the defeased Bonds from the Gross Revenue of the System and LUD Assessments without any priority of lien or charge against those revenues, assessments or covenants with respect thereto except to paid therefrom.

After the establishing and full funding of the trust account, the District may then 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 then outstanding.

The District shall include in the refunding or defeasance plan such provisions as the District deems necessary for the random selection of any defeased Bonds that constitute less than all of a particular maturity of the Bonds, for notice of the defeasance to be given to the owners of the defeased Bonds and to such other persons as the District shall determine, and for any required replacement of Bond certificates for defeased Bonds. The defeased Bonds shall be deemed no longer outstanding, and the District 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.

In the event that the refunding plan provides that the Bonds being refunded or the refunding bonds to be issued be secured by cash and/or direct obligations of the United States of America or other legal investments pending the prior redemption of the Bonds being refunded and if such refunding plan also provides that certain cash and/or direct obligations of the United States of America or other legal investments are pledged irrevocably for the prior redemption of the Bonds included in the 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 coverage for issuance of any Future Parity Bonds and the annual computation of coverage for determining compliance with the rate covenants.

Section 19. Small Governmental Issuer Arbitrage Rebate Exemption and Designation of Bonds as “Qualified Tax-Exempt Obligations.” The District finds and declares that (a) it is a duly organized and existing governmental unit of the State of Washington and has general taxing power; (b) no Bond which is part of this issue of Bonds is a “private activity bond” within the meaning of Section 141 of the Code; (c) at least 95% of the net proceeds of the Bonds will be
used for local governmental activities of the District (or of a governmental unit the jurisdiction of which is entirely within the jurisdiction of the District); (d) the aggregate face amount of all tax-exempt obligations (other than private activity bonds and other obligations not required to be included in such calculation) issued by the District and all entities subordinate to the District (including any entity which the District controls, which derives its authority to issue tax-exempt obligations from the District or which issues tax-exempt obligations on behalf of the District) during the calendar year in which the Bonds are issued is not reasonably expected to exceed $5,000,000; and (e) the amount of tax-exempt obligations, including the Bonds, designated by the District as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code during the calendar year in which the Bonds are issued does not exceed $10,000,000. The District therefore certifies that the Bonds are eligible for the arbitrage rebate exemption under Section 148(f)(4)(D) of the Code and designates the Bonds as “qualified tax-exempt obligations” for the purposes of Section 265(b)(3) of the Code.

Section 20. Disposition of Bond Proceeds. Upon receipt thereof, (i) accrued interest on the Bonds received by the District shall be deposited in the Principal and Interest Account and used to make the first interest payment on the Bonds, (ii) a sufficient amount of the principal proceeds of the Bonds shall be deposited in the Reserve Account to capitalize the Required Reserve Amount; and (iii) a sufficient amount of the principal proceeds of the Bonds shall be deposited in the Water and Sewer Revenue Bond Anticipation Note Fund, 1998 (LUD 11) and used to repay the Note; (iv) any remaining principal proceeds of the Bonds shall be deposited in the Local Improvement Fund, District No. \( \frac{11}{12} \) (the “Local Improvement Fund”), and used to pay any remaining costs of the Improvements; and (v) the costs of issuance and sale of the Bonds.
Pending the expenditure of the principal proceeds of the Bonds, those proceeds deposited in the Local Improvement Fund may be invested in any legal investment and the investment income may be retained in those funds and used for the purposes of those funds.

Section 21. Approval of Bond Purchase Contract; Delivery of Bonds. Dain Rauscher Incorporated of Seattle, Washington (the "Purchaser"), has presented a bond purchase contract (the "Bond Purchase Contract") to the District offering to purchase the Bonds under the terms and conditions provided in the Bond Purchase Contract, which written Bond Purchase Contract is on file with the Secretary of the Commission and is incorporated herein by this reference. The Commission finds that entering into the Bond Purchase Contract is in the District’s best interest and therefore accepts the offer contained therein and authorizes its execution by District officials.

The Bonds will be printed at District expense and will be delivered to the Purchaser in accordance with the Bond Purchase Contract, with the approving legal opinion of Foster Pepper & Shefelman PLLC, municipal bond counsel of Seattle, Washington, regarding the Bonds printed on each definitive 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, including without limitation the execution of the final official statement relating to the Bonds on behalf of the District, and for the proper application and use of the proceeds of the sale thereof.

Section 22. LUD No. 11 Interest Rate. The interest rate on the installments and delinquent payments of the special assessments in LUD No. 11 is revised and fixed at the rate of 5.87% per annum.
Section 23. Undertaking to Provide Continuing Disclosure. To meet the conditions of paragraph (d)(2) of United States Securities and Exchange Commission ("SEC") Rule 15c2-12 (the "Rule") as required to qualify for the limited exemption from paragraph (b)(5) of the Rule, as applicable to a participating underwriter for the Bonds, the District makes the following undertaking (the "Undertaking") for the benefit of holders of the Bonds:

(a) Undertaking to Provide Annual Financial Information and Notice of Material Events. The District undertakes to provide or cause to be provided, either directly or through a designated agent:

(i) To any person upon request, or annually to a state information depository, if any, established in the state of Washington (the "SID"), annual financial information and operating data of the type included in the final official statement for the Bonds and described in subsection (b) of this section ("annual financial information") that is customarily prepared by the District and is otherwise publicly available; and

(ii) To each nationally recognized municipal securities information repository designated by the SEC in accordance with the Rule ("NRMSIR") or the Municipal Securities Rulemaking Board ("MSRB"), and to the SID, timely notice of the occurrence of any of the following events with respect to the Bonds, if material: (1) principal and interest payment delinquencies; (2) non-payment related defaults; (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 or events affecting the tax-exempt status of the Bonds; (7) modifications to rights of holders of the Bonds; (8) Bond calls (other than scheduled mandatory redemptions of Term Bonds); (9) defeasances; (10) release, substitution, or sale of property securing repayment of the Bonds; and (11) rating changes.

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

(i) Shall consist of (i) annual financial statements prepared (except as noted in the financial statements) in accordance with applicable generally accepted accounting principles promulgated by the Government Accounting Standards Board ("GASB"), as such principles may be changed from time to time by GASB or its successor, which statements shall not be audited, except, however, that if and when audited financial statements are
otherwise prepared and available to the District they will be provided; (ii) a statement of authorized, issued and outstanding bonded debt secured by the Net Revenue of the System; (iii) parity lien debt service coverage ratios; and (iv) general customer statistics for the System.

(ii) Shall be available from the District Manager of the District, whose current address and telephone number are identified in the final official statement for the Bonds.

(c) Amendment of Undertaking. The 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, NRMSIR, the SID or the MSRB, under the circumstances and in the manner permitted by the Rule.

The District will give notice to each NRMSIR or the MSRB, and the SID, 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. The Undertaking evidenced by this section shall inure to the benefit of the District and any holder of Bonds, 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 those provisions of the Rule which 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 nationally recognized bond counsel or other counsel familiar with federal securities laws delivered to the District, and the District provides timely notice of such termination to each NRMSIR or the MSRB and the SID.

(f) Remedy for Failure to Comply with Undertaking. As soon as practicable after the District learns of any failure to comply with the 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 the Undertaking shall constitute a default in respect of the Bonds. The sole remedy of any holder of a Bond shall be to take such actions as that holder deems necessary, including seeking an order of specific performance from an appropriate court, to compel the District or other obligated person to comply with the Undertaking.

(g) Designation of Official Responsible to Administer Undertaking. The District Manager of the District (or such other officer of the District who may
in the future perform the duties of the District Manager) or his or her designee is authorized and directed in his or her discretion to take such further actions as may be necessary, appropriate or convenient to carry out the Undertaking of the District in respect of the Bonds set forth in this section and in accordance with the Rule, including, without limitation, the following actions:

(i) Preparing, filing and/or making available the annual financial information undertaken to be provided;

(ii) Determining whether any event specified in subsection (a) of this section has occurred, assessing its materiality with respect to the Bonds, and, if material, preparing and disseminating notice of its occurrence;

(iii) Determining whether any person other than the District is an “obligated person” within the meaning of the Rule with respect to the Bonds, and obtaining from such person an undertaking to provide any annual financial information and notice of material events for that person in accordance with the Rule;

(iv) Determining and monitoring the aggregate amount of outstanding municipal securities of the District and of any other obligated person for purposes of the qualification of the District and any other obligated person for the limited exemption from paragraph (b)(5) of the Rule;

(v) Selecting, engaging and compensating designated agents and consultants, including but not limited to financial advisors and legal counsel, to assist and advise the District in carrying out the Undertaking; and
(vi) Effecting any necessary amendment of the Undertaking.

ADOPTED by the Commission of Public Utility District No. 1 of Jefferson County, Washington, at a special open public meeting, of which due notice was given as provided by law this 31st day of March, 1999.

__________________________
President and Commissioner

__________________________
Commissioner

__________________________
Secretary and Commissioner
I, ROBERT A. KRUTENAT, Secretary of the Commission of Public Utility District No. 1 of Jefferson County, Washington, certify that the attached copy of Resolution No. 99-489 is a true and correct copy of the original resolution adopted on the 31st day of March, 1999, as that resolution appears on the Minute Book of the District.

DATED this 31st day of March, 1999.

[Signature]

ROBERT A. KRUTENAT
Secretary and Commissioner